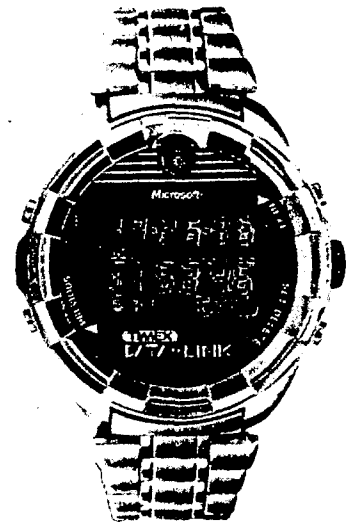


TIMEX®

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>		SHE	<input checked="" type="checkbox"/>
VE	<input checked="" type="checkbox"/>			



ANNUAL REPORT

1996
1997

FEATURED ON THE COVER PAGE IS THE LATEST PC COMPATIBLE FROM TIMEX.

An invention that puts your PC on-line with your wrist. The Timex DataLink watch uses 'Optical Scanning Technology' and built-in programming to download information from your PC to your wrist. Nominated 'Product Of The Year' by Popular Science and proud recipient of Popular Mechanics' 'Design and Engineering Award'. Timex DataLink. It's just a watch that's got an affinity to go on-line.

ANNUAL REPORT 1996-97

Directors

J.W. Binns
X.S. Desai
R.J. Masilamani
A.L. Mudaliar
Bhaskar Bhat
C.S. Trombitas
Daya Dhaon
L. Galie
M.M. Rao
N.D. Khurody
R.D. Werner

*Chairman**Vice Chairman**Managing Director***Company Secretary**

V.D. Wadhwa

Bankers

The Hongkong and Shanghai Banking Corporation Limited
ANZ Grindlays Bank
American Express Bank Limited

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Registered Office

701, Ansal Bhawan
16, Kasturba Gandhi Marg,
New Delhi 110 001.

Works

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

TIMEX Watches Limited

DIRECTORS' REPORT

To the Members of Timex Watches Limited

The Directors are pleased to present the Ninth Annual Report and Audited Statement of Accounts for the year ended 31 March 1997.

FINANCIAL RESULTS

The following represents the results for the year:

	Rupees in Lakhs	
	1996-97	1995-96
Income	8560.28	9786.89
Expenditure	7099.50	8161.69
Gross Profit	1460.78	1625.20
Interest	917.47	700.61
Depreciation	386.59	303.57
Profit before Tax	156.72	621.02
Provision for Taxes	20.22	—
Profit after Taxes	136.50	621.02

During the year under review, consumer demand was sluggish and sales for most items in this category declined significantly. Your company was also affected. Sales volume and turnover dropped by 13% during the year and the profit decreased to Rs. 156.72 lakhs from Rs. 621.02 lakhs in the previous year. In view of insufficient disposable profits and the requirement to create a "Debenture Redemption Reserve" no dividend is recommended.

During the year under review, the Company made payments aggregating to Rs. 2740.27 lakhs by way of Central, State and local taxes.

SALES AND MARKETING

While sales volume during 1996-97 declined by 13% over the previous year, your Company retains its position as the second largest participant in the organised quartz watch sector in India, with a market share of 23%. The marketing, sales and distribution network of Titan Industries Limited, as before, provides positive support. Even in a difficult period, the brand equity of the company stands enhanced.

A selected range of the Company's products are also now available throughout the country through the Canteen Store Department (CSD), Ministry of Defence and these are likely to add substantially to business volume.

Your Company has opened its first Timex exclusive showroom at Noida (UP), retailing our entire range of watches. We plan to add 13 similar showrooms throughout the country over the next two years.

OPERATIONS

During the year under review, 18.28 lakhs watches were produced and 17.78 lakh watches were sold. Watch production throughout the year conformed to planned target and plant efficiency continued to improve over prior years.

Commercial production in the metal case plant commenced as planned in November 1996.

The Company places top priority on the quality of its products and maximising customer satisfaction while maintaining its emphasis on prompt service and lowest cost. Customer feedback is used as primary input by the Company to address specific quality issues and to progressively improve customer service.

Having firmly established itself as the second largest manufacturer of quartz watches in India, our priority now is to establish ourselves as the clear number one manufacturer in the industry from the prospect of quality & customer service.

FUTURE PROSPECTS

The Company is focussing on cost reduction as a major thrust for improving profitability in the coming years. Recent investment in metal case manufacturing capacity will result in a significant reduction in operating costs during the coming years.

The Company expects demand for consumer durables to revive during the current financial year. This combined with our current product plan should also increase our sales volume & profit.

FINANCE

The Company's bankers increased "Cash Credit facilities" from Rs. 2300 to Rs. 2800 lakhs. During the year Commercial Paper of Rs. 1500 lakhs was issued in accordance with the Reserve Bank of India guidelines. Rs. 500 lakhs outstanding at the year end was repaid on due date in April 1997. The Company raised US \$ 3 million through External Commercial

ANNUAL REPORT 1996-97

Borrowings to partly finance the capital expenditure for the case manufacturing facility commissioned during the year. 7,00,700 Non-Convertible Debentures of Rs. 100 each were also repurchased and cancelled thereby reducing the debt and interest burden.

