
TITANOR COMPONENTS LIMITED



ANNUAL REPORT 2005

TITANOR COMPONENTS LIMITED

**BOARD OF DIRECTORS**

PREMAL N. KAPADIA	<i>Chairman</i>
RENATO GAZZANIGA	
GIUSEPPE CAMBARERI	
ANGELO FERRARI	
M. A. SUNDARAM	
S. C. JAIN	<i>Managing Director</i>
KRISHAN KHANNA	<i>Alternate to R. Gazzaniga</i>
R. V. N. P. R. SARDESSAI	<i>Alternate to G. Cambareri</i>

AUDIT COMMITTEE

M. A. SUNDARAM
ANGELO FERRARI
GIUSEPPE CAMBARERI

COMPANY SECRETARY

AVANISH DWIVEDI

**REGISTERED OFFICE
AND WORKS**

PLOT NOS. 184, 185 & 189
KUNDAIM INDUSTRIAL ESTATE
KUNDAIM, GOA – 403 115

WEBSITE

www.titanor.com

BANKERS

BANK OF BARODA
UTI BANK LTD.



TITANOR COMPONENTS LIMITED

NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of TITANOR COMPONENTS LIMITED will be held on Thursday, May 4, 2006 at 11:00 a.m. at the Registered Office of the Company at Plot Nos.184, 185 & 189, Kundaim Industrial Estate, Kundaim, Goa 403 115, to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st December, 2005 and the Profit and Loss Account of the Company for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Mr. Angelo Ferrari who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Premal N. Kapadia who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:

"RESOLVED that Mr. M. A. Sundaram, who was appointed in casual vacancy in place of Mr. R. V. N. P. R. Sardesai with effect from March 30, 2006 by the Board of Directors at their meeting held on March 30, 2006 and who ceases to hold office at this Annual General Meeting and who is eligible for appointment and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT subsequent to the expression of opinion by the Central Government under Section 309(1) of the Companies Act, 1956 that Mr. R. V. N. P. R. Sardesai possesses the requisite qualification for the practice of his profession, approval of the Shareholders be and is hereby accorded for payment of Consultancy Fee to Mr. R. V. N. P. R. Sardesai, Director for the following services rendered by him as a Sales Tax Consultant:

1. Consultancy and Advising on Goa Sales Tax Act,

Central Sales Tax Act, Entry Tax, Works Contract Tax and Service Tax. Interpretation and intimating any changes and amendments to above-mentioned Acts.

2. Representing Company during assessments by the Department.
3. Preparation and filing of Periodic returns for abovementioned indirect taxes.
4. Preparing written submissions for Assessments.
5. Preparing Appeal papers and representation of the facts appropriately in the Hearings.

RESOLVED FURTHER THAT Mr. Sardesai will render the above services as and when required by the Company and he shall be paid on a case to case basis. The total payments for the same shall not exceed Rs. 50,000/- per annum."

By Order of the Board

Place: Panaji, Goa
Dated: March 30, 2006

AVANISH DWIVEDI
Company Secretary

NOTES:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER.
- b) The proxy form duly completed and signed should be deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.
- c) The relative Explanatory Statement as required by Section 173(2) of the Companies Act, 1956 is annexed hereto in respect of item Nos. 6 & 7.
- d) The Register of Members and the Share Transfer Books of the Company will remain closed from 18th April 2006 to 20th April, 2006 (both days inclusive) for determining the names of Members eligible for dividend, if approved, in the Annual General Meeting. In case of shares held in electronic form, dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
- e) Shareholders desiring any information as regards the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
- f) Members/Proxies should bring the attendance slips duly filled-in for attending the meeting.
- g) The amount of unclaimed dividend for and upto the year ended March 31, 1994 which remained unpaid or unclaimed have been transferred to the General Revenue Account of the Central Government. Any claim

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for payment of such unclaimed/unpaid dividend should be made by an application in the prescribed form to the Registrar of Companies, Goa at the address given below:

The Registrar of Companies

Company Law Bhavan
EDC, Plot No. 21, Patto
Panaji – 403 001, Goa

- h) Unclaimed and unpaid Dividend for the Financial Year 1996, 1997 and 1998 has already been transferred to "Investors Education & Protection Fund" on October 24, 2003, October 13, 2004 and October 10, 2005 respectively, and no claims shall lie against the Company or the said Fund in respect of such Dividend which remain unclaimed or unpaid for a period of 7 years from the date when they first became due.
- i) Consequent upon the introduction of Section 109A of the Companies Act, 1956 Shareholders are entitled to make nomination in respect of shares held by them in physical form.

Shareholders desirous of making nominations are requested to send their requests in Form 2B (enclosed) to our Registrar & Transfer Agent:

**Sharepro Services (India) Private Limited,
Satam Estate, 3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala,
Andheri (E), Mumbai – 400 099.**

- j) **Members are requested to notify immediately any change in their addresses to the Registrar & Transfer Agents at the above address.**
- k) As per SEBI's directive, w.e.f. June 26, 2000 all investors can offer delivery of Company's shares in dematerialized form only. 5295534 Number of Company's shares (95.33%) have been dematerialized as on 31.12.2005.
- Members are requested to take steps to dematerialize their shares held in physical form to have easy liquidity.
- The Company's ISIN No. is INE244A01016.**
- l) The Company provides the facility of Electronic Clearing Service (ECS) to all shareholders, in the following cities:

Ahmedabad, Bangalore, Bhopal, Bhubhaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram.

Shareholders holding shares in the physical form who wish to avail ECS facility, may authorize the Company with their ECS mandate in the prescribed form, attached with this Annual Report. The duly filled in ECS Mandate should be lodged with Registrar & Transfer Agents, on or before 20th April, 2006.

INFORMATION TO BE FURNISHED UNDER THE LISTING AGREEMENT

- I. Name : Mr. Angelo Ferrari
Age : 46
Qualification : Degree in Business Administration c/o "Luigi Bocconi" University in Milan
Expertise : He has more than 19 years of extensive experience in the area of Finance function. He has been associated with the Parent Company since last 17 years. He is presently the Managing Director of Oronzio De Nora International B.V. & De Nora Deutschland GmbH.

Other Directorship/Committee Membership:

1. Flynor Jet S.p.A.
2. Oronzio De Nora International B.V.
3. De Nora Deutschland GmbH
4. De Nora North America, Inc.
5. Jiangyin De Nora Tianli Electrochemical Technology Ltd.
6. De Nora Elettrodi (Suzhou) Co. Ltd.

He is a member of the Audit Committee of the Board.

Details of Shareholding : Nil

- II. Name : Mr. Premal N. Kapadia
Age : 56
Qualification : M.S. (Engineering) - USA
Expertise : Mr. Kapadia is a Chemical Engineer with 34 years experience in project execution, business development, general administration and overall corporate management. He has wide exposure in the project engineering activities comprising engineering, procurement, inspection, expediting, planning and scheduling, construction, etc. He has gathered experience in execution of projects in the fields of Oil and Gas Processing, Petrochemicals, Chemicals, Pharmaceuticals, Coal Washeries, Material Handling, Dyestuffs and Intermediates, Electrolytic Processes, Pulp and Paper, Food Stuffs.

Other Directorship/ Committee Membership :

1. Tecnimont ICB Pvt. Ltd.
2. Harshadray Private Ltd.
3. Farm Chemicals Pvt. Ltd.
4. Dryden Private Limited
5. TUV India Pvt. Ltd.
6. Harshadray Investment Pvt. Ltd.
7. The West Coast Paper Mills Ltd.



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8. Kaira Can Company Ltd.
9. Silicon Interfaces Pvt. Ltd.
10. Silicon Interfaces America Inc.
11. Protos Engineering Co. Pvt. Ltd.
12. Delimon Protos India Pvt. Ltd.
13. Sortimat Protos Automation Pvt. Ltd.
14. Alkyl Amines Chemicals Ltd.
15. Thyssenkrupp Industries India Pvt. Ltd.
16. FirstService India Pvt. Ltd.
17. Integrated Industrial Quality Management Consultants Pvt. Ltd.

He is a member of the Remuneration Committee of the Board of Titanor Components Limited and Chairman of Share Transfer Committee of Kaira Can Co. Ltd. and Member of the Audit Committee of The West Coast Paper Mills Ltd. and Alkyl Amines Chemicals Ltd.

Details of Shareholding : 57000 Shares

III. Name : Mr. M.A. Sundaram
 Age : 73
 Qualification : IRAS (Retd.)
 Studied Modern Management Techniques in USA & Canada on a UN Fellowship. (1972-73)
 Expertise : He joined Indian Railways Accounts Service in 1957 and served for 20

years at various Railway Divisions. He was selected as Finance Director of Bongaigaon Refineries & Petrochemicals Ltd. (BRPL 1977-1981) by Public Enterprises Selection Board. Acted as Vice-President (Finance) Zuari Industries 1981-1990 and Vice-President (Finance) Reliance Industries Ltd. from 1990-1992 where he was looking after Reliance Petrochemicals Ltd.'s Hazira Project. He was Consultant to Deepak Fertilizer & Petrochemicals Corp. Ltd. He is associated with Goa Institute of Management and The Dept. of Management Studies & Computer Science, Goa University as a Visiting Faculty. He is also Member of the Education Committee of the Goa Chamber of Commerce.

Other Directorship/ Committee Membership :
 He is a Chairman of the Audit, Remuneration & Shareholders' Grievance Committee of the Board.
 Details of Shareholding : Nil

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ANNEXURE TO NOTICE :

Explanatory statement pursuant to Sec. 173(2) of the Companies Act, 1956.

Item No. 6

Mr. M.A. Sundaram was appointed in casual vacancy caused by the resignation of Mr. R. V. N. P. R. Sardesai w.e.f. March 30, 2006. Mr. R. V. N. P. R. Sardesai would have retired by rotation in this Annual General Meeting. The Company has received a notice in writing under Sec. 257 of the Companies Act, 1956 along with a deposit of Rs.500/- from a member proposing the candidature of Mr. M. A. Sundaram for the office of a Director. The Board recommends his appointment.

None of the Directors other than Mr. M. A. Sundaram are interested in the resolution.

Item No. 7

Mr. R. V. N. P. R. Sardesai is a qualified Sales Tax Advocate & Consultant. Anticipating that the Company may require professional advice and services from Mr. R.V.N.P.R. Sardesai, from time to time, in the field of Sales Tax, the

Company had acquired the expression of opinion by the Central Government to permit payment of professional fees in accordance with Section 309(1) of the Companies Act, 1956. As per the provisions of the Clause 49 I(B) of the Listing Agreement entered into by the Company with National Stock Exchange all fees/compensation, if any, paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of the shareholders in General Meeting. Hence, the Ordinary Resolution seeking shareholder's approval is proposed.

None of the Directors other than Mr. R. V. N. P. R. Sardesai are interested in the resolution.

By Order of the Board of Directors

Place: Panaji, Goa
 Dated: March 30, 2006

AVANISH DWIVEDI
 Company Secretary

TITANOR COMPONENTS LIMITED



DIRECTORS' REPORT

TO
THE MEMBERS

Your Directors have pleasure in presenting the 17th Annual Report together with the Audited Accounts of your Company for the year ended 31st December, 2005.

FINANCIAL RESULTS

(Rs. in Million)

	2005	2004
Sales & Other Income (Net of duties)	325.32	254.65
Profit/(Loss) before Depreciation & Taxation	117.44	120.94
Provision for Depreciation	(8.07)	(7.83)
Provision for Taxation for current/prior years	(47.78)	(43.80)
Deferred Taxation (Liability)/Asset for current/prior years	15.15	(0.09)
Net Profit after Tax	76.75	69.32
Balance of Profit brought forward	52.24	21.26
Transfer to General Reserves	7.67	6.93
Proposed Dividend	38.88	27.78
Tax on Dividend	5.45	3.63
Balance of Profit carried forward to next year	76.98	52.24

DIVIDEND

Your Directors recommend a Dividend of 70% of paid-up capital for the year ended 31st December, 2005 absorbing an amount of Rs. 44.33 Million of distributable profits, inclusive of tax on dividend as against 50% dividend for the previous year 2004.

OPERATIONS

The turnover of the Company at Rs.335.58 Million has shown an increase of 26% as compared to Rs. 266.52 Million in the previous year. The profit after tax was Rs. 76.75 Million as compared to Rs. 69.32 Million in the previous year.

OUTLOOK

Future Scenario in the Caustic Soda Industry is showing an upswing. The Membrane Cell Plants are due for their recoating cycles and the company is looking forward for

better future prospects for its membrane recoating activities.

PRECIOUS METAL RECOVERY SYSTEMS

The Company has entered into a Foreign Collaboration Agreement with Electrometals Technologies Limited, Australia for marketing, distributing, selling and manufacturing EMEW® Electrowinning Cell Equipments and related products. The Technology is used for recovery of metals (such as copper, zinc, silver, gold, etc.) by Electrolysis (Electrowinning) from their host solutions. This business activity is covered within the existing segment of activity of the Company namely Products for Electrolytic Processes. The Company was successful in commissioning its first EMEW® Plant during the year and is hopeful of procuring further orders in near future.

The initial response to another product, EMEW Cell pre-engineered package for Jewelry industry application which have been promoted under the Trademark BRAVOR™ in India, has been very good. We are in the process of setting up our Distributorship Network to explore the full potential of this untapped market.

DIRECTORS

Mr. V. Frank, being alternate director to Mr. Giuseppe Cambareri vacated office w.e.f. 28-03-2006 and has expressed his desire not to be re-appointed as alternate to Mr. Giuseppe Cambareri. Your Directors place on record their deep appreciation of the valuable services rendered by Mr. V. Frank during his tenure as director of the Company and more particularly as the Chairman of the various Committees of the Board.

Mr. R. V. N. P. R. Sardesai has resigned from the directorship of the Company which was accepted by the Board effective from 30.03.2006. Mr. Giuseppe Cambareri, nominated Mr. R. V. N. P. R. Sardesai to act as his alternate during his absence effective from 1.04.2006.

The Board of Directors at its meeting held on 30.03.2006 appointed Mr. M. A. Sundaram in the casual vacancy created by resignation of Mr. R. V. N. P. R. Sardesai. He will cease to hold office at the forthcoming Annual General Meeting and is eligible for appointment as the Company has received a Notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

Mr. P. N. Kapadia and Mr. Angelo Ferrari will retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

Brief resumes of Directors seeking appointment/re-appointment, the nature of their expertise in specific functional areas, names of companies in which they hold



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directorships and the memberships of committees of the board, their shareholdings, etc. are attached with the Notice of the Annual General Meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis of the Company for the year under review as required under Clause 49 of the Listing Agreement with the Stock Exchanges, is given as a separate statement in the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

1. That in the preparation of the accounts for the financial year ended December 31, 2005 the applicable accounting standards have been followed along with proper explanations relating to material departures;
2. That such accounting policies have been selected and consistently applied and judgements and estimates made, that are reasonable and prudent so as to give a fair and true view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
3. That proper and sufficient care has been taken for the maintenance of adequate 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. That the accounts for the financial year have been prepared on a 'going concern' basis.

