

# ANNUAL REPORT - 2004



**TIMEX WATCHES LIMITED**

*2004 is a historically  
significant year for  
Timex as we celebrate 150  
years of leadership,  
technological innovation and  
design, and market leadership  
across the globe - this year  
marks the 150th  
Anniversary of Timex in  
the time - keeping  
Industry.*

**Director(s)**

Frank Sherer  
Kapil Kapoor  
Daya Dhaon  
M.M. Rao  
Manny Henriques  
Chittaranjan Dua

Chairman  
Managing Director

**V.P. Legal &  
Company Secretary**

V.D. Wadhwa

**Banker**

The Hongkong and Shanghai Banking Corporation Limited.  
Calyon Bank  
HDFC Bank Limited

**Auditors**

Bharat S. Raut & Co.  
Chartered Accountants

**Registered Office**

117, G.F., World Trade Centre  
Babar Road  
New Delhi-110001

**Works**

B-190, Phase-II,  
Noida, 201 305  
U.P.

Plot No. 47,  
Sector-1, Parwanoo,  
Himachal Pradesh-173220

## NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of TIMEX WATCHES LIMITED will be held on 23 September 2004 at 10.00 A.M. at FICCI Auditorium, Tansen Marg, New Delhi-110001 to transact the following business:

### ORDINARY BUSINESS:

1. To receive consider and adopt the Balance Sheet as at 31 March, 2004, Profit and Loss Account for the year ended on that date and the report of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Daya Dhaon who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. M M Rao who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

M/s Bharat S Raut & Co., the retiring Auditors, being eligible, offer themselves for reappointment on a remuneration to be fixed by the Board of Directors of the Company in addition to reimbursement of all out of pocket expenses.

### SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. Chittaranjan Dua, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 103 (a) of the Articles of Association of the Company with effect from 19 January 2004 holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing pursuant to Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT subject to the provisions of Section 198, 269, 309, 311, Schedule XIII and all other applicable provisions of the Companies Act, 1956, the Company hereby accords its approval for the reappointment of Mr. Kapil Kapoor as Managing Director of the Company for a period of one year with effect from 03 October 2004, upon the terms and conditions mentioned in the explanatory statement attached herewith and as set out in the draft agreement to be executed between the Company and Mr. Kapoor which is hereby specifically approved with the liberty to the Board of Directors to alter and vary the terms and conditions of the said reappointment and / or Agreement in such manner as may be agreed to between the Board of Directors and Mr. Kapoor.

RESOLVED FURTHER THAT the Company also accords its approval for the action(s) taken / to be taken by the Board of Directors in this regard."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**.

"RESOLVED THAT, in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with Stock exchanges and pursuant to the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, or any amendment or

modification thereof and subject to such other approvals, permissions and sanctions as may be necessary, and such other conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions or sanctions, which may be agreed to by the Board of Directors of the Company ('the Board') or any committee/person(s) authorized by the Board, consent be and is hereby accorded to delist the equity shares of the Company from the Delhi Stock Exchange."

### NOTES:

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special Business stated above is annexed.
2. 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.
3. The proxy form duly completed in all respects should reach the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
4. The Register of Members and the Register of Share Transfers of the Company have remained closed from 02 August 2004 to 07 August 2004, both days inclusive.
5. The members are requested to inform changes, if any, in their Registered Address alongwith Pin Code Number to the Company at the following address:

### TIMEX WATCHES LIMITED

(Investor Relations Department)  
117, Ground Floor,  
World Trade Centre,  
Babar Road, New Delhi-110 001

6. The Members attending the meeting are requested to bring the enclosed attendance slip and deliver the same after filling in their folio number at the entrance of the meeting hall. Admission at the Annual General Meeting venue will be allowed only on verification of the signature(s) on the Attendance Slip.

Duplicate attendance slip shall not be issued at the Annual General Meeting venue. The same shall be issued at the Registered Office of the Company up to a day preceding the day of the Annual General Meeting.

7. As a measure of economy, copies of the Annual Report will not be distributed at the venue of the Annual General Meeting. The Members are, therefore requested to bring their copies of the Annual Report to the meeting.
8. The Members desirous of any information on the Accounts are requested to write to the Company atleast a week before the meeting so as enable the management to keep the information ready.
9. The Non Resident members are advised to provide their correspondence address in India and to give mandate for remittance of dividend directly to their bank account(s) in future.

Registered Office :

By Order of the  
Board of Directors

117, Ground Floor,  
World Trade Centre, Babar Road,  
New Delhi 110 001

Dated : 29 July 2004

V D Wadhwa  
V. P. - Legal &  
Company Secretary

**EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.****Item No 5**

In terms of the provisions of Section 260 of the Companies Act, 1956 and Article 103 (a) of the Articles of Association of the Company, Mr. Chittaranjan Dua was appointed an Additional Director of the Company by the Board of Directors at their meeting held on 19 January 2004. Mr. Dua holds office up to the date of this Annual General Meeting.

The Company has received a notice from a member signifying his intention to propose the appointment of Mr. Dua as a Director of the Company alongwith a deposit of Rs.500/- (Rupees Five Hundred only) which shall be refunded to the member, if Mr. Dua is elected as a Director.

Mr. Dua is a Lawyer and is the founding partner of Dua Associates and has vast experience in the fields of corporate law, mergers and acquisitions, privatization, project finance, public issues, entry strategies, foreign investment, corporate structuring / restructuring, infrastructure projects and commercial aspects of doing business in India. He has been actively involved in the process of regulatory reforms in India consistent with India's multilateral trade policy commitments and has advised clients ranging from Fortune 500 companies to closely held and privately owned Indian and foreign companies, public sector undertakings and listed companies in India and your Directors believe that his appointment as a Director would be in the best interest of the Company.

None of the Directors other than Mr. Dua himself are deemed to be concerned or interested in this resolution.

The Directors commend the Resolution for acceptance by the Members.

**Item No 6**

In accordance with the provisions of the Companies Act, 1956 and subject to the approval of the shareholders and other regulatory authorities, as applicable, the Board of Directors of the Company have decided to extend the term of appointment of Mr. Kapil Kapoor as Managing Director of the Company for a further period of one year effective 3 October 2004, i.e. the date when his present term is coming to an end. The details of the proposed reappointment are as below and also as given in Item No. 6 of the accompanying Notice, which may also be treated as an abstract u/s 302 of the Companies Act, 1956.

Mr. Kapoor is a graduate in Economics and has a Masters in Business Administration from IIM, Ahmedabad, he is also an alumnus of the Ashridge Management School. Mr. Kapoor has been associated with the Company as Managing Director since October 2000. Since August 2003, he has been entrusted with the additional responsibilities of the markets in the asia pacific region as Regional Director and has been operating from Hong Kong since then.

The Agreement between the Company and Mr. Kapoor contains the following main terms and conditions;

i) **Period of Appointment:** One year with effect from 03 October 2004.

ii) **Terms of Appointment and Remuneration:**

1. As Managing Director of the Company, Mr. Kapoor shall exercise such powers to manage the day-to-day affairs of the Company as may be delegated to him by the Board of Directors from time to time. Mr. Kapoor will serve diligently and faithfully and will comply with all applicable laws and regulations and with all business policies and standards of the Company in his performance of services under this Agreement. Mr. Kapoor will perform such services personally at such reasonable times and places as the Company may direct in connection with its business.

2. During the term of this Agreement, Mr. Kapoor will not engage in or accept any other assignment or employment except the responsibilities entrusted upon him as Regional Director for Asia Pacific / India region for the parent company. Mr. Kapoor shall devote sufficient time and attention to and exert his best

efforts in the performance of his duties hereunder, so as to promote the business of the Company.

3. Mr. Kapoor shall perform his obligations subject to the supervision, control and direction of the Board of Directors and to regularly report to the Board of Directors on the activities of the Company in respect of the matters delegated to him by the Board.

4. Mr. Kapoor shall not be drawing any remuneration from the Company during his tenure as its Managing Director.

In compliance with the provisions of Section 309 of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the Members in General Meeting for approval.

The draft of Agreement to be executed between the Company and Mr. Kapil Kapoor is available for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day of the Company.

None of the Directors, other than Mr. Kapil Kapoor himself, are concerned or interested in this resolution.

**Item No 7**

The Company's equity shares are presently listed on The Stock Exchange, Mumbai ('BSE') and The Delhi Stock Exchange Association Limited ('DSE').