These measures are likely to result in substantial savings in interest cost during the year.

GOVERNMENT POLICIES

The series of representations submitted by the Company to the Government of India has yielded some positive results. The government has reduced excise duty from 10% to 8% on watches having ex-factory value upto Rs. 600. On the other hand, duties have been increased from 10%-13% on watches with ex-factory value above Rs. 600. The value addition norm has been reduced from 40% to 33% thereby benefiting the Company with increased import entitlement. Customs Duties on import of Horological parts and raw materials has also been reduced by an average of 10%.

HUMAN RESOURCES

The Company continues to place major emphasis on doing the best for, and getting the best from, its employees. In line with this philosophy, initiatives in continuous training and development are provided at all levels. This has resulted in steady improvements in productivity, quality, cost and also contributed to an increasingly empowered workforce eager to take up new challenges. The employee workforce increased to 721 from 581 in the previous year. The increases were in the company's major new projects in metal case manufacturing and vacuum plating.

DEMATERIALISATION OF SHARES

The Company has entered into an agreement with National Securities Depository Limited on 8 July, 1997 to facilitate the holding & trading of the Company's shares in electronic form.

PARTICULARS OF EMPLOYEES

Information to be provided under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules of 1975 is annexed to this report.

CONSERVATION OF ENERGY

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

DIRECTORS

Mr. M. M. Rao, Mr. C. S. Trombitas and Mr. Bhaskar Bhat retire by rotation and are eligible for re-appointment.

AUDITORS

M/s. A. F. Ferguson & Co., Chartered Accountants, the Statutory Auditors of the Company retire and are eligible for re-appointment.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the support and co-operation which the Company continues to receive from the Government of India and the Government of Uttar Pradesh, its customers, the watch trade, the Financial Institutions, the Company's bankers, the Debenture Trustees and finally the members of the Company.

For and on behalf of the Board of Directors

Bangalore, 19 June, 1997

J. W. Binns
Chairman

TIMEX Watches Limited**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 & Fuel Consumption:	1996-97	1995-96
1. UPSEB Power purchased (Unit)	18,12,000	22,02,600.00
Total Amount (in Rs.)	71,75,520	60,45,848.00
Rate per unit (in Rs.)	3.96	2.74
2. Own generation (units)	21,88,579	13,49,496.00
Units per litre of diesel oil	3.20	3.34
Cost/unit	2.43	2.02

The Company has been maintaining an average power factor of > 0.95 resulting in reduction of maximum demand by 175 KW.

TECHNOLOGY ABSORPTION**Research and Development (R&D)**

Areas in which R & D carried out by the Company:

- Development & Introduction of Data Link, Rural & Basic Watches.
- Development of process for manufacture of Brass cases.
- Automation of Dial Production Line.
- Development of Machine for Window Scooping in Dials.

Future Plan of Action

Low cost automation in Case Plant & Development of Slim Watches.

Expenditure on R & D : Nil

Technology Absorption, Adaptation and Innovation**1. Efforts Made:**

- Technology for ion plating of in-house bezels and straps as well as components from outside parties.
- Technology for tool making has been innovatively adopted for manufacturing wide variety of tools for various industries such as
 - Consumer durables
 - Electronics
 - Avionics
- Oracle based software for MIS system developed and implemented with internal resources.

2. Benefits:

- Internalisation of gold plating of components, resulting in lower material cost.
- Increased revenue from tool-room.
- Integrated data base.

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

We have audited the attached balance sheet of Timex Watches Limited as at 31 March, 1997 and also the profit and loss account of the Company for the year ended on that date, annexed thereto, and report that:

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order;
2. Further to our comments in the annexure referred to in paragraph 1 above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - (c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act 1956 in the manner so required and give a true and fair view:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March, 1997; and
 - (ii) in the case of the profit and loss account, of the profit for the year ended 31 March, 1997.

For A.F. Ferguson & Co.
Chartered Accountants

R.K. Puri
Partner

New Delhi, 19 June, 1997

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TIMEX Watches Limited

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT TO THE MEMBERS OF TIMEX WATCHES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 1997.

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. All the fixed assets have not been verified by the management during the year, but according to the information and explanations given to us, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified.
2. None of the fixed assets has been revalued during the year.
3. Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials, except for raw materials lying with third parties at the end of the year.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. According to the information and explanations given to us, the Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.
8. According to the information and explanations given to us, the Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
9. In respect of loans and advances in the nature of loans given by the Company, the parties are repaying the principal amounts as stipulated and are also regular in the payment of interest, where charged.
10. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature and comparable alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which the transactions for similar goods, materials or services have been made with other parties, except where the items purchased or sold are of a special nature and comparable alternative prices are not available and for which transactions have not been made with other parties to enable a comparison of the prices charged.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable