



ET. 6/7/98

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<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"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

TIMEX®
1997-98 ANNUAL REPORT

Featured on the front cover is the latest addition to the Timex series of hi-tech digital watches, the 100 lap Ironman Triathlon. Launched in 1998, the 100 lap Ironman is an innovative combination of futuristic design and solid style-a personal planner, trainer and coach-all rolled into one. It has unique features such as a chronograph, a countdown timer, 2 time zones, 5 alarm and above all the all day Indiglo function. Further the Timex Ironman Triathlon virtually became an overnight star when it was first discovered on President Clinton's wrist-when he was running for office and when at inaugural function in the White House. It truly is an amazing watch designed to take care of all training requirements.

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Director(s)	R.D. Werner	Chairman
	X.S. Desai	Vice Chairman
	R.J. Masilamani	Managing Director
	A.L. Mudaliar	
	Bhaskar Bhat	
	J.P. Chambon	
	Daya Dhaon	
	Norman S. Parsons	
	M.M. Rao	
	N.D. Khurody	
	Amir Rosenthal	

**Gr. Manager - Legal &
Company Secretary**

V.D. Wadhwa

Report Junction.com

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

NOTICE

Notice is hereby given that the Tenth Annual General Meeting of the Members of TIMEX WATCHES LIMITED will be held on Monday, the 21 September, 1998 at Talkatora Indoor Stadium, New Delhi at 9.00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive consider and adopt the Balance Sheet as at 31 March, 1998, 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.N.D. Khurody who, retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A.L. Mudaliar who, retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and pass the following resolution as an ORDINARY RESOLUTION.

"RESOLVED That M/s A.F. Ferguson & Co., the retiring Auditors, being eligible, be and are hereby reappointed Statutory Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company in addition to reimbursement of all out of pocket expenses incurred by them."

SPECIAL BUSINESS

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

6. "RESOLVED THAT Mr. R.D. Werner, who was appointed a Director of the Company pursuant to Section 262 of the Companies Act, 1956 and Article 103(b) of the Articles of Association of the Company on 5 August, 1998 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 a Director, be and is hereby appointed a Director of the Company not liable to retire by rotation."

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

7. "RESOLVED THAT Mr. Amir Rosenthal, who was

appointed 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 12 November, 1997 to hold office upto 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 a Director, be and is hereby appointed a Director of the Company liable to retire by rotation."

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

8. "RESOLVED THAT Mr. Jean Pierre Chambon, who was appointed 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 12 November, 1997 to hold office upto 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 a Director, be and is hereby appointed a Director of the Company liable to retire by rotation."

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

9. "RESOLVED THAT Mr. Norman S. Parsons, who was appointed an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Articles 103 (a) of the Articles of Association of the Company with effect from 12 February, 1998 to hold office upto 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 a Director, be and is hereby appointed a Director of the Company liable to retire by, rotation."

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

10. "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 re-appointment of M R.J. Masilamani as Managing Director of the Company for a further period of 5 years with effect from 1 June, 1999 upon the terms and conditions set out in the Agreement submitted to this meeting and for identification signed by the Chairman thereof, which Agreement is hereby specifically approved with liberty to the Board of Directors

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to alter and vary the terms and conditions of the said re-appointment and/or Agreement in such manner as may be agreed to between the Board of Directors and Mr. Masilamani.

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

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

11. "RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the following manner :

To Insert the following heading and Article as Article 67(A) after Article 67.

Dematerialisation of Securities

67 (A)(i) Definitions

For the purpose of this Article :-

'Beneficial Owner' means a person or persons whose name is recorded as such with a Depository;

'SEBI' means the Securities & Exchange Board of India ;

'Depository' means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a depository under the Securities & Exchange Board of India Act, 1992, and

'Security ' means such security as may be specified by SEBI from time to time.

67(A)(ii) Dematerialisation of Securities

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

67(A)(iii) Options for Investors

Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

67(A)(iv) Securities in Depositories to be in fungible form

All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owner(s).

67 (A) (v) Rights of Depositories and Beneficial Owners

(a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner(s).

(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner(s) of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

67(A)(vi) Service of Documents

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

67(A)(vii) Transfer of Securities

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owner(s) in the records of a depository.

67(A)(viii) Allotment of Securities dealt with in a Depository

Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

67(A)(ix) Distinctive numbers of Securities held in a Depository

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

67(A)(x) Register and Index of Beneficial Owners

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and security holders for the purposes of these Articles."

TIMEX Watches Limited

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. The Register of Members and the Register of Share Transfers of the Company have remained closed from 3 August, 1998 to 10 August, 1998, both days inclusive.
3. 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
(Investors Relation Department)
 701, Ansal Bhawan
 16, Kasturba Gandhi Marg
 New Delhi 110 001

4. 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.
5. 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.
6. THE MEMBERS ATTENDING THE MEETING ARE REQUESTED TO FILL IN THE DETAILS IN THE ENCLOSED ATTENDANCE SLIP AND DELIVER THE SAME AT THE ENTRANCE OF THE MEETING HALL. ADMISSION AT THE ANNUAL GENERAL MEETING VENUE WILL BE ALLOWED ONLY ON VERIFICATION OF THE MEMBERSHIP DETAILS AND SIGNATURE(S) ON THE ATTENDANCE SLIP.
 DUPLICATE ATTENDANCE SLIP WILL NOT BE ISSUED AT THE ANNUAL GENERAL MEETING VENUE. THE SAME WILL 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 Annual General Meeting. The Members are 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 to enable the management to keep the information ready.
9. The Non Resident members/debentureholders are advised to provide their correspondence address in India and to give mandate for remittance of dividend/interest directly to their bank account (s) in future.

Registered Office:
 701, Ansal Bhawan
 16, Kasturba Gandhi Marg
 New Delhi 110 001

New Delhi, 17 August 1998

By Order of the Board of Directors

V. D. Wadhwa
 Gr. Manager- Legal &
 Company Secretary

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

In terms of the provisions of Section 262 of the Companies Act, 1956 and Article 103(b) and 106 of the Articles of Association of the Company, Mr. R.D. Werner was appointed a Director and Chairman of the Board of Directors of the Company to fill the casual vacancy caused due to resignation of Mr. J.W. Binns at the meeting of the Board of Directors held on 5 August, 1998.

As per Article 106 of the Articles of Association of the Company, Mr. J.W. Binns, being Chairman, was not subject to retirement by rotation. Since Mr. Werner has been appointed to fill the casual vacancy in place of Mr. Binns, he is neither subject to retirement by rotation nor any specific approval is required for his appointment. However, as a matter of abundant precaution, the same is being placed before the Members in General Meeting for approval.

The Company has received a notice from a member signifying his/their intention to propose the appointment of Mr. Werner 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. Werner is elected as a Director.

Mr. Werner has been associated with Timex Group in various capacities for over twenty years and was a Director of the Company for more than eight years and his appointment would be in the best interest of the Company.

None of the Directors, other than Mr. R.D. Werner himself, are concerned or interested in this resolution.

Item No. 7

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. Amir Rosenthal was appointed an Additional Director of the Company at the meeting of the Board of Directors held on 12 November, 1997. Mr. Rosenthal holds office upto the date of this Annual General Meeting.

The Company has received a notice from a member signifying his/their intention to propose the appointment of Mr. Amir Rosenthal 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. Rosenthal is elected as a Director.

Mr. Rosenthal is presently the Treasurer of Timex Corporation, USA and his appointment would be in the best interest of the Company.

None of the Directors, except Mr. Rosenthal, are concerned or interested in this resolution.

Item No. 8

In terms of the provisions of Section of 260 of the Companies Act, 1956 and Article 103 (a) of the Articles of Association of the Company, Mr. Jean Pierre Chambon was appointed an Additional Director of the Company at the meeting of the Board of Directors held on 12 November, 1997. Mr. Chambon holds office upto the date of this Annual General Meeting.

The Company has received a notice from a member signifying his/their intention to propose the appointment of Mr. Chambon 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.

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Chambon is elected as a Director.

