

**TITAN INDUSTRIES**



**22<sup>nd</sup> Annual Report**  
2005-2006



TITAN

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

**Board of Directors**

**Shaktikanta Das** (Chairman) (from 5th June, 2006)

**D. Rajendran** (Chairman) (upto 5th June, 2006)

**Bhaskar Bhat** (Managing Director)

**Farrokh Kavarana**

**Ishaat Hussain**

**N. N. Tata**

**S. Ramasundaram** (from 5th June, 2006)

**S. Susai**

**T. S. Surendranath** (from 26th June, 2006)

**T. K. Balaji**

**C. G. Krishnadas Nair**

**A. C. Mukherji**

**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**

TSR Darashaw Ltd.

(formerly Tata Share Registry Limited)

Unit: Titan Industries Limited

Army & Navy Building

148, Mahatma Gandhi Road

Mumbai 400 001

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

## Titan Industries Limited

### Notice

The Twenty-second 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 Monday, 21st August, 2006 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, 2006 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. Shaktikanta Das who was appointed as an Additional Director by the Board of Directors with effect from 5th June, 2006 and who holds office up to 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, but who is 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. S. Ramasundaram who was appointed as an Additional Director by the Board of Directors with effect from 5th June, 2006 and who holds office up to 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, but who is 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. T. S. Surendranath who was appointed as an Additional Director by the Board of Directors with effect from 26th June, 2006 and who holds office up to 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, but who is 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 the following resolution as an Ordinary Resolution:  
"RESOLVED that in partial modification of Resolution No.10 passed at the Annual General Meeting of the Company held on 31st August, 2004, and in accordance with the provisions of Sections 198, 269, 309,310 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII of the Act, 1956 the Company hereby approves of the revision in the perquisites and allowances payable to Mr. Bhaskar Bhat, Managing Director, (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with effect from 1st April, 2006 for the remaining tenure of his contract upto 31st March, 2007."  
"RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."
- 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 hereby are re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, to audit the accounts of the Company for the financial year 2006-07, including audit of Cash Flow Statements, on a remuneration of Rs. 40,00,000 /- 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 are annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED

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BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING. A PROXY MAY NOT VOTE EXCEPT ON A POLL.

- c) Members are requested to inform the Company's Registrars and Share Transfer Agents viz., TSR Darashaw Ltd. (formerly Tata Share Registry Ltd.), 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, 8th August, 2006 up to Monday, 21st August, 2006, both days inclusive.
- e) Members may please note that pursuant to Section 205C of the Companies Act, 1956 all unclaimed/unpaid dividends up to the financial year ended 31st March, 1998, 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 as recommended by the Directors, if declared at the Annual General Meeting, will be paid within the statutory period of 30 days to those members whose name appear on the Register of Members of the Company as on 21st August, 2006. In respect of shares held in electronic form, dividend will be paid to the beneficial holders as per the beneficiary list as on 7th August, 2006, provided by the National Securities and Depository Limited and Central Depository Services (India) Limited.
- 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 form is enclosed as part of the Annual Report.
- h) The equity shares of the Company are listed at the following Stock Exchanges in India:

National Stock Exchange of India Ltd.

Exchange Plaza,  
Bandra-Kurla Complex,  
Bandra (East), Mumbai 400 051

Bombay Stock Exchange Ltd.,  
25, 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

The Company has paid the annual listing fees to each of the above Stock Exchanges for the financial year 2006-07.

- i) 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.
- j) For the convenience of Members, the Company will provide a coach service from Bangalore on the day of the Meeting. The coaches will leave for Hosur at 2 p.m. from Golden Palm Station (Old BRV Theatre), Cubbon Road, Bangalore, and will bring the Members back to Bangalore after the Meeting.

By Order of the Board of Directors

Usha Iyengar  
Company Secretary

Registered Office:  
3, SIPCOT Industrial Complex  
Hosur 635 126  
17th July, 2006

## 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 17th July, 2006.

#### Item No. 7:

Mr. Shaktikanta Das was appointed as an Additional Director of the Company by the Board of Directors with effect from 5th June, 2006. In terms of Section 260 of the Companies Act, 1956, Mr. Shaktikanta Das holds office as a Director till the date of the ensuing Annual General Meeting of the Company, but is eligible for appointment. Notice in writing has been received from a Shareholder of the Company signifying their intention in proposing Mr. Shaktikanta Das a candidate for the office of Director.

Mr. Shaktikanta Das is the Secretary to the Government of Tamilnadu, Industries Department, and a nominee 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. Shaktikanta Das and accordingly the Directors recommend that he be appointed as a Director of the Company.

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

#### Item No. 8:

Mr. S. Ramasundaram was appointed as an Additional Director of the Company by the Board of Directors with effect from 5th June, 2006. In terms of Section 260 of the Companies Act, 1956, Mr. S. Ramasundaram holds office as a Director till the date of the ensuing Annual General Meeting of the Company, but is eligible for appointment. Notice in writing has been received from a Shareholder of the Company signifying their intention in proposing Mr. S. Ramasundaram as a candidate for the office of Director.

Mr. S. Ramasundaram is the Chairman and Managing Director of Tamilnadu Industrial Development Corporation Ltd., the co-promoter of the Company.

The Board considers it desirable that the Company continues to avail of the services and wise counsel of Mr. S. Ramasundaram and accordingly the Directors recommend that he be appointed as a Director of the Company. Other than Mr. S. Ramasundaram, none of the other Directors, are in any way, concerned or interested in this resolution.

#### Item No. 9:

Mr. T. S. Surendranath was appointed as an Additional Director of the Company by the Board of Directors with effect from 26th June, 2006. In terms of Section 260 of the Companies Act, 1956, Mr. T. S. Surendranath holds office as a Director till the date of the ensuing Annual General Meeting of the Company, but is eligible for appointment. Notice in writing has been received from a Shareholder of the Company signifying their intention in proposing Mr. T. S. Surendranath as a candidate for the office of Director.

Mr. T. S. Surendranath is the Deputy General Manager – Finance 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. T. S. Surendranath and accordingly the Directors recommend that he be appointed as a Director of the Company.

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

#### Item No. 10:

At the Annual General Meeting of the Company held on 31st September, 2004, the Shareholders had approved the upward revision from 125% to 140% of the annual salary as perquisites of Mr. Bhaskar Bhat, Managing Director.

In order to give flexibility to the Board of Directors to decide upon the benefits, perquisites and allowances to be granted to Managing/Whole-time Directors from time to time, within the overall ceiling prescribed under the Companies Act, 1956 it is proposed to revise the terms of remuneration relating to perquisites and allowances of Mr. Bhaskar Bhat, Managing Director with effect from 1st April, 2006. The Board of Directors at their meeting held on 26th June, 2006, have, pursuant to the recommendation of the Remuneration Committee, approved of the aforesaid proposal, subject to the approval of the Members. All the other terms and conditions of the appointment and remuneration of Mr. Bhaskar Bhat would remain unchanged. The existing components of remuneration such as salary, incentive remuneration and commission along with the revised clause relating to benefits, perquisites and allowances are as set out below:

#### Remuneration

##### (a) Salary

Upto a maximum of Rs. 2,50,000 per month, with authority to the Board or a Committee thereof, to fix the salary within the said maximum amount from time to time. The annual increments which will be effective 1st April each year, will be decided by the Board or a Committee thereof and will be merit based and take into account the Company's performance.

**(b) Perquisites**

- (1) In addition to the salary, Mr. Bhaskar Bhat shall be entitled to perquisites such as
  - i. Furnished accommodation, with expenditure on gas, electricity, water and maintenance and repairs thereof or, House Rent Allowance and house maintenance allowance with expenditure on gas, electricity, water and furnishings
  - ii. Leave Travel Allowance for self and family
  - iii. Medical expenses and Medical Insurance for self and family
  - iv. Personal Accident Insurance
  - v. Club Fee

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

- (2) Company maintained Car with Driver for official and personal use.
- (3) Telecommunication facilities at residence.
- (4) Contribution to Provident Fund, Superannuation Fund/Annuity Fund and Gratuity as per the rules of the Company.
- (5) Leave and encashment of unavailed leave as per the rules of the Company.

**(c) Commission**

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

**(d) Minimum Remuneration**

Notwithstanding anything to the contrary contained herein, where in any financial year, during the currency of the tenure of the Mr. Bhaskar Bhat, the Company has no profits or its profits are inadequate, the Company will pay salary and perquisites and allowances as specified above to Mr. Bhat as minimum remuneration.

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

In compliance with the provisions of the Sections 309 and 310 read with Schedule XIII with the Act, the revised terms of remuneration of Mr. Bhaskar Bhat are now being placed before the Members' General Meeting for their approval. The Board recommends the resolutions for acceptance by the members.

Mr. Bhaskar Bhat is concerned or interested in the variation of the terms of his appointment as mentioned above.

**Item No. 11:**

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

Accordingly it is proposed to reappoint M/s. A. F. Ferguson & Co. as auditors of the Company for the financial year 2006-07 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  
17th July, 2006

## TITAN INDUSTRIES

Twenty-second annual report 2005-2006

## 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	Date of Birth	Date of appointment	Expertise in specific functional areas	Qualifications	Shareholdings	List of Public Companies in which outside Directorships held on 31st March, 2006
Mr. Tirumala Kumar Balaji	12-07-1948	01-03-1986	Industrialist with rich business experience	B.E.	18850	India Nippon Electricals Ltd. Lucas TVS Ltd. Lucas Indian Services Ltd. Delphi – TVS Diesel Systems Ltd. T.V. Sundaram Iyengar & Sons Ltd. TVS Lean Logistics Ltd. Sundaram Clayton Ltd. TVS Motor Company Ltd. TVS Electronics Ltd. Apollo Hospitals Enterprise Ltd. Pricol Ltd.
Mr. Arun Charan Mukherji	10-12-1925	01-03-1986	Rich experience in the field of finance and risk management	M.A.	1870	Kritoskar Pneumatic Co. Ltd. Sahara India Life Insurance Co. Ltd. Birla VXL Ltd. Aekta Ltd. TVS Lean Logistics Ltd. Asiatic Oxygen Ltd. U.T. Ltd. NPR Finance Ltd. TVS Electronics Ltd. VXL Technologies Ltd.
Dr. C. G. Krishnadas Nair	17-08-1941	02-05-2002	Rich experience covering academia, R&D and industry. Retired as Chairman & CEO of Hindustan Aeronautical Limited	B.E (Metallurgy), M.Sc., Engg. Ph.D. Engg	NIL	TATA Advanced Materials Ltd.
Mr. Shaktikanta Das	26-02-1957	05-06-2006	Overall rich managerial and administrative capability. Presently Secretary to Government of Tamilnadu, Industrial Department	MA, IAS	NIL	Tamilnadu Petroproducts Ltd.
Mr. S. Ramasundaram	02-04-1954	05-06-2006	Overall rich managerial and administrative capability. Presently Chairman and Managing Director, Tamilnadu Industrial Development Corporation Limited	MSc. (Chem), MS(Applied Demography), USC Los Angeles USA, IAS	NIL	Tamilnadu Industrial Development Corporation Ltd. TIDEL Park Ltd.
Mr. T. S. Surendranath	01-12-1951	26-06-2006	Rich experience of 27 years in, Project Finance Financial Management and Accounts	B.Com, ACA	NIL	Kanur Yarn Links Ltd. Rama Qualitec Ltd. JK Pharmachem Ltd. Lactochem Ltd. Automotive Coaches & Components Ltd. TIDEL Park Ltd.
<b>Chairman/Member of the Committee of the Board of Public Companies on which he/she is a Director as on 31st March, 2006</b>	<b>Audit Committee</b>	<b>Audit Committee</b>	<b>Audit Committee</b>	<b>Audit Committee</b>	<b>Audit Committee</b>	<b>Audit Committee</b>
TVS Motor Company Ltd. - Member Sundaram Clayton Ltd. - Member Titan Industries Ltd. - Member	Titan Industries Limited - Chairman Kritoskar Pneumatic Co. Ltd. - Chairman Birla VXL Ltd. - Chairman	Titan Industries Ltd. - Member	Titan Industries Ltd. - Member	Titan Industries Ltd. - Member	Titan Industries Ltd. - Member	JK Pharmachem Ltd. - Member Automotive Coaches & Components Ltd. - Member
<b>Investor Grievance Committee</b>	<b>Investor Grievance Committee</b>	<b>Shareholders' Grievance Committee</b>	<b>Shareholders' Grievance Committee</b>	<b>Shareholders' Grievance Committee</b>	<b>Shareholders' Grievance Committee</b>	<b>Shareholders' Grievance Committee</b>
TVS Electronics Ltd. - Member Sundaram Clayton Ltd. - Member India Nippon Electricals Ltd. - Chairman	Birla VXL Ltd. - Chairman Asiatic Oxygen Ltd. - Member	Titan Industries Ltd. - Member	Titan Industries Ltd. - Member	Titan Industries Ltd. - Member	JK Pharmachem Ltd. - Member	JK Pharmachem Ltd. - Member
<b>Remuneration Committee</b>	<b>Remuneration Committee</b>	<b>Remuneration Committee</b>	<b>Remuneration Committee</b>	<b>Remuneration Committee</b>	<b>Remuneration Committee</b>	<b>Remuneration Committee</b>
Titan Industries Ltd. - Chairman	U.T. Ltd. - Member Birla VXL Ltd. - Member Sahara India Life Insurance Co. Ltd. - Member					



## Directors' Report

### To the Members of Titan Industries Limited

The Directors are pleased to present the Twenty second Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2006:

#### Financial Results

	Rs. in crores	
	<b>2005-2006</b>	2004-2005
Net Income .....	<b>1442.61</b>	1099.44
Expenditure .....	<b>1286.23</b>	981.55
Gross profit .....	<b>156.38</b>	117.89
Interest .....	<b>24.84</b>	30.92
Cash operating profit .....	<b>131.54</b>	86.97
Depreciation .....	<b>19.66</b>	19.61
Operating profit before exceptional items .....	<b>111.88</b>	67.36
Exceptional items :		
Provision for diminution in value of investments .....	-	2.44
Provision for doubtful loans and advances .....	<b>25.00</b>	32.56
Profit before taxes .....	<b>86.88</b>	32.36
Income taxes- Current .....	<b>14.89</b>	10.83
- Deferred .....	<b>(5.57)</b>	(5.82)
- Fringe Benefit Tax .....	<b>3.01</b>	-
Profit after taxes for the year .....	<b>74.55</b>	27.35
Less : Income tax of earlier years .....	<b>0.93</b>	2.40
Net Profit .....	<b>73.62</b>	24.95
Profit brought forward .....	<b>29.62</b>	19.56
Amount available for appropriation .....	<b>103.24</b>	44.51
Appropriations :		
Dividend paid on preference shares .....	<b>2.72</b>	2.81
Proposed dividend on equity shares .....	<b>13.32</b>	8.46
Tax on dividends .....	<b>2.25</b>	1.56
Transfer to general reserve .....	<b>7.45</b>	2.05
	<b>25.74</b>	14.88
Balance carried forward .....	<b>77.50</b>	29.63

The financial year 2005-06 was the best ever performance by the Company with sales growth of 30% and Profit after taxes going up by almost three times.

Both the Time Products Division and the Jewellery Division did well, enabling the Company to achieve a sales turnover of Rs. 1481.37 crores, up by 30% from Rs. 1134.66 crores in 2004-05. Profit after taxes grew almost three times from Rs. 24.95 crores in the previous year to Rs. 73.62 crores.

The Watch segment grew by 14.8% to a sales income of Rs. 654.83 crores, while Jewellery sales went up by 48% to Rs. 791.31 crores. Sales of other products, including Accessories and Precision Engineering components, rose by 17.8% to Rs. 37.01 crores. Despite the high growth in the businesses, the Company was able to keep the capital employed at the same level as last year.

The Company continues to invest in brand building and advertising, and these outlays crossed Rs. 101 crores in 2005-06, up from Rs. 77 crores the year before. All the brands of the Company are doing exceedingly well. Both TITAN and TANISHQ grew at faster rates than in the previous year, and the initiatives with a focus on youth through FASTRACK as well as on the mass market with SONATA have been successful. February 2006 saw the introduction of the high-end Swiss brand XYLYS.

## **Titan Industries Limited**

While the Company had provided for its accumulated losses in Europe, further provisioning to the extent of Rs. 25 crores has been considered in respect of certain loans and advances to its overseas subsidiaries/associates towards slow inventories held by these associates and operating loss for the year. This provisioning has been shown as an exceptional item in the Company's accounts. The Company has initiated various steps in restructuring its overseas companies and this exercise is expected to be completed in a year's time.

Despite the growth of 30% in the turnover, the Company was able to reduce borrowings once again from Rs. 318 crores to Rs. 268 crores. This has enabled the Company to improve its debt : equity ratio to 1.15 as compared to 1.80 in the previous year.

### **Dividend**

The Company has issued cumulative preference shares of a total value of Rs.40 crores at various rates of dividend from 6% to 8%. The terms and conditions for payment of preference dividend also vary. During the year ended 31st March, 2006, interim dividend on preference shares amounting to Rs.2.72 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. 70.52 crores (Rs. 21.76 crores in the previous year). The Directors recommend a dividend on equity shares of Rs. 3.00 per equity share (30%) which results in an outflow of Rs.15.19 crores (inclusive of dividend tax of Rs. 1.87 crores) and a consequent accretion to reserves of Rs. 55.33 crores (previous year accretion: Rs. 12.12 crores).

### **Finance**

During the year under review, the Company redeemed preference shares aggregating Rs. 20.60 crores which carried an average dividend rate of 6.67% and raised an equivalent amount of Rs. 20.60 crores by way of private placement of preference shares at an average dividend rate of 6.00%.

The Company raised a total of Rs. 335.83 crores from borrowings, of which Rs.167.48 crores were from Commercial banks and the balance of Rs.168.35 crores from other sources. Borrowings of Rs. 386.09 crores were repaid during the year. Rs. 45.13 crores was incurred as capital expenditure in respect of Precision Engineering Division, internationalization and expansion programmes.

The average cost of borrowings for the year was 8.21% as against 9.14% in the previous year. At present, the average cost of borrowings is 7.42%.

As on 31st March, 2006, the Company held fixed deposits of Rs.10.84 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs. 0.21 crore.

During the year under review, the Company made payments aggregating to Rs. 221.45 crores by way of central, state and local taxes and duties as against Rs.184.17 crores in the previous year.

### **Rights Issue**

During the year, for the first time since 1992, the Company made a Rights Issue to the existing shareholders, comprising of 21,13,813 Partly Convertible Debentures (PCD's) of Rs. 600 each aggregating to Rs. 126.83 crores, in the ratio of one PCD for twenty equity shares held on the Record Date, i.e., 6th March 2006.

The Rights Issue opened on 25th March, 2006 and closed on 24th April, 2006. The Issue was oversubscribed by about 1.2 times.

The Rights Issue Committee of the Board approved the allotment of securities on 12th May 2006 as per the basis of allotment approved by the Stock Exchanges. The Company has completed the process of allotment of securities by crediting the respective beneficiary accounts of the Shareholders through NSDL/CDSL and by dispatch of physical share/debenture certificates to those shareholders who had so opted. The Equity Shares and the 6.75% Non-Convertible Debentures comprised in the PCDs have since been listed in the stock exchanges. The Company is grateful to the shareholders for their participation in the Rights Issue.

The infusion of equity will help the Company support its ambitious growth plan and profitability improvement strategy, besides keeping the debt financing at optimum levels.

One of the objectives of the Rights Issue was to facilitate the redemption of the preference shares, aggregating to Rs. 40 crores, and this was completed during May 2006.

### **Subsidiaries**

The Company has four subsidiaries, viz. two direct wholly-owned subsidiaries, Titan TimeProducts Ltd. and Titan International Holdings BV, Amsterdam (TIHBV) and two other subsidiaries, viz. Titan Brand Holdings NV, Curacao (TBHNV) and Titan Watch Company Ltd., Hongkong (TWCL). Titan Brand Holdings NV is a direct subsidiary but not wholly-owned and TWCL is a deemed subsidiary as it is a subsidiary of TIHBV.

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Titan Timeproducts Ltd. sold 64.66 lakh Electronic Circuit Boards during the year and made a net profit of Rs. 52.17 lakhs. Its products continue to be of an exceptionally high quality and are produced at reasonable costs, comparable with international prices.

Both TIHBV and TBHNV made a small profit during the year. No dividend has been declared. TWC continues to be inactive and had no income or expenses, and this situation will continue as the Company has directly opened a sourcing office in Hongkong.

As per Section 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. The statement under Section 212 (1)(e) of the Companies Act, 1956, is annexed together with the Annual Accounts of the Company.

### **International Operations**

The Company achieved an export turnover of Rs.88 crores during the year.

Titan International (Middle East) FZE (TIME), the associate company which markets our products in the Middle East and Africa, achieved a turnover of US\$ 12.67 million in 2005-06 and a profit of US\$ 0.35 million. TIME is a market leader in several countries in the Middle East, having built the TITAN brand to a leadership position in many of the territories where it operates. With the introduction of exclusive international watch collections designed to grab share from competition combined with the opening of Titan showrooms across the Middle East, Titan was able to position itself as number one brand in its category both in Oman and Bahrain and be amongst the top players in other core markets. Titan was also recognized as one of the top lifestyle brands by Business Today – Middle East.

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd. (TAPL), the associate company in Singapore, looks after sales and marketing in the Asia-Pacific and SAARC countries. The year 2005-06 saw sales at SGD 10.15 million, with a profit of SGD 0.05 million.

Titan International Marketing Ltd. (TIML) in London, had a difficult year and made an operating loss of GBP 0.36 million for the year 2005, which was higher than the loss of GBP 0.29 million in 2004. The strategy of restricting operations to contain costs does not appear to be succeeding, and TIML has now posted losses continuously for over ten years. Its Directors will be meeting soon to review the options before that company.

### **Associate Companies**

Samrat Holdings Ltd. (the erstwhile RDI Print & Publishing Ltd.) made a profit after taxes of Rs. 6.03 crores for the year. It declared and paid an interim dividend of 200% in February 2006.

For the past three years, Titan Properties Ltd. has been working on a proposal to dispose of its property in Bangalore, and during the year, it entered into an Agreement for Sale of the Bangalore property and final conveyance is expected to take place shortly. As a result, Titan Properties has repaid Rs. 20 crores out of the advance originally provided to it by the Company. No dividend has been declared.

Questar Investments Ltd. made a small loss of Rs. 33,887 in 2005-06, but declared and paid on interim dividend of 10% in March 2006. Titan Holdings Ltd made a profit of Rs. 19.80 lakhs but had to draw on its general reserve in order to pay preference dividend of Rs. 39.42 lakhs for the year. Titan Mechatronics Ltd. made a small profit of Rs. 36,737 and has not declared a dividend.

### **Consolidated Financial Statements**

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

### **Outlook for 2006-07**

The Company's on-going initiatives to improve its operations have already started yielding results, with an all time high profit recorded by the Company in the year 2005-06. During the current year, the domestic watch division is pursuing aggressive growth in the main stream brands viz; Titan, Sonata and Fastrack, while adding turnover through new initiatives like Xylys, Sunglasses and licenced brands.

The Jewellery division has set itself a very ambitious growth target, through various key initiatives including strengthening the merchandising mix for wedding and high value jewellery, launching of new studded collections and localising the marketing efforts significantly.

The year 2005-06 saw the formation of the International Business Division for an unified approach to building market presence across diverse geographies. This division will continue its efforts to create impact in the market place through retailing initiatives and creation of new exclusive products for international markets.

## **Titan Industries Limited**

The Precision Engineering Division of the Company is poised to improve its performance and a number of initiatives are being identified to put this business on a profitable growth path.

The Company's continued focus to drive business excellence together with the various initiatives planned by the Company should help the company to accelerate both growth and profitability in the current year.

### **Social Responsibility**

Titan Industries recognizes the community as an important stakeholder in our business and believes in 'sustainability' as a core parameter of its business strategy. Your Company has a clearly articulated CSR policy (including Environment) and the interaction with the community continues at 3 levels.

At the Group level, it works closely with the Tata Council for Community Initiatives (TCCI) and other Group companies with whom reaching out to the community manifests itself by way of support programs for specific projects e.g. Parihar, Shristi Special Academy and Children's Movement for Civic Awareness etc.

At the Company level, the CSR strategy reflects an integration with its business strategy as is evident from some of the major initiatives below:

- Expansion of Meadow Women's Empowerment project, developing them as key vendors.
- The Titan Vision improvement programme - prevention as well as care.
- The Karigar Park/Tanishq Social Entrepreneurship program, making exquisite jewellery.
- Enabling the physically challenged in Hosur and Dehradun conforming to the National Disability Act.
- Education through the Titan School which is now CBSE affiliated and supporting the Government School, Jeevan Bhimanagar in Bangalore as well as through the Titan Scholarship programme in Hosur.
- Building a sustainable community by expanding the Titan Township.
- Partnering several NGOs like CRY, Kesava Trust, George Foundation.
- Significantly, the CSR process is being cascaded to other departments of the Company. For the second year running the Great Titan Run was held, this time in Hosur with the proceeds going to deserving NGOs.

At the individual level, the spirit of volunteering is encouraged and the Company has an army of over 200 volunteers and their activities encompass Orphanage support, Aids Awareness Camps, Village Adoption and Career Counselling.

On the Environment front the Company clearly aims to go beyond compliance.

The Company's products and services have very little or marginal impact on the environment and it adheres to all related legal and statutory requirements. The Company is also extremely conscious of environmental issues and its environment control results are continuously monitored for compliance.

The Company's Watches, Jewellery and Precision Engineering Divisions are certified under ISO 14000:2004 Environment Management System Standards and under ISO 9001: 2000 Quality Management Systems Standards.

Titan Industries is a signatory to the Global Compact and is committed to the implementation of all its 10 principles.

The Company is also guided by the Global Reporting Initiatives and prepares its Sustainability Report.

### **Awards and Recognition**

Awards are an indication of an outside perception of the Company and its brands and a corroboration of the Company's drive towards excellence. During the year:

- Both Titan and Tanishq continued to be voted as most admired brands as well as the Retailer of the Year Awards.
- Brand Titan won the Brand Leadership Award at the India Brand Summit as well as the Effie Gold Award.
- Dehradun factory got the State Award for Outstanding Employer of the Handicapped.
- The highest (Platinum) Award from the Readers' Digest as the Most Trusted Brand went to Titan.
- Kaizen Awards for Quality.
- Watch Manufacturing got the Golden Peacock Award for Environment Management.

