

TIMEX

ANNUAL REPORT - 2008



"The new TIMEX E-Tide-Temp-Compass watch enhance the outdoor experience with a blend of timeless design and advanced features.

By linking an internal sensor to a dedicated fourth hand this unique analog watch deliver on-demand-information and classic styling that's perfect for today's active lifestyle.



At the press of a button, The new E-Tide-Temp-Compass watch transforms from an elegant timepiece to a marvel of advanced technology.

Inside the stainless steel case lies a miniaturized sensors that, when activated, employ a dedicated fourth hand - to indicate the temperature, tide or point north."

**Director(s)
as of 31st March 2008**

Frank Sherer	Non-Executive Director & Chairman
Kapil Kapoor	Executive Director & Managing Director
Daya Dhaon	Non-Executive & Independent Director
Chittaranjan Dua	Non-Executive Director
Raghu Pillai	Non-Executive & Independent Director
Mauro Antonio Calcano	Non-Executive Director
Gagan Singh (Ms.)	Non-Executive & Independent Director

**Sr. V.P. General Counsel
& Company Secretary**

V.D. Wadhwa

Bankers

The Hongkong and Shanghai Banking Corporation Limited
HDFC Bank Limited

Auditors

BSR & Co.
Chartered Accountants

Registered Office

117, G.F. World Trade Centre
Babar Road, New Delhi - 110 001

Works

Plot No. 10
Baddi Industrial Area
Katha Bhatoli
Baddi, Distt. Solan (H.P.)

C-35, Sector-59
Noida - 201301
Distt. Gautam Budh Nagar
Uttar Pradesh

TIMEX

OFFICE

is hereby given that the Twentieth Annual General Meeting of the Members of TIMEX GROUP INDIA LIMITED will be held on 23 August 2008 at 10.00 A.M. at the Air Force Auditorium, Subroto Park, New Delhi - 110 010 to transact the following business:

ORDINARY BUSINESS

1. To receive consider and adopt the Balance Sheet as at 31 March, 2008, 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. Raghu Pillai, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

M/s BSR & 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

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

"RESOLVED THAT Mr. Hans Kristian Hoejsgaard, 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 23 May, 2008 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."

RESOLVED FURTHER THAT pursuant to Article 106 of the Article of Association of the Company, Mr. Hans-Kristian Hoejsgaard be and is hereby appointed as Chairman of the Company in place of Mr. Frank Sherer.

5. 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. Ajit Kapoor as Managing Director of the Company for a period of two years with effect from 03 October, 2008, 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 Board of Directors in this regard.

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. Mr. Raghu Pillai, Director, retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment. Brief resume of Mr. Raghu Pillai, nature of his expertise and names of Companies in which he holds Directorship and membership / chairmanship of Board Committee as stipulated under Clause 49 of the Listing Agreement with the Bombay Stock Exchange is provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Director of the Company commend his re-appointment.

4. 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.
5. The Register of Members and the Register of Share Transfers of the Company have remained closed from 28 July 2008 & 29 July 2008 both days inclusive.
6. 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 GROUP INDIA LIMITED
(Investors Relation Department)
117, Ground Floor, World Trade Centre
Babar Road, New Delhi – 110 001
7. The Company has transferred Full & Final unpaid / unclaimed interest-cum-redemption amount due and payable up to 12 October 2000 to the Investor Education and Protection Fund (IEPF) established by the Central Government.
8. 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.
9. 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.
10. 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.
11. 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:
117, Ground Floor,
World Trade Centre,
Babar Road,
New Delhi – 110 001

By Order of the
Board of Directors

V D Wadhwa
Sr. VP, General Counsel
& Company Secretary

Dated: 29 July 2008

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No 4

In terms of the provisions of Section 260 of the Companies Act, 1956 and Article 103(a) and 106 of the Articles of Association of the Company, Mr. Hans Kristian Hoejsgaard was appointed an Additional Director and Chairman of the Board of Directors by the Board of Directors at their meeting held on 23 May 2008. Mr. Hoejsgaard 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. Hoejsgaard as a Chairman and Director of the Company alongwith a deposit of Rs. 500/- (Rupees Five Hundred only) which shall be refunded to the member, if Mr. Hoejsgaard is elected as a Director.

Mr. Hoejsgaard is President and Chief Executive of Timex Group, USA currently. Mr. Hoejsgaard has extensive international management experience and prior to joining Timex Group in February 2008, he has been associated with Georg Jensen, a leading luxury goods Company as its President and Chief Executive Officer, Lancaster Group (a division of Coty Inc) as President. Earlier in his career, he was Managing Director– Asia Pacific, based in Hong Kong, for Guerlain, a division of LVMH Moët Hennessey Louis Vuitton, and held senior management positions with Joseph E. Seagram & Sons in Rome,

Hong Kong and Bangkok. He holds a BA in Economics and Strategic Planning from Southern Denmark Business School and has undertaken executive education at Harvard Business School, INSEAD and Wharton.

The Directors commend the Resolution for acceptance by the Members.

Item No 5

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 renew the term of appointment of Mr. Kapil Kapoor as Managing Director of the Company for a further period of two years effective 3 October, 2008 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.5 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 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 and currently designated as Sr. Vice President based in Hongkong. He is also a Director on the Board of Infoedge India Limited.

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

- i) Period of Appointment : Two years with effect from 03 October 2008
- 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 the 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 or 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. Kapoor himself, are deemed to be concerned or interested in this resolution.