Mr Chambon is presently associated as Senior Executive in the Timex Group and is posted at Besancon, France and his appointment would be in the best interest of the Company.

None of the Directors, except Mr Chambon, are concerned or interested in this resolution.

Item No. 9

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 Norman S. Parsons was appointed an Additional Director of the Company at the meeting of the Board of Directors held on 12 February, 1998. Mr. Parsons holds office upto the date of this Annual General Meeting.

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

Mr. Parsons is presently associated as Managing Director with an associate Company of Timex Group posted at Singapore and his appointment would be in the best interest of the Company.

None of the Directors, except Mr. Parsons, are concerned or interested in this resolution.

Item No. 10

Mr. R. J. Masilamani was appointed Managing Director of the Company for a period of five years effective 1 June, 1993. The Board of Directors of the Company have re-appointed Mr. R.J. Masilamani as Managing Director of the Company for a further period of 5 years with effect from 1 June, 1998 subject to approval of the shareholders.

Mr. Masilamani is a Mechanical Engineer and a graduate from IIM, Ahmedabad. He joined the services of the Company in 1992 as Chief Operating Officer and was appointed Managing Director of the Company in June, 1993. Mr. Masilamani is a Tata Administrative Services (TAS) officer and has been associated with the TATA Group Companies in various capacities for over 25 years.

The Agreement between the Company and Mr. R.J. Masilamani contains the following main terms and conditions;

- i) **Period of Appointment** : 5 years with effect from 1 June, 1998
- ii) **Terms of Appointment and Remuneration** : During the period of appointment, the Managing Director would be governed by the terms of Agreement between the Company and him and general rules of work, leave and other rules and regulations of the Company, as may be in force from time to time, and shall be entitled to the following remuneration:

Salary : Rs. 50,000 in the scale of Rs. 50,000 - 75,000, to be reviewed and revised annually by the Board of Directors at the end of each financial year.

Perquisites : 125% of the salary each year excluding the following perquisites which shall not be included in the computation of perquisites limit.

- a. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961.
- b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and

- c. Encashment of leave at the end of the tenure.

iii) **Commission** : An amount by way of commission, in addition to the above remuneration 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 each financial year, subject to the overall ceilings stipulated in Section 198 and 309 of the Act, will be payable annually.

iv) **Minimum Remuneration** : Notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of Mr. R.J. Masilamani, the Company has no profits or its profits are inadequate, the Company will pay remuneration as specified above as minimum remuneration.

v) The terms and conditions of the said re-appointment and/or Agreement may be altered and varied from time to time by the Board as it may in its discretion deem fit within the maximum amount payable to the Managing Director in accordance with Schedule XIII and other applicable provisions of the Companies Act, 1956 or any amendments made hereafter in this regard.

vi) The Agreement may be terminated by either party by giving to the other party six months notice of such termination.

vii) If at any time the Managing Director ceases to be a Director of the Company, he shall cease to be the Managing Director of the Company.

viii) The Managing Director shall not have the following powers;

- a) the powers to make calls on shareholders in respect of moneys unpaid on shares in the Company.
- b) the power to issue debentures; and
- c) the power to invest the funds of the Company.

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 Agreement between the Company and Mr. R.J. Masilamani is available for inspection at the Registered Office of the Company between 11 a.m. and 1 p.m. on any working day of the Company.

None of the directors, other than Mr. R.J. Masilamani himself, are concerned or interested in this resolution.

Item No. 11

With the introduction of the Depositories Act, 1996 and the depository systems, some of the provisions of the Act relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate implementation of the new system. The Depository system of holding Securities in an electronic form is a far safer, economical and more convenient method for holding and trading in the Securities of a Company. The Company has also joined the Depository System and it is, therefore, proposed that the Company's Articles of Association be suitably altered/updated, as set out in Resolution at item No. 11 to incorporate the provisions introduced by the Depositories Act, 1996 and to spell out the rights of the beneficial owners of the Securities in such a system.

None of the directors are concerned or interested in this resolution.

TIMEX Watches Limited

DIRECTORS' REPORT

To the Members of Timex Watches Limited

The Directors are pleased to present the Tenth Annual Report and Audited Statements of Accounts for the year ended 31 March, 1998.