### **Government Policy**

It is a matter of concern that more than 50% of the Watch Market continues to be serviced by the unorganised sector which is rampant with smuggled and counterfeit watches. The existing high levels of Excise duty together with state level taxes are resulting in the growth of the unorganised sector, posing a threat to the entire Industry.

Your Company's representation for an upward revision in abatement rates has now been referred to a high powered Committee and it is hoped that the justified plea of the Watch Industry to take into account an increase in the cost of sales/post manufacturing expenses, leading to an upward revision of abatements, is considered favourably.

The withdrawal of Excise duty as well as Income Tax exemptions from some of the areas of our operations in Dehradun, where it was previously exempted, is an unfortunate and disappointing development, which we are representing against at the highest level.

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The existing regulations for the export of jewellery allows re-importation back into the country within a maximum period of 180 days from the date of export. This time line is indeed unrealistic and we have urged the Government to consider extending this time limit to a period of one year.

While your company exports to over 30 countries as of now, it would like to include our neighbour Pakistan in that list because the customer potential appears to be very high. Currently however, watches (except the ones that are made with precious metal / stones) are not permitted to be imported from India and in this connection representations have been made both to our Government as well as to the Government of Pakistan, by our business associates there.

#### **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. Rameshram Mishra, IAS, Secretary to Industries Department, Government of Tamilnadu and nominee of TIDCO who was appointed as Chairman and Director with effect from 26th July, 2004 resigned on 18th October, 2005.

Mr. D. Rajendran, IAS, Secretary to Industries Department, Government of Tamilnadu and nominee of TIDCO who was appointed as Chairman and Director with effect from 18th October, 2005 resigned on 5th June, 2006. Mr. Shaktikanta Das, IAS, Secretary to Industries Department, Government of Tamilnadu and nominee of TIDCO, has been appointed as Chairman in his place with effect from 5th June, 2006.

The Directors wish to place on record their appreciation for the wise counsel and contribution by Mr. Rameshram Mishra and Mr. D. Rajendran during their tenures as Chairman of the Company.

Mr. S. Ramasundaram, IAS, Chairman & Managing Director of Tamilnadu Industrial Development Corporation Ltd. has been appointed as a nominee Director of TIDCO, on 5th June, 2006.

Mr. T. S. Surendranath Deputy General Manager - Finance, Tamilnadu Industrial Development Corporation Ltd. has been appointed as a nominee Director of TIDCO, on 26th June, 2006.

#### **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, shareholders, bankers, the watch trade, suppliers and customers, the press and, most importantly, employees.

#### **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.

#### **Annexures**

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

#### **Auditors**

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

On behalf of the Board of Directors,

Shaktikanta Das  
Chairman

Bangalore, 17th July, 2006

## Titan Industries Limited

### Annexure to the Directors' Report

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

#### CONSERVATION OF ENERGY

The Company has successfully implemented various energy conservation projects with state-of-the-art equipment and technology in the areas of Air Conditioning system, Compressed air system and Process cooling system at its watch manufacturing facility. This has resulted in energy savings of around Rs.0.80 crore per annum.

#### Green Power

Your Company is planning to consume 60% of its energy consumption at watch manufacturing facility through the renewable energy resources. Around 65 lakh units of energy will be sourced from the private wind farms and this project will be operational from July'06.

#### TECHNOLOGY ABSORPTION

##### Research and Development

The following R&D activities have been initiated during the year.

- Usage of surface mounted quartz crystal in Ultraslim Edge movement along with indigenization of step motor components will save more than Rs. 150 lakhs per annum in foreign exchange in the coming years.
- Launched pilot batch of in-house developed solar watches for Sonata brand.

##### Technology absorption, adaptation and innovation

The Company is in the process of establishing injection-moulding facility for the manufacturing of specific micro precision module components.

New process techniques established in the electro plating have resulted in reducing the nickel consumption in the plating process by more than 60%.

Cycle time reduction in the Laser marking process by more than 60% through modification of program logic.

The following automation and productivity improvement projects were developed for the watch manufacturing during the year:  
In-house design and development of:

- Semi automatic line for Caliber 5000 module assembly, to reduce the cycle time and to improve the quality.
- Automatic Casing Conveyor line with integrated water resistance testing equipment that helps reduction in process time.
- Auto Bar feeders for smaller diameter raw material (Less than 1 mm dia.) for P3 screw machines with unique hydro bar mechanism to improve quality levels.

The Company is in the process of eliminating the cleaning solvent – TCE, Trichloroethylene in its watch manufacturing process. Annual reduction of 20% is planned in the consumption pattern.

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

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

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

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

The Precision Engineering Division developed for its customers a series of high tech products involving latest technologies:

- Vision based on line inspection systems using fiber optic light beam.
- RFID based tracking of tools & stations.
- Integrated manufacturing solution for assembly of motors used in airconditioners.
- Progressive forming cum assembly of connectors used in Telecom Industry.

#### Foreign Exchange earnings and outgo

During the year under review, the Company earned Rs. 92.76 crores in foreign exchange and spent Rs. 213.24 crores (consisting of Rs.17.79 crores on capital imports and Rs.195.45 crores on the revenue account).

On behalf of the Board of Directors,  
Shaktikanta Das  
Chairman

Bangalore, 17th July, 2006

## 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, 2006

Name	Designation	Age	Gross Rs.	Net Rs.	Qualification	Experience (years)	Last employment held	Commencement of employment
Ahmed R *	General Manager - Case & Bracelet Plant	58	4,200,279	2,896,502	B.E.(Mech.)	36	HMT Ltd.	Aug-86
Bhat B	Managing Director	52	8,047,618	6,910,386	B.Tech., PGDM	27	Tata Press Ltd.	Jan-86
Dwarkanath B G	Chief Technology Officer & Sr. Vice President	58	3,408,264	2,145,096	B.E.	35	HMT Ltd.	Oct-85
Kailasanathan N	Chief Information Officer & Vice President	54	3,267,381	2,020,723	B.Sc., PGDSM, MFM, PGDSE	33	ABB Ltd.	Jul-99
Kapadia K F	Executive Vice President - Finance	56	4,639,077	2,870,527	B.A., PGDM	31	Tata Press Ltd.	Mar-92
Kurien B	Chief Operating Officer - Watches & Sr. Vice President	47	4,796,713	3,008,841	B.Sc., PGDBM	23	Hindustan Lever Ltd.	Aug-87
Ravi Kant S	Chief Operating Officer - Intl. Opns & Vice President	46	2,400,552	1,253,295	B.Sc., MBA	22	HCL Ltd.	Jun-88
Shantharam M S	Chief Manufacturing Officer -Operations & Sr. Vice President	57	3,425,339	2,047,832	B.E.(Mech.)	35	HMT Ltd.	Oct-85
Srinivasan C	Business Head - Sonata	50	2,412,245	1,527,635	B.Sc., PGDM	28	Berger Paints India Ltd.	Dec-87
Venkataraman C K	Chief Operating Officer - Jewellery & Exec. Vice President	45	2,870,574	1,804,587	B.Sc., PGDM	22	Mudra Communi- cations Ltd.	May-90

### 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.

For and on behalf of the Board of Directors,

Bangalore, 17th July, 2006

Shaktikanta Das  
Chairman

**Titan Industries Limited**

**Management Discussion and Analysis**

**The Economy – an overview:**

The world's largest democracy and free market continues to shine as well as smile in spite of occasional hiccups. The country's GDP has for the first time in the last ten years experienced a consistent average growth rate of 8% per annum. However the last time when it happened in the mid nineties, the investment rates were significantly lower, which projected a GDP growth rate of only 6 – 6.5%. This is the key driver of progress and it is crucial that investment rates are increased so as to sustain an annual GDP growth rate of 8%.

The scenario inspite of some ifs and buts, generally promises to be optimistic and is likely to lead to progressive reforms, reduction in tariffs, growing Foreign Direct Investment (FDI) and more importantly, a much needed thrust in infrastructure, and if all these fall into place, then the country's economy will be on a sustained high.

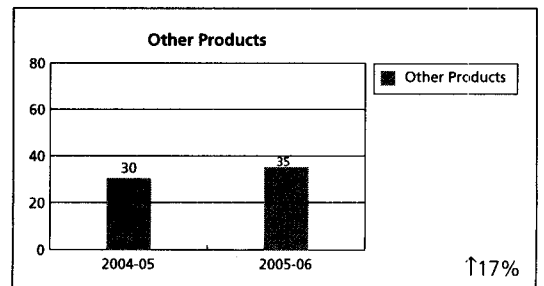
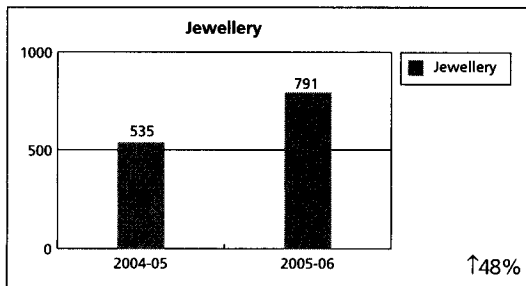
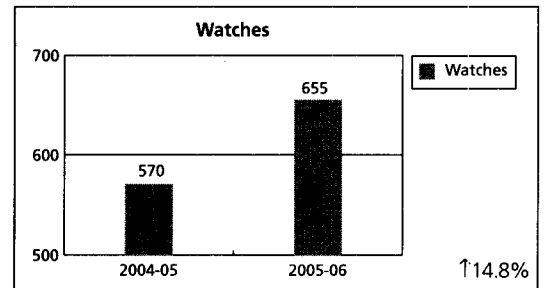
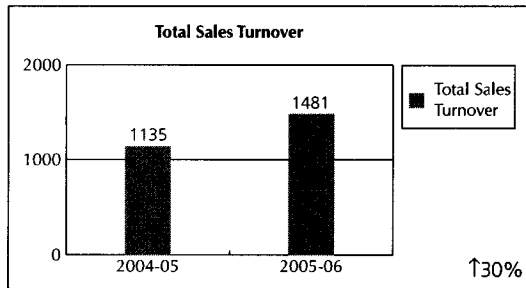
The risk factors that could spoil the party arise from the fact that India is no longer insulated against global influences. If interest rates in the US climb, leading to a slow down in the U.S. economy, the impact on Asia would be evident and so will the rising price of crude and unforeseen natural calamities adversely affect growth rates. In balance however, the development trajectory is high, and is likely to remain so.

The high growth trajectory will indeed have far reaching implications on the domestic market. Per capita incomes would rise; FDI would bring in a slew of global players, household consumption patterns would shift, organized retail would become more apparent and cars, durables, healthcare, education, branded goods would get a substantial boost. Telephone subscribers would exceed 250 million, and mobile telephony would experience a paradigm shift in features, influencing the lifestyle of the user. In other words, the domestic landscape of the Indian consumer market would undergo a dramatic change. The cautionary steps would be to safeguard the economy against growing inequalities of income and meet the requirements of infrastructure and real estate, which are important challenges to India's growth strategy.

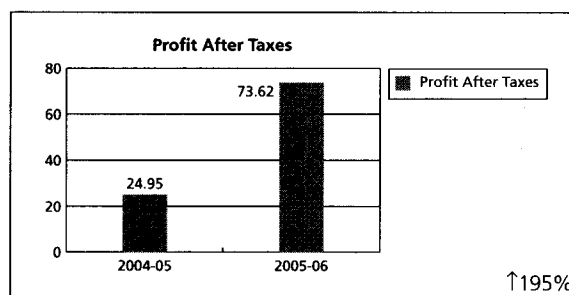
**Business Overview – best ever performance**

Titan Industries clocked its best ever performance in the year ended 31st March 2006 with a sales growth of 30% and nearly a threefold increase in profit after taxes.

**Rs. in Crores**





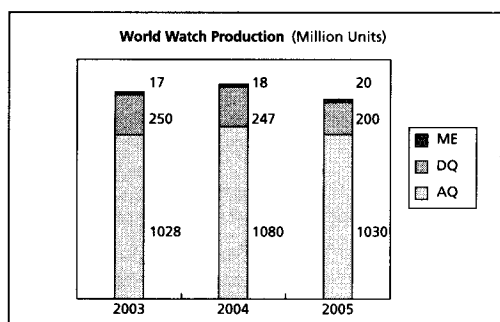


The overall performance of the Company also compares well with global players.

## TIME PRODUCTS

### Global Trends

As estimated by the Japanese Watch Industry, which accounts for almost 60% of the world's total watch production by volume, the pattern of the world watch production scenario has moved as follows:



(ME:Mechanical Quartz; DQ:Digital Quartz; AQ:Analog Quartz)

Japanese watch production (complete watches plus movements) decreased by about 2% in volume to 724 million units and 5% in value terms, when compared to the previous year. The growth rates of the Japanese giants Citizen and Seiko were single digit increases in the spectrum of 3 – 4%. In comparison, the Swatch Group grew by over 8% and has confidently set its eyes in expanding and consolidating its operations in China and India.

The platform for development of the Japanese players appears to be technology on the one hand and the convergence of aesthetics with mobile telephony on the other. The Swatch Group continues with its strategy of offering a portfolio of brands including several luxury brands, but the flagship brand – SWATCH remains positioned as 'a watch for the poor man as much as it is for kings and queens'.

### Brand Titan:

2005-06 was a superlative year for brand TITAN. It saw the most admired brand clock in a pacesetting 23% growth in topline over the previous year. This increase in sales reflected the retail sales growth seen in the World of Titan showrooms as well as multi-branded watch outlets. The dramatic growth was fuelled by sustained marketing campaigns throughout the year, which targeted specific needs of consumer segments, e.g. the Gold & Steel launch, the Fastrack re-launch and the Titan Wall Street and RAGA campaigns. During the year, a record 116 new products were launched in the Titan product portfolio.

The brand scaled new heights in imagery and customer satisfaction scores, leading to a growth in brand preference, loyalty as well as market share.

The later part of the year also saw the high profile launch of XYLYS, a new brand in the fast growing premium "Swiss Made" market segment. The brand was launched in Mumbai, Delhi, Bangalore and Hyderabad initially and will be rolled out to the remaining top 8 towns in the first half of 2006-07. This brand targets the growing breed of young, affluent, fashionable yet discerning consumers, who seek to make a sophisticated style statement by the watches they wear.

## **Titan Industries Limited**

### **Retailing Services Group:**

The year 2005-06 saw one of the bigger "internal" mergers, between the Retailing team and Customer Service. Christened as the Retailing Services Group, its objective is to have a specialized and integrated team, focused on retail strategy and operations for all brands of the Time Products Division.

The mission of the Retailing Services Group is *"To create dominant and profitable retail brands that are delightful and desirable shopping destinations in the fashion and lifestyle space in India"*

#### **Retailing:**

The year 2005-06 was a year of enhanced focus on Retailing and the premier retail chain, the World of Titan, grew to 180 stores across 106 cities with its turnover growing by 25 % in value over 2004-05.

Several customer delight initiatives and comprehensive research on consumer profiling, understanding and shopping behavior were initiated in 2005-06 and will be a continued focus in 2006-07.

The Titan Signet, the loyalty programme at the World of Titan showrooms, clocked a record 97200 enrollments in a single year, creating, retaining and maximizing customer relationships. Several promotions throughout the year ensured a healthy rate of repeat purchases.

The advent of the mall phenomenon is transforming the retailing landscape in India. Business Development within Retailing was given impetus and dedicated resources were added. An aggressive mall strategy was formulated, incorporating several parameters and approaches, resulting in specific retail formats to address existing and emerging consumer requirements. With close to 140000 sq ft reserved as the Company's exclusive retail space, accelerated expansion is on the anvil.

#### **Customer Service:**

The Service network is the largest in the watch industry in India. The current network of 648 service centres in 316 towns covers 86% of the watch sales population, providing service access to more than 3 million consumers. During the year 2005-06, the network has been further strengthened by adding 55 new service centres to provide better and faster service to the increasing Titan, Sonata and Fastrack watch population in the market. Over 80 % of the watches received for servicing are repaired and returned to customers within 30 minutes, which is a benchmark in the industry.

Initiatives included conducting Service Camps, expansion of 'Service on Net' for the transfer of data on service deliverables and advanced training for service personnel. These initiatives have resulted in an improvement of customer satisfaction scores.

#### **Sonata:**

Sonata within 8 years of its launch has grown to become simply, India's largest selling watch brand. The brand operates in the mass-market segment and has a collection of more than 600 models, ranging from Rs.395 to Rs.1295. It offers great designs, backed by the values of durability and affordability, making it a preferred brand among a large section of Indians.

The financial year ended on a high note, with the signing up of ace Indian cricketer Mahendra Singh Dhoni, who will be Sonata's brand ambassador for the next 2 years. Dhoni is a vibrant, unique achiever, symbolizing the values, which the brand stands for.

The brand during the year also saw the launch of an ambitious pilot called "Project Swades", addressing the enormous task of converting non-watch owners into watch users. A huge opportunity lies ahead, especially after considering the low penetration levels of the category at present. The pilot project aims to hasten this conversion by educating consumers about the need to manage time and make watches an indispensable part of their life.

The brand looks forward to an exciting year ahead, building on its past successes to take it forward to newer heights, aiming to be the first choice of Indians who are first time users, migrating upwards from the base of the pyramid.

#### **Accessories & Licensing:**

The year 2005-06 was an eventful year for the fledgling Accessories & Licensing SBU.

Besides recording 100% growth in its Sunglasses business under the Fastrack brand and making its licensed watch brand Tommy Hilfiger, amongst the top three fashion brands in terms of sales volumes across department stores and multi brand outlets, 2005-06 saw this SBU expand its scope to bring Fastrack watches under its umbrella.

The year saw a number of new initiatives to re-launch Fastrack watches including a new identity and logo, innovative products affordably priced between Rs. 500-2000 and a much talked about advertising campaign that sharply positioned the brand as a desirable youth brand.

With volumes and revenues doubling in both Watches and Sunglasses categories, brand Fastrack is poised for exciting growth in the coming years. Present across 140 towns, Fastrack is the only national youth brand in the country for personal accessories.

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The coming financial year will also see the launch of Sunglasses under the Titan brand name. This will be the first time that the Company will extend the Titan brand into a product category beyond watches.

### **Precision Engineering**

The Precision Engineering Division has progressed on the lines of a long-term plan developed with the help of the Tata Strategic Management Group. The engagement with global players during the previous years has been scaled up, which resulted in a higher order booking position for the year 2006-07, in the area of the discreet precision component market. The division has created a new infrastructure at the Bommasandra Industrial Estate, Bangalore and is poised to take full advantage of the long-term contracts that have been signed with customers, in the aerospace segment. The division has also qualified to be one of the few suppliers in India to have earned the coveted Q1 certification from Ford and has earned the preferred supplier status from its key customers thus paving the way for significant business growth.

### **Watch Manufacturing**

During the year under review, Watch manufacturing operations were closely aligned to market needs.

The Company's new watch Assembly Unit II was established at Dehradun, Uttranchal. The new facility with an assembly capacity of 5 million watches per annum, was commissioned during October 2005, in line with the Company's expansion plans. The unit is also availing the benefits of exemption in Excise Duty, as announced under the new industrial policy for the states of Uttranchal and Himachal Pradesh. The Company has implemented Advanced Planning and Optimizer software, to improve supply chain efficiencies.

### **Conservation, technology absorption and innovation**

The Company has successfully implemented various energy conservation projects with state of the art equipment and technology, in the areas of air conditioning systems, compressed air and process cooling systems, at its watch manufacturing facility. This has resulted in energy savings of around Rs.0.80 crore per annum.

The Company is planning to reduce the consumption of energy to 60% at its Watch Manufacturing facility in Hosur through renewable energy resources. Around 65 lakh units of energy will be sourced from the private wind farms and this project will be operational from July' 06.

Several initiatives are underway, including automation, aimed at reducing cycle times, improve and enhance productivity.

### **Environmental Statutory Compliance:**

The Company has taken significant steps e.g. Reverse Osmosis Systems for 100% recycling of effluents; establishing a secured land fill facility so as to comply with 'zero' discharge norms as per the Water Management and Pollution Control Act.

### **EMS – ISO 14001: 2004 Certification:**

The Company's Watch Manufacturing facilities at Hosur, Dehradun, as well as Jewellery Manufacturing and Precision Engineering divisions are certified for ISO 14001: 2004 version Environmental Management Standards.

### **Research and Development**

The Company's Research and Development is focused on producing indigenous components and in-house movements.

### **The Titan Design Studio**

The Design Studio today stands as a testimonial to the creative and innovative spirit of Titan Industries. A cross-disciplinary amalgam of some of the most respected and skilled minds from across the country, the studio caters to all the design needs of Titan, Fastrack, Sonata and Xylys. Year after year, the studio turns out award winning timepieces and eyewear that are a success with the critics as well as the consumers. This inherent appeal of our products is enhanced by a talented visual merchandising team that takes all projects through to impeccable implementation with help from our in-house technical team.

Moving from private collections to public domains, the Design Studio's Time-Scapes range of outdoor clocks are now veritable landmarks in most major metro cities of India.

Sharing the same adventurous spirit of Titan, the Design studio too, looks into the future with a will to conquer. Some day not too far away, it intends to become a synapse between everything that is creative and everything else that intends to be.

### **JEWELLERY**

यत्र स्वर्णेण आभूषणेण, सौन्दर्यः वर्धते।  
तत्र काँचनेन पूँजी वर्धते॥

*"The way gold ornaments enhance the beauty of a woman, the same way they add to the wealth of the family."*

## **Titan Industries Limited**

This ancient truth about Indian women and families imparts unique and dramatic appeal to precious jewellery in India, making it both an adornment and investment; individual and social; auspicious and fashionable; commodity-like yet very emotional at the same time. The inherent need of it in every Indian family has made it an over 70,000 crores industry today and still going strong.

### **Competition**

Jewellery is a very high involvement category and perhaps the only one where the seller is conferred upon the title of 'family' jeweller, thereby making him almost a member of the family. He has been around for generations and has grown from being a goldsmith to the owner of large bedecked showrooms today. The names and history of his patrons are still intact in his memory to service them as personally and intimately as his ancestors.

Another driver of the category is that it is culture specific, especially with respect to weddings. Weddings are the key drivers of commerce in this category making up for approximately 70% sales. The family jeweller usually belongs to the same community as his client, thereby providing the comfort of knowing the language, tradition and custom and serving the family appropriately. With over 4,000 communities and each community having its nuances in the kind of wedding jewellery they wear, the need for customization, product design and proliferations are far more complex than other businesses.

Competition for Tanishq not only comes from hundreds of these family jewellers across the country who are fast professionalizing but also from other branded national players attracted by the size of the opportunity. The challenge is as formidable as it is exciting.

### **New products and Category Management**

Being a national jeweller, over 6,000 new designs are introduced in a year to cater to the must-have jewellery, innovations in traditional jewellery and fashionable diamond jewellery.

Significant progress in the areas of category management, assortment planning and integrated supply chain has ensured a ROCE of 34%. Further, the implementation of ERP has also helped better inventory management by integrating various modules of business and accomplishing visibility of the entire range across various pockets.

### **Manufacturing**

The back-end of this category is far more disorganized than the front end. There are very few technical or vocational institutes to train craftsmen in jewellery. The craft is essentially passed on as a family tradition from father to son. Also, craftsmen in various parts of the country specialize in a specific kind of jewellery. No unit can produce all the relevant designs, even for one state in India. The manufacturing team has to go and scout the karigar base from across the country and align them to Tanishq purity and quality standards. The Tanishq design studio adds imagination to various crafts to launch fashionably traditional designs.

Tanishq karigar parks, housing over 300 craftsmen grew to 1400 kgs. production this year, growing 40% over last year. These karigars are located in Hosur, earning a steady income, working in safe conditions and with opportunities for developing their craft, ensuring that they evolve with changing times.

For diamond jewellery, the manufacturing team achieved 80% in-house productivity and initiated programs for skill and technology enhancement across levels.

### **Performance**

While Tanishq has imbibed some rules of the category, it has also established new rules in the game over the last ten years. Tanishq has introduced a promised quality of gold and diamonds in a market rampant with unethical practices; professional retailing through a national network in a disorganized bazaar; and fashion and style in a tradition bound category. Over the last ten years, the brand has consistently delivered 'real value' to its customers in product quality, retail experience and consumer aspiration.

The results are apparent in the division's performance.

The Jewellery Division's turnover grew at 48% over last year making it the biggest contributor in the Company's portfolio. 14 new stores were added this year and Tanishq is now present through 83 exclusive stores in 61 cities. The Division has earned an EBIT of Rs 46.37 crores, a growth of 81% over last year's EBIT. This growth was achieved, operating under the constraint of selective Excise Duty.

### **Moving to a new direction**

It is critical for a retail brand like Tanishq to appeal to the Indian woman emotionally and continue to personify her aspirations. The distinctive appeal of Tanishq lies in being a progressive brand which contemporises Indian tradition and heritage. 2005-06 was the first year of a journey in this new direction.

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The Division designed and promoted jewellery for the film 'Paheli', where it recreated designs using an ancient jewellery craft -Kundan. Three campaigns under the positioning, 'new tales of tradition' were launched this year, to emotionally connect with the Indian woman and endorse modern values in a traditional atmosphere. On the design excellence front, the Division designed stunning crowns and jewellery for the Miss India Pageant. Tanishq aspires to become the most desirable Indian jewellery brand and one of the most admirable Indian businesses.

#### **International Business Division**

To bring greater corporate focus on international operations for all businesses- watches, jewellery and other products, the newly formed International Business Division, consolidated its operations and functions from Bangalore. The year 2005-06 saw multi faceted growth in both watches and jewellery. The year also saw a new product category, Fastrack eye gear being launched as a test marketing exercise in Mauritius. The International Business Division will drive the Company's globalization efforts over the next few years with a sharp focus on country prioritization, appropriate market positioning and identification of profitable business opportunities across the globe for both its core businesses, watches and jewellery.

#### **Watches:**

Titan International (Middle East) FZE., Dubai, (TIME) which looks after the sales and marketing of our products in Middle East, Africa and the CIS countries, achieved a growth of 17% in sales volume of Titan watches. This was possible despite the uncertainty over Iraq developments throughout the year, mainly through retail expansion in core markets, initiating business in Russia and reviving business in Nigeria. The year saw a greater connect with the local population in the Middle East with a Pan Arab TV campaign. With the introduction of exclusive international collections to grab share from competition and the opening of Titan showrooms across the Middle East, Titan was able to position itself as the number one brand in its category both in Oman and Bahrain and be amongst the top players in other core markets. Titan was recognized as one of the top lifestyle brands by Business Today – Middle East. With a plan for a greater thrust through focus, differentiation and impact in the potential territories, the financial year 06-07 promises to be a good year.

Titan Watches and Jewellery International (Asia Pacific) Pte. Ltd., Singapore (TAPL), that looks after sales & marketing of our products in the SAARC and ASEAN countries, achieved a growth of 9% in sales volume of Titan watches. TAPL consolidated its position in all the SAARC countries that it operates in, with aggressive plans to make Titan the No.1 brand in Srilanka and Bangladesh. The thrust in ASEAN countries was to reach out to the local clientele through appropriate retail presence. TAPL consolidated its position in markets like Singapore and is revamping its position in Malaysia through the appointment of a new distributor. Market Research has been initiated in Thailand to develop a new strategy for this country with a view to create brand and retail impact.

#### **Jewellery:**

With an exclusive product offering to suit the tastes of the local consumers in overseas markets, backed by effective marketing strategies the Tanishq jewellery business grew 82% over 2004-05. TIME exited the business of unbranded plain gold jewelry in the Middle East, due to low margins. Tanishq presence was enhanced in Singapore and in the Middle East with over 50 points of sale. Tanishq studded jewellery was test marketed in the Middle East with encouraging results. The financial year 2006-07 will see the launch of studded jewellery in International markets with further expansion of retail presence across territories. Market entry strategy is being developed for the large American market and the Company is finalizing plans to enter the US market during 2006-07.

The Company is also exploring business opportunities in South America for both watches and jewellery.

#### **Human Resources**

Titan strongly believes that employees make the difference and it has been the Company's continuous endeavour to create an environment where people excel and feel a sense of achievement.

To support the growing and expanding businesses, talent acquisition at all levels has been a focus area of the Company in addition to building a team of future leaders through campus recruitment of Management Trainees and Graduate Engineer Trainees from premium institutions year on year.

To follow-through this process to the next stage, the Company developed a Talent Management process, enabled by an Assessment Centre. In addition, there are leadership and management development programmes to enhance managerial capability.

The Company has an established rewards and recognition programme for motivating employees and strengthening the communication process through various initiatives like house magazines, Open House meetings, family visits to manufacturing facilities, employee communication meets etc. These initiatives have made our Company a "great place to work in".

## **Titan Industries Limited**

The Company continues to benchmark its compensation with the market and the compensation revisions are made periodically. HR continues to lay great emphasis on capability building of employees, especially in front end retail and new businesses.

The Company conducts an Employee Satisfaction Survey once every two years and considers this feedback an important input for its HR policies. The scores have significantly improved on key parameters when compared to the previous survey.

As of 31st March 2006, the Company had 3171 employees on its rolls of which 2449 were in the factories, 241 in the corporate office and 481 in the regional offices.

The industrial relations scenario during the year has been cordial.

### **KNOWLEDGE AND BUSINESS EXCELLENCE MANAGEMENT**

The Company's endeavour towards driving excellence over the years has been reinforced with the formation of the KBEM (Knowledge and Business Excellence Management) team headed by the Company's Chief Information Officer.

This Group has defined its vision as:

***"Identify, incubate and institutionalize excellence in Business Processes to make Titan Industries a learning Organization"***

Excellence initiatives are well integrated into our businesses. Some of the major thrust areas focused by this team last year, included facilitating of the Annual Planning Process across divisions; implementing the Balanced Score Card for strategy deployment and improving and streamlining key business processes. The team is also implementing knowledge portals and 'Communities of Practice'.

Over the years, the Company has been pursuing the Tata Business Excellence Model, adopted by the Tata Group to drive business excellence, externally assessed every year. During the year 2005-06, Time Products Division achieved a score of 573, and Jewellery Division a score of 475 on a 1000-point scale.

During the current year, we are one of the first few Companies in the Tata Group to be assessed on processes and practices in Corporate Governance.

### **INNOVEDGE – in technology lies the key**

As Titan progresses in its journey towards achieving the Brand vision of becoming an "iconic brand for the happening Indian", it is evident that product innovation will play a very important role in the future.

The need for the future is driving "breakthrough" innovation. This has become even more important due to rapid changes taking place in other technologies like communications, digital electronics, radio technology etc. which will influence the way watches are designed produced and worn in future.

In order to bring in this focus, facilitate and promote such projects leading to innovative products, a separate facility, Innovedge has been set up at Titan. The objectives are largely based on the practices of successful companies in this space who are focused on promoting the concept of "Platform Development". These platforms would then be integrated into our products through the New Product Development process.

Innovedge is responsible for developing platforms in the following areas :

- ✓ Displays
- ✓ Integrating sensors in watches
- ✓ New material / processes / Methodologies
- ✓ Product forms / Ergonomics
- ✓ Power Management

Briefly, the group will concentrate on creating platforms integrating various technologies and help create products and services, which will play an important role in the lives of the consumer in the future.

Innovedge, in a short time span is already working on some 30 + projects in the areas of digital technology, communications technology, new displays and innovative ways of telling time.

### **HOW YOUR COMPANY FARED**

The Company achieved a growth of 30% in sales turnover and net profit after taxes was up by almost three times over the previous year.

The Company continued its efforts to bring down the interest costs through judicial borrowings and better working capital management, which has resulted in the reduction of interest outgo from Rs.30.92 crores in 2004-05 to Rs.24.84 crores in 2005-06.

Some of the key financial indicators of the Company are as under:

	2005-06	2004-05	2003-04
Sales to Net fixed assets ( No.of times)	7.56	6.49	5.40
Sales to Debtors (No.of times)	16.44	14.72	6.47
Sales to Inventory (No.of times)	3.96	4.18	5.84
Retained Earnings – Rupees in Crores	55.33	12.12	2.66
- % of Net Profit for the the year	75.2%	44.3%	23.1%
Operating Return on Capital Employed *	24.0%	16.8%	12.4%
Return on Capital Employed (EBIT)	19.5%	10.8%	8.3%
Return on Net Worth	42.8%	16.6%	6.0%

\* excluding extraordinary items

### SOME RISKS AND CONCERNS

In the watch industry, market saturation for the product category is a risk in the long term which is being addressed through brand extensions to other product categories such as sunglasses and other synergistic personal wear/ accessories. The grey market continues to be a threat for gaining market share in the watch segment. Possible technological obsolescence in the product category is a risk to reckon with, which is being dealt with by the Company by attempting to enrich watches functionally by adding more features.

The gold price volatility continues to be a risk factor as the volatility has increased in the recent past due to international demand/supply being affected by multifarious factors including the weakening/hardening of global currencies, interest rates and gold hoarding, as an investment option. The hedging techniques are being refined and upgraded to deal with, both the quantum of exposure and the increasing susceptibility to price volatility, in the form of availing a metal loan to the maximum extent possible and entering into derivative contracts for the balance exposure.

The competition risk exacerbated by a geo political risk in the Middle East and other politically sensitive markets could be a potential threat in the international watch segment.

The Precision Engineering Division is yet to stabilize and generate full year revenues which are in turn dependent on the pace of productionising the components /sub-assemblies in the aerospace and automotive segments. The Division's break-even and cash flow are being delayed due to intermediate stages ranging from development of toolings, approval of proto-types and productionising the orders on hand from captive customers. The lead time for catering to orders on hand has increased and is a risk in the near term to the extent of cost and time overruns in the execution of orders, resulting in delayed billings thus contributing to lower top-line than estimates.

The withdrawal of Excise duty as well as Income Tax exemptions from some of the areas of our operations in Dehradun, where it was previously exempted, is an unfortunate and disappointing development, which we are representing against at the highest level.

### INTERNAL CONTROLS

The twin ERP systems, SAP for watches and Oracle for Jewellery have stabilized and hence the assurance levels of adherence to policies, procedures and standard operating practices have increased. The Company has engaged the services of a leading audit firm M/s. KPMG, to assess the exposure to operating and financial reporting risks and recommend changes to the internal controls framework, both in design and deployment; so as to capture and reduce all possible risks in operations and financial reporting. The internal audit programme aims at reasonable reassurance of operating controls and continuously upgrading controls to meet requirements of the changing environment. The Audit Committee oversees the internal audit function and facilitates the management to take pre-emptive steps to minimize/eliminate exceptions based on the materiality of transactions.

### 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.

**Titan Industries Limited****Corporate Governance**

The report on Corporate Governance is pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and forms a part of the report of the Board of Directors. The revised Clause 49 of the Listing Agreement was to be complied with latest by December 31, 2005, the Company has complied with the applicable requirements of the revised Clause 49.

**A. MANDATORY REQUIREMENTS****CORPORATE GOVERNANCE PHILOSOPHY**

The Company believes that it must so govern its affairs as to optimise satisfaction amongst all its stakeholders, which includes its 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 capital market as an integral part of its corporate governance philosophy to be respected not just in the letter but, more importantly, in spirit. The Company realizes that it must disseminate information pertaining to its affairs so that all stakeholders may gain a true understanding of its activities and aspirations. The Company aims at attainment of the highest levels of transparency, accountability and equity in its operations.

**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, 2006, the Company had 9 Directors, comprising 8 Non-Executive Directors and 1 Executive Director.

The composition and category of directors as of March 31, 2006 is as follows:

<b>Category</b>	<b>Name of the Director</b>	<b>No. of Directors</b>
Nominee Directors of TIDCO (Promoters, Non-Executive, Not-Independent)	Mr. D. Rajendran <sup>1</sup> Mr. S. Susai	2
Nominee Directors of Tata Group (Promoters, Non-Executive, Not-Independent)	Mr. Ishaat Hussain Mr. F. K. Kavarana Mr. N. N. Tata	3
Promoter, Executive, Not-Independent	Mr. Bhaskar Bhat	1
Other Directors (Non-Executive, Independent)	Mr. A. C. Mukherji Mr. T. K. Balaji Dr. C. G. Krishnadas Nair	3
<b>Total</b>		<b>9</b>

<sup>1</sup> Mr. D. Rajendran was appointed as Chairman & Additional Director of the Company, nominee of TIDCO, with effect from 18.10.2005 in place of Mr. Rameshram Mishra who resigned on 18.10.2005. Mr. D. Rajendran resigned on 05.06.2006.

Mr. Shaktikanta Das, a nominee of TIDCO, was appointed as Chairman & Additional Director of the Company, with effect from 05.06.2006 in place of Mr. D. Rajendran.

Mr. S. Ramasundaram was appointed as Additional Director of the Company, nominee of TIDCO, with effect from 05.06.2006.

Mr. T. S. Surendranath was appointed as Additional Director of the Company, nominee of TIDCO, with effect from 26.06.2006.

Mr. Pradeep Yadav who was a Director of the Company, nominee of TIDCO, resigned on 08.06.2005.

Mrs. Rama Bijapurkar resigned as Director on 25.05.2005.

As on March 31, 2006, 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 seven times during the Financial Year 2005-06. The interval between any two successive Meetings did not exceed four months. Board Meetings were held on June 8, July 20, August 31, October 28, December 15, in 2005 and on January 23, and March 24, in 2006.

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

Attendance of each Director at the Board of Directors meetings during the year and at the last Annual General Meeting, the number of Directorships and Committee Directorships held by them in domestic public companies as at March 31, 2006 are as indicated below:

Name of Director	No. of Board meetings attended out of 7 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. D. Rajendran <sup>1</sup>	1	NA	7	8	–	4
Mr. Rameshram Mishra <sup>2</sup>	2	Yes	–	–	–	–
Mr. Bhaskar Bhat	7	Yes	1	6	–	1
Mr. N. N. Tata	6	Yes	–	6	–	1
Mr. F. K. Kavarana	4	Yes	5	5	4	2
Mr. Ishaat Hussain	6	Yes	2	11	3	3
Mr. T. K. Balaji	5	No	1	11	1	5
Mr. A. C. Mukherji	5	Yes	–	9	5	5
Dr. C. G. Krishnadas Nair	7	No	–	2	–	2
Mr. S. Susai	7	Yes	–	8	1	5

[NA – Not Applicable]

- <sup>1</sup> Mr. D.Rajendran was appointed as Chairman & Additional Director of the Company, nominee of TIDCO, with effect from 18.10.2005 in place of Mr. Rameshram Mishra who resigned on 18.10.2005. Mr. Rajendran since resigned on 05.06.2006.
- <sup>2</sup> Mr. Rameshram Mishra who was appointed as Chairman & Director of the Company, nominee of TIDCO, with effect from 26.7.2004 resigned on 18.10.2005.

#### CODE OF CONDUCT

Whilst the 'Tata Code of Conduct' is applicable to all Whole-time Directors and employees of the Company, during the year, the Board adopted a Code of Conduct for Non-Executive Directors, both of which are available on the Company's website. All the Board members and senior management of the Company have affirmed compliance with their respective Code of Conduct for the Financial Year ended March 31, 2006. A Declaration to this effect, duly signed by the Managing Director is annexed hereto.

#### AUDIT COMMITTEE

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

## **Titan Industries Limited**

### **Powers of the Audit Committee**

- a) to investigate any activity within its terms of reference;
- b) to seek information from any employee;
- c) to obtain outside legal or other professional advise;
- d) to secure attendance of outsiders with relevant expertise, if it considers necessary.

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

- a) Oversight of the Company's financial reporting process and the disclosures of the financial information to ensure that the financial statements are correct, sufficient and credible.
- b) Recommending the appointment and removal of external auditors, fixation of audit fees and also approval for payment for any other services.
- c) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - any changes in accounting policies and practices;
  - major accounting entries based on exercise of judgement by management;
  - qualifications in draft audit report;
  - significant adjustments arising out of audit;
  - compliances with stock exchanges and legal requirements concerning financial statements;
  - any related party transactions.
- d) Reviewing with the management matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
- e) Reviewing with the management, external and internal auditors, the adequacy of the internal control systems.
- f) Reviewing the adequacy of internal audit functions, including the structure of the internal audit department; approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- g) Discussion with internal auditors any significant findings and follow up thereon.
- h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- i) Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- j) Reviewing of management letters issued by the external auditor.
- k) Reviewing the Company's financial and risk management policies.
- l) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- m) Seek assistance from the Statutory Auditors in such areas and in such manner as desired by the audit committee from time to time.
- n) Reviewing the functioning of the Whistle Blower mechanism.
- o) Reviewing Management Discussion and Analysis of financial condition and results of operations.
- p) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.

Mr. A. C. Mukherji, Chairman of the Audit Committee, was present at the last Annual General Meeting of the Company. The Audit Committee comprises three members, as at the year end and all of them are independent, financially literate and have relevant finance and/or audit exposure. Mr. A. C. Mukherji is the financial expert.

The Audit Committee met seven times during the Financial Year 2005-06 on June 8, July 20, August 31, October 28, December 15, in 2005 and on January 23 and March 24, in 2006. The quorum as required under Clause 49 (II)(B) was maintained at all the meetings.

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

Name of Director	No. of Meetings attended out of seven meetings
Mr. A. C. Mukherji (Chairman) (Non-Executive) (Independent)	5
Mr. Ishaat Hussain <sup>1</sup> (Chartered Accountant) (Non-Executive) (Not Independent)	5
Mr. T. K. Balaji (Non-Executive) (Independent)	5
Dr. C. G. Krishnadas Nair (Non-Executive) (Independent)	7
Mr. S. Susai <sup>2</sup> (Non-Executive) (Not-Independent)	3
Mr. Pradeep Yadav <sup>3</sup> (Non-Executive) (Not-Independent)	NA

<sup>1</sup> Resigned on 15.12.2005 (on reconstitution of the Audit Committee), however attends Audit Committee meetings as permanent invitee.

<sup>2</sup> Member from 20.07.2005 and resigned on 15.12.2005 (on reconstitution of the Audit Committee), however attends Audit Committee meetings as permanent invitee.

<sup>3</sup> Resigned on 08.06.2005.

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

#### OTHER SUB-COMMITTEES OF THE BOARD OF DIRECTORS

##### a. Remuneration Committee

The broad terms of reference of the Remuneration Committee are to recommend to the Board the remuneration including Commission payable to the Managing Director, revision in salary to be paid from the succeeding financial year, based on periodic evaluation of performance and the remuneration payable to Non-Executive Directors based on their performance and defined assessment criteria viz. attendance and contributions at the Board and other Committee meetings as well as time spent on operational matters other than at the meeting.

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. Rameshram Mishra<sup>1</sup> (Non-Executive) (Not Independent)

Mr. D. Rajendran<sup>2</sup> (Non-Executive) (Not Independent)

Mr. S. Ramasundaram<sup>3</sup> (Non-Executive) (Not Independent)

<sup>1</sup> Resigned on 18.10.2005.

<sup>2</sup> Member from 28.10.2005 and resigned on 05.06.2006.

<sup>3</sup> Member from 05.06.2006.

During the Financial Year 2005-06, a Meeting of the Remuneration Committee was held on June 8, 2005.

##### b. Shareholders' Grievance Committee

The Shareholders' Grievance Committee was constituted to specifically look into the redressal of Investors' complaints relating to the transfer of shares, the non-receipt of Annual Reports and the non-receipt of dividends declared by the Company, etc. During the Financial Year 2005-06, a meeting of the Shareholders' Grievance

## **Titan Industries Limited**

Committee was held on March 24, 2006. Dr. C. G. Krishnadas Nair, Mr. Bhaskar Bhat and Mr. S. Susai were present at the Meeting.

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

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

Mr. D. Rajendran<sup>1</sup> (Non-Executive) (Not Independent)

Mr. Rameshram Mishra<sup>2</sup> (Non-Executive) (Not Independent)

Mr. Bhaskar Bhat (Executive) (Not Independent)

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

Mr. S. Susai<sup>3</sup> (Non-Executive) (Not Independent)

<sup>1</sup> Member from 28.10.2005 and resigned on 24.03.2006 (on reconstitution of Committee).

<sup>2</sup> Resigned on 18.10.2005.

<sup>3</sup> Member from 24.03.2006 (on reconstitution of Committee).

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

### **c. Committee of Directors**

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

The composition of the Committee of Directors is as follows:

Mr. D. Rajendran<sup>1</sup> (Non-Executive) (Not Independent)

Mr. Rameshram Mishra<sup>2</sup> (Non-Executive) (Not Independent)

Mr. S. Ramasundaram<sup>3</sup> (Non-Executive) (Not Independent)

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

Mr. S. Susai<sup>4</sup> (Non-Executive) (Not Independent)

Mr. Bhaskar Bhat (Executive) (Not Independent)

Mr. Pradeep Yadav<sup>5</sup> (Non-Executive) (Not Independent)

<sup>1</sup> Member from 28.10.2005 and resigned on 05.06.2006.

<sup>2</sup> Resigned on 18.10.2005.

<sup>3</sup> Member from 05.06.2006.

<sup>4</sup> Member from 28.10.2005.

<sup>5</sup> Resigned on 08.06.2005.

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

### **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. D. Rajendran<sup>1</sup> (Non-Executive) (Not Independent)

Mr. Rameshram Mishra<sup>2</sup> (Non-Executive) (Not Independent)

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Mr. Bhaskar Bhat (Executive) (Not Independent)  
Dr. C. G. Krishnadas Nair (Non-Executive) (Independent)  
Mr. S. Susai<sup>3</sup> (Non-Executive) (Not Independent)

<sup>1</sup> Member from 28.10.2005 and resigned on 24.03.2006 (on reconstitution of the Committee).

<sup>2</sup> Resigned on 18.10.2005.

<sup>3</sup> Member from 24.03.2006 (on reconstitution of the Committee).

During the year 2005-06, this Committee held a Meeting on March 24, 2006. Mr. C. G. Krishnadas Nair, Mr. Bhaskar Bhat and Mr. S. Susai were present at the Meeting. The Compliance Officer designated for this purpose is Mr. K. F. Kapadia, Executive Vice President - Finance.

**e. Nomination Committee**

The Nomination Committee was constituted on June 8, 2005. The terms of reference are mainly to recommend to the Board, most eligible nomination appropriate to the Company's stature, size and complexity and special expertise and experience of the Directors in related domains/field.

The composition of the Committee is as follows:

Dr. C. G. Krishnadas Nair (Chairman) (Non-Executive) (Independent)

Mr. Rameshram Mishra<sup>1</sup> (Non-Executive) (Not Independent)

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

Mr. N. N. Tata (Non-Executive) (Not Independent)

Mr. Shaktikanta Das<sup>2</sup> (Non-Executive) (Not Independent)

<sup>1</sup> Member from 08.06.2005 and resigned on 18.10.2005.

<sup>2</sup> Member from 05.06.2006.

**f. Rights Issue Committee**

The Rights Issue Committee was constituted on August 31, 2005. The terms of reference was mainly to do all such acts, deeds, matters and things as may be necessary in connection with the Rights Issue and allotment of Securities/ Instruments to the Shareholders of the Company and any incidental matter thereto.

The composition of the Committee is as follows:

Mr. Bhaskar Bhat (Executive) (Not Independent)

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

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

Dr. C. G. Krishnadas Nair (Chairman) (Non-Executive) (Independent)

Mr. S. Susai (Non-Executive) (Not Independent)

During the year 2005-06, this Committee held a meeting on December 26, 2005. Mr. Bhaskar Bhat, Dr. C. G. Krishnadas Nair and Mr. S. Susai were present at the meeting.

**SUBSIDIARY COMPANIES**

The Company does not have any material non-listed Indian subsidiary company and hence, it is not mandatory to have an Independent Director of the Company on the Board of such subsidiary company. The Audit Committee reviews the financial statements, particularly, the investments made by the Company's non-listed subsidiary companies. The minutes of unlisted Subsidiary companies have been placed before the Board for their attention.

## Titan Industries Limited

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

### DISCLOSURES

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

**(b) Disclosure of Accounting Treatment:** The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.

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

**Business/Strategic Risk:** The Board oversees the Risks which are inherent in the businesses pursued by the Company. The intervention is through business plans, projects and approvals for business strategies and policies.

**Operational Risks:** These are being mitigated by internal policies, procedures and manuals.

**Financial Risks:** These risks are addressed on an ongoing basis by Treasury, Insurance and Commodity Risk Management team.

In addition, the annual Internal Audit program factors in re-assessment of the external environment in terms of competition, market maturity and market practices and internal re-organisation undertaken by the management since the last audit program so as to keep the scope of Internal Audit relevant as well as to afford adequate assurance levels for operational, financial risks and internal controls.

The Company has, recently, opted to have a structured framework and organisation for risk management in each of the businesses and has engaged a reputed consultancy firm for delivering the Risk Policy, Risk Register comprising the top tier risks and internal control assessments for major activities in the operational cycle. This shall be marked up and reviewed on an ongoing basis by linking the control assessments to Internal Audit program.

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

**(e) CEO/CFO Certification:** The Managing Director (CEO) and Executive Vice President - Finance (CFO) have certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO/CFO certification for the Financial Year ended March 31, 2006, which is annexed hereto.

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

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

any employee of the Company has access to the Chairman of the Audit Committee to report any concerns. Further, the said policy is appropriately communicated within the organisation.

- (h) Secretarial Audit:** The Company has appointed a qualified Practicing Company Secretary, to conduct quarterly secretarial audit of the Company to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL/CDSL.

## 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 in the succeeding financial year, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amount payable to the Managing Director is based on performance criteria laid down by the Board, which broadly takes into account the profits earned by the Company for the related financial year.

Details of the remuneration to the Whole-time Director during 2005-06 are as under:

Name	Salary	Perquisites & Allowances	Commission *
Mr. Bhaskar Bhat, Managing Director	19,20,000	33,01,398	48,00,000

\* Payable in Financial Year 2006-07

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

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

- Period of Agreement : 5 years from April 1, 2002.
- Notice period : The Agreement may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof.
- Severance Fees : Nil

There are no stock options issued to the Managing Director.

### NON-EXECUTIVE DIRECTORS

The remuneration payable to Non-Executive Directors for the year 2005-06 has been restricted to an aggregate limit of 0.25% of the available profits of the Company available u/s 198 of the Companies Act, 1956.

The Commission payable to Non-Executive Directors have been approved by the shareholders at the Annual General Meeting held on August 31, 2005 and within the limits specified under the Companies Act, 1956.

The remuneration by way of Commission to the Non-Executive Directors is decided by the Board of Directors and henceforth is based on criteria of attendance and contribution at the Board and other Committee meetings as well as time spent on operational matters other than at the meeting.

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## Titan Industries Limited

During the Financial Year 2005-06, the Company has paid Sitting fees to Non-Executive Directors detailed below and proposes to pay commission as shown below:

(in Rs.)

Name of Director	Commission*	Sitting Fees
Mr. D. Rajendran	3,50,000	10,000
Mr. N. N. Tata	3,50,000	60,000
Mr. F. K. Kavarana	3,50,000	40,000
Mr. Ishaat Hussain	3,50,000	1,15,000
Mr. T. K. Balaji	3,50,000	1,05,000
Mr. A. C. Mukherji	3,50,000	1,00,000
Dr. C. G. Krishnadas Nair	3,50,000	1,50,000
Mr. S. Susai	3,50,000	1,00,000
Mr. Rameshram Mishra	-	20,000

\* Payable in Financial Year 2006-07

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

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

Details of shares of the Company held by Non-Executive Directors as on March 31, 2006 are as below:

Name of Director	Number of Shares
Mr. D. Rajendran	NIL
Mr. N. N. Tata	2,199
Mr. F. K. Kavarana	NIL
Mr. Ishaat Hussain	660
Mr. T. K. Balaji	17,850
Mr. A. C. Mukherji	1,781
Dr. C. G. Krishnadas Nair	NIL
Mr. S. Susai	NIL

The Company does not have any convertible debenture as on March 31, 2006.

### 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 <a href="http://www.titanworld.com">www.titanworld.com</a>
Whether it also displays official news releases	: Yes
Presentations to institutional investors or analysts	: One presentation made to institutional investors and same is displayed on <a href="http://www.titanworld.com">www.titanworld.com</a>
Newspapers in which results are normally published	: The New Indian Express, Dina Thanthi and Loksatta
Whether Management Discussion & Analysis is a part of the Annual Report	: Yes



## PARTICULARS OF THE PAST THREE ANNUAL GENERAL MEETINGS

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

Year	Location	Date	Time
2002-2003	At the registered office of the Company located at 3, SIPCOT Industrial Complex, Hosur 635 126	September 12, 2003	3.30 p.m.
2003-2004	as above	August 31, 2004	3.30 p.m.
2004-2005	as above	August 31, 2005	3.30 p.m.