The trading volumes on the above mentioned Stock Exchanges reflect that Company's shares are traded in material volumes only at the BSE. In case of Delhi Stock Exchange the trading volumes in the Company's shares over the last couple of years reveals that the trading in Company's shares has been insignificant or nil. Further BSE has extensive network of trading terminals, which facilitate trading by Members and investors across the country.

In view of the above fact, the Company's continued listing on DSE neither serves the interest of the Members/Investors nor that of the Company.

The Board of Directors of your Company at its meeting held on 27 March 2004 has recommended for the approval of the Members, a proposal to voluntarily delist the Company's shares from the Delhi Stock Exchange. The Company's shares will however continue to be listed on the BSE and therefore the delisting from the Delhi Stock Exchanges will not have a major effect on the trading volumes of your Company.

Further delisting on the Stock Exchanges will result in administrative convenience and saving in costs on account of listing fees, etc.

The Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 permits a company to voluntarily delist its securities, without offering an exit opportunity to its shareholders, where the company continues to be listed on Stock Exchanges having nationwide terminals. Your Company complies with this condition and can therefore voluntarily delist its securities from Delhi Stock Exchange.

In accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, consent of the members by way of a Special Resolution is required for voluntary delisting of the Company's shares from the Delhi Stock Exchange.

None of the Directors of your Company is interested in this Special Resolution.

The Directors commend the Resolution for acceptance by the Members.

Registered Office :

By Order of the  
Board of Directors

117, Ground Floor,  
World Trade Centre, Babar Road,  
New Delhi 110 001

Dated : 29 July 2004

V D Wadhwa  
V. P. - Legal &  
Company Secretary



**DIRECTORS' REPORT****To the Members of Timex Watches Limited**

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

**FINANCIAL RESULTS**

	2003-2004	Rupees in Thousands 2002-2003
Income	775356	785868
Expenditure	821870	895935
Gross Profit / (Loss)	(46514)	(110067)
Interest	36102	47487
Depreciation	77885	79229
Loss before Taxes	(160501)	(236783)
Provision for Taxes	Nil	Nil
Loss after Taxes	(160501)	(236783)

**OPERATIONS**

The year has witnessed flat growth in the revenues due to sluggish consumer demand for the watch category and insignificant growth of the Organized Watch Industry, however, due to the continuous emphasis of your Company on the improvement in realizations and margin on its products and tighter controls on its costs, the losses has been reduced by over 30% compared to the previous year.

The aspirational appeal of the "TIMEX" brand has gone up considerably during the year. As per a recent survey of the Economic Times on "India's Most Trusted Brand", your Company's brand was ranked # "13" amongst all the leading brands in the Country. In addition, your Company's brand has been ranked as "SUPER BRAND" by Super Brand Council of U.K. & India.

Your Company has decided to set up a new plant in the state of Himachal Pradesh to avail of the excise duty exemption benefits announced by the Government of India. The setting up of the new plant is on full stream and manufacturing activities have already commenced from this plant in this financial year. The cost incurred for revamping of the manufacturing operations has been fully absorbed in the financials for the year ending 31 March 2004.

Your Company has identified (a) improvement in the retail presence of its products particularly in the new retail environment through shop in shops and improved merchandising and (b) growth in the direct business as the key focus area for revenue and margin growth for its business in the coming years. During the previous year your Company has initiated a unique concept of "CLUB TIMEX" whereby it had identified and signed up the high profile retail outlets for establishment of "shop in shop" and was in a position to set up about 62 stores across the Country.

**MANAGEMENT DISCUSSION AND ANALYSIS****INDUSTRY STRUCTURE AND DEVELOPMENT**

The Organized Indian Watch Industry, estimated to be of the size of eleven million watches remained stagnant during the year. Due to increased availability of watches at low price points and higher promotional spends, the margins in the organized watch market has come under severe pressure.

Your Company had devised the strategy to drive the value chain instead of volumes in the era of low growth rate by introduction of high margin products combined with the improved merchandising support, which has yielded encouraging results and helped the Company to improve the revenue realization and reduce the losses by 30% despite flat revenue line. The organised retail environment is developing rapidly in the metro cities and is expected to grow @ 20 % per annum which is advantageous to your Company given its strengths in terms of product portfolio and brand positioning. Presently the organized retail sector contributes less than 5% of the revenues for the Industry.