AUDITORS

The Auditors M/s. Deloitte, Haskins & Sells, Chartered Accountants will retire at the conclusion of this Annual General Meeting and are eligible for re-appointment.

CORPORATE GOVERNANCE

A separate section titled "REPORT ON CORPORATE GOVERNANCE" including a certificate from a Practicing Company Secretary confirming compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed hereto and forms part of the Report.

PERSONNEL

The information required under Section 217(2A) of the Companies Act, 1956, and the Rules framed there under is annexed hereto as Annexure 'A' and forms part of the Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure 'B' forming part of this report.

ACKNOWLEDGEMENT

Your Directors would like to express their sincere appreciation for the continued support and co-operation received from Bankers, Foreign Collaborators, Government Authorities and Shareholders. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers during the year under review.

For and On behalf of the Board of Directors

Panaji, Goa
March 30, 2006

P. N. KAPADIA
Chairman

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ANNEXURE 'A' TO DIRECTORS' REPORT

Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forming part of the Directors' Report for the year ended 31st December, 2005.

Sr. No.	Name	Designation	Qualification	Experience (Years)	Date of Commencement of Employment	Remuneration Rs.	Age	Last Employment
1.	Mr. S. C. Jain	Managing Director	M. Tech.	31	01.12.1989	3,056,704	54	Dy. GM – Services & Business Development Wimco Ltd.

NOTES :

1. Remuneration here has the meaning assigned to it in the Explanation to Section 198 of the Companies Act, 1956.
2. The above mentioned employee is not a relative of any Director of the Company.
3. The nature of employment is contractual.
4. The employee does not hold by himself or along with his dependants, two percent or more of the equity shares of the Company.

ANNEXURE 'B' TO DIRECTORS' REPORT

INFORMATION IN ACCORDANCE WITH SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

Though the manufacturing operations involve consumption of energy, it is not of major significance. The Company is not covered under the list of industries which should furnish information in Form 'A'.

B. TECHNOLOGY ABSORPTION RESEARCH & DEVELOPMENT

Your Company has technical collaboration with M/s. Oronzio De Nora International B.V., The Netherlands for Ion Exchange Membrane Electrolysers for Chlor-Alkali Industry, Water Electrolysers and Electrochlorinators for Water Treatment and with M/s. Oronzio De Nora S.A., Switzerland for Cathodic Protection (Anti corrosion) Systems and with Electrometals Technologies Limited, Australia for EMEW® Electrowinning Cells. In view of this, the Company did not incur any expenditure on R&D during the year under review.

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

The Company adopted the technology of EMEW® Electrowinning Cells for recovery of metals by Electrolysis (Electrowinning) from their host solutions and is maintaining continuous interaction with its Technology Provider, Electrometals Technologies Limited, Australia. This helped in installation & commissioning of a better and customized EMEW® Plant at the customer's site.

C. FOREIGN EXCHANGE EARNINGS & OUTGO

The information on foreign exchange earnings are detailed in Note No. 28 and foreign exchange outgo is detailed in Note No. 29 to the Accounts.

For and On behalf of the Board of Directors

Panaji, Goa
March 30, 2006

P. N. KAPADIA
Chairman



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MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

Titanor Components Limited (TCL) is engaged in the manufacture and coating of anode and cathode for electrolytic process for application in the chlor-alkali & chlorate plants, cathodic protection systems, Electrochlorinators and manufacture and marketing of EMEW® Electrowinning Cells Equipments. All these applications come under the field of Electrolytic Processes.

TCL was set up with technical and financial collaboration of "Gruppo De Nora" of Italy, a world market leader in this segment. The Company's core business lies in Chlor-alkali sector, which is highly cyclic in nature. So, the Company expanded its market into high tech products such as cathodic protection systems, Electrochlorination systems and recently into Electrowinning Cells Equipments. In India, TCL is a market leader in all these products.