FINANCIAL RESULTS :

Rupees in Lakhs

	1997-98	1996-97
Income	7407.73	8560.28
Expenditure	6229.04	7099.50
Gross Profit	1178.69	1460.78
Interest	856.61	917.47
Depreciation	477.53	386.59
Profit / (Loss) before Taxes	(155.45)	156.72
Provision for Taxes	Nil	20.22
Profit / (Loss) after Taxes	(155.45)	136.50

During the year demand for consumer products, and in particular durables, continued to be sluggish and sales value for most items in this category declined significantly.

Your Company was also affected by this trend. Total units in the Indian domestic market increased marginally due to continued growth in the unorganized sector. Our sales volume also increased marginally but turnover declined 12% from the prior year. Due to the reduction in sale value and slightly higher operating costs, your Company incurred a loss of Rs. 155.45 lakhs (before taxes) against a profit of Rs. 156.72 lakhs (before taxes) during the previous year. In view of the loss for the year no dividend is recommended.

Increased access to the Armed Forces Stores during the last year has contributed significantly to our sales volume.

SALES AND MARKETING

Your Company continues to be the second largest participant in the organized quartz watch sector in India. Realising the fact that the demand growth for watches in India has been largely confined to the lower retail price band of Rs. 300-500, the Company took an aggressive position in introducing watches at these price levels. While this strategy was implemented with the objective of maintaining both sales volume and market share achieved during the previous year, it also helped the Company to address the stiff competition from the well entrenched unorganized sector and from the emerging semi-organized sector. Financially, the short term impact was a reduction in turnover and profits of your Company.

The Board of Directors decided that the Company should assume direct responsibility for the design, marketing, sale and service of its products. These activities were hitherto performed by Titan Industries Ltd. The Directors believes that the interests

of all the shareholders will be best served by the modified arrangement. While the details of new arrangements are currently being negotiated and finalized, implementation has commenced effective 1 April, 1998.

OPERATIONS

During the year under review, 1743985 watches were produced and 1792880 watches were sold. Inventory management and cost control have been and continue to be primary focus areas. Inventory levels of raw materials, components and of finished goods were significantly lower during all the months of the year. Average inventory was lower by approx. 629 lakhs and year end inventory has been reduced to Rs. 3804.10 lakhs, from Rs. 4130.89 lakhs, as at 31 March, 1998.

Cost reduction targets set for the year were fully achieved. Operations of the case plant set up in the latter half of 1996 were stabilised and production was increased to meet extra requirements for metal cases. Our case plant is capable of manufacturing stainless steel and brass cases to a world class level of quality. In-house tool manufacturing supports the case plant with precision forging dies and other fixtures and toolings required for case manufacture. A fully integrated product and tool design centre utilizing state of the art CAD facilities was established. These facilities have contributed to reductions in the lead times for design and development of new cases.

Vacuum plating of metal cases was firmly established during the year. Watch production conformed to planned targets and efficiencies in all manufacturing areas continued to improve over previous year's performance.

FUTURE PROSPECTS

Your Company is busy establishing its own selling, distribution, marketing and after-sales-service infrastructure. This involves recruitment of Sales and Marketing Personnel and the appointment of Redistribution Stockists and Carrying and Forwarding Agents. The establishment of a new infrastructure in a competitive environment poses challenges that will stretch the resources of Management, but the directors are confident that the resultant improvement in control over critical functions will be in the long-term interests of the Company.

There are potential risks in the short term related to this transition. Specifically, unit volume and revenues may decline from levels reached earlier. The extent of this decline will depend on a variety of factors, including the speed with which the new distribution infrastructure can achieve adequate market penetration. However, Management and the Directors believe this transition will ultimately incorporate a better response to the rapidly changing and increasingly demanding needs of the Indian watch consumer. In addition, there are business risks unrelated to the transition of selling, marketing, distribution and after-sales-service that the Company faces over the coming years. Among them are general weaknesses in the Indian economy (even though consumer durables appear to be growing at a reasonable pace), the further devaluation of