**OPPORTUNITIES, THREATS & RISKS**

The biggest challenge for your Company is the fundamental structure of the market which is predominantly concentrated in the low price segment due to presence of a large number of players in the unorganized watch segment. Being the number two player in the Industry, there are tremendous opportunities available for growth through increase in market share for your Company. In addition, being the only MNC in India with domestic fabrication and assembly facilities gives your Company a unique advantage of being able to leverage its international R&D capabilities and launch state-of-the art products at relatively affordable prices. Further, reduction in import duties would allow your Company to access high technology products being developed by the parent Company in the U.S.A.

**CAPITAL RESTRUCTURING**

Your Company undertook a major capital restructuring exercise whereby all its losses as at 30 June 2003 were set off against its Total Net Worth as of 31 March 2003. As a consequence of this exercise the face value of the equity share stands reduced to Rs.1 per share instead of Rs.10 per share and the face value per preference share stands reduced to Rs.10 per share instead of Rs.100 per share. The remaining unutilized losses were set off against the share premium account. The reduction in the face value per share has not caused any adverse impact on the liquidity of the stock in the market.

**OUTLOOK**

The current environment offers growth opportunities to Companies like yours with the strength of powerful brand, increasing market share, quality standards, increased access to the parent Company's impressive product range and brands like FCUK, OPEX & TIMBERLAND etc and strong marketing fundamentals.

We are confident that in the intensifying competitive scenario your Company is equipped in all facets of watch manufacturing, marketing and selling to meet and beat the best in the business. An extremely aggressive programme of new product launches backed by sustained communication and media presence will enable your Company to progressively dominate the Indian watch market.

Your Company is uniquely poised to take advantage of this trend being at the forefront of developing technology for watches and wrist instruments for consumers around the world.

Your Company is confident of significant improvement in the retail growth in the new emerging retail environment in the forthcoming year(s) with improved consumer confidence and vibrant economic growth.

**FINANCE**

During the year, the Company issued 1,57,00,000 2.9% Cumulative redeemable non-convertible preference shares of the face value of Rs.10/- each aggregating to a sum of Rupees Fifteen crores seventy lakhs with the maturity period of 10 years through preferential allotment in favor of the promoters to replace a part of the high cost term loan from Hong Kong & Shanghai Banking Corporation.

Your Company has redeemed its fixed deposits amounts on the due dates and as on 31 March 2004, the Company did not hold any fixed deposits from the public, shareholders & employees. There were no overdue / unclaimed deposits as on 31 March 2004.

During the year under review, the Company made payment aggregating to Rs.269090 thousands by way of Central, State and local sales taxes and duties as against Rs. 288082 thousands in the previous year.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your Company has well established procedures for internal control across its various locations/functions that are commensurate with its size and operations.

The systems and operations are regularly reviewed by the Audit Committee of the Board of Directors to review their effectiveness and implementation. The Statutory Auditors also attend the meetings and convey their views on the adequacy of internal control systems as well as financial disclosures. The Audit Committee also issues directives for enhancement in scope and coverage of specific areas, wherever felt necessary.

**VOLUNTARY DELISTING**

Your Company's shares are listed on the Delhi & Bombay Stock Exchanges. While the Company's shares are actively traded on the Bombay Stock Exchange, there has been no trading on the Delhi Stock Exchange (DSE) in the last several years, thereby defeating the purpose of continuous listing on the DSE.

In view of the above, your Directors' propose to seek voluntary delisting of the Company's shares from DSE in terms of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and other applicable provisions, if any. However, the Company's shares shall continue to be listed at the Stock Exchange, Mumbai.

The appropriate proposal is being put up for your consideration and forms part of the Notice of the Annual General Meeting.

**HUMAN RESOURCES**

Your Company continues to take initiatives to enhance the level of employee capability and engagement to drive achievement of business goals. The performance management system has been upgraded significantly to ensure improved alignment of individual targets with the organizations' objectives.

The total number of employees on the rolls of the Company as on 31 March 2004 was 463 as compared to 436 as of last year.

The Company enjoys a harmonious relationship with its employees and its workmen both at its Noida and Parwanoo plant.

There are no employees falling within the limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis describing the Company's objective, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities, laws and regulations. Actual results could differ materially from those expressed or implied in the statement. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in government regulation, tax laws, economic developments within the country and abroad and such other factors such as litigation and industrial relation.

