



TIMEX[®]

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ANNUAL REPORT 2000 - 2001

Featured on the cover is the latest i-control turn 'n' pull watch. i-control setting system make operating turn 'n' pull watches faster and simpler. The watch crown can be adjusted forward or backward alternately the bezel ring can be rotated clockwise or anticlockwise for setting the time and alarm at any speed the user chooses. It also has the Indiglo technology which also flashes with the alarm. The i-control turn 'n' pull alarm watch has the world's easiest to use alarm. It's great for anything from short-term reminder to a morning wake up.

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Director(s)	Amir Rosenthal Kapil Kapoor Bob Mirani Daya Dhaon Mark Collings Margaret Taylor M.M. Rao	Chairman Managing Director
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G.M. (Legal) & Company Secretary	V.D. Wadhwa
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Bankers	The Hongkong and Shanghai Banking Corporation Limited.
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Auditors	Bharat S. Raut & Co. Chartered Accountants
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Registered Office	701, Ansal Bhawan, 16, Kasturba Gandhi Marg, New Delhi - 110 001.
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Works	B-190, Phase-II, Noida, 201 305 U.P.
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TIMEX Watches Limited

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the Members of TIMEX WATCHES LIMITED will be held on 01 August, 2001 at 10.00 A.M. at Airforce Auditorium, Subroto Park, New Delhi to transact the following business:

ORDINARY BUSINESS

1. To receive consider and adopt the Balance Sheet as at 31 March, 2001, 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. Mark Collings, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Ms. Margaret Taylor, who retires by rotation and being eligible, offers herself 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 a Special Resolution.

"RESOLVED THAT pursuant to the provisions of the Companies Act, 1956, the Memorandum of Association of the Company be and is hereby altered by deleting the existing Clause V and substituting in its place and stead the following new Clause V.

(V) The Authorized Share Capital of the Company is Rs.85,00,00,000 (Rupees Eighty Five Crores only) divided into 8,50,00,000 (Eight Crore Fifty Lakh) equity shares of Rs. 10/- (Rupees Ten) each."

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

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered by deleting the existing Article 3 and substituting in its place and stead the following new Article 3.

3. The Authorized Share Capital of the Company is Rs.85,00,00,000 (Rupees Eighty Five Crores only) divided into 8,50,00,000 (Eight Crore Fifty Lakh) equity shares of Rs.10/- (Rupees Ten) each.

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

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions of the Companies Act, 1956, the applicable Articles of the Articles of Association of the Company and the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to the Securities and Exchange Board of India guidelines in this regard and receipt of such other approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modification as may be prescribed by the authorities while granting the approvals, consents, permissions and/or sanctions as may be agreed upon by the Board of Directors of the Company including a Committee of the Board of Directors, the Company do issue and allot 1,70,00,000 (One Crore Seventy Lakh) equity shares of a nominal value of Rs.10 (Rupees Ten) each for cash at a premium of Rs. 0.70 (Seventy Paise) per share and offer the same for subscription on preferential basis to Timex Watches B.V. on the following principal terms.

PRINCIPAL TERMS

(A) **ISSUE PRICE:** One equity share of the Company of the nominal value of Rs.10/- (Rupees Ten only) each for cash at a premium of Rs. 0.70 (Seventy Paise only) i.e. at the price of Rs. 10.70 (Rupees Ten and paise seventy only) per share which is in accordance with the SEBI guidelines and duly certified by the Statutory Auditors of the Company.

(B) **TERMS OF PAYMENT:** Rs. 10.70 (Rupees Ten and paise seventy only) for each equity share, to be paid in cash in such manner as may be decided by the board.

(C) **OFFER OF EQUITY SHARES** The offer of 1,70,00,000 equity shares on preferential basis would be made to the following entity.

TIMEX WATCHES B. V.

The preferential offer would be made only to the aforesaid entity, which cannot be renounced in favor of any other entity.

(D) **LOCK IN PERIOD :** The shareholding of the above proposed allottee in the Company including

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the equity shares being issued through this preferential offer shall be subject to a lock in period as prescribed in the SEBI guidelines applicable at the time of allotment of shares.

(E) RANKING OF EQUITY SHARES: The new shares to be issued and allotted by the Company, in the manner aforementioned, shall rank pari passu in all respects with the then existing equity shares of the Company.

(F) LISTING : The Board may apply for listing of the proposed issue of equity shares at Mumbai and Delhi Stock Exchanges as it may deem fit.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to decide, finalize, amend or revise the terms of the equity shares so offered in such manner as may be most beneficial to the Company in the event certain amendments or revisions are considered necessary pursuant to the receipt of the applicable approvals, consents, permissions and / or sanctions and also to do all such acts, deeds and things and to take all such steps as may be necessary in this regard, including the making of a letter of offer to TIMEX WATCHES B.V. to subscribe to the shares offered by the Company.

RESOLVED FURTHER THAT the action taken / to be taken by the Board in order to receive and accept the advance pending issue and allotment of the proposed equity shares be and is hereby ratified and approved."