Recoating of anode and cathode is a specialised process, formulation of which involves use of noble metals. These formulations and processes are Proprietary and because of its affiliation to "Gruppo De Nora", the Company has the authority to use these formulations and processes, giving it the prominent market share in India. TCL not only provides support to all De Nora and Krupp Uhde customers in India but is also equipped to give technical support to other technology suppliers in the chlor-alkali sector.

OPPORTUNITIES AND THREATS

The Goa factory is equipped with the state of the art facilities to meet the demands of the Chlor-alkali industry. The main activity of the company is dependent on recoating of anodes for membrane cell electrolyzers in chlor-alkali plant. The life of the coating being 6 to 8 years is a cyclic process. The recoating cycle for Membrane Cell Plants having commenced in 2003, the income from recoating contributed major share in Company's total income during the year under review. However, the increase in the raw material prices has lead to a reduction in the margins.

The Central Government is paying a lot of attention for providing safe & pure water and several water purification schemes are expected to come up in future. TCL is all

geared up to make use of these opportunities. However, the Electrochlorinators market is flooded with small time competitors having their presence in their area of influence, who pose serious threat to TCL.

TCL foresees good business potential in the field of Electrowinning Cells Equipments and for its pre-engineered package for Jewelry industry application - BRAVOR™ and has started the process of appointing distributors in various regions of India. TCL has entered into a tie-up with UTI Bank Ltd. whereby TCL would identify its prospective buyers of BRAVOR™ and in case they require finance, direct them to UTI Bank Ltd. for financial assistance.

PRODUCTWISE PERFORMANCE

The company has one segment of activity namely Products for Electrolytic processes. Within the segment the company recorded an increase of 16% in the turnover of its Coated metal anodes and recoating activities. The Electrochlorination Systems business registered an increase of 48% in its turnover as compared to the last year. The Cathodic Protection Systems business registered an increase of 8% as compared to last year.

OUTLOOK

The Company expects the recoating business to improve during the current year. The Company foresees opportunities for Electrochlorinators and Electrowinning Cells Equipments during the year.

RISKS & CONCERNS

Excessive dependency on recoating of anodes increases risks and the Company is taking steps to minimize this risk by developing the market of its other products as well as introducing new products/technologies in the market.

The major concern for the Company is reduction in contribution due to increase in the raw material prices.

INTERNAL CONTROLS

The Company has an effective and adequate system of internal control, commensurate with the size and nature of the business of the Company. Checks and balances are in place to ensure the reliability and accuracy of accounting data. The systems are aimed at ensuring adherence to policies. A system of validation, approval and authorization, physical safeguards and access restrictions are given utmost importance.

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The internal control is supplemented by Internal Audit conducted by independent auditors on a quarterly basis. The reports of the Internal Auditors, their findings, recommendations and the compliance thereof, are reviewed by the Management and the Audit Committee of the Board of Directors. The adequacy of the internal control systems is also examined by the Statutory Auditors of the Company.

FINANCIAL PERFORMANCE

During the financial year under review, the sales turnover (net of duties) has increased to Rs. 325.32 Million as compared to Rs. 254.65 Million during the last financial year. The Company earned Net Profit after tax of Rs. 76.75 Million in the financial year 2005 as compared to Rs. 69.32 Million in the preceding year 2004.

MATERIAL DEVELOPMENT IN HUMAN RESOURCE

Human resources continue to be a key thrust area. The Company's relationship with the work force and the union continues to be very cordial indicating the prevalence of

high degree of excellent relationship between employees and Management. The management arrived at an amicable Wage Settlement with the Workmen Union from 1st April 2005 for a period of three years upto 31st March 2008. The revised wages of the workmen are as per the prevailing industry norms.

The Company had 81 employees as at end of the financial year 2005.

CAUTIONARY STATEMENT

Estimates and expectations stated in this Management Discussion and Analysis 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 your Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and international markets, changes in the Government regulations, tax laws, statutes and other incidental factors.

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