**DEMATERIALIZATION**

Effective the year 2000, the equity shares of your Company are being compulsorily traded in dematerialization form. As on 31 March 2004, a total of 11502384 equity shares representing 11.39% of the Equity Share Capital have been dematerialized and 25684 shareholders are holding shares in the dematerialized form.

**DIRECTORS**

During the year under review, Mr. Siddharth Varma resigned from the Company and Mr. C R Dua was appointed an Additional Director.

Mr. Daya Dhaon and Mr. M M Rao retire by rotation and are eligible for reappointment.

**DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm as under:

- (i) that in preparation of the Balance Sheet and the Profit & Loss Account of the Company, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (ii) The Directors had selected such accounting policies and applied them consistently and made judgments 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 loss of the Company for that period.
- (iii) The Directors had taken proper and sufficient care 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.
- (iv) That the Directors had prepared the annual accounts on a going concern basis.

**CONSERVATION OF ENERGY**

Information required as per Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

**AUDITORS**

M/s Bharat S Raut & Co., Chartered Accountants and Statutory Auditors of the Company retire and are eligible for reappointment.

**ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation for the support and cooperation, which the Company continues to receive from its customers, the watch trade, the NOIDA authority, the Government of Himachal Pradesh, the Company's bankers and finally the Members of the Company and its employees.

**CORPORATE GOVERNANCE**

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance together with a certificate from the Company's Auditors confirming compliance is set out in the Annexure forming part of this report.

For and on behalf of the Board of Directors

New Delhi  
29 July, 2004

Chairman

**ANNEXURE TO THE DIRECTORS' REPORT**

(Additional information given in terms of notification no.1029 of 31 December, 1988 issued by the Department of Company Affairs)

**PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****POWER AND FUEL CONSUMPTION**

	<b>2003-2004</b>	<b>2002-2003</b>
1. UPSEB power purchase (Units)	2343594	2196486
Total Amount (in Rs.)	8915543	10795540
Rate per unit (in Rs.)	3.80	4.91
2. Own Generation (units)	587880	1096368
Cost per unit (in Rs.)	6.80	5.67
Units per litre of diesel	2.89	3.12

**TECHNOLOGY ABSORPTION****Research and Development (R&D)****Areas in which R&D carried out by the Company****Development of -**

Marking on case back by chemical etching process to improve aesthetics, Development of Brass cases through hot forging and Development of on line tooling with 3 plungers for flexibility and productivity improvement.

**Future Plan of Action**

Development of Chemical lacquer coating for brass solid link bracelets and improvement on assembly line through various modifications of tools and fixtures.

**Technology Absorption, Adaption and Innovation Benefits**

The above efforts will result in recurring savings to the company and enable the company to offer products with latest technology to the consumers.

**FOREIGN EXCHANGE EARNED AND OUTGO**

The Company has earned Rs.19760 thousands in Foreign Exchange and used Rs. 120271 thousands.



**REPORT ON CORPORATE GOVERNANCE****(1) Company's Philosophy**

Corporate Governance assumes a significant role in the business life of Timex. The driving forces of Corporate Governance at Timex are its core values – Belief in People, Entrepreneurship, Customer Orientation and the Pursuit of excellence. This force manifests itself in the conduct of business that is based on commitment to transparency and business ethics in discharging its corporate responsibilities that are benchmarks to the best practices already followed by the Company.

The Company's operating principles are:

1. Build focus..... i.e. Do few things but do them well
2. Consumer drives the business
3. New products are our life
4. Everything should be "ACE" A – Aspirational, C – Cool and E – Execution with excellence
5. Plan carefully, execute swiftly
6. We cannot succeed without each other

This operating mantra ensures the role of a responsible corporate representative committed to best practices.

**(2) Board of Directors****(a) Composition of the Board**

The Board of Directors of the Company comprises of a majority of Non Executive Directors with only one Executive Director. A Non Executive Director heads the Company as the Chairman and 50% of the Board comprises of independent Directors as on 31 March 2004. The independent Directors do not have any pecuniary relationships or transactions with the Company, promoters, management that may affect their judgment in any manner. The non-executive Directors do not have any pecuniary relationship and transactions with the company. The Directors are qualified professionals in business, finance and corporate management.

**(b) Number of Board Meetings**

The Board meets at least once in a quarter to consider amongst other business matters, the quarterly performance of the Company and financial results. Directors attending the meeting actively participate in the deliberations at these meetings.