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 19 June 2001 to 30 June 2001, both days inclusive.
5. The members are requested to inform changes, if any, in their Registered Address along with Pin Code Number to the Company.
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 at least 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.

Registered Office : **By Order of the Board of Directors**

701, Ansal Bhawan
16, K. G. Marg
New Delhi 110 001

V D Wadhwa
G. M. - (Legal)

Dated: 2 July, 2001

& Company Secretary

ANNEXURE TO THE NOTICE

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

Item No. 5 & 6

The present Authorized Share Capital of the Company is Rs. 65,00,00,000 (Rupees Sixty Five Crore) divided into 6,50,00,000 (Six Crore Fifty lakh) equity shares of Rs. 10/- each and the Issued, Subscribed and Paid up Capital is Rs. 63,95,00,000 (Rupees Sixty three Crore ninety five lakhs divided in to 6,39,50,000 (Six Crore thirty nine lakhs and fifty thousand) equity shares of Rs 10 each.

It is proposed to increase the Authorized Capital to Rs.85,00,00,000 (Rupees Eighty Five Crores) divided in to 8,50,00,000 (Eight Crore Fifty Lakh) equity shares of Rs.10 each to enable the Company to raise its equity, if required.

The proposal for increase in the Authorized Capital would alter the Clause V of the Memorandum of Association and Clause 3 of the Articles of Association of the Company, which require the approval of the

TIMEX Watches Limited

Members in General Meeting through a Special Resolution. The Board recommends passing of the resolutions mentioned at item no 5 & 6.

None of the Directors of the Company are interested or concerned in the Resolution.

Item No. 7

The Company is in need of further funds to meet its operational requirements and improve its net worth. Accordingly, it is considered desirable to issue additional equity shares on a preferential allotment basis and offer the same for subscription to Timex Watches B.V. (TIMEX). Timex Watches B.V. together with its associate Company, Time Master B.V. presently holds 4,73,34,100 equity shares of Rs. 10/- each representing 74.02% in the equity share capital of the Company.

TIMEX intends to seek permission of the FIPB through a separate application to increase their shareholding in the Company pursuant to the preferential allotment as proposed in this resolution.

TIMEX desires to induct fresh capital into the Company to meet the immediate requirement of funds and has indicated that it would be willing, subject to the receipt of necessary permissions in this regard, to participate in the Capital of the Company by acquiring 1,70,00,000 equity shares of the nominal value of Rs. 10.00 (Rupees Ten) each at a premium of Rs. 0.70 (Seventy Paise) per share determined in accordance with the SEBI guidelines for preferential allotment of equity shares. There would not be a further change in control as a consequence of the proposed preferential allotment of shares to TIMEX.

The Company proposes to make the allotment of equity shares within the stipulated time and subsequent to allotment of equity shares on preferential basis in favour of TIMEX, the shareholding pattern of your Company would be as follows :

DETAILS OF SHAREHOLDING PATTERN

Shareholders	Present Holding	Post Preferential Allotment
Timex Watches B.V.	73.44%	79.02%
Time Master B.V.	00.58%	00.46%
Public	25.98%	20.52%
	100%	100%

In addition to the permission from the Foreign Investment Promotion Board, this participation in the equity share capital of the Company by TIMEX would require the approval of the shareholders of the

Company by way of a Special Resolution under Section 81 (1A) of the Companies Act, 1956, as the shares are not being offered to all the existing shareholders on prorata basis.

The material facts furnished above are in compliance with the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended from time to time.

The pricing of proposed issue and allotment of equity shares at Rs. 10.70 (Rupees Ten and paise seventy only) of the nominal value of Rs. 10 (Rupees Ten) each has been done on the basis of the prevailing SEBI guidelines in this regard. A copy of the certificate from M/s. Bharat S. Raut & Co., the Statutory Auditors of the Company, that the aforementioned issue is made in accordance with the requirements contained in the SEBI guidelines on preferential issue is available for inspection at the registered office of the Company during Business Hours.

The Board recommends the passing of the proposed resolution.

None of the Directors other than Mr. Amir Rosenthal, Mr. Mark Collings, Ms. Margaret Taylor and Mr. Bob Mirani, the nominee Directors of Timex Watches B.V. may be considered as concerned or interested in passing of the proposed Resolution.

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DIRECTORS' REPORT

To the Members of Timex Watches Limited

The Directors are pleased to present the Thirteenth Annual Report and Audited Statement of Accounts for the year ended 31 March 2001

FINANCIAL RESULTS

	Rupees in Lakhs	
	<u>2000-2001</u>	<u>1999-2000</u>
Income	6876.83	9432.68
Expenditure	8776.51	9143.81
Gross Profit / (Loss)	(1899.68)	288.87
Interest	955.65	1144.60
Depreciation	1899.83	519.65
Loss before Taxes	(4755.56)	(1375.78)
Provision for Taxes	Nil	Nil
Loss after Taxes	(4755.56)	(1375.78)

The financial results for the year include several exceptional/prior-period items amounting to Rs. 2502.64 Lakhs on account of accelerated rate of depreciation, write down of inventories to net realizable value and sales return etc. These will have a long-term positive impact on the financial results in the future. The trade sales volume, which are net of sales return for prior year, are lower compared to previous year due to foregone sales to facilitate the launch of international collection of products which is likely to have a positive impact on the sales volume and value in the coming years and sales through the institutional channel were under pressure due to increased competition at the low end of the market.