Whether Special Resolutions –

- |                                                        |   |                |
|--------------------------------------------------------|---|----------------|
| (a) Passed in the previous 3 Annual General Meetings   | – | Yes            |
| (b) Were put through postal ballot last year           | – | No             |
| Details of voting pattern                              | – | Not Applicable |
| Persons who conducted the postal ballot exercise       | – | Not Applicable |
| (c) Are proposed to be conducted through postal ballot | – | No             |
| Procedure for postal ballot                            | – | Not Applicable |

## GENERAL SHAREHOLDER INFORMATION

AGM: Date, time and venue	:	August 21, 2006, 3.30 p.m. at the Registered Office at 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
Financial Year	:	April 1, 2005 to March 31, 2006
Directors seeking appointment/re-appointment	:	As required under Clause 49(IV)(G), particulars of Directors seeking appointment/re-appointment are given in the Explanatory Statement annexed to the Notice of the Annual General Meeting to be held on August 21, 2006.
Book Closure Date	:	August 8, 2006 to August 21, 2006 (both days inclusive)
Dividend payment date	:	On or after August 21, 2006, however within 30 days from the date of AGM
Financial Calendar Period (tentative)	:	Board Meeting to approve quarterly financial results
- Quarter ending June 30, 2006		- Mid July 2006
- Quarter ending September 30, 2006		- End October 2006
- Quarter ending December 31, 2006		- End January 2007
- Quarter ending March 31, 2007		- May/June 2007
Registered Office	:	3, SIPCOT Industrial Complex, Hosur 635 126, Tamilnadu
Listing of Equity Shares on Stock Exchanges	:	Bombay Stock Exchange Limited, Mumbai Madras Stock Exchange Limited, Chennai National Stock Exchange of India Limited, Mumbai
Listing fees	:	Listing fees as prescribed have been paid to all these stock exchanges up to March 31, 2007.
Share Registrar and Transfer Agents	:	<b>M/s. TSR Darashaw Limited</b> (Formerly known as Tata Share Registry Limited) Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001 Tel: 022-66568484 Fax: 022-66568494 E-mail: <a href="mailto:csg-unit@tsrdarashaw.com">csg-unit@tsrdarashaw.com</a> Website: <a href="http://www.tsrdarashaw.com">www.tsrdarashaw.com</a>

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

# TITAN INDUSTRIES

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## Titan Industries Limited

### TSR Darashaw Limited

503, Barton Centre, 5th Floor,  
84, M.G. Road, Bangalore - 560 001  
Tel: 080-25320321  
Fax: 080-25580019  
Email: [tsrdlbang@tsrdarashaw.com](mailto:tsrdlbang@tsrdarashaw.com)

### TSR Darashaw Limited

2/42, Sant Vihar,  
Ansari Road, Daryagunj  
New Delhi - 110 002  
Tel: 011-23271805  
Fax: 011-23271802  
Email: [tsrldel@tsrdarashaw.com](mailto:tsrldel@tsrdarashaw.com)

### TSR Darashaw Limited

Tata Centre, 1st Floor,  
43, Chowringhee Road, Kolkata - 700 071  
Tel: 033-22883087  
Fax: 033-22883062  
Email: [tsrlcal@tsrdarashaw.com](mailto:tsrlcal@tsrdarashaw.com)

### TSR Darashaw Limited

Bungalow No.1, 'E' Road,  
Northern Town, Bistupur,  
Jamshedpur - 831 001  
Tel: 0657-2426616  
Fax: 0657-2426937  
Email: [tsrljsr@tsrdarashaw.com](mailto:tsrljsr@tsrdarashaw.com)

## SHARE TRANSFER SYSTEM

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

## INVESTOR SERVICES

### Number of complaints from shareholders during the year ended March 31, 2006.

Complaints outstanding as on April 1, 2005	3
Complaints received during the year ended March 31, 2006	35
Complaints resolved during the year ended March 31, 2006	37
Complaints pending as on March 31, 2006	1

During the Financial Year 2005-06, 4105 queries/letters were received from investors and all were replied.

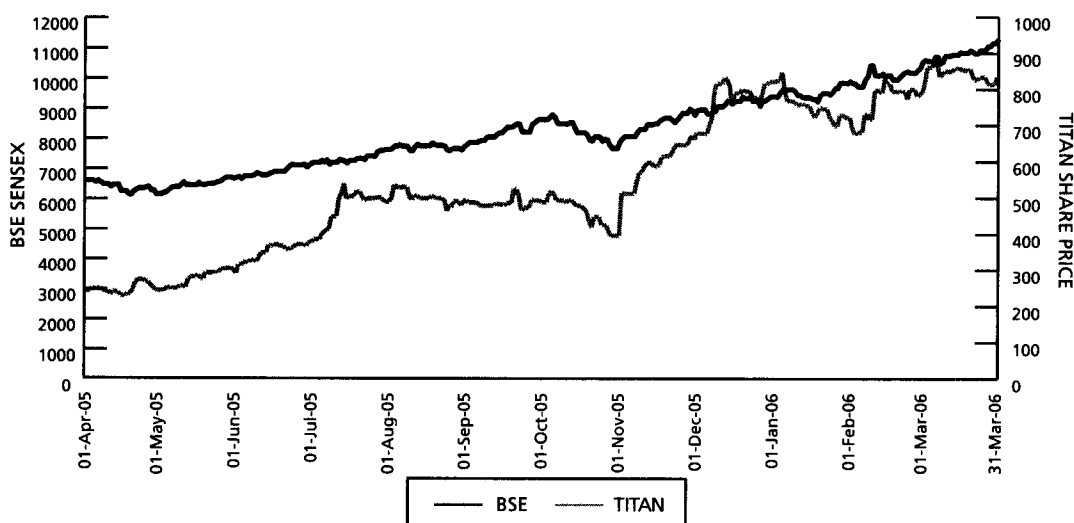
As at March 31, 2006, 11 share transfers and 80 demat requests were pending, however none of these were pending beyond 30 days, the same have been processed subsequently.

## STOCK PERFORMANCE

### Market Price Data

Month	Bombay Stock Exchange (BSE) (in Rs.)		BSE Sensex
	High	Low	
April 2005	272.20	227.85	6,154.44
May 2005	303.30	243.10	6,715.11
June 2005	378.90	312.05	7,193.85
July 2005	539.30	384.85	7,635.42
August 2005	535.65	463.60	7,805.43
September 2005	524.80	465.00	8,634.48
October 2005	518.00	395.45	7,892.32
November 2005	672.90	511.75	8,788.81
December 2005	833.35	676.85	9,397.93
January 2006	848.10	697.85	9,919.89
February 2006	829.25	676.35	10,370.24
March 2006	880.45	791.70	11,279.96

Performance of Titan share price in comparison with BSE sensex



**DISTRIBUTION OF SHARES ACCORDING TO SIZE, CLASS AND CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2006**

No. of Equity Shares held	No. of Shareholders	Percentage	No. of Shares	Percentage
1- 500	51,664	96.22	5,028,839	11.90
501- 2000	1,507	2.81	1,373,699	3.25
2001- 3000	135	0.25	344,522	0.81
3001- 4000	67	0.12	239,251	0.57
4001- 5000	71	0.13	332,584	0.79
5001- 10000	91	0.17	695,161	1.64
10001 and Above	161	0.30	34,262,214	81.04
<b>Total</b>	<b>53,696</b>	<b>100.00</b>	<b>42,276,270</b>	<b>100.00</b>

**CATEGORIES OF SHAREHOLDING AS ON MARCH 31, 2006**

Category	No. of Shareholders	No. of Shares held	% of Shareholding
Tamil Nadu Industrial Development Corporation Ltd.	1	11,784,606	27.88
Tata Group Companies	16	10,574,276	25.01
FFI / FIs / OCBs	29	4,327,436	10.24
Bodies Corporate	1,243	2,491,745	5.89
Unit Trust of India	1	2,456	0.01
Mutual Funds	23	174,360	0.41
Nationalised Banks	9	3,653	0.01
Others	52,374	12,917,738	30.55
<b>Total</b>	<b>53,696</b>	<b>42,276,270</b>	<b>100.00</b>

# TITAN INDUSTRIES

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## Titan Industries Limited

### TOP TEN SHAREHOLDERS:

The Company's top ten shareholders as at March 31, 2006 are as shown below:

Sr. No.	Name	Holdings	% to total holding
1	Tamil Nadu Industrial Development Corporation Ltd.	11,784,606	27.88
2	Kalimati Investment Company Limited	3,693,135	8.74
3	Tata Sons Limited	3,346,481	7.92
4	Jhunjhunwala Rakesh Radheshyam	2,545,450	6.02
5	Matthews International Funds A/C Matthews Pacific Tiger Fund	1,638,761	3.88
6	Tata Chemicals Limited	1,430,580	3.38
7	FID Funds (Mauritius) Ltd.	939,045	2.22
8	Jhunjhunwala Rekha Rakesh	871,000	2.06
9	Tata Investment Corporation Limited	700,000	1.66
10	Tata Tea Limited	433,726	1.03

### STOCK CODE

Equity Shares	-	physical form	-	Bombay Stock Exchange	:	500114
				Madras Stock Exchange	:	TWT
				National Stock Exchange	:	TITAN
Equity Shares	-	demat form	-	NSDL/CDSL	:	ISIN No. INE280A01010
Non-Convertible Debentures	-	demat form	-	NSDL/CDSL	:	ISIN No. INE280A07025

The Aggregate Non-promoter shareholding of the Company as at March 31, 2006 is as shown below:

Number of Shares	:	19,917,388
Percentage to total holding	:	47.11%

### DEMATERIALISATION OF SHARES AND LIQUIDITY

As on March 31, 2006, 92.12% 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  
i) Unit I – Khasra No. 148D, 173B, 176A, 176B  
ii) Unit II – Khasra No. 148B, 149B

(c) Plot No. 59, EPIP, Jharmajary Phase I, Solen District, Baddi 173 205 Himachal Pradesh

Precision Engineering Plant: No. 15 B, Bommasandra Industrial Area, Hosur Road, Anekal Taluk, Bangalore 562 158.

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

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## ADDRESSES FOR CORRESPONDENCE

Registered Office: 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu.

Corporate Office: Golden Enclave, Tower A, Airport Road, Bangalore 560 017, Karnataka.

## B. NON-MANDATORY REQUIREMENTS

The status of compliance in respect of Non-Mandatory requirement under Clause 49 :

1. **The Board** – No separate office is maintained for Non-Executive Chairman. Further, all expenses incurred in performance of duties by the Non-Executive Chairman are reimbursed.

Independent Directors may have a tenure not exceeding, in the aggregate, a period of nine years, on the Board of the Company. None of the independent directors on our Board have served for a tenure exceeding nine years from the date when the new Clause 49 became effective.

2. **Remuneration Committee** – The Company has constituted Remuneration Committee to recommend/review remuneration of the Managing Director, Whole-time Directors and Non-Executive Directors.

Remuneration Committee comprises of three Non-Executive Directors and the Chairman of the Committee is an independent director.

All the members of the Remuneration Committee were present at the meeting held on June 8, 2005, except for Mr. Rameshram Mishra.

The Chairman of the Remuneration Committee was not present at the Annual General Meeting.

3. **Shareholders Communications** – The Company displays its quarterly (unaudited), half yearly (audited) and annual (audited) results on its website at [www.titanworld.com](http://www.titanworld.com), which is accessible to all. The results are also published in English and Hindi newspaper having a wide circulation and in Tamil newspaper having wide circulation in Tamilnadu. The half yearly results ended september 30, 2005 were sent as a part of Letter of Offer to all members pursuant to the Rights Issue of the Company.
4. **Whistle Blower Policy** – Details are given under the heading “Disclosures”.
5. **Audit Qualifications** – During the year under review, there was no audit qualification in the Company’s financial statements. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.
6. **Training of Board Members** – The Company’s Board of Directors consists of professionals with expertise in their respective fields and industry. They endeavour to keep themselves updated with changes in global economy and legislation. They attend various workshops and seminars to keep themselves abreast with the changing business environment.
7. **Mechanism for evaluating Non-Executive Board Members** – The Company has adopted a policy for evaluation of Non-Executive Board members which is based on criteria of attendance and contributions at Board/Committee Meetings as also role played/contributions other than at meetings.

## **Titan Industries Limited**

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

5th June , 2006

The Board of Directors,  
Titan Industries Limited

#### **CERTIFICATION TO THE BOARD PURSUANT TO CLAUSE 49(V) OF THE LISTING AGREEMENT**

We, Bhaskar Bhat, Managing Director and K. F. Kapadia, Executive Vice President – Finance, hereby certify that in respect of the Financial Year ended on March 31, 2006.

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

**Bhaskar Bhat**  
[Managing Director]

**K.F. Kapadia**  
[Executive Vice President – Finance]

#### **DECLARATION BY THE CEO UNDER CLAUSE 49 I (D) OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT**

In accordance with Clause 49 sub-clause I (D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for the Financial Year ended March 31, 2006.

For Titan Industries Limited

**Bhaskar Bhat**  
Managing Director

17th July, 2006

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## Certificate

To the Members of

**TITAN INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Titan Industries Limited, for the year ended March 31, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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

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

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

Place: Bangalore  
Date: 17th July, 2006

## Titan Industries Limited

### Auditors' Report

#### TO THE MEMBERS OF TITAN INDUSTRIES LIMITED

1. We have audited the attached balance sheet of TITAN INDUSTRIES LIMITED as at 31st March, 2006 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.
2. 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.
3. 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.
4. Further to our comments in the annexure referred to in paragraph 3 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, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms 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 2006;
    - 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 the 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: 5th June, 2006



**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, 2006**

- 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 having regard to the size of the company and the nature of its assets.
  - (c) During the year, the Company has not disposed off a substantial part of the fixed assets and therefore, paragraph 4 (i) (c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as 'the Order') is not applicable.
- ii)
  - (a) In our opinion, the inventory has been physically verified during the year by the management at reasonable intervals. The inventory in possession of the third parties has been verified by the management, in most cases, with reference to certificates obtained from third parties.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) On the basis of our examination of the records of inventory, in our opinion, the Company has maintained proper records of inventory. Discrepancies noticed on physical verification of stocks as compared to the book records were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
- iii) According to the information and explanations given to us with regard to loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, we report as follows :
  - (a) During the year the Company has granted unsecured loans to one subsidiary company. The maximum amount involved in such transactions at any time during the year and the year end balance was Rs.11401.92 lakhs and Rs.10853.73 lakhs respectively.
  - (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted are not prima facie prejudicial to the interest of the Company.
  - (c) The parties have generally repaid the principal amounts and interest as stipulated or as rescheduled.
  - (d) As at the end of the financial year, there is no overdue amount in excess of Rs.1 lakh in respect of loans granted.
  - (e) The Company has not taken loans except for intercorporate deposits from six companies. The maximum amount involved in such transactions at any time during the year and the year end balance of intercorporate deposits taken from such parties was Rs. 5360 lakhs and Rs. 4400 lakhs respectively.
  - (f) In our opinion, the rate of interest and other terms and conditions of such intercorporate deposits are not prima facie prejudicial to the interest of the Company.
  - (g) The Company is regular in repaying the principal amounts as stipulated and has been regular in the repayment of interest..
- iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature for which comparable alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses, if any, in internal control system.
- v) In respect of the contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered into the register maintained under the said section have been so entered.
  - (b) Where each of such transactions (excluding loans reported under paragraph (iii) above) is in excess of Rs.5 lakhs in respect of any party and having regard to our comments in paragraph (iv) above, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the

# TITAN INDUSTRIES

Twenty-second annual report 2005-2006

## Titan Industries Limited

Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.

- vii) In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account and records maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 relating to the manufacture of watches and clocks and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. We are informed that maintenance of cost records has not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 in respect of the Company's other product.
- ix) (a) In our opinion and according to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, cess and other material statutory dues, if any, applicable to it with appropriate authorities. As at the last day of the financial year, there are no arrears of such undisputed statutory dues outstanding for a period of more than six months from the date they became payable except Rs.1.31 lakhs relating to Sales tax and the same has been subsequently paid.
- (b) According to the records of the Company and information and explanations given to us, there are disputed dues of Customs duty, Excise duty, Income tax and Sales tax which have not been deposited/deposited partially, the details of which are set out below:

Name of the statute	Nature of the dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
The Customs Act, 1962	Customs duty	316.94 1046.93	1989-94 1998-99 and March 2001 to December 2002.	Supreme Court Customs, Excise and Service Tax Appellate Tribunal (CESTAT).
The Central Excise Act, 1944	Excise duty	267.62  15.81  47.46  2049.00	March 1987- February 1990, 1993-94, 1995-1998 and April 1999- December 2003 1995-1996, 1997-1998 and July 1999- November 1999. 1992 and 1996-2003 May 2005 to March 2006	CESTAT  Assistant Commissioner Commissioner (Appeals) High Court
Sales Tax Law	Sales tax	21.38 0.77 3.41 99.00 25.31 834.48  0.29	2001-03 2001-03 1997-98 2000-01 1995-02 2000-04  2003-04	Assessing Officer Member Tribunal Assistant Commissioner Deputy Commissioner Appellate Tribunal Appellate & Revisional Board Joint Commissioner of Commercial Taxes (Appeals)
Income Tax Act, 1961	Income tax	606.00	2002-03	Commissioner of Income Tax (Appeals)

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

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

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

Place: Bangalore  
Date: 5th June, 2006

# TITAN INDUSTRIES

Twenty-second annual report 2005-2006

**Titan Industries Limited**

## Balance Sheet as at March 31, 2006

	Schedule	Rupees in lakhs	
		31-3-2006	31-3-2005
<b>SOURCES OF FUNDS</b>			
Shareholders' funds			
Share capital	A	<b>8227.63</b>	8227.63
Reserves and surplus	B	<b>15029.57</b>	9496.52
		<b>23257.20</b>	17724.15
Loan funds			
Secured loans	C	<b>14883.77</b>	19352.30
Unsecured loans	D	<b>11908.61</b>	12466.81
		<b>26792.38</b>	31819.11
Deferred tax liability		<b>2375.48</b>	2931.98
Total		<b>52425.06</b>	52475.24
<b>APPLICATION OF FUNDS</b>			
Fixed assets	E		
Gross block, at cost		<b>42042.24</b>	40007.44
Less : Depreciation		<b>24396.73</b>	23494.55
Net block		<b>17645.51</b>	16512.89
Advances on capital account and capital work in progress, at cost		<b>1956.49</b>	978.29
		<b>19602.00</b>	17491.18
Investments	F	<b>2702.03</b>	2702.03
Current assets, loans and advances	G		
Inventories		<b>37439.44</b>	27161.82
Sundry debtors		<b>9011.93</b>	7708.96
Cash and bank balances		<b>3828.69</b>	4417.54
Loans and advances		<b>14395.99</b>	17163.80
		<b>64676.05</b>	56452.12
Less :			
Current liabilities and provisions	H		
Current liabilities		<b>33313.57</b>	24517.64
Provisions		<b>2671.98</b>	2092.83
		<b>35985.55</b>	26610.47
Net current assets		<b>28690.50</b>	29841.65
Miscellaneous expenditure (To the extent not written off or adjusted)			
Deferred revenue expenditure		<b>1430.53</b>	2440.38
Total		<b>52425.06</b>	52475.24
Notes	K		

Per our report attached

For A. F. Ferguson & Co.  
Chartered Accountants

H. L. Shah  
Partner

K. F. Kapadia  
Executive Vice President - Finance

Usha Iyengar  
Company Secretary

Bangalore, 5th June, 2006

For and on behalf of the Board of Directors,  
Shaktikanta Das  
Chairman

Ishaat Hussain  
N. N. Tata  
F. K. Kavarana  
S. Ramasundaram  
T. K. Balaji  
A. C. Mukherji  
C. G. Krishnadas Nair  
S. Susai  
Bhaskar Bhat

Directors

Managing Director

## Profit and Loss Account for the year ended March 31, 2006

	Schedule	Rupees in lakhs	
		Current Year	Previous Year
<b>INCOME</b>			
Sales .....		<b>148137.38</b>	113466.08
Less : Excise Duty on finished goods .....		<b>4118.88</b>	3794.12
Net Sales Income .....		<b>144018.50</b>	109671.96
Other income .....	I	<b>242.94</b>	272.63
Total .....		<b>144261.44</b>	109944.59
<b>EXPENDITURE</b>			
Operating and other expenses .....	J	<b>128623.25</b>	98155.25
Depreciation .....		<b>1966.44</b>	1961.26
Interest .....		<b>2483.57</b>	3091.74
Total .....		<b>133073.26</b>	103208.25
<b>PROFIT BEFORE TAXES AND EXCEPTIONAL ITEMS</b>			
		<b>11188.18</b>	6736.34
Exceptional items :			
Provision for diminution in value of investments .....		-	244.00
Provision for doubtful loans and advances ....	<b>2500.00</b>		3256.00
		<b>2500.00</b>	3500.00
<b>PROFIT BEFORE TAXES</b> .....			
		<b>8688.18</b>	3236.34
Income taxes – Current .....	<b>1489.00</b>		1083.00
– Deferred .....	<b>(556.50)</b>		(582.06)
– Fringe Benefit Tax .....	<b>301.00</b>		-
		<b>1233.50</b>	500.94
<b>PROFIT AFTER TAXES</b> .....			
		<b>7454.68</b>	2735.40
Less : Income tax of earlier years .....		<b>92.70</b>	240.51
<b>NET PROFIT</b> .....			
		<b>7361.98</b>	2494.89
Profit brought forward .....		<b>2962.42</b>	1955.99
Amount available for appropriation .....		<b>10324.40</b>	4450.88
Appropriations			
Dividend on preference shares .....	<b>272.27</b>		281.39
Proposed dividend on equity shares .....	<b>1331.70</b>		845.53
Tax on dividends .....	<b>224.96</b>		156.38
Transfer to general reserve .....	<b>745.47</b>		205.16
		<b>2574.40</b>	1488.46
Balance carried to balance sheet .....		<b>7750.00</b>	2962.42
Earnings per share - Basic and diluted (Rs.) ....		<b>16.68</b>	5.15
Notes .....	K		

Per our report attached

For A. F. Ferguson & Co.  
Chartered Accountants

H. L. Shah  
Partner

K. F. Kapadia  
Executive Vice President - Finance

Usha Iyengar  
Company Secretary

Bangalore, 5th June, 2006

For and on behalf of the Board of Directors,  
Shaktikanta Das Chairman

Ishaat Hussain N. N. Tata F. K. Kavarana S. Ramasundaram T. K. Balaji A. C. Mukherji C. G. Krishnadas Nair S. Susai Bhaskar Bhat	}	Directors          Managing Director
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**Titan Industries Limited**

**Cash flow statement for the year ended March 31, 2006**

	Rupees in lakhs	
	Current year	Previous year
<b>A. Cash flow from operating activities</b>		
Net profit before tax .....	<b>8688.18</b>	3236.34
Adjustments for :		
– Depreciation .....	<b>1966.44</b>	1961.26
– Unrealised Exchange difference .....	<b>116.04</b>	(252.39)
– Financial lease payments .....	–	29.99
– Loss/(profit) on sale of fixed assets(net) .....	<b>145.30</b>	461.40
– Provision for diminution in value of investments (net) .....	–	244.00
– Provision for doubtful debts .....	<b>118.00</b>	9.13
– Provision for doubtful advances .....	<b>2500.00</b>	3256.00
– Bad debts written off .....	–	39.62
– Interest income .....	<b>(94.44)</b>	(150.35)
– Dividend income .....	<b>(51.59)</b>	(38.51)
– Interest expense .....	<b>2483.57</b>	3091.74
– Deferred Revenue expenditure written off .....	<b>1009.85</b>	1417.90
Operating profit before working capital changes .....	<b>16881.35</b>	13306.13
Adjustments for :		
– (Increase)/Decrease in sundry debtors .....	<b>(1397.02)</b>	7216.43
– (Increase)/Decrease in inventories .....	<b>(10277.62)</b>	(10749.91)
– (Increase)/Decrease in loans and advances .....	<b>454.09</b>	(1235.34)
– Increase/(Decrease) in current liabilities and provisions .....	<b>8814.99</b>	9016.78
Cash generated from operations .....	<b>14475.79</b>	17554.09
– Direct taxes paid .....	<b>(2296.97)</b>	(1091.86)
Net cash from/(used in) operating activities .....	<b>12178.82</b>	16462.23
<b>B. Cash flow from investing activities</b>		
Additions to fixed assets(including capital work in progress and advances on capital account) .....	<b>(4513.31)</b>	(2445.12)
Proceeds from sale of fixed assets .....	<b>290.75</b>	267.55
Purchase of investments - subsidiary company .....	–	(187.70)
Purchase of investments - others .....	<b>(650.00)</b>	–
Proceeds from redemption of investments .....	<b>650.00</b>	–
Dividend received .....	<b>51.59</b>	38.51
Interest received .....	<b>735.25</b>	843.15
Net cash from/(used in) investing activities .....	<b>(3435.72)</b>	(1483.61)
<b>C. Cash flow from financing activities</b>		
Proceeds from issue of preference share capital .....	<b>2060.00</b>	2000.00
Redemption of preference share capital .....	<b>(2060.00)</b>	(2000.00)
Proceeds from new borrowings .....	<b>33649.52</b>	42492.89
Repayment of borrowings .....	<b>(38693.93)</b>	(51206.27)
Financial lease payments .....	–	(29.99)
Dividends paid .....	<b>(1116.68)</b>	(714.69)
Tax on dividends paid .....	<b>(156.77)</b>	(126.30)
Interest paid .....	<b>(2951.36)</b>	(3788.76)
Net cash from/(used in) financing activities .....	<b>(9269.22)</b>	(13373.12)
Net cash flows during the period (A+B+C) .....	<b>(526.12)</b>	1605.50
Cash and cash equivalents (opening balance) .....	<b>4417.54</b>	2718.91
Add:/(Less): Unrealised exchange (gain)/loss .....	<b>(46.04)</b>	47.09
	<b>4371.50</b>	2766.00
Cash and cash equivalents (closing balance) .....	<b>3828.69</b>	4417.54
Add:/( Less) :Unrealised exchange (gain)/loss .....	<b>16.69</b>	(46.04)
	<b>3845.38</b>	4371.50
Increase/(decrease) in cash and cash equivalents .....	<b>(526.12)</b>	1605.50

Note:

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

Per our report attached

For A. F. Ferguson & Co.  
Chartered Accountants

H. L. Shah  
Partner

K. F. Kapadia  
Executive Vice President - Finance

Usha Iyengar  
Company Secretary

Bangalore, 5th June, 2006

For and on behalf of the Board of Directors,  
Shaktikanta Das Chairman

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

Bhaskar Bhat Managing Director

## Schedules forming part of the accounts

	Rupees in lakhs	
	<b>31-3-2006</b>	31-3-2005
<b>"A" Share capital</b>		
Authorised		
8,00,00,000 equity shares of Rs. 10 each .....	<b>8000.00</b>	8000.00
40,00,000 redeemable cumulative preference shares of Rs. 100 each .....	<b>4000.00</b>	4000.00
	<b>12000.00</b>	12000.00
<b>Issued and subscribed</b>		
4,22,76,270 equity shares of Rs. 10 each, fully paid up .....	<b>4227.63</b>	4227.63
2,00,000 (2005 : 2,00,000) 8% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>200.00</b>	200.00
10,00,000 (2005 : 10,00,000) 7.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>1000.00</b>	1000.00
2,00,000 (2005 : 2,00,000) 7% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>200.00</b>	200.00
4,00,000 (2005 : 22,00,000) 6.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>400.00</b>	2200.00
1,40,000 (2005 : 2,00,000) 6.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>140.00</b>	200.00
20,60,000 (2005 : 2,00,000) 6% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>2060.00</b>	200.00
	<b>4000.00</b>	4000.00
	<b>8227.63</b>	8227.63
<b>"B" Reserves and surplus</b>		
Capital reserve .....	<b>13.23</b>	13.23
Share premium account .....	<b>6172.69</b>	6172.69
General reserve		
As per last balance sheet .....	<b>348.18</b>	143.02
Add : Transfer from profit and loss account .....	<b>745.47</b>	205.16
	<b>1093.65</b>	348.18
Balance in profit and loss account .....	<b>7750.00</b>	2962.42
	<b>15029.57</b>	9496.52
<b>"C" Secured loans</b>		
Term loans from banks .....	<b>9471.94</b>	16644.52
Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future .....	<b>5411.83</b>	2707.78
	<b>14883.77</b>	19352.30
<b>"D" Unsecured loans</b>		
Fixed deposits .....	<b>1083.61</b>	1041.81
Short term loans and advances		
Loans from banks .....	<b>2000.00</b>	3500.00
Deposits from companies .....	<b>8825.00</b>	7925.00
	<b>10825.00</b>	11425.00
	<b>11908.61</b>	12466.81

# TITAN INDUSTRIES

Twenty-second annual report 2005-2006

## Titan Industries Limited

### Schedules forming part of the accounts

#### "E" Fixed Assets

Rupees in lakhs

	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Cost as at 1.4.2005	Additions	Deductions	Cost as at 31.3.2006	For the year	As at 31.3.2006	As at 31.3.2006	As at 31.3.2005
Land - freehold	195.79	-	7.00	188.79	-	-	188.79	195.79
Land - leasehold	42.24	-	-	42.24	-	-	42.24	42.24
Buildings	4995.83	19.55	216.66	4798.72	124.56	1387.31	3411.41	3720.36
Plant, machinery and equipment	31818.80	2962.06	839.22	33941.64	1583.87	21530.13	12411.51	11146.54
Furniture, fixtures and equipment	2573.28	393.70	335.29	2631.69	177.97	1362.03	1269.66	1148.61
Vehicles	381.50	159.80	102.14	439.16	80.04	117.26	321.90	259.35
<b>TOTAL</b>	<b>40007.44</b>	<b>3535.11</b>	<b>1500.31</b>	<b>42042.24</b>	<b>1966.44</b>	<b>24396.73</b>	<b>17645.51</b>	
As at 31st March, 2005	39341.19	1873.42	1207.17	40007.44	1961.26	23494.55		16512.89
Advances on capital account and capital work in progress, at cost							1956.49	978.29
							<b>19602.00</b>	<b>17491.18</b>

Rupees in lakhs

31-3-2006 31-3-2005

#### "F" Investments

##### Trade investments (long term) - unquoted

In non-subsidiary companies

1,00,000 (2005: 1,00,000) fully paid equity shares of Rs. 10 each in Titan Properties Limited ....	10.00	10.00
5,010 (2005: 5,010) fully paid equity shares of Rs. 10 each in Titan Mechatronics Limited .....	0.50	0.50
42,210 (2005: 42,210) fully paid equity shares of Rs. 10 each in Titan Holdings Limited .....	40.15	40.15
60,000 (2005: 60,000) fully paid equity shares of Rs. 10 each in Questar Investments Limited .....	18.00	18.00
15,000 (2005: 15,000) fully paid equity shares of Rs. 10 each in Tanishq (India) Ltd. ....	1.50	1.50
1,42,000 (2005: 1,42,000) fully paid equity shares of Rs. 10 each in Samrat Holdings Ltd. ....	2269.76	2269.76
	<b>2339.91</b>	<b>2339.91</b>

In subsidiary companies

19,00,000 (2005 : 19,00,000) fully paid equity shares of Rs. 10 each in Titan TimeProducts Limited .....	237.70	237.70
17,500 (2005: 17,500) fully paid equity shares of Euro 5 each in Titan Brand Holdings NV .....	48.70	48.70
10,000 (2005: 10,000) fully paid equity shares of Euro 500 each in Titan International Holdings BV .....	2244.79	2244.79
Less : Provision for diminution in value of investments .....	2244.00	2244.00
	<b>0.79</b>	<b>0.79</b>
	<b>287.19</b>	<b>287.19</b>





**Titan Industries Limited**

**Schedules forming part of the accounts**

	Rupees in lakhs	
	<u>31-3-2006</u>	<u>31-3-2005</u>
<b>"H" Current liabilities and provisions</b>		
Current liabilities		
Sundry creditors		
Due to small scale industrial undertakings .....	<b>164.63</b>	315.84
Others .....	<b>29158.84</b>	20154.13
	<b>29323.47</b>	20469.97
Unclaimed dividends .....	<b>52.80</b>	51.68
Other liabilities .....	<b>3874.74</b>	3938.58
Interest accrued but not due on loans .....	<b>62.56</b>	57.41
	<b>33313.57</b>	24517.64
Provisions		
Provision for taxation, net of payments .....	-	60.13
Proposed dividend on equity shares .....	<b>1331.70</b>	845.53
Tax on dividends .....	<b>186.77</b>	118.58
Retiring gratuities .....	<b>266.22</b>	318.86
Others .....	<b>887.29</b>	749.73
	<b>2671.98</b>	2092.83
	<b>35985.55</b>	26610.47

	Rupees in lakhs	
	<u>Current Year</u>	<u>Current Year</u>
<b>"I" Other income</b>		
Interest from staff loans, vendor advances and bank deposits - gross (tax deducted at source on interest received Rs.8.42 lakhs; 2005: Rs.17.90 lakhs) .....	<b>89.38</b>	145.29
Income from trade investments		
– Subsidiary .....	-	8.82
– Others .....	<b>51.59</b>	29.69
Interest from tax free bonds of Unit Trust of India .....	<b>5.06</b>	5.06
Miscellaneous income .....	<b>96.91</b>	83.77
	<b>242.94</b>	272.63

## Schedule forming part of the accounts

		Rupees in lakhs	
		<b>Current Year</b>	Current Year
<b>"J" Operating and Other Expenses</b>			
Raw materials and components consumed .....		<b>88204.58</b>	69925.74
Loose tools, stores and spare parts consumed .....		<b>2629.45</b>	2115.01
Purchase of finished goods .....		<b>7327.99</b>	2988.98
Payments to and provisions for employees			
Salaries and wages .....	<b>9320.45</b>		8085.03
Company's contribution to provident and other funds .....	<b>571.61</b>		503.95
Welfare expenses .....	<b>754.94</b>		664.90
Gratuity .....	<b>266.22</b>		318.86
Deferred revenue expenditure written off -VRS .....	<b>1009.85</b>		1128.94
		<b>11923.07</b>	10701.68
Other expenses			
Power and fuel .....	<b>1002.01</b>		997.00
Repairs to buildings .....	<b>134.23</b>		116.70
Repairs to plant and machinery .....	<b>346.37</b>		350.98
Advertising .....	<b>10130.84</b>		7689.46
Selling and distribution expenses .....	<b>2497.43</b>		2143.30
Insurance .....	<b>188.75</b>		208.04
Rent .....	<b>924.37</b>		708.19
Rates and taxes .....	<b>4475.92</b>		4060.78
Travel .....	<b>869.35</b>		739.47
Exchange Difference (net) .....	<b>534.71</b>		(151.73)
Deferred revenue expenditure written off .....	-		288.96
Provision for doubtful debts .....	<b>118.00</b>		9.13
Bad debts written off .....	-		39.62
Loss on sale / disposal of assets .....	<b>145.30</b>		461.40
General expenses .....	<b>4482.87</b>		3596.91
		<b>25850.15</b>	21258.21
Directors' fees .....		<b>7.00</b>	5.85
Commission to Non Whole-time Directors .....		<b>28.00</b>	-
Decrease/(Increase) in work in progress and finished goods			
Closing stocks			
Work in progress .....	<b>5445.73</b>		4813.08
Finished goods .....	<b>22941.26</b>		16316.41
		<b>28386.99</b>	21129.49
Opening stocks			
Work in progress .....	<b>4813.08</b>		3346.30
Finished goods .....	<b>16316.41</b>		8992.22
		<b>21129.49</b>	12338.52
		<b>(7257.50)</b>	(8790.97)
		<b>128712.74</b>	98204.50
Less : Expenses capitalised .....		<b>89.49</b>	49.25
		<b>128623.25</b>	98155.25

**Titan Industries Limited****Schedule forming part of the accounts****"K" Notes to the accounts**

## 1. Accounting policies :

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

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

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

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

ii. Fixed Assets : Fixed assets are capitalised at acquisition cost including directly attributable cost.

In line with Accounting Standard 19 on 'Leases', fixed assets acquired through 'finance lease' transactions have been capitalised.

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

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

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

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

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

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 based on actuarial valuation done at the end of the year.

ix. Deferred revenue expenditure : Compensation to employees who have opted for retirement under Voluntary Retirement Scheme (VRS) of the Company, paid and payable, is amortised over a period of 60 months.

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.

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

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

Corporate (unallocated) represents other income and expenses which relate to the enterprise as a whole and are not allocated to segments.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 574.88 lakhs (2005 : Rs. 914.43 lakhs).

3. (a) Provision for warranty - Rs.142.90 lakhs (2005 : Rs.121.98 lakhs).

The Company gives warranty on the products except jewellery, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Warranty provisions are made for expected future outflows and determined based on past experience. No reimbursements are expected. Additional provision made and utilised/reversed during the year is Rs. 114.23 lakhs (2005 : Rs. 88.89 lakhs) and Rs. 93.31 lakhs (2005 : Rs.104.50 lakhs) respectively.

(b) Contingent liabilities not provided for - Rs. 5846.72 lakhs (2005: Rs. 3069.88 lakhs) comprising of the following :

i. Guarantees given by the Company to banks - Rs.486 lakhs (2005 : Rs.1777 lakhs).

The Company had given guarantees to banks of Rs. Nil (2005 : Rs. 750 lakhs) in respect of a loan availed by its associate company and in respect of certain loans of Rs. 486 lakhs (2005 : Rs. 1027 lakhs) availed by the employees of the Company who had opted for the Voluntary Retirement Scheme (VRS). In case of any default by any of these parties on whose behalf the company has issued these guarantees, the banks would have recourse to the Company. In the case of the loans availed by the VRS Optees, the Company had obtained an irrevocable authorisation from them authorising the Company to repay on their behalf directly to the bank, from the future payments due to these VRS optees under the Voluntary Retirement Scheme.

ii. Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters - Rs. 5360.72 lakhs (2005 : Rs.1292.88 lakhs).

Sales Tax – Rs. 996.50 lakhs (31.03.2005 : Rs.108.90 lakhs) (relating to the applicability of rate of tax, computation of tax liability, submission of certain statutory forms).

Customs Duty – Rs.1363.87 lakhs (31.03.2005 : Rs. 936.33 lakhs) (relating to compliance with the terms of notification, end use of materials cleared at the lower rate of duty).

Excise Duty – Rs. 2404.66 lakhs (31.03.2005 : Rs. 247.65 lakhs) (relating to denial of exemption by amending the earlier notification, computation of the assessable value).

Income Tax – Rs. 534.94 lakhs (31.03.2005 : Rs. Nil) (relating to disallowance of deductions claimed and Transfer Pricing adjustments).

Others – Rs. 60.75 lakhs (31.03.2005 : Rs. Nil) (relating to miscellaneous claims).

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

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

No.	Dividend Rate	Aggregate value Rs. in Lakhs	Allotment Date	Redeemable at the end of	Call/Put Option
1	8.00%	200	31 March 2003	7 years	18 months
2	7.25%	1000	6 July 2004	3 years	12 months
3	7.00%	200	25 August 2004	7 years	12 months
4	6.75%	100	30 September 2004	7 years	12 months
5	6.75%	100	6 November 2004	7 years	12 months
6	6.75%	200	6 November 2004	7 years	18 months
7	6.50%	140	6 November 2004	7 years	18 months
8	6.00%	60	1 December 2005	7 years	12, 24, 36 or 48 months
9	6.00%	2000	24 March 2006	7 years	12, 24, 36 or 48 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 the period, as mentioned above. In case of withdrawal of certain tax benefits, the preference shares allotted in earlier years may be redeemed at the option of the Holder(s).

5. The term loans from banks shown under secured loans include :
  - (a) Loan of Rs. 8721.94 lakhs (2005 : Rs.10977.84 lakhs) secured by a first charge by way of hypothecation of movable assets (save and except current assets and assets taken on lease) and by way of an equitable mortgage of immovable properties of the Company, both present and future.
  - (b) Loan of Rs. Nil (2005 : Rs. 4000 lakhs) secured by a first charge by way of hypothecation of movable assets (save and except current assets and assets taken on lease) and to be secured by way of an equitable mortgage of immovable properties of the Company, both present and future.
  - (c) Loan of Rs. 750 lakhs (2005 : Rs. 1666.68 lakhs) secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
6. Non-fund based facilities availed of Rs. 14425 lakhs (2005 : Rs. 9916 lakhs) from banks are secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
7. The security covered under Notes 5(a) and 5(b) above rank pari passu. The security covered under Notes 5 (c) and 6 above rank pari passu with the security for the cash credit facility.
8. The small scale industrial undertakings to whom the Company owes any sum, outstanding for more than 30 days are :

(i) AAA Products Pvt. Ltd.	(ii) Arasu Enterprises
(iii) Bangalore Refinery Pvt. Ltd.	(iv) Chennai Felt Mills Pvt. Ltd.
(v) Classic Dials Pvt. Ltd.	(vi) Conee Chains Pvt. Ltd.
(vii) Diamond Triumph Metallplastic Pvt. Ltd.	(viii) Hirsch Watch Straps Pvt. Ltd.
(ix) Hitech Times	(x) Indo Plast
(xi) Medicon Leather Pvt. Ltd.	(xii) P & S Galvasols
(xiii) Plasma Gold Coating Pvt. Ltd.	(xiv) Plastic Moulding Services
(xv) Relic industries	(xvi) Sona Band
(xvii) Sona Horologicals Pvt. Ltd.	(xviii) Spiral Tools Pvt. Ltd.
(xix) Star Barrat Enterprises	
9. The Company, during the year, purchased and redeemed 650,000, 6% Redeemable Cumulative Preference Shares of Rs.100 each in Titan Holdings Limited.
10. Auditors remuneration comprises of fees for audit of statutory accounts Rs. 35.00 lakhs (2005 : Rs. 27.00 lakhs), taxation matters Rs.11.00 lakhs (2005 : Rs. 10.05 lakhs), audit of consolidated accounts Rs. 7.00 lakhs (2005 : Rs. 4.50 lakhs), management services Rs. 6.00 lakhs (2005 : Rs. Nil), services provided in relation to rights issue Rs. 41.50 lakhs (2005 : Rs. Nil), other services Rs. 5.32 lakhs (2005 : Rs. 6.73 lakhs) and reimbursement of expenses Rs. 0.89 lakh (2005 : Rs. 0.45 lakh) and reimbursement of levies (net of service tax credit of earlier years Rs. 5.76 lakhs; 2005 : Rs. Nil) Rs. (-) 5.02 lakhs (2005 : Rs. 4.69 lakhs).
11. In addition to the excise duty on finished goods, the Company paid excise duty of Rs.2603.80 lakhs (2005: Rs.1911.02 lakhs) in respect of despatches of watch components from Hosur factory to other factories.
12. (a) Interest expense disclosed in the profit and loss account is net of Rs.472.94 lakhs (2005 : Rs.640.81 lakhs) being interest income on loans and advances.  
(b) Interest on fixed loans amounts to Rs. 2262.61 lakhs (2005 : Rs. 2736.33 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.128.21 lakhs (2005 : Rs. 70.89 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.5.18 lakhs (2005 : Rs. 4.21 lakhs), perquisites Rs.27.83 lakhs (2005 : Rs. 21.09 lakhs), commission of Rs.48.00 lakhs (2005 : Rs. 30.00 lakhs) and commission to non whole-time directors of Rs.28.00 lakhs (2005 : Rs.Nil).

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

	Rupees in lakhs	
	2006	2005
Profit before taxes as per Profit and Loss Account .....	<b>8688.18</b>	3236.34
Add: Directors' remuneration .....	<b>128.21</b>	70.89
Directors' fees .....	<b>7.00</b>	5.85
Depreciation provided in the accounts for the current year .....	<b>1966.44</b>	1961.26
Loss on sale of fixed assets as per books (net) .....	<b>145.30</b>	461.40
Provision for Doubtful debts .....	<b>118.00</b>	9.13
Provision for diminution in value of investments .....	-	244.00
Provision for Doubtful loans and advances .....	<b>2500.00</b>	3256.00
Deferred Revenue Expenditure written off – VRS .....	<b>1009.85</b>	1128.94
Wealth Tax .....	<b>1.13</b>	0.36
	<b>14564.11</b>	10374.17
Less: Depreciation as per Section 350 of the Companies Act, 1956 for the current year .....	<b>1802.08</b>	1860.13
Loss on sale of fixed assets as per Section 350 of the Companies Act, 1956 (net) .....	<b>149.91</b>	461.40
Net profit .....	<b>12612.12</b>	8052.64
1% of net profit .....	<b>126.12</b>	80.53

15. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 11 million watches (2005 : 9 million watches), 0.29 million jewellery pieces (2005 : 0.29 million jewellery pieces) and 0.30 million clocks (2005 : 0.30 million 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 83,31,451 watches (2005 : 75,37,840 watches) sold 82,10,293 watches – Rs. 58757.18 lakhs (2005 : 72,45,704 watches - Rs. 51205.33 lakhs) and had a Closing Stock of 6,70,872 watches – Rs. 3582.37 lakhs (2005 : 5,49,714 watches – Rs.3521.95 lakhs; 2004 : 2,57,578 watches – Rs.1967.07 lakhs).
17. The Company produced 2,76,945 clocks (2005 : 2,15,486) sold 2,71,995 clocks - Rs.1122.43 lakhs (2005 : 2,22,085 clocks - Rs.923.18 lakhs) and had a closing stock of 32,258 clocks – Rs. 65.05 lakhs (2005 : 27,308 clocks - Rs.14.42 lakhs; 2004 : 33,907 clocks - Rs. 37.01 lakhs).
18. The Jewellery Division of the Company produced 5,52,534 jewellery pieces (2005 : 4,67,025 jewellery pieces), purchased 42,518 jewellery pieces – Rs. 5790.53 lakhs (2005 : 19,571 jewellery pieces – Rs. 2045.30 lakhs), sold 5,70,221 jewellery pieces – Rs. 65745.11 lakhs (2005 : 4,32,745 jewellery pieces - Rs. 45834.10 lakhs) and had a closing stock of 1,63,724 jewellery pieces - Rs. 17656.87 lakhs (2005 : 1,39,877 jewellery pieces – Rs.11985.00 lakhs, 2004 : 86,026 jewellery pieces – Rs. 6617.33 lakhs).
19. The Jewellery Division of the Company produced 14,18,079 coins (2005 : 5,24,434 coins), sold 14,26,542 coins – Rs.13212.45 lakhs (2005 : 5,12,143 coins – Rs. 7313.67 lakhs) and had a closing stock of 28,434 coins – Rs.1000.49 lakhs (2005 : 36,897 coins – Rs. 443.24 lakhs, 2004 : 24,606 coins – Rs. 181.37 lakhs).
20. The Company produced 34 machines (2005 : 42 machines), capitalised 16 machines (2005 : 22 machines), sold 19 machines – Rs. 620.42 lakhs (2005 : 19 machines – Rs. 616.46 lakhs), and had a closing stock of Nil machine – Rs. Nil (2005: 1 – Rs. 33.27 lakhs, 2004 : Nil – Rs. Nil).
21. The Company purchased 1,40,018 watches – Rs. 982.49 lakhs (2005 : 84,533 watches – Rs. 483.39 lakhs), sold 1,26,205 watches – Rs. 2099.52 lakhs (2005 : 72,962 watches – Rs. 1250.70 lakhs) and had a closing stock of 38,982 watches – Rs. 343.69 lakhs (2005 : 25,169 watches – Rs. 217.49 lakhs; 2004 : 13,598 watches – Rs. 125.33 lakhs).
22. The Company purchased Nil clocks – Rs. Nil (2005 : Nil clocks – Rs. Nil), sold 1,173 clocks – Rs.(0.18) lakhs (2005 : 601 clocks - Rs. 0.86 lakh) and had a closing stock of 4,117 clocks - Rs. 15.29 lakhs (2005 : 5,290 clocks – Rs.16.39 lakhs; 2004 : 5,891 clocks – Rs. 18.53 lakhs).
23. The Company purchased 2,81,891 sunglasses – Rs.556.82 lakhs (2005 : 2,78,433 sunglasses – Rs. 460.29 lakhs), sold 2,31,544 sunglasses – Rs.1292.52 lakhs (2005 : 2,61,178 sunglasses – Rs.1021.13 lakhs) and had a closing stock of 89,503 sunglasses – Rs.185.41 lakhs (2005 : 39,156 sunglasses – Rs.76.85 lakhs; 2004 : 21,901 sunglasses – Rs.45.22 lakhs).

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24. Sales includes sale of scrap Rs. 313.23 lakhs (2005 : Rs. 321.63 lakhs), sale of accessories Rs. 4397.64 lakhs (2005 : Rs. 4305.93 lakhs), sale of tools and components Rs.110.77 lakhs (2005 : Rs. 258.32 lakhs), sale of precious stones Rs.606 lakhs (2005 : Rs. Nil), income from services provided Rs. 463.52 lakhs (2005 : Rs. 411.25 lakhs) and is net of turnover based commission of Rs.2523.23 lakhs (2005 : Rs.1353.77 lakhs) and all discounts, including cash discount of Rs. 331.16 lakhs (2005 : Rs. 269.03 lakhs).
25. Analysis of raw materials and components consumed :

	Rupees in lakhs	
	2006	2005
Precious metals - Gold (2006 : 7869 Kgs.); (2005 : 6789 Kgs.)....	<b>56909.24</b>	40830.71
- Others .....	<b>1368.64</b>	1687.43
Brass .....	<b>667.63</b>	550.08
Steel .....	<b>485.41</b>	669.78
Components .....	<b>23051.87</b>	21788.30
Precious and semi-precious stones .....	<b>5090.43</b>	3893.83
Sundry charges .....	<b>631.36</b>	505.61
	<b>88204.58</b>	69925.74

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.

\* Includes 284 nos. (2005 : Nil) of precious stones sold costing Rs. 485 lakhs (2005 : Rs. Nil)

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

	2006		2005	
	Rupees in Lakhs	%	Rupees in Lakhs	%
Imported				
CIF Value .....	<b>20135.44</b>	<b>23</b>	13190.74	19
Customs duties .....	<b>1221.81</b>	<b>1</b>	1243.02	2
	<b>21357.25</b>	<b>24</b>	14433.76	21
Indigenous .....	<b>66847.33</b>	<b>76</b>	55491.98	79
	<b>88204.58</b>	<b>100</b>	69925.74	100

27. Analysis of imports on CIF basis :

	Rupees in lakhs	
	2006	2005
Raw materials and components .....	<b>18412.42</b>	13228.55
Stores and spares .....	<b>290.40</b>	243.61
Capital goods .....	<b>1778.87</b>	289.34
	<b>20481.69</b>	13761.50

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

	Rupees in lakhs	
	2006	2005
Royalty .....	<b>59.79</b>	36.25
Professional and consultancy services .....	<b>35.89</b>	38.44
Others .....	<b>746.28</b>	955.42



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

	<b>2006</b>	2005
(i) Number of Shareholders .....	<b>5</b>	6
(ii) Number of equity shares on which dividend was paid .....	<b>22,523</b>	28,435
(iii) Year to which the dividend related .....	<b>2004-05</b>	2003-04
(iv) Amount remitted (net of tax) (Rupees in lakhs) .....	<b>0.45</b>	0.28

30. Earnings in foreign exchange :

	<b>2006</b>	Rupees in lakhs 2005
Export of goods on FOB basis .....	<b>8735.53</b>	8940.24
Interest .....	<b>472.94</b>	640.81
Others .....	<b>67.23</b>	68.16

31. Expenditure directly attributable to research and development is estimated at Rs.276.37 lakhs (2005 : Rs. 369.05 lakhs).

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

	<b>2006</b>	Rupees in lakhs 2005
(a) Cost of vehicles .....	<b>321.04</b>	347.94
(b) Vehicles acquired during the year .....	<b>67.43</b>	229.30
(c) Net carrying amount .....	<b>224.60</b>	242.28

(d) The total of minimum lease payments and their present value outstanding at the Balance Sheet date in respect of finance leases for each of the following periods are as below:

	Minimum Lease Payments outstanding	Rupees in lakhs Present value of Minimum Lease Payments outstanding
Not later than one year	<b>85.92</b>	<b>74.19</b>
	(2005: 80.02)	(2005: 69.47)
Later than one year and not later than five years	<b>145.54</b>	<b>59.81</b>
	(2005:175.63)	(2005: 138.64)

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

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

	<b>2006</b>	Rupees in lakhs 2005
For a period not later than one year .....	<b>289.58</b>	138.15
For a period later than one year and not later than five years ....	<b>467.93</b>	316.39
For a period later than five years .....	-	47.11
Total .....	<b>757.51</b>	501.65

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- (b) The Company has taken the above operating leases for non-cancellable period of 6 months to 9 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. 214.43 lakhs (2005 : Rs.124.08 lakhs).
34. (a) Sundry creditors include (i) Rs.153.28 lakhs (2005 : Rs. 176.64 lakhs) towards liability for lease of vehicles which falls due later than one year; and (ii) Rs. 91.58 lakhs (2005 : Rs.140.42 lakhs) of acceptances.
- (b) Current liabilities do not include any amount to be credited to Investor Education and Protection Fund except where there are legal cases and therefore, amounts related to the same could not be transferred.
35. The details of deferred tax asset/(liability) are as under :

	As at 31.03.2005	Tax effect for the year	Rupees in lakhs As at 31.03.2006
<b>Deferred Tax (Liability)</b>			
Fixed Assets .....	(3522.64)	447.22	(3075.42)
<b>Sub Total</b> .....	<b>(3522.64)</b>	<b>447.22</b>	<b>(3075.42)</b>
<b>Deferred Tax Asset</b>			
Provision for doubtful debts .....	142.10	28.33	170.43
Disallowances under Section 43B .....	10.64	35.18	45.82
Provision for leave salary/gratuity .....	151.43	27.13	178.56
Deferred revenue expenditure .....	286.49	18.64	305.13
<b>Sub Total</b> .....	<b>590.66</b>	<b>109.28</b>	<b>699.94</b>
<b>Net Deferred Tax Asset / (Liability)</b> .....	<b>(2931.98)</b>	<b>556.50</b>	<b>(2375.48)</b>

36. Related party disclosures :

Names of related parties and description of relationship :

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

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	Key Management Personnel	Total
1	Purchase of components and raw materials	- (-)	1916.33 (761.64)	- (3098.39)	- (-)	1916.33 (3860.03)
2	Sale of components and finished goods	2.63 (39.42)	38.30 (65.57)	6653.79 (11186.91)	- (-)	6694.72 (11291.90)
3	Sale of assets	- (-)	- (0.26)	- (0.16)	- (-)	- (0.42)
4	Reimbursement of expenses	33.56 (21.80)	84.32 (395.18)	- (91.33)	- (-)	117.88 (508.31)
5	Interest income	- (-)	472.94 (640.81)	- (-)	- (-)	472.94 (640.81)
6	Interest expense	- (-)	- (-)	131.38 (46.14)	- (-)	131.38 (46.14)
7	Rent paid	30.72 30.72	- (-)	- (-)	- (-)	30.72 (30.72)
8	Dividend received	- (-)	- (8.82)	51.59 (29.69)	- (-)	51.59 (38.51)
9	Dividend paid	302.62 (151.31)	- (-)	133.60 (149.51)	- (-)	436.22 (300.82)
10	Commission and sitting fees to non whole-time directors	8.30 (1.60)	- (-)	- (-)	- (-)	8.30 (1.60)
11	Investments made	- (-)	- (187.70)	650.00 (-)	- (-)	650.00 (187.70)
12	Investments redeemed	- (-)	- (-)	650.00 (-)	- (-)	650.00 -
13	Intercompany deposits taken	- (-)	- (-)	3075.00 (2090.00)	- (-)	3075.00 (2090.00)
14	Intercompany deposits repaid	- (-)	- (-)	2185.00 (880.00)	- (-)	2185.00 (880.00)
15	Preference Shares allotted	- (-)	- (-)	2060.00 (200.00)	- (-)	2060.00 (200.00)
16	Preference Shares redeemed	- (-)	- (-)	2000.00 (1150.00)	- (-)	2000.00 (1150.00)
17	Brand equity subscription	246.66 (160.00)	- (-)	- (-)	- (-)	246.66 (160.00)
18	Recovery of expenses	- (-)	7.77 (5.16)	- (22.80)	- (-)	7.77 (27.96)
19	Rendering of services	11.80 (-)	20.97 (8.30)	- (9.48)	- (-)	32.77 (17.78)
20	Loans (net) (-) repaid / disbursed	- (-)	- (-80.18)	- (-)	- (-)	- (-80.18)
21	Managerial remuneration	- (-)	- (-)	- (-)	100.21 (70.89)	100.21 (70.89)
22	Advertising / Trademark advances (net) (-) repaid / reimbursed	- (-)	763.54 (-171.95)	(-637.39) (818.61)	- (-)	126.15 (646.66)
23	Provision for doubtful loans and advances	- (-)	2419.00 (306.00)	81.00 (2950.00)	- (-)	2500.00 (3256.00)
24	Provision for diminution in the value of investments	- (-)	- (244.00)	- (-)	- (-)	- (244.00)
25	Advances recovered	- (-)	- (-)	2000.00 (-)	- (-)	2000.00 (-)

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## Titan Industries Limited

Balance as on balance sheet date

Rupees in lakhs

Balance as on balance sheet date	Promoters	Subsidiaries	Associates	Key Management Personnel	Total
Debit balance	– (1.52)	8746.84 (10725.35)	2853.00 (6443.46)	– (–)	11599.84 (17170.33)
Guarantees and letter of comfort given to banks	(–)	(–)	(750.00)	(–)	(750.00)
Credit balance	208.72 (160.03)	– (–)	2335.83 (2442.86)	49.83 (30.00)	2594.38 (2632.89)

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

Rupees in lakhs

Nature of transaction	Category	Name	Amount
(a) Purchase of components and raw materials	Subsidiary	Titan TimeProducts Ltd.	1916.33 (761.64)
	Associate	Tanishq (India) Ltd.	– (1818.15)
	Associate	Titan TimeProducts Ltd.	– (1280.24)
(b) Sale of components and finished goods	Associate	Titan International (Middle East) FZE.	4412.58 (5931.90)
	Associate	Tanishq (India) Ltd.	– (3431.06)
	Associate	Titan Watches & Jewellery International (Asia Pacific) Pte Ltd.	2227.61 (1731.95)
(c) Dividend Paid	Promoters	Tamilnadu Industrial Development Corporation Ltd.	235.69 (117.85)
	Associate	Samrat Holdings Ltd.	131.67 (148.27)
(d) Intercorporate deposits taken	Associate	Samrat Holdings Ltd.	2945.00 (2060.00)
(e) Intercorporate deposits repaid	Associate	Samrat Holdings Ltd.	2065.00 (850.00)
(f) Preference Shares allotted	Associate	Samrat Holdings Ltd.	2000.00 (200.00)
(g) Preference Shares redeemed	Associate	Samrat Holdings Ltd.	2000.00 (1100.00)
(h) Advertising / Trademarks advance (net) 9-) repaid / reimbursed	Subsidiary	Titan Brand Holding N.V	(-)632.83 (-1155.69)
	Subsidiary	Titan International Holding B.V.	1396.37 (983.74)
	Associate	Titan International Investments B.V.	(-)637.39 (649.63)
	Associate	Titan International Marketing Ltd.	– (168.98)
(i) Provision for doubtful loans and advances	Subsidiary	Titan International Holdings B.V.	2419.00 (306.00)
	Associate	Titan International Marketing Ltd.	81.00 (2950.00)
(j) Provision for diminution in the value of investments	Subsidiary	Titan International Holdings B.V.	– (244.00)

Rupees in lakhs

Nature of transaction	Category	Name	Amount
(k) Investments made	Subsidiary	Titan TimeProducts Ltd.	-
			(187.70)
	Associate	Titan Holdings Ltd.	650.00
			(-)
(l) Investments redeemed	Associate	Titan Holdings Ltd.	650.00
			(-)
(m) Interest Income	Subsidiary	Titan International Holdings B.V.	362.57
			(525.10)
	Subsidiary	Titan Brand Holdings N.V.	110.37
			(115.71)
(n) Brand equity subscription	Promoters	Tata Sons Ltd.	246.66
			(160.00)
(o) Advance recovered	Associate	Titan Properties Ltd.	2000.00
			(-)

## 37. Earnings per share :

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

	Rupees in lakhs	
	2006	2005
a) Profit after tax for the year .....	<b>7454.68</b>	2735.40
Less : i) Income tax of earlier years .....	<b>92.70</b>	240.51
ii) Dividend on preference shares .....	<b>272.27</b>	281.39
iii) Dividend tax on preference shares .....	<b>38.19</b>	36.71
	<b>7051.52</b>	2176.79
b) Weighted average number of equity shares .....	<b>4,22,76,270</b>	4,22,76,270
c) i) Nominal value of shares (Rs.) .....	<b>10</b>	10
ii) Earnings per share - Basic and diluted (Rs.) .....	<b>16.68</b>	5.15

The Company has allotted, subsequent to the year end, on rights basis partly convertible debentures comprising Part A 2,113,038, equity shares of Rs.10 each at a premium of Rs.340 per equity share aggregating to Rs.7395.63 lakhs and Part B 2,113,038, 6.75% Non convertible debentures of Rs.250 each aggregating to Rs.5282.60 lakhs.

## 38. Segment information for the year ended 31 March 2006

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

	Rupees in lakhs				
	Watches	Jewellery	Others (Unallocated)	Corporate	Total
<b>Revenue</b>					
Net sales/income from segments .....	62813	77627	3579	-	144019
(There is no inter-segment revenue) .....	(53255)	(53400)	(3017)	(-)	(109672)
<b>Result</b>					
Profit from segments before interest, other income and taxes and before exceptional items .....	10322	4551	(-691)	(-753)	13429
.....	(8379)	(2467)	(-527)	(-764)	(9555)

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	Watches	Jewellery	Others (Unallocated)	Corporate	Rupees in lakhs Total
Add : Other Income .....	84 (107)	86 (84)	7 (3)	66 (79)	243 (273)
Profit from segments before interest and taxes and before exceptional items	10406 (8486)	4637 (2551)	(-)684 (-524)	(-)687 (-685)	13672 (9828)
Exceptional items .....	2500 (3500)	- (-)	- (-)	- (-)	2500 (3500)
Profit from segments before interest and taxes .....	7906 (4986)	4637 (2551)	(-)684 (-524)	(-)687 (-685)	11172 (6328)
Less : Interest (net) .....					2484 (3092)
Profit before taxes .....					8688 (3236)
Taxes .....					1326 (741)
Profit after taxes .....					7362 (2495)
<b>Other Information</b>					
Segment Assets .....	45778 (48388)	34516 (23697)	5045 (2320)	3072 (4681)	88411 (79086)
Segment Liabilities .....	13009 (11554)	20806 (13619)	624 (413)	1547 (1024)	35986 (26610)
Capital expenditure incurred during the year (including advances on capital account and capital work- in-progress) – Net .....	784 (862)	385 (177)	1844 (199)	- (-)	3013 (1238)
Depreciation/Amortisation .....	2017 (2328)	570 (667)	290 (339)	99 (44)	2976 (3378)

### b) Secondary Geographical Segments

	India	Europe	Others	Total
Revenue .....	135213 (100735)	807 (789)	7999 (8148)	144019 (109672)
Segment Assets .....	75677 (60692)	5784 (5747)	6950 (12647)	88411 (79086)
Capital expenditure incurred during the year.. (including advances on capital account and capital work-in-progress) – Net .....	3013 (1238)	- (-)	- (-)	3013 (1238)

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.

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

40. Balance Sheet Abstract and Company's General Business Profile

I. REGISTRATION DETAILS

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

STATE CODE 1 8

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

PUBLIC ISSUE  
 [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L  
 BONUS ISSUE  
 [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

RIGHTS ISSUE  
 [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L  
 PREFERENTIAL ALLOTMENT  
 [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

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

TOTAL LIABILITIES  
 [ ] [ ] [ ] [ ] 8 8 4 1 0 6 1

TOTAL ASSETS  
 [ ] [ ] [ ] [ ] 8 8 4 1 0 6 1

SOURCES OF FUNDS

PAID-UP CAPITAL  
 [ ] [ ] [ ] [ ] 8 2 2 7 6 3  
 DEFERRED TAX LIABILITY  
 [ ] [ ] [ ] [ ] 2 3 7 5 4 8  
 UNSECURED LOANS  
 [ ] [ ] [ ] [ ] 1 1 9 0 8 6 1

RESERVES & SURPLUS  
 [ ] [ ] [ ] [ ] 1 5 0 2 9 5 7  
 SECURED LOANS  
 [ ] [ ] [ ] [ ] 1 4 8 8 3 7 7

APPLICATION OF FUNDS

NET FIXED ASSETS  
 [ ] [ ] [ ] [ ] 1 9 6 0 2 0 0  
 NET CURRENT ASSETS  
 [ ] [ ] [ ] [ ] 2 8 6 9 0 5 0

INVESTMENTS  
 [ ] [ ] [ ] [ ] 2 7 0 2 0 3  
 MISCELLANEOUS EXPENDITURE  
 [ ] [ ] [ ] [ ] 1 4 3 0 5 3

ACCUMULATED LOSSES  
 [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] N I L

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

TURNOVER  
 [ ] [ ] [ ] [ ] 1 4 4 0 1 8 5 0  
 + -  
 PROFIT/LOSS BEFORE TAX  
 [ ] [ ] [ ] [ ] + - 8 6 8 8 1 8  
 EARNING PER SHARE IN RS.  
 [ ] [ ] [ ] [ ] 1 6 . 6 8

TOTAL EXPENDITURE  
 [ ] [ ] [ ] [ ] 1 3 5 5 7 3 2 6  
 + -  
 PROFIT/LOSS AFTER TAX  
 [ ] [ ] [ ] [ ] + - 7 3 6 1 9 8  
 DIVIDEND RATE %  
 [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 3 0

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)

ITEM CODE NO. (ITC CODE)  
 [ ] [ ] [ ] [ ] 9 1 . 0 2  
 ITEM CODE NO. (ITC CODE)  
 [ ] [ ] [ ] [ ] 9 1 . 0 3  
 ITEM CODE NO. (ITC CODE)  
 [ ] [ ] [ ] [ ] 7 1 . 1 3

PRODUCT DESCRIPTION  
 W A T C H E S  
 PRODUCT DESCRIPTION  
 C L O C K S  
 PRODUCT DESCRIPTION  
 J E W E L L E R Y

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

Shaktikanta Das Chairman

Ishaat Hussain  
 N. N. Tata  
 F. K. Kavarana  
 S.Ramasundaram  
 T. K. Balaji  
 A.C Mukherji  
 C.G.Krishnadas Nair  
 S.Susai } Directors

K.F.Kapadia  
 Executive Vice President - Finance

Usha Iyengar  
 Company Secretary

Bhaskar Bhat Managing Director

Bangalore, 5th June 2006

## Titan Industries Limited

### STATEMENT OF LOANS AND ADVANCES TO SUBSIDIARIES AND ASSOCIATES

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

Details of Loans and Advances outstanding from subsidiaries and associates as at 31 March 2006 are as follows :

- a) Loans and advances repayable within seven years and with interest at LIBOR rate (1) to subsidiaries  
Titan International Holdings BV
- EUR 6,950,000 (Rs. 3756.47 lakhs); maximum during the year : EUR 6,950,000 (Rs. 3756.47 lakhs)
  - US\$ 4,800,000 (Rs. 2141.28 lakhs); maximum during the year : US\$ 4,800,000 (Rs. 2141.28 lakhs)
  - US\$ 4,500,000 (Rs. 2007.45 lakhs); maximum during the year : US\$ 4,500,000 (Rs. 2007.45 lakhs)
  - GBP 900,000 (Rs. 697.77 lakhs); maximum during the year : GBP 900,000 (Rs. 697.77 lakhs)
  - EUR 1,895,000 (Rs. 1024.25 lakhs); maximum during the year : EUR 1,895,000 (Rs. 1024.25 lakhs)
  - US\$ 3,000,000 (Rs. 1338.30 lakhs); maximum during the year : US\$ 3,540,000 (Rs. 1579.19 lakhs)
  - GBP Nil; maximum during the year : GBP 350,000 (Rs. 271.35 lakhs)
- b) 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  
Titan Brand Holdings NV
- EUR 390,000 (Rs. 210.80 lakhs); maximum during the year : EUR 1,325,000 (Rs. 716.16 lakhs)
  - US\$ Nil; maximum during the year : US\$ 500,000 (Rs. 223.05 lakhs)
  - NLG 7,500,000 (Rs. 1839.51 lakhs); maximum during the year : NLG 7,500,000 (Rs. 1839.51 lakhs)
- (2) to associates  
Titan International Investments BV
- US\$ Nil; maximum during the year : US\$ 700,000 (Rs. 312.27 lakhs)
  - EUR Nil; maximum during the year : EUR 600,000 (Rs. 324.30 lakhs)
- c) Advertising advances without interest, being utilised for brand-building, advertising and related expenses :
- (1) to subsidiaries : Nil
- (2) to associates  
Titan International Marketing Ltd.
- US\$ 3,350,000 (Rs. 1494.44 lakhs); maximum during the year : US\$ 3,350,000 (Rs. 1494.44 lakhs)
  - GBP 1,401,648 (Rs. 1086.70 lakhs); maximum during the year : GBP 1,651,648 (Rs. 1280.52 lakhs)
  - EUR 500,000 (Rs. 270.25 lakhs); maximum during the year : EUR 500,000 (Rs. 270.25 lakhs)
- d) Advances without interest, for purchase/development of land at Bangalore and the Titan Township near Hosur :
- (1) to subsidiaries : Nil
- (2) to associate : Titan Properties Ltd.: Rs. 66 lakhs; maximum during the year: Rs. 2028 lakhs.
- e) Firms/companies in which Directors are interested :
- Mr. F. K. Kavarana is also a Director of Titan International Holdings BV, Titan International Investments BV and Titan International Marketing Ltd.; and may be considered to be interested in his fiduciary capacity.  
Mr. Bhaskar Bhat is also a Director of Titan International Holdings BV, Titan International Marketing Ltd. and Titan Properties Ltd.; and may be considered to be interested in his fiduciary capacity.
- f) None of the above companies hold any equity shares in Titan Industries Limited.

		For and on behalf of the Board of Directors,	
		Shaktikanta Das	Chairman
		Ishaat Hussain	} Directors
		N. N. Tata	
		F. K. Kavarana	
		A. C. Mukherji	
		T. K. Balaji	
		C. G. Krishnadas Nair	
		S. Ramasundaram	
		S. Susai	
	K. F. Kapadia Executive Vice President - Finance		
	Usha Iyengar Company Secretary	Bhaskar Bhat	Managing Director
Bangalore, 5th June, 2006			





# TITAN INDUSTRIES

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## Titan Industries Limited

### STATEMENT ANNEXED TO THE CONSOLIDATED ACCOUNTS PURSUANT TO APPROVAL UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES AS AT 31st MARCH, 2006

Name of Subsidiary	Titan TimeProducts Ltd.	Titan International Holdings N.V.	Titan Brand Co. Ltd.	Titan Watch
(a) Share Capital	Rs. 1,90,00,000	EUR 5,000,000 (2,702.50)	EUR 100,000 (54.05)	HKD 10,000 (0.57)
(b) Reserves	Rs. 1,34,59,215	EUR 946,481 (511.17)	EUR 203,217 (109.84)	-
(c) Total Assets	Rs. 6,75,84,830	EUR 27,893,178 (15,076.26)	EUR 7,656,861 (4,138.53)	HKD 130,000 (7.47)
(d) Total Liabilities	Rs. 3,51,25,615	EUR 21,946,697 (11,862.19)	EUR 7,353,644 (3,974.64)	HKD 120,000 (6.90)
(e) Investments	Nil	50,161 shares of EUR 1 and 140,000 preference shares of EUR 10 in Titan International Investments BV 4,000,000 preference shares of GBP 1 in Titan International Marketing Ltd.	Nil	2500 shares of EUR 5 in Titan Brand Holdings NV
(f) Turnover	Rs. 16,31,72,759	EUR 685,263 (370.38)	EUR 296,059 (160.02)	+
(g) Profit before tax	Rs. 75,82,951	EUR 21,615 (11.68)	EUR 369,885 (199.92)	+
(h) Taxes	Rs. 23,66,241	EUR [121,658] (65.76)	EUR 2,053 (1.11)	+
(i) Profit after tax	Rs. 52,16,710	EUR 143,273 (77.44)	EUR 367,832 (198.81)	+
(j) Proposed Dividend	Nil	Nil	Nil	Nil

+ Titan Watch Co. Ltd. has not yet commenced business.  
 Figures in brackets are equivalent in Rupees Lakhs at the year-end exchange rates of EUR 1 = Rs. 54.05 and HKD 1 = Rs. 5.75  
 The value of Investments in item (e) are included under Total Assets in Item (c).

For and on behalf of the Board of Directors,

Shaktikanta Das Chairman

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

K. F. Kapadia  
 Executive Vice President - Finance

Bangalore, 5th June, 2006  
 Usha Iyengar  
 Company Secretary

Bhaskar Bhat Managing Director

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## **Auditors' Report on Consolidated Financial Statements**

### **To the Board of Directors of Titan Industries Limited**

1. We have audited the attached consolidated balance sheet of Titan Industries Limited and its subsidiaries ("Titan Group") as at 31st March, 2006 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.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.
3.
  - a) We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs.18341.24 lakhs as at 31st March, 2006, total revenues of Rs.906.13 lakhs and cash outflows amounting to Rs.21.54 lakhs for the year ended on that date, and associates whose financial statements reflect Titan Group's share of reserves and surplus upto 31st March, 2006 of Rs.2610.25 lakhs including profit of Rs.267.93 lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management of Titan Group, and our opinion is based solely on the report of other auditors.
  - b) As stated in note 1, as the audited financial statements of a subsidiary whose financial statements reflect the total assets of Rs. 7.24 lakhs as at 31st March, 2006, and of associates, whose financial statements reflect Titan Group's negative share of reserves and surplus upto 31st March, 2006 of Rs.7221.77 lakhs including profit of Rs.67.68 lakhs for the year ended on that date are not available, we have relied upon the unaudited financial statements provided by the management of those components for the purpose of our examination of consolidated financial statements.
4. Subject to our remarks in paragraph 3 (b) above:
  - a) We report that the consolidated financial statements have been prepared by the management of Titan Industries Limited in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements and AS 23 – Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
  - b) Based on our audit, consideration of reports of other auditors on separate financial statements and 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:
    - (i) in the case of the consolidated balance sheet, of the state of affairs of the Titan Group as at 31st March, 2006;
    - (ii) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
    - (iii) 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

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

Place : Bangalore  
Date : 5th June, 2006

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## Titan Group

### Consolidated Balance Sheet as at March 31, 2006

	Schedule	Rupees in lakhs	
		31-03-2006	31-03-2005
<b>SOURCES OF FUNDS</b>			
Shareholders' funds			
Share capital .....	A	<b>8227.63</b>	8227.63
Reserves and surplus .....	B	<b>15428.93</b>	9164.38
		<b>23656.56</b>	17392.01
Loan funds			
Secured loans .....	C	<b>15028.32</b>	19499.06
Unsecured loans .....	D	<b>11908.61</b>	12466.81
		<b>26936.93</b>	31965.87
Deferred tax liability .....		<b>2430.69</b>	2990.14
Total .....		<b>53024.18</b>	52348.02
<b>APPLICATION OF FUNDS</b>			
Fixed assets	E		
Gross block, at cost .....		<b>43039.00</b>	40962.80
Less : Depreciation .....		<b>24970.93</b>	24030.44
Net block .....		<b>18068.07</b>	16932.36
Advances on capital account and capital work in progress, at cost .....		<b>1998.94</b>	979.41
		<b>20067.01</b>	17911.77
Investments .....	F	<b>2804.27</b>	2565.65
Current assets, loans and advances .....	G		
Inventories .....		<b>37637.06</b>	27339.65
Sundry debtors .....		<b>9013.56</b>	7711.66
Cash and bank balances .....		<b>3862.61</b>	4472.81
Loans and advances .....		<b>13766.18</b>	16232.99
		<b>64279.41</b>	55757.11
Less :			
Current liabilities and provisions .....	H		
Current liabilities .....		<b>33575.80</b>	25202.34
Provisions .....		<b>2742.31</b>	2129.77
		<b>36318.11</b>	27332.11
Net current assets .....		<b>27961.30</b>	28425.00
Miscellaneous expenditure (To the extent not written off or adjusted) .....			
Deferred revenue expenditure .....		<b>2191.60</b>	3445.60
Total .....		<b>53024.18</b>	52348.02
Notes .....	K		

Per our report attached

For A. F. Ferguson & Co.  
Chartered Accountants

H. L. Shah  
Partner

K. F. Kapadia  
Executive Vice President - Finance

Usha Iyengar  
Company Secretary

Bangalore, 5th June, 2006

For and on behalf of the Board of Directors,  
Shaktikanta Das Chairman

Ishaat Hussain  
N. N. Tata

F. K. Kavarana  
S. Ramasundaram

T. K. Balaji

A. C. Mukherji

C. G. Krishnadas Nair

S. Susai

Bhaskar Bhat

Managing Director

## Consolidated Profit and Loss Account for the year ended March 31, 2006

	Schedule	Rupees in lakhs	
		Current Year 31-03-2006	Previous Year 31-03-2005
<b>INCOME</b>			
Sales .....		148100.54	113398.46
Less : Excise Duty .....		4118.88	3794.12
Net Sales Income .....		143981.66	109604.34
Other income .....	I	569.54	1050.28
Total .....		<u>144551.20</u>	<u>110654.62</u>
<b>EXPENDITURE</b>			
Operating and other expenses .....	J	128836.71	98144.40
Depreciation / Amortisation .....		2004.85	1980.54
Interest .....		2483.00	3357.01
Total .....		<u>133324.56</u>	<u>103481.95</u>
<b>PROFIT BEFORE TAXES</b> .....		<b>11226.64</b>	7172.67
Income taxes - Current .....		1514.46	1057.81
- Deferred .....		(559.45)	(580.99)
- Fringe benefit tax .....		<u>303.28</u>	-
		<b>1258.29</b>	476.82
<b>PROFIT AFTER TAXES FOR THE YEAR</b>		<b>9968.35</b>	6695.85
Less : Income tax of earlier years .....		25.36	240.55
		<b>9942.99</b>	6455.30
Share of profits less losses of associates		(1792.69)	(4277.16)
Less: Amortisation of goodwill on consolidation .....		<u>56.82</u>	84.97
		<b>(1849.51)</b>	(4362.13)
<b>NET PROFIT</b> .....		<b>8093.48</b>	2093.17
Balance brought forward .....		2583.02	2858.94
Adjustment in respect of an associate .... becoming a subsidiary .....		-	(34.22)
Transferred from translation .....		-	(832.75)
adjustment on consolidation .....		-	-
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>10676.50</b>	4085.14
<b>APPROPRIATIONS</b>			
Dividend on preference shares .....		272.27	281.39
Proposed dividend on equity shares .....		1331.70	845.53
Tax on dividends .....		224.96	157.54
Transfer to general reserve .....		745.47	205.16
Transfer to capital redemption reserve ...		-	10.00
Premium on buy back of shares .....		-	2.50
		<u>2574.40</u>	1502.12
		<b>8102.10</b>	2583.02
Notes .....	K		
Earnings per share - Basic and diluted (Rs.)		<b>18.41</b>	4.19

Per our report attached

For A. F. Ferguson & Co.  
Chartered Accountants

H. L. Shah  
Partner

K. F. Kapadia  
Executive Vice President - Finance

Usha Iyengar  
Company Secretary

Bangalore, 5th June, 2006

For and on behalf of the Board of Directors,  
Shaktikanta Das

Chairman

Ishaat Hussain  
N. N. Tata  
F. K. Kavarana  
S. Ramasundaram  
T. K. Balaji  
A. C. Mukherji  
C. G. Krishnadas Nair  
S. Susai  
Bhaskar Bhat

Directors

Managing Director

**Titan Group**

**Consolidated Cash flow statement for the year ended March 31, 2006**

	Rs. in lakhs Current year	Rs. in lakhs Previous year
<b>A. Cash flow from operating activities</b>		
Net profit before tax .....	11226.64	7172.67
Adjustments for :		
- Depreciation .....	2004.85	1980.54
- Unrealised Exchange difference .....	(50.38)	(75.49)
- Financial lease payments .....	-	29.99
- Loss/(profit) on sale of fixed assets(net) .....	145.43	461.41
- Loss/(profit) on sale of Investments (net) .....	-	(318.45)
- Provision for doubtful debts .....	118.00	9.13
- Interest income .....	(94.91)	(150.58)
- Dividend income .....	(21.86)	(28.40)
- Interest expense .....	2483.00	3357.01
- Bad debts written off .....	-	39.62
- Deferred revenue expenditure written off .....	1254.00	1661.49
Operating profit before working capital changes .....	17064.77	14138.94
Adjustments for :		
- (Increase)/Decrease in sundry debtors .....	(1395.95)	7229.24
- (Increase)/Decrease in inventories .....	(10297.41)	(10792.79)
- (Increase)/Decrease in loans and advances .....	1170.93	(449.17)
- Increase/(Decrease) in current liabilities and provisions .....	8573.23	8212.86
Cash generated from operations .....	15115.57	18339.08
-Direct taxes paid .....	(2242.34)	(1087.32)
Net cash from/(used in) operating activities (A) .....	12873.23	17251.76
<b>B. Cash flow from investing activities</b>		
Additions to fixed assets (including capital work in progress and advances on capital account) .....	(4596.28)	(2534.57)
Proceeds from sale of fixed assets .....	290.76	267.54
Purchase of investments - others .....	(1441.20)	(925.57)
Purchase of investments - subsidiary company .....	-	(187.70)
Proceeds from sale of Investments - others .....	-	707.32
Proceeds from redemption of investments .....	650.00	-
Dividend received .....	21.86	28.40
Dividend received from associates .....	29.74	1.29
Interest received .....	907.07	365.06
Net cash from/(used in) investing activities (B) .....	(4138.05)	(2278.23)
<b>C. Cash flow from financing activities</b>		
Proceeds from issue of preference share capital .....	2060.00	2000.00
Redemption of preference share capital .....	(2060.00)	(2000.00)
Proceeds from borrowings .....	33649.52	42524.38
Repayment of borrowings .....	(38696.13)	(51204.88)
Financial lease payments .....	-	(29.99)
Dividends paid .....	(1116.68)	(714.69)
Tax on dividends paid .....	(156.77)	(127.45)
Interest paid .....	(2962.59)	(3792.32)
Net cash from/(used in) financing activities (C) .....	(9282.65)	(13344.95)
Net cash flows during the year(A+B+C) .....	(547.47)	1628.58
Cash and cash equivalents (opening balance) .....	4472.81	2748.93
Add/(Less): Unrealised exchange (gain)/loss .....	(46.04)	47.09
Add: On conversion of an associate into subsidiary company .....	-	2.17
	4426.77	2798.19
Cash and cash equivalents (closing balance) .....	3862.61	4472.81
Add/(Less): Unrealised exchange (gain)/loss .....	16.69	(46.04)
	3879.30	4426.77
Increase/(decrease) in cash and cash equivalents	(547.47)	1628.58

Note:

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

Per our report attached

For A. F. Ferguson & Co.  
Chartered Accountants

H. L. Shah  
Partner

K. F. Kapadia  
Executive Vice President - Finance

Usha Iyengar  
Company Secretary

Bangalore, 5th June, 2006

For and on behalf of the Board of Directors,

Shaktikanta Das

Chairman

Ishaat Hussain

N. N. Tata

F. K. Kavarana

S. Ramasundaram

T. K. Balaji

A. C. Mukherji

C. G. Krishnadas Nair

S. Susai

Bhaskar Bhat

Directors

Managing Director

## Schedule forming part of the Consolidated Accounts

	Rupees in lakhs	
	31-03-2006	31-03-2005
<b>"A" Share capital</b>		
Authorised		
8,00,00,000 equity shares of Rs. 10 each .....	<b>8000.00</b>	8000.00
40,00,000 redeemable cumulative preference shares of Rs. 100 each .....	<b>4000.00</b>	4000.00
	<b>12000.00</b>	12000.00
Issued and subscribed		
4,22,76,270 equity shares of Rs. 10 each, fully paid up .....	<b>4227.63</b>	4227.63
2,00,000 (31.03.2005: 2,00,000) 8% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>200.00</b>	200.00
10,00,000 (31.03.2005: 10,00,000) 7.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>1000.00</b>	1000.00
2,00,000 (31.03.2005 : 2,00,000) 7% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>200.00</b>	200.00
4,00,000 (31.03.2005 : 22,00,000) 6.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>400.00</b>	2200.00
1,40,000 (31.03.2005 : 2,00,000) 6.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>140.00</b>	200.00
20,60,000 (31.03.2005: 2,00,000) 6% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>2060.00</b>	200.00
	<b>4000.00</b>	4000.00
	<b>8227.63</b>	8227.63

# TITAN INDUSTRIES

Twenty-second annual report 2005-2006

## Titan Group

### Schedules forming part of the Consolidated Accounts

	Rupees in lakhs	
	31-03-2006	31-03-2005
<b>"B" Reserves and surplus</b>		
Capital reserve .....	13.23	13.23
Capital reserve on consolidation .....	37.26	-
Add : On an associate becoming a subsidiary .....	-	37.26
	<b>37.26</b>	37.26
Capital redemption reserve .....	10.00	-
Add : Transfer from profit and loss account .....	-	10.00
	<b>10.00</b>	10.00
Share premium account .....	6172.69	6172.69
Translation adjustment on consolidation		
As per last balance sheet .....	-	(832.75)
Transferred to balance in profit and loss account .....	-	832.75
	-	-
General reserve		
As per last balance sheet .....	348.18	143.02
Add : Transfer from profit and loss account .....	745.47	205.16
	<b>1093.65</b>	348.18
Profit and Loss account .....	<b>8102.10</b>	2583.02
	<b>15428.93</b>	9164.38
<b>"C" Secured loans</b>		
Term loans from banks .....	9471.94	16644.52
Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future .....	5556.38	2854.54
	<b>15028.32</b>	19499.06
<b>"D" Unsecured loans</b>		
Fixed deposits .....	1083.61	1041.81
Short term loans and advances		
Loans from banks .....	2000.00	3500.00
Deposits from companies .....	8825.00	7925.00
	<b>10825.00</b>	11425.00
	<b>11908.61</b>	12466.81



## Schedules forming part of the Consolidated Accounts

### "E" Fixed Assets

Rupees in lakhs

	GROSS BLOCK				DEPRECIATION / AMORTISATION			NET BLOCK	
	Cost as at 01.04.2005	Additions	Deductions	On an associate becoming a Subsidiary	Cost as at 31.03.2006	For the year	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
Land - freehold	195.79	-	7.00	-	188.79	-	-	188.79	195.79
Land - leasehold	57.60	-	-	-	57.60	0.51	7.12	50.48	50.99
Buildings	5195.34	22.35	216.66	-	5001.03	131.31	1460.04	3540.99	3853.89
Plant, machinery and equipment	32524.19	2998.04	839.40	-	34682.83	1612.89	21999.74	12683.09	11411.25
Furniture, fixtures and equipment	2600.14	394.04	335.35	-	2658.83	179.20	1382.30	1276.53	1156.41
Vehicles	389.74	162.32	102.14	-	449.92	80.94	121.73	328.19	264.03
<b>TOTAL</b>	<u>40962.80</u>	<u>3576.75</u>	<u>1500.55</u>	<u>-</u>	<u>43039.00</u>	<u>2004.85</u>	<u>24970.93</u>	<u>18068.07</u>	<u>-</u>
As at 31st March, 2005	39341.19	1961.75	1207.32	867.18	40962.80	1980.54	24030.44	-	16932.36
Advances on capital account and capital work in progress, at cost								<u>1998.94</u>	979.41
								<u>20067.01</u>	<u>17911.77</u>

Rupees in lakhs

31-03-2006      31-03-2005

### "F" Investments

#### Trade investments

##### Long Term

##### Share in associates (accounted on equity method)

##### Equity shares - Fully paid, unquoted

Titan Properties Limited .....	9.58	10.33
Titan Mechatronics Limited .....	1.11	1.07
Titan Holdings Limited .....	97.15	110.30
(net of capital reserve of Rs.8.65 lakhs; 31.3.2005: Rs.8.65 lakhs)		
Questar Investments Limited .....	94.74	96.10
Tanishq (India) Limited .....	3.19	3.16
Samrat Holdings Limited .....	2523.57	2269.76
(including goodwill of Rs.Nil; 31.3.2005 : Rs.39.90 lakhs)		
Titan International Investments B V .....	-	-
(See schedule G)		

**2729.34**      2490.72

##### Preference shares - Fully paid, unquoted

Titan International Investments B V .....	-	-
(See schedule G)		
Titan International Marketing Limited .....	-	-
(See schedule G)		

##### Others

Quoted		
6.75% tax free bonds of Unit Trust of India	74.93	74.93
	<u>2804.27</u>	<u>2565.65</u>

# TITAN INDUSTRIES

Twenty-second annual report 2005-2006

## Titan Group

### Schedule forming part of the Consolidated Accounts

	Rupees in lakhs	
	<u>31-03-2006</u>	<u>31-03-2005</u>
<b>"G" Current assets, loans and advances</b>		
Inventories		
Consumable stores .....	<b>351.80</b>	328.60
Loose tools .....	<b>192.81</b>	152.40
Raw materials and bought-out components .....	<b>8616.44</b>	5610.23
Work in progress .....	<b>5456.62</b>	4824.26
Finished goods .....	<b>23019.39</b>	16424.16
	<b>37637.06</b>	27339.65
Sundry debtors (unsecured)		
Over six months		
Considered good .....	<b>548.08</b>	468.91
Considered doubtful .....	<b>506.33</b>	388.33
	<b>1054.41</b>	857.24
Others - considered good .....	<b>8465.48</b>	7242.75
	<b>9519.89</b>	8099.99
Less: Provision for doubtful debts .....	<b>506.33</b>	388.33
	<b>9013.56</b>	7711.66
Cash and bank balances		
Cash on hand .....	<b>140.84</b>	3.54
Cheques on hand .....	<b>840.54</b>	1825.21
With scheduled banks - in current accounts .....	<b>799.99</b>	816.15
- in transit .....	<b>2081.24</b>	1827.91
	<b>3862.61</b>	4472.81
Loans and advances (unsecured and considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Considered good .....	<b>12853.35</b>	15979.07
Considered doubtful .....	<b>6849.79</b>	5523.12
	<b>19703.14</b>	21502.19
Less : Share of losses of associates (net of investment in equity .....		
and preference shares - see schedule F) .....	<b>6849.79</b>	5523.12
	<b>12853.35</b>	15979.07
Tax payments, net of provision .....	<b>358.20</b>	-
Balances with customs and excise authorities .....	<b>554.63</b>	253.92
	<b>13766.18</b>	16232.99
	<b>64279.41</b>	55757.11

## Schedules forming part of the Consolidated Accounts

		Rupees in lakhs	
		<u>31-03-2006</u>	<u>31-03-2005</u>
<b>"H" Current liabilities and provisions</b>			
Current liabilities			
Sundry creditors .....	<b>29456.56</b>		21011.89
Deferred income on group transactions .....	<b>129.14</b>		142.78
Unclaimed dividends .....	<b>52.80</b>		51.68
Other liabilities .....	<b>3874.74</b>		3938.58
Interest accrued but not due on loans .....	<b>62.56</b>		57.41
		<b>33575.80</b>	25202.34
Provisions			
Provision for taxation, net of payments .....	-		41.04
Proposed dividend on equity shares .....	<b>1331.70</b>		845.53
Tax on dividends .....	<b>186.77</b>		118.58
Retiring gratuities .....	<b>316.85</b>		355.55
Others .....	<b>906.99</b>		769.07
		<b>2742.31</b>	2129.77
		<b>36318.11</b>	27332.11

		Rupees in lakhs	
		<u>Year ended 31-03-2006</u>	<u>Year ended 31-03-2005</u>
<b>"I" Other income</b>			
Interest from staff loans, vendor advances and bank deposits - gross .....		<b>89.85</b>	145.52
Income from trade investments - gross .....		<b>21.86</b>	28.40
Interest from Tax free bonds of Unit Trust of India .....		<b>5.06</b>	5.06
Royalty Income .....		<b>337.99</b>	323.39
Profit on sale of investments .....		-	318.45
Miscellaneous income .....		<b>114.78</b>	229.46
		<b>569.54</b>	1050.28

**Titan Group**

**Schedule forming part of the Consolidated Accounts**

	Rupees in lakhs	
	<b>Year ended 31-03-2006</b>	Year ended 31-03-2005
<b>"J" Operating and Other Expenses</b>		
Raw materials and components consumed .....	<b>87585.01</b>	69773.96
Loose tools, stores and spare parts consumed .....	<b>2640.68</b>	2123.37
Purchase of finished goods .....	<b>7327.99</b>	2988.98
Payments to and provisions for employees .....		
Salaries and wages .....	<b>9537.35</b>	7780.99
Company's contribution to provident and other funds .....	<b>586.50</b>	509.25
Welfare expenses .....	<b>762.87</b>	1051.13
Gratuity .....	<b>280.54</b>	318.95
Deferred revenue expenditure written off -VRS .....	<b>1009.85</b>	1128.94
	<b>12177.11</b>	10789.26
<b>Other expenses</b>		
Power and fuel .....	<b>1025.98</b>	1005.21
Repairs to buildings .....	<b>134.23</b>	126.58
Repairs to plant and machinery .....	<b>366.92</b>	366.79
Office and administration expenses .....	<b>73.51</b>	56.75
Advertising .....	<b>10139.49</b>	7689.46
Selling and distribution expenses .....	<b>2497.43</b>	2143.30
Insurance .....	<b>194.99</b>	210.14
Rent .....	<b>924.97</b>	708.74
Rates and taxes .....	<b>4479.68</b>	4062.55
Travel .....	<b>890.93</b>	744.79
Deferred revenue expenditure written off - others	<b>244.15</b>	532.55
Loss on sale of / disposal of assets .....	<b>145.43</b>	461.41
Bad debts written off .....	-	39.62
Provision for doubtful debts .....	<b>118.00</b>	9.13
General expenses .....	<b>5151.99</b>	3240.56
	<b>26387.70</b>	21397.58
Directors' fees .....	<b>7.30</b>	6.02

## Schedule forming part of the Consolidated Accounts

	Rs. in Lakhs	
	<b>Year ended 31-03-2006</b>	Year ended 31-03-2005
<b>"J" Operating and Other Expenses (Contd.)</b>		
Commission to Non Whole-time Directors .....	<b>28.00</b>	-
Decrease/(Increase) in work in progress and finished goods		
Closing stocks		
Work in progress .....	<b>5456.62</b>	4824.26
Finished goods .....	<b>23019.39</b>	16424.16
	<b>28476.01</b>	21248.42
Opening stocks		
Work in progress .....	<b>4824.26</b>	3346.30
Finished goods .....	<b>16424.16</b>	8992.22
	<b>21248.42</b>	12338.52
Add : On an associate becoming a subsidiary .....	-	24.38
	<b>21248.42</b>	12362.90
		<b>(7227.59)</b>
		<b>128926.20</b>
		98193.65
Less : Expenses capitalised .....		49.25
		<b>98144.40</b>
		<b>128836.71</b>

# TITAN INDUSTRIES

Twenty-second annual report 2005-2006

## Titan Group

### Schedule forming part of the Consolidated Accounts

#### "K" Notes to the accounts

##### 1. Basis of Consolidation:

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

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

Name of the company	Country of incorporation	Ownership interest	
		31.3.2006	31.3.2005
Titan International Holdings B.V. (TIHBV)	Netherlands	100%	100%
Titan Watch Company Limited (TWCL) (100% held by TIHBV)	Hongkong	100%	100%
Titan Brand Holdings N.V. (87.50% held by Titan Industries Limited, 12.50% by TWCL)	West Indies	100%	100%
Titan TimeProducts Limited	India	100%	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, 2006. Financial statements of all subsidiaries used in consolidation are audited except for TWCL.

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	
		31.03.2006	31.03.2005
1.	Tanishq (India) Limited	0.78%	0.58%
2.	Titan Properties Limited	29.85%	29.85%
3.	Titan Mechatronics Limited	9.82%	9.82%
4.	Titan Holdings Limited	49.66%	49.66%
5.	Questar Investments Limited	25.00%	25.00%
6.	Samrat Holdings Limited	49.98%	49.98%
7.	Titan International Investments B.V. (TIIBV) (19% held by TIHBV, a subsidiary company)	19.00%	19.00%
8.	Titan International Marketing Limited (TIML) (68.75% held by TIIBV, an associate company)	13.06%	13.06%
9.	Rockbourne Holding B.V. (RHBV) (19% held by TIIBV, an associate company)	3.61%	3.61%
10.	Titan Watches & Jewellery International (Asia Pacific) Pte Limited (TAPL) (100% held by RHBV an associate company of TIIBV)	3.61%	3.61%
11.	Titan International (Middle East), FZE (TIME) (100% held by RHBV, an associate company of TIIBV)	3.61%	3.61%

The voting power held in the associate companies mentioned in Sr. No. 1 to 7 above is the same as ownership interest and for the other associate companies it is nil.

The financial statements of the above associate companies considered in consolidation are drawn up to the same reporting date as that of the parent company i.e. 31st March, 2006. Financial statements of all associate companies used in consolidation are audited upto 31st March, 2006 (except for TIIBV which is audited upto 31st December, 2005, however, effect has been given to unaudited financial statements upto 31st March, 2006 and TIML which is unaudited).

2. The particulars of investments made in associate companies as on 31st March, 2006 are as follows:

(Previous year figures are in brackets)

Rupees in Lakhs

Sl. No.	Name of the Associate	Original Cost of Investments	Amount of Goodwill/(-) Capital Reserve in Original Cost	Share of Post acquisition reserves and surplus	Carrying cost of investments
a.	Tanishq (India) Ltd.	<b>1.50</b> (1.50)	- (-)	<b>1.69</b> (1.66)	<b>3.19</b> (3.16)
b.	Titan Properties Ltd.	<b>10.00</b> (10.00)	- (-)	<b>(-) 0.42</b> (0.33)	<b>9.58</b> (10.33)
c.	Titan Mechatronics Ltd.	<b>0.50</b> (0.50)	- (-)	<b>0.61</b> (0.57)	<b>1.11</b> (1.07)
d.	Titan Holdings Ltd.	<b>40.15</b> (40.15)	<b>(-) 8.65</b> (-8.65)	<b>57.00</b> (70.15)	<b>97.15</b> (110.30)
e.	Questar Investments Ltd.	<b>18.00</b> (18.00)	- (-)	<b>76.74</b> (78.10)	<b>94.74</b> (96.10)
f.	Samrat Holdings Ltd.	<b>2269.76</b> (2269.76)	<b>337.36</b> (337.36)	<b>253.81</b> (-)	<b>2523.57</b> (2269.76)
g.	Titan International Investments B. V.	<b>3835.77</b> (3044.60)	<b>138.69</b> (138.69)	<b>(-)3835.77 *</b> (-3044.60) *	- (-)
	<b>Total</b>	<b>6175.68</b> (5384.51)	<b>467.40</b> (467.40)	<b>(-)3446.34</b> (-2893.79)	<b>2729.34</b> (2490.72)

\* Share of loss restricted to the original cost of Investment (See schedule G).

3. Accounting policies:

The accounts are prepared on an accrual basis 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:

- Revenue recognition: Revenue from sale of goods is recognised when the goods are despatched from the stock points to the customers.  
Income from royalty is recognised on an accrual basis.  
Interest income is recognised on a time proportion basis, taking into account the amount outstanding and the rate applicable.  
Dividend income is recognised when the Company's right to receive the payment is established.
- Fixed Assets: Fixed assets are capitalised at acquisition cost including directly attributable cost.  
In line with Accounting Standard 19 on 'Leases', fixed assets acquired through 'finance lease' transactions have been capitalised.
- 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.

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- iv. Amortisation: Goodwill arising on consolidation is amortised to the extent of share of profits, of the concerned associate company, accounted in Titan Group.
- v. Foreign currency transactions: Foreign exchange transactions are recorded at the exchange rates prevailing on the date of the transaction.

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

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

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

Translation adjustment on consolidation of foreign subsidiaries is recognised in the profit and loss account.
- 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 are valued 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 and debited to the profit and loss account on an accrual basis.

Leave encashment benefit is provided on the basis of actuarial valuation done at the end of the year.
- x. Deferred revenue expenditure:
  - a) Initial expenses incurred in connection with the incorporation of the company are amortised over a period of five years.
  - b) Design and development costs, which are expected to be recovered through royalty income from affiliates, are amortised over a period of ten years.
  - c) Compensation to employees who have opted for retirement under Voluntary Retirement Scheme (VRS) of the Company, paid and payable, is amortised over a period of 60 months.
- 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.



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

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

Corporate (unallocated) represents other income and expenses which relate to the enterprise as a whole and are not allocated to segments.

4. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 650.17 lakhs (31.03.2005: Rs. 974.56 lakhs).

5. (a) Provision for warranty – Rs. 142.90 lakhs (31.03.2005: Rs. 121.98 lakhs).

The Company gives warranty on the products except jewellery, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Warranty provisions are made for expected future outflows and determined based on past experience. No reimbursements are expected. Additional provision made and utilised/reversed during the year is Rs. 114.23 lakhs (2005 : Rs. 88.89 lakhs) and Rs. 93.31 lakhs (2005 : Rs. 104.50 lakhs) respectively.

- (b) Contingent liabilities not provided for – Rs. 5848.99 lakhs (31.03.2005 : Rs. 3072.15 lakhs) comprising of the following :

- i) Guarantees given by the Company to banks – Rs. 486.00 lakhs (31.03.2005 : Rs.1777.00 lakhs).

The Company had given guarantees to banks of Rs. Nil (2005 : Rs.750 lakhs) in respect of a loan availed by its associate company and in respect of certain loans of Rs.486 lakhs (2005: Rs.1027 lakhs) availed by the employees of the Company who had opted for the Voluntary Retirement Scheme (VRS). In case of any default by any of these parties on whose behalf the Company has issued these guarantees, the banks would have recourse to the Company. The associate company is making payments to the bank regularly, and no liability is expected. In the case of the loans availed by the VRS Optees, the Company had obtained an irrevocable authorisation from them authorising the Company to repay on their behalf directly to the bank, from the future payments due to these VRS optees under the Voluntary Retirement Scheme.

- ii) Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters – Rs. 5362.99 lakhs (2005 : Rs.1295.15 lakhs).

Sales Tax – Rs. 996.50 lakhs (31.03.2005 : Rs.108.90 lakhs)

(relating to applicability of rate of tax, computation of tax liability, submission of certain statutory forms)

Customs Duty – Rs.1363.87 lakhs (31.03.2005 : Rs. 936.33 lakhs)

(relating to compliance with the terms of notification, end use of materials cleared at the lower rate of duty)

Excise Duty – Rs. 2404.66 lakhs (31.03.2005 : Rs. 247.65 lakhs)

(relating to denial of exemption by amending the earlier notification, computation of assessable value)

Income Tax – Rs. 537.21 lakhs (31.03.2005: Rs. 2.27 lakhs)

(relating to disallowance of deductions claimed and Transfer Pricing adjustments)

Others – Rs. 60.75 lakhs (31.03.2005 : Rs. NIL)

(relating to miscellaneous claims)

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

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

Sr. No.	Dividend Rate	Aggregate value (Rs. In lakhs)	Allotment Date	Redeemable at the end of	Call/Put Option
1	8.00%	200	31 March 2003	7 Years	18 months
2	7.25%	1000	6 July 2004	3 Years	12 months
3	7.00%	200	25 August 2004	7 Years	12 months
4	6.75%	100	30 September 2004	7 Years	12 months
5	6.75%	100	6 November 2004	7 Years	12 months
6	6.75%	200	6 November 2004	7 Years	18 months
7	6.50%	140	6 November 2004	7 Years	18 months
8	6.00%	60	1 December 2005	7 Years	12, 24, 36 or 48 months
9	6.00%	2000	24 March 2006	7 Years	12, 24, 36 or 48 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 the period, as mentioned above. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the Holder(s).

7. The term loans from banks shown under secured loans include :
- Loan of Rs. 8721.94 lakhs (2005 : Rs.10977.84 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. Nil (2005 : Rs. 4000.00 lakhs) 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. 750.00 lakhs (2005 : Rs.1666.68 lakhs) to be secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
8. Non-fund based facilities availed of Rs.14460.90 lakhs (31.03.2005 : Rs. 9954.65 lakhs) from banks are secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
9. The security covered under notes 7 (a) and (b) above rank pari passu. The security covered under notes 6 (c) and 7 above ranks pari passu with the security for the cash credit facility.
10. Exchange loss (net), included in the profit and loss account is Rs.561.51 lakhs (2004-05: gain Rs.398.81 lakhs).
11. Sales includes sale of scrap Rs. 313.23 lakhs (2005 : Rs. 321.63 lakhs), sale of accessories Rs. 4397.64 lakhs (2005 : Rs. 4305.93 lakhs), sale of tools and components Rs.110.77 lakhs (2005 : Rs. 258.32 lakhs), sale of precious stones Rs. 606.00 lakhs (2005 : Rs. Nil), income from services provided Rs. 463.52 lakhs (2005 : Rs. 411.25 lakhs) and is net of turnover based commission of Rs. 2523.23 lakhs (2005: Rs. 1353.77 lakhs) and all discounts, including cash discount of Rs. 331.16 lakhs (2005 : Rs. 269.03 lakhs).
12. Interest expense disclosed in the profit and loss account is net of Rs.484.75 lakhs (2005 : Rs.379.29 lakhs) being interest income on loans given.