**(c) Composition and Category of Directors**

The details of the composition and category of Directors as on 31 March 2004 are as given in the table below:

Name	Category	Designation	No. of Meetings held during the last financial year	No. of meetings attended	No. of Member ships in Boards of other Companies*	No. of Member ships in Committees of other Companies*	Attendance of each Director at last AGM
Frank Sherer	Non- Executive Director	Chairman	8	3	--	--	--
Kapil Kapoor	Executive Director	Managing Director	8	7	1	--	Yes
Daya Dhaon	Non-Executive/ Independent Director	Director	8	8	1	--	Yes
M M Rao	Non-Executive/ Independent Director	Director	8	7	2	2	Yes
Manny Henriques	Non-Executive Director	Director	8	3	--	--	--
Chittaranjan Dua	Non-Executive/ Independent Director	Director	8	3**	25	4	N. A.

\* Does not include directorships / committee positions in Companies incorporated outside India.

\*\* Was appointed on 19 January 2004 and has attended all the 3 meetings held thereafter.

**(d) Directors' Remuneration****(i) Pecuniary Relationships**

None of the Directors' of your Company have any pecuniary relationships or transactions with the Company except for attending Board meetings or Committee Meetings thereof. The Directors' of the Company are not paid any sitting fees, however Rs.6,17,098/- has been paid to M/s Dua Associates as professional fees for legal advice in which Mr. C R Dua is a partner.

**(ii) The details of remuneration paid to Mr. Kapil Kapoor, Managing Director is as under:**

Rs. In thousands	
Particulars	Amount
Salary	492
Perquisites	54
Contribution to Provident and other funds	74
TOTAL	620*

\* - please refer to point 9 of Schedule 18 of the Annual Accounts.

**(3) Audit Committee**

The Company has an Audit Committee since 27 July 1999 to ensure greater transparency and controls in the operations of the Company.

The Audit Committee of the Company comprises of three Non-Executive Directors with majority of them being independent. At present the committee consists of Mr. Daya Dhaon, Mr. M. M. Rao and Mr. Frank Sherer and is chaired by Mr. Daya Dhaon, who is an independent Director having vast experience in the area of finance and accounts.

The charter of role and responsibilities of the Audit Committee includes the following major areas:

- Reviewing the adequacy of internal control system and the Internal Audit Reports, and their compliance thereof.
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible.
- Recommending the appointment of external auditors and fixation of their audit fee, and also approval for payment for any other services.
- Reviewing with Management the quarterly and 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 judgment by management.
  - Significant adjustments arising out of audit.
  - Qualifications in draft audit report.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements.
- Any related party transactions i. e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc, which may have potential conflict with the interests of Company at large.

During the year under review, the Audit Committee met three times on 29 May 2003, 29 October 2003 and 19 January 2004. The meetings were attended by all the members of the Committee.

The Chief Financial Officer and Head of Internal Audit function and the Statutory Auditors were invited to attend the Audit Committee meetings. The Committee held discussions with the management of the Company and also with the Statutory Auditors to review the quarterly, half yearly and annual audited financials statements of the Company and to recommend its views to the Board of Directors of the Company. The committee also reviewed the internal control systems and the effectiveness of Internal Audit function.

**(4) Remuneration Committee**

The Company has constituted a committee of the Directors titled as "Remuneration Committee" on the 30 May 2003, to decide the remuneration of directors including the Managing Director of the Company. The Committee comprises of three non- executive directors, namely Mr. Daya Dhaon, Mr. M M Rao and Mr. Frank Sherer. Mr. M M Rao, an independent Director is Chairman of the Committee. All the members of the committee attended the meeting. As on date there are no directors apart from the Managing Director who are drawing remuneration from the Company.

**(5) Share Transfer & Shareholders / Investors Grievance Committee**

A Shareholders / Investors Grievance Committee headed by a Non-Executive Director was formed on 29 January 2002 which was subsequently renamed as Share Transfer & Shareholders / Investors Grievance Committee, to approve all matters pertaining to share transfers, transmissions, issuance of duplicate shares, transposition etc and also to provide the shareholders of the Company with additional assurance that sufficient information is being provided to enable them to form a reasoned opinion on the working of the Company and to ensure speedy redressal of their grievances pertaining to share related issues.