The equity infusion of Rs. 2977.20 Lakhs through issue and allotment of new equity shares on preferential basis in favor of the Promoter Company during the year resulted in saving of Rs. 200 Lakhs in interest cost besides improving your Company's net worth.

SALES & MARKETING

Your Company has made substantial progress on the sales and marketing front by repositioning the brand as a technologically superior one that combines the best of performance and fashion. The Company is leveraging the brand's position as "America's # 1 watch". Overall, the Company is appealing to the target consumer by providing them with innovative styling, leading edge designs that deliver high quality with trendy features and a watch that completes their

"look". These initiatives have started showing a positive impact on realization per watch, brand image and retail share. In addition, your Company intends to fully leverage the technological superiority of its products to increasingly dominate the multi-function wrist instrument market in which it is already a leader.

Your Company intends to further strengthen its business through the existing associates and to take full advantage of the fast developing new retailing environment. Merchandising activities have been initiated on a significant scale at the top traditional and non-traditional outlets (NTO) across the Country. Initiatives in the NTOs have also contributed to enhancement of the brand image with our target customers.

FINANCE

The Company's accumulated losses as on 31 March 2001 exceeded fifty percent of its net worth. In order to improve the net worth 19,450,000 no. of shares have been issued at a premium in favor of Timex Watches B.V. on preferential allotment basis. The Company is proposing another allotment on preferential allotment basis aggregating to US\$ 4 Million to Timex Watches B.V. during the current year. The proceeds of this issue / allotment will be utilized to improve the Debt Equity ratio and to significantly reduce the interest expenditure for the year 2000-01. During the year under review, 12.5% secured debentures aggregating to over Rs. 32 Crores were redeemed. As on 31 March 2001, the Company held fixed deposits of Rs. 218.30 Lakhs from the public,

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shareholders & employees. There were no overdue / unclaimed deposits as on 31 March 2001.

During the year under review, the Company made payment aggregating to Rs.2498.06 Lakhs by way of Central, State and local sales taxes and duties as against Rs. 2513.58 Lakhs in the previous year.

FUTURE PROSPECTS

The biggest trend of the 21st century seems to be convergence and more and more people are convinced that the ultimate convergence of technology would be on to the human wrist which is still the most convenient place to carry personal accessories. 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.

HUMAN RESOURCE DEVELOPMENT

Your Company has always believed in attracting, developing and maintaining a diverse team of highly committed and capable individuals working in an environment that fosters accomplishment, ownership, creativity and mutual respect. In pursuit of this goal, several training and development initiatives including competency development programmes, workshops were conducted.

Your directors place on record their appreciation for the valuable contribution made by employees at all levels, who through their competence, hard work, co-operation and support, have enabled the Company to achieve rapid growth.

DIRECTORS RESPONSIBILITY STATEMENT

- (i) The Directors confirm that, in preparation of the Balance Sheet and the Profit & Loss Account of the Company, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) The Directors have 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 profit of the Company for that period.
- (iii) The Directors have 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.

DEMATERIALISATION

Effective 8 May 2000, the equity shares of your Company have been compulsorily traded in dematerialization form. As on 28 May 2001, a total of 9.18 million-equity share representing 14.36 % of the Equity Share Capital have been dematerialized and over 18,000 shareholders are holding share in the dematerialised form.

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.

DIRECTORS

Mr. R.J. Masilamani, who was the Managing Director of the Company since 1993, resigned. The Board wishes to place on record its deep appreciation for the valuable contribution made by him during his tenure with the Company first as a Chief Operating Officer and subsequently as Managing Director of the Company.

At the Meeting held on 19 September 2000, the Board appointed Mr. Kapil Kapoor as the new Managing Director effective 03 October 2000.

Mr. Mark Collings and Ms. Margaret Taylor retire by rotation and are eligible for reappointment.

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 Company's bankers, the Debenture Trustees and finally the Members of the Company and its employees.

For and on behalf of the
Board of Directors

31 May, 2001

Amir Rosenthal
Chairman

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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 2001 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto.

We report as follows:

- 1) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure 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 the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report

comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;

- e) on the basis of written representations received from the directors of the Company as at 31 March 2001 and taken on record by the Board of Directors, we report that no director is disqualified from being appointed as a director of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
- f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2001; and
 - ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For **Bharat S Raut & Co.**
Chartered Accountants

Place : New Delhi
Date : 31 May 2001

Vikram Aggarwal
Partner