13. The Directors' remuneration of Rs. 128.21 lakhs, (2005 : Rs. 70.89 lakhs) excluding provision for encashable leave and gratuity as separate actuarial valuation is not available, comprises of payments to the Managing Director and is inclusive of contribution to provident and other funds Rs. 5.18 lakhs (2005 : Rs. 4.21 lakhs), perquisites Rs. 27.83 lakhs (2005 : Rs. 21.09 lakhs), commission Rs. 48.00 lakhs (2005 : Rs. 30.00 lakhs) and commission to non whole-time directors of Rs. 28.00 lakhs (2005 : Rs. Nil)

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

Rupees in lakhs

	<b>2006</b>	2005
(a) Cost of vehicles .....	<b>321.04</b>	347.94
(b) Vehicles acquired during the year .....	<b>67.43</b>	229.30
(c) Net carrying amount .....	<b>224.60</b>	242.28

- (d) The total of minimum lease payments and their present value outstanding at the Balance Sheet date in respect of finance leases for each of the following periods are as below:

Rupees in lakhs

	Minimum Lease Payments outstanding	Present value of Minimum Lease Payments outstanding
Not later than one year	85.92 (2005: 80.02)	74.19 (2005: 69.47)
Later than one year and not later than five years	145.54 (2005:175.63)	59.81 (2005: 138.64)

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

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

Rupees in lakhs

	<b>2006</b>	2005
For a period not later than one year .....	<b>289.58</b>	138.15
For a period later than one year and not later than five years .....	<b>467.93</b>	316.39
For a period later than five years .....	-	47.11
Total .....	<b>757.51</b>	501.65

- (b) The company has taken the above operating lease for a non-cancelable period of 6 months to 9 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. 214.43 lakhs (2005 : Rs.124.08 lakhs).

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16. Sundry creditors include Rs.153.28 lakhs (2005 : Rs.176.64 lakhs) towards liability for lease of vehicles which falls due later than one year.
17. Deferred revenue expenditure (to the extent not written off or adjusted) comprises of the following:

Rupees in lakhs

	<b>2006</b>	2005
Compensation to employees under VRS .....	<b>1430.53</b>	2440.38
Pre-operative and pre-incorporation expenses .....	<b>0.20</b>	0.97
Design and development expenses .....	<b>760.87</b>	1004.25
<b>Total</b> .....	<b>2191.60</b>	3445.60

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

	As at 31.03.2005	Tax effect for the year	As at 31.03.2006
<b>Deferred Tax/(Liability)</b>			
Fixed Assets .....	(3593.62)	446.97	(3146.65)
<b>Sub Total</b> .....	<b>(3593.62)</b>	<b>446.97</b>	<b>(3146.65)</b>
<b>Deferred Tax Asset</b>			
Provisions .....	12.82	3.20	16.02
Provision for doubtful debts .....	142.10	28.33	170.43
Disallowances under section 43B .....	10.64	35.18	45.82
Provision for leave salary/gratuity .....	151.43	27.13	178.56
Deferred revenue expenditure .....	286.49	18.64	305.13
<b>Sub Total</b> .....	<b>603.48</b>	<b>112.48</b>	<b>715.96</b>
<b>Net Deferred Tax Asset / (Liability)</b> .....	<b>(2990.14)</b>	<b>559.45</b>	<b>(2430.69)</b>

19. Related party disclosures :

Names of related parties and description of relationship:

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

Transactions with the related parties during the year ended are set out in the table below :

(Previous year figures are in brackets)

Rupees in lakhs

Sr. No.	Nature of transaction	Promoters	Associates	Key Management Personnel	Total
1	Purchase of components and raw materials	- (-)	- (3098.39)	- (-)	- (3098.39)
2	Sale of components and finished goods	2.63 (39.42)	6653.79 (11186.91)	- (-)	6656.42 (11226.33)
3	Royalty Income	- (-)	330.02 (323.39)	- (-)	330.02 (323.39)
4	Sale of Assets	- (-)	- (0.16)	- (-)	- (0.16)
5	Reimbursement of expenses	33.56 (21.80)	- (91.33)	- (-)	33.56 (113.13)
6	Interest income	- (-)	456.76 (379.29)	- (-)	456.76 (379.29)
7	Interest expense	- (-)	131.38 (46.14)	- (-)	131.38 (46.14)
8	Rent paid	30.72 (30.72)	- (-)	- (-)	30.72 (30.72)
9	Dividend received	- (-)	5159 (29.69)	- (-)	51.59 (29.69)
10	Dividend paid	302.62 (151.31)	133.60 (155.99)	- (-)	436.22 (307.30)
11	Commission and sitting fees to non whole-time directors	8.30 (1.60)	- (-)	- (-)	8.30 (1.60)
12	Intercorporate deposits taken	- (-)	3075.00 (2090.00)	- (-)	3075.00 (2090.00)
13	Intercorporate deposits repaid	- (-)	2185.00 (880.00)	- (-)	2185.00 (880.00)
14	Investments made	- (-)	650.00 (-)	- (-)	650.00 (-)
15	Investments redeemed	- (-)	650.00 (-)	- (-)	650.00 (-)
16	Purchase of Investments -preference shares	- (-)	395.73 (389.06)	- (-)	395.73 (389.06)
17	Subscription to preference shares	- (-)	395.44 (566.90)	- (-)	395.44 (566.90)

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Rupees in lakhs

Sr. No.	Nature of transaction	Promoters	Associates	Key Management Personnel	Total
18	Sale of Investments -preference shares	- (-)	- (716.65)	- -	- (716.65)
19	Preference Shares allotted	- (-)	2060.00 (200.00)	- (-)	2060.00 (200.00)
20	Preference Shares redeemed	- (-)	2000.00 (1150.00)	- (-)	2000.00 (1150.00)
21	Brand equity subscription	245.66 (160.00)	- (-)	- (-)	246.66 (160.00)
22	Recovery of expenses	- (-)	- (22.80)	- (-)	- (22.80)
23	Rendering of services	11.80 (-)	- (9.48)	- (-)	11.80 (9.48)
24	Loans (net) (-) repaid / disbursed	- (-)	404.07 (-853.39)	- (-)	404.07 (-853.39)
25	Managerial remuneration	- (-)	- (-)	100.21 (70.89)	100.21 (70.89)
26	Advertising / Trademark advances (net) (-) repaid / reimbursed	- (-)	(-)637.39 (818.61)	- (-)	(-)637.39 (818.61)
27	Advances recovered	- (-)	2000.00 (-)	- (-)	2000.00 (-)

The above includes the following material related party transactions :-

(Previous year figures are in brackets)

Rupees in lakhs

Nature of transaction	Category	Name	Amount
(a) Purchase of components and raw materials	Associate	Tanishq (India) Ltd.	- (1818.15)
	Associate	Titan TimeProducts Ltd.	- (1280.24)
(b) Sale of components and finished goods	Associate	Titan International (Middle East) FZE	4412.58 (5931.90)
	Associate	Tanishq (India) Ltd.	- (3431.06)
	Associate	Titan Watches & Jewellery International (Asia Pacific) Pte Ltd.	2227.61 (1731.95)
(c) Royalty Income	Associate	Titan International Marketing Ltd.	169.45 (202.34)
	Associate	Titan International (Middle East) FZE	122.65 (116.80)
(d) Interest Income	Associate	Titan International Investments B.V.	200.48 (127.66)
	Associate	Rockbourne Holdings B.V.	256.28 (215.99)
(e) Dividend paid	Associate	Samrat Holdings Ltd.	131.67 (148.27)
	Promoter	Tamilnadu Industrial Development Corporation Ltd.	235.69 (117.85)
(f) Intercorporate deposits taken	Associate	Samrat Holdings Ltd.	2945.00 (2060.00)
(g) Intercorporate deposits repaid	Associate	Samrat Holdings Ltd.	2065.00 (850.00)
(h) Investments made	Associate	Titan Holdings Ltd.	650.00 (-)
(i) Investments redeemed	Associate	Titan Holdings Ltd.	650.00 (-)
(j) Purchase of Investments -preference shares	Associate	Titan International Investments B.V.	395.73 (170.36)
	Associate	Rockbourne Holding B.V.	- (218.70)

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Rupees in lakhs

Nature of transaction	Category	Name	Amount
(k) Subscription to preference shares	Associate	Titan International Investments B.V.	- (566.90)
	Associate	Titan International Marketing Ltd.	395.44 (-)
(l) Sale of investments -preference shares	Associate	Titan International Investments B.V.	- (716.65)
(m) Preference shares allotted	Associate	Samrat Holdings Ltd.	2000.00 (200.00)
(n) Preference shares redeemed	Associate	Samrat Holdings Ltd.	2000.00 (1100.00)
(o) Brand Equity Subscription	Promoters	Tata Sons Ltd.	246.66 (160.00)
(p) Loans (net) (-) repaid / disbursed	Associate	Titan International Marketing Ltd.	(-)277.83 (-567.42)
	Associate	Titan International (Middle East) FZE	25.98 (261.70)
	Associate	Titan International Investments B.V.	395.22 (-4207.04)
	Associate	Rockbourne Holding B.V.	276.69 (3633.50)
(q) Advertising / Trademarks advances (net) (-) repaid / reimbursed	Associate	Titan International Investments B.V.	(-)637.39 (649.63)
	Associate	Titan International Marketing Ltd.	- (168.98)
(r) Advances recovered	Associate	Titan Properties Ltd.	2000.00 (-)

Balance as on balance sheet date

Rupees in lakhs

Balances as on balance sheet date	Promoters	Associates	Key Management Personnel	Total
Debit balance	- (1.52)	14727.51 (18763.83)	- (-)	14727.51 (18765.35)
Guarantees and letter of comfort given to banks	- (-)	- (750.00)	- (-)	- (750.00)
Credit balance	208.72 (160.03)	2363.90 (2874.57)	49.83 (30.00)	2622.45 (3064.60)



20. Earnings per share :

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

Rupees in lakhs

	<b>For the year ended 31.03.2006</b>	For the year ended 31.03.2005
a) Net profit.....	<b>8093.48</b>	2093.17
Less: i) Dividend on preference shares .....	<b>272.27</b>	281.39
ii) Dividend tax on preference shares .....	<b>38.19</b>	36.71
	<b>7783.02</b>	1775.07
a) Weighted average number of equity shares .....	<b>4,22,76,270</b>	4,22,76,270
b) i) Nominal value of shares (Rs) .....	<b>10.00</b>	10.00
ii) Earnings per share - Basic and diluted (Rs) .....	<b>18.41</b>	4.19

The Company has allotted, subsequent to the year end, on rights basis partly convertible debentures comprising Part A 2,113,038, equity shares of Rs. 10 each at a premium of Rs. 340 per equity share aggregating to Rs. 7395.63 lakhs and Part B 2,113,038, 6.75% Non convertible debentures of Rs. 250 each aggregating to Rs. 5282.60 lakhs.

21. Segment information for the year ended 31st March, 2006

a. Primary Business Segments

(Previous year figures are in brackets)

Rupees in lakhs

	Watches	Jewellery	Others	Corporate (Unallocated)	Total
<b>Revenue</b>					
Net sales / income from segments	62776	77627	3579	-	143982
(There is no inter-segment revenue)	(53187)	(53400)	(3017)	(-)	(109604)
<b>Result</b>					
Profit / (-) Loss from segments before interest, other income, taxes and share of profits / (-) losses of associates	10033 (8303)	4551 (2467)	(-) 691 (-527)	(-)753 (-764)	13140 (9479)
Add : Other Income	411 (893)	86 (84)	7 (3)	66 (70)	570 (1050)
Share of profits / (-) losses of Associates	(-)2118 (-4355)	-	-	268 (-7)	(-)1850 (-4362)
Profit / (-) Loss from segments before interest and taxes	8326 (4841)	4637 (2551)	(-)684 (-524)	(-)419 (-701)	11860 (6167)
Less : Interest					2483
Profit before taxes					(3357) 9377
Taxes					(2810) 1284
Net Profit					(717) 8093 (2093)

# TITAN INDUSTRIES

Twenty-second annual report 2005-2006

## Titan Group

	Watches	Jewellery	Others	Corporate (Unallocated)	Total
<b>Other Information</b>					
Segment Assets	46553 (49069)	34516 (23697)	5045 (2320)	3228 (4594)	89342 (79680)
Segment Liabilities	13342 (12295)	20806 (13619)	624 (413)	1546 (1005)	36318 (27332)
Capital expenditure during the year (including advances on capital account and capital work-in-progress) – Net	867 (951)	385 (177)	1844 (199)	– (–)	3096 (1327)
Depreciation / Amortisation	2300 (2591)	570 (667)	290 (339)	99 (44)	3259 (3641)

### b. Secondary Geographical Segments

	India	West Indies	Others	Total
Revenue	135176 (100667)	– (–)	8806 (8937)	143982 (109604)
Segment Assets	76459 (61162)	7600 (9829)	5283 (8689)	89342 (79680)
Capital expenditure during the year (including advances on capital account and capital work-in-progress) - Net	3096 (1327)	– (–)	– (–)	3096 (1327)

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

22. Titan TimeProducts Limited which was an associate had become a subsidiary company from 16th November, 2004. The financial position etc. included in the consolidated financial statements as at 31st March, 2005 is as under:

Sr. No.	Particulars	31.03.2006
1.	Total assets .....	569.62
2.	Total liabilities .....	569.62
3.	Profit / (Loss) before tax .....	(6.73)
4.	Tax .....	6.82
5.	Net Profit / (Loss) .....	(13.55)

23. a) Figures pertaining to subsidiary companies have been reclassified, where necessary, to bring them in line with the parent company's financial statements.  
b) The figures of the previous year have been regrouped / recast, where necessary, to conform to the current year classification.

Signature to Schedules "A" to "K"

For and on behalf of the Board of Directors,

Shaktikanta Das Chairman

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

K. F. Kapadia  
Executive Vice President - Finance

Bangalore, 5th June, 2006

Usha Iyengar  
Company Secretary

Bhaskar Bhat

Managing Director

**FINANCIAL STATISTICS**

BALANCE SHEET	FINANCIAL YEAR																	2005-06			
	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	1999-2000	2000-01	2001-02	2002-03	2003-04		2004-05		
Share Capital - Equity	23.95	23.96	26.84	26.84	26.84	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	<b>42.28</b>
Share Capital - Preference	-	-	-	-	-	-	-	7.50	10.00	33.00	37.50	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	<b>40.00</b>
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	94.97	94.97	94.97	<b>150.30</b>
Deferred Tax Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44.58	41.59	35.14	29.32	29.32	29.32	<b>23.75</b>
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	318.02	318.02	318.02	<b>267.92</b>
<b>SOURCES OF FUNDS - Total</b>	<b>61.92</b>	<b>67.79</b>	<b>86.81</b>	<b>99.78</b>	<b>114.45</b>	<b>234.53</b>	<b>279.77</b>	<b>340.15</b>	<b>467.08</b>	<b>560.67</b>	<b>577.31</b>	<b>593.83</b>	<b>610.76</b>	<b>629.38</b>	<b>652.56</b>	<b>671.11</b>	<b>606.98</b>	<b>524.59</b>	<b>524.59</b>	<b>524.59</b>	<b>524.25</b>
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	174.91	174.91	174.91	<b>196.02</b>
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	27.02	27.02	27.02	<b>27.02</b>
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	271.62	271.62	271.62	<b>374.39</b>
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	77.09	77.09	77.09	<b>90.12</b>
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	44.01	44.01	44.01	<b>38.29</b>
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	172.14	172.14	172.14	<b>143.96</b>
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	564.86	564.86	564.86	<b>646.76</b>
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	266.60	266.60	266.60	<b>359.86</b>
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	298.26	298.26	298.26	<b>286.91</b>
Deferred Revenue Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	4.27	3.20	6.18	46.17	33.31	24.40	24.40	24.40	<b>14.31</b>
<b>APPLICATION OF FUNDS - Total</b>	<b>61.92</b>	<b>67.79</b>	<b>86.81</b>	<b>99.78</b>	<b>114.45</b>	<b>234.53</b>	<b>279.77</b>	<b>340.15</b>	<b>467.08</b>	<b>560.67</b>	<b>577.31</b>	<b>593.83</b>	<b>610.76</b>	<b>629.38</b>	<b>652.56</b>	<b>671.11</b>	<b>606.98</b>	<b>524.59</b>	<b>524.59</b>	<b>524.59</b>	<b>524.25</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>	<b>1987-88</b>	<b>88-89</b>	<b>89-90</b>	<b>90-91</b>	<b>91-92</b>	<b>92-93</b>	<b>93-94</b>	<b>94-95</b>	<b>95-96</b>	<b>96-97</b>	<b>97-98</b>	<b>98-99</b>	<b>1999-2000</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>		
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	73.19	73.19	73.19	<b>83.36</b>
Jewellery	-	-	-	-	-	-	-	0.09	0.20	0.37	1.20	1.68	3.00	7.21	6.05	13.72	8.70	4.32	4.32	4.32	<b>5.70</b>
Clocks, Sunglasses, etc.	-	-	-	-	-	-	-	-	0.67	3.64	3.05	4.30	3.29	1.62	0.51	0.41	2.39	4.84	4.84	4.84	<b>5.05</b>
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	1,134.66	1,134.66	1,134.66	<b>1,481.37</b>
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	1,019.50	1,019.50	1,019.50	<b>1,327.42</b>
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	30.92	30.92	30.92	<b>24.84</b>
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	19.61	19.61	19.61	<b>19.66</b>
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	64.63	64.63	64.63	<b>109.45</b>
Add: Other Income	2.11	0.45	0.56	0.52	0.49	1.60	2.58	1.44	2.94	12.93	3.16	2.41	13.01	11.63	2.24	10.40	2.09	2.73	2.73	2.73	<b>2.43</b>
Less: Exceptional Item	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10.00)	(25.00)	(35.00)	(35.00)	(35.00)	<b>(25.00)</b>
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	32.36	32.36	32.36	<b>86.88</b>
Taxes	0.04	0.21	0.78	-	-	-	-	-	-	3.58	1.60	1.87	2.16	2.09	5.06	3.57	2.84	7.41	7.41	7.41	<b>13.26</b>
<b>Profit After Taxes</b>	<b>0.26</b>	<b>1.07</b>	<b>4.33</b>	<b>9.10</b>	<b>11.10</b>	<b>10.87</b>	<b>19.09</b>	<b>25.09</b>	<b>27.57</b>	<b>24.22</b>	<b>14.64</b>	<b>17.04</b>	<b>19.28</b>	<b>23.48</b>	<b>13.09</b>	<b>6.21</b>	<b>11.19</b>	<b>24.95</b>	<b>24.95</b>	<b>24.95</b>	<b>73.62</b>
Equity Dividend (%)	-	-	15%	18%	20%	22%	25%	30%	33%	33%	25%	26%	26%	15%	10%	10%	10%	20%	20%	20%	<b>30%</b>
Equity Dividend (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	8.46	8.46	8.46	<b>13.32</b>
Employee Costs (excluding VRS)	1.03	1.56	3.98	6.24	8.19	12.84	17.89	22.62	32.20	48.13	48.91	54.04	72.17	74.07	76.32	71.57	84.98	95.73	95.73	95.73	<b>109.13</b>
% to Sales Income	6.1%	5.7%	5.4%	5.9%	5.3%	6.7%	7.9%	8.0%	9.2%	11.8%	11.1%	11.2%	11.4%	10.6%	10.5%	9.0%	8.9%	8.4%	8.4%	8.4%	<b>7.4%</b>
Advertising	1.85	2.07	5.61	8.38	9.52	13.16	16.06	20.22	29.62	36.01	20.04	27.36	41.69	40.10	36.55	47.44	59.82	76.89	76.89	76.89	<b>101.31</b>
% to Sales Income	11.0%	7.5%	7.6%	7.9%	6.1%	6.9%	7.1%	7.2%	8.4%	8.8%	4.5%	5.7%	6.6%	5.8%	5.0%	5.9%	6.2%	6.8%	6.8%	6.8%	<b>6.8%</b>

## **Titan Group**

**To**

**The Members of Titan Industries Limited**

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

Mr. Bhaskar Bhat was appointed as Managing Director of the Company with effect from 1st April, 2002 for a period of 5 years on a scale of Rs. 50,000 – Rs. 1,50,000 per month and perquisites subject to a maximum of 140% of his annual salary.

At the Annual General Meeting of the Company held on 31st August, 2005, the Members had approved the increase in the scale of pay to Mr. Bhaskar Bhat from Rs. 50,000 – Rs. 1,50,000 per month to Rs.1,00,000 – Rs. 2,50,000 per month.

In order to give flexibility to the Board of Directors to decide upon the benefits, perquisites and allowances to be granted to Managing/Whole-time Directors from time to time, within the overall ceiling prescribed under the Companies Act, 1956 it is proposed to revise the terms of remuneration relating to perquisites and allowances of Mr. Bhaskar Bhat, Managing Director with effect from 1st April, 2006 as set out below:

### **Remuneration**

#### **(a) Salary**

Upto a maximum of Rs. 2,50,000 per month, with authority to the Board or a Committee thereof, to fix the salary within the said maximum amount from time to time. The annual increments which will be effective 1st April each year, will be decided by the Board or a Committee thereof and will be merit based and take into account the Company's performance.

#### **(b) Perquisites**

- (1) In Addition to the salary, Mr. Bhaskar Bhat shall be entitled to perquisites such as
  - i. Furnished accommodation, with expenditure on gas, electricity, water and maintenance and repairs thereof or, House Rent Allowance and house maintenance allowance with expenditure on gas, electricity, water and furnishings
  - ii. Leave Travel Allowance for self and family
  - iii. Medical expenses and Medical Insurance for self and family
  - iv. Personal Accident Insurance
  - v. Club Fee

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

- (2) Company maintained Car with Driver for official and personal use.
- (3) Telecommunication facilities at residence.
- (4) Contribution to Provident Fund, Superannuation Fund/Annuity Fund and Gratuity as per the rules of the Company.
- (5) Leave and encashment of unavailed leave as per the rules of the Company.

---

**Titan Group****(c) Commission**

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

**(d) Minimum Remuneration**

Notwithstanding anything to the contrary contained herein, where in any financial year, during the currency of the tenure of the Mr. Bhaskar Bhat, the Company has no profits or its profits are inadequate, the Company will pay salary and perquisites and allowances as specified above to Mr. Bhat as minimum remuneration.

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

In compliance with the provisions of the Sections 309 and 310 read with Schedule XIII with the Act, the revised terms of remuneration of Mr. Bhaskar Bhat are now being placed before the Members' General Meeting for their approval.

The Board of Directors at their Meeting on 26th June, 2006 had approved the revised terms of remuneration of Mr. Bhaskar Bhat, Managing Director, as stated above and commend the same for acceptance by the Members.

**Memorandum of Interest**

Mr. Bhaskar Bhat is concerned or interested in the variation of the terms of his appointment as mentioned above.

By Order of the Board of Directors,

Place : Bangalore  
Date : 17th July, 2006

Usha Iyengar  
Company Secretary

**FORM 2B**  
(See rules 4 CCC and 5 D)  
**NOMINATION FORM**

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

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

**Name and Address of Nominee**

Name : \_\_\_\_\_

Address : \_\_\_\_\_

Pincode : \_\_\_\_\_

Date of Birth\* : \_\_\_\_\_

(to be furnished in case the nominee is minor)

\_\_\_\_\_  
Signature of Nominee  
(Optional)

\*The nominee is a minor whose Guardian is -  
Name and Address of Guardian \_\_\_\_\_

**Signature(s) of Holder(s)**

Signature : \_\_\_\_\_  
(1st Holder)

Signature : \_\_\_\_\_  
(1st Joint holder, if any)

Name : \_\_\_\_\_

Name : \_\_\_\_\_

Address : \_\_\_\_\_

Address : \_\_\_\_\_

Date : \_\_\_\_\_

Date : \_\_\_\_\_

**Signature of Two Witnesses**

Name and Address

Signature with Date

1. \_\_\_\_\_

2. \_\_\_\_\_

**Instructions :**

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

**FOR OFFICE USE ONLY**

Nomination Regn. No. \_\_\_\_\_ :

Checked by \_\_\_\_\_ :

Date of Registration : \_\_\_\_\_

Signature of Employee : \_\_\_\_\_

Cut Here

## **GUIDELINES FOR NOMINATION**

**1. Nomination per Folio -**

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

**2. Signatures -**

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

**3. Registration of Nomination -**

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

**4. Change of Nomination -**

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

**5. Change in Composition of the Account -**

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

**6. Electronic Holding -**

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

**7. Accruals and Acquisitions -**

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

**8. Validity of Nomination -**

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

**9. Entitlement of Nominee -**

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

**10. Date of Execution -**

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

**TITAN INDUSTRIES LIMITED**

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

**Attendance Slip**

[Empty box for stamp or marking]

I hereby record my presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company at 3, SIPCOT Industrial Complex, Hosur 635 126 at 3.30 p.m. on Monday, 21st August, 2006.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

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

**TITAN INDUSTRIES LIMITED**

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

**Proxy**

I/We \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_ being  
a member/members of the above named Company, hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_ or failing him  
\_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_  
\_\_\_\_\_ as my/our Proxy to attend and vote for me/us and on my/our  
behalf at the Twenty Second Annual General Meeting of the Company, to be held on Monday, 21st August, 2006 and  
at any adjournment thereof.

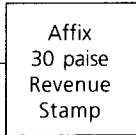
Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

Reference Folio \_\_\_\_\_

DP ID/Ben ID \_\_\_\_\_

No. of Shares held \_\_\_\_\_

Signature \_\_\_\_\_



This form is to be used \_\_\_\_\_ \*in favour of \_\_\_\_\_ the resolution. Unless otherwise instructed the  
proxy will act as he think fit. \_\_\_\_\_ \*against \_\_\_\_\_

\* Strike out whichever is not desired.

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





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3, SIPCOT Industrial Complex, Hosur 635 126