Registered Office:
117, Ground Floor,
World Trade Centre,
Babar Road,
New Delhi – 110 001

By Order of the
Board of Directors

Dated: 29 July 2008

V D Wadhwa
Sr. VP, General Counsel
& Company Secretary

DIRECTORS' REPORT

To the Members of Timex Group India Limited

The Directors are pleased to present the Twentieth Annual Report and Audited Statement of Accounts for the year ended 31 March 2008.

FINANCIAL RESULTS

	<u>2007- 08</u>	<u>Rs. in Thousands</u> <u>2006 - 07</u>
Income	1328976	1158668
Expenditure	1226812	1093745
Gross Profit/ (Loss)	102164	64923
Interest	6956	9747
Depreciation	25860	23123
Profit/(Loss) before taxes	69348	32053
Provision for Taxes	14825	6857
Profit/ (Loss) after Taxes	54523	25196

OPERATIONS

The Company achieved significant growth during the financial year 2007-08 with sales income at Rs 132 Cr growing by 16% over the previous year and Profit Before Tax at Rs. 6.93 Crore up by 117 % over the previous year. Net Profit for the year is at Rs 5.45 Crore The watch business registered a growth of 16 % and Precision Engineering Division registered a growth of 31%.

Your Company continues to pursue its retail strategy of opening state of the art "The Time Factory Stores" across the country. The total number of The Time Factory Stores (TTF) has gone up to 61 across the country and shall further increase to 100 in the next twelve months.

Your Company is contemplating and developing the strategic plan to bring in more of fashion watch brands in the Country, which are currently available in the portfolio of its parent organization. "Nautica" was launched successfully during 2007, besides; Ferragamo and Valentino are the other two brands, which are planned to be launched during the current fiscal year. With the introduction of these brands the Company would cater to all the price points at consumer level.

The new facility in the state of Himachal Pradesh is working on full stream. 'Indigenization Strategy' is being pursued to produce all fast moving styles in house which are currently being imported from parent organization. This will enable your company to offer these products to the consumers at lower prices and further improve its margins.

Your Company is also working towards venturing in the Jewelry Business and work is underway to finalize the entry strategy in this regard. In order to give thrust to different business segments, your Company has divided its business in to three divisions namely 'Timex & Fashion Watch Division', 'Luxury Watch Division' and 'Jewelry Division', which will be looked after by Independent business heads for each division.

Your Directors are confident that the initiatives taken by the Company in creating separate business divisions together with thrust on developing the retail channel and indigenization of international styles are likely to further improve its business and operating margins in the coming years.

CHANGE IN NAME OF THE COMPANY

With effect from 13th October 2007 the name of your Company has been changed to 'TIMEX GROUP INDIA LIMITED' in line with global strategy of its parent organisation. The new name would enable your Company to realign with the worldwide organization, reflect the global image of the Company

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and facilitate the implementation of global portfolio strategy of multiple watch brands under one umbrella.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY - OVERVIEW

Indian Economy recorded a significant growth during the Tenth Plan Period – GDP grew 8.5% CAGR against a target of 8% due to booming manufacturing and service sectors and a reasonable growth in the agricultural sector. This GDP growth triggered an increase in the country's per capita income, while low interest rates fuelled increased demand, which is reflected in the increased top line for most consumer durable Companies.

The Economic Survey has projected growth rate of 8.7% during 2008-9, as against 9.6% in the year 2006-07. The decline is attributed to a general slowdown in most of the sectors except electricity, communication, trade, hotels and transport. It is a matter of concern and may have negative impact on the discretionary purchases by the consumers. There is, however, a big concern due to inflation, which has risen to a level of over 11% in the recent months, due to unprecedented increase in the prices of crude oil globally. The government has taken a serious view of the situation and initiated various measures to curb inflation but it is expected to remain at high levels for next one year or so before easing out. On the balance of payments front, there is a considerable uncertainty arising out of the US sub-prime mortgage crisis though there has been a 150% increase in net foreign direct investment.

The Indian Capital market also attained greater depth and width during 2007, the BSE Sensex scaled a peak of 20,000 towards the close of the year, and the market capitalization doubled. Significant correction in the capital markets since has reflected a more realistic situation but, in the overall context, the situation appears healthy.

The generally upbeat scenario has affected the consumer market significantly. India has emerged as the second largest market for Nokia, ahead of the United States and just behind China. The total number of telephone subscribers in India has crossed 250 million and wireless subscription is the highest in the world.

INDUSTRY STRUCTURE AND DEVELOPMENT

The size of the Indian Watch Market is currently estimated at 40 million watches, representing a growth of approx 12% over the previous year. The growth of premium sector is estimated to be 20% reflected in the overall growth of the Industry. The industry growth is expected to be in double digit in the near future, which augurs well for the business of your Company.

The growth is predominantly driven by increase in the overall retail activity and higher marketing spends by all the major players, including your Company. Your Company believe that the overall category spend for the watch industry will continue to increase significantly in the coming years due to entry of many more brands and retail expansion which shall be beneficial for growth of the Industry, particularly the premium end of the market.

The industry growth continues to be hampered by the presence of the large un-organized sector, which accounts for nearly 60% of the total market, with no accountability to either the government or the consumer.

OUTLOOK & KEY CHALLENGES

2007-08 has been one of the most profitable years in the history of the Company's watch business in India. The current economic trends and changing life style of the consumers are indicative of a sustainable overall double-digit growth of the watch industry in India in the next 3-4 years mainly skewed at the fashion and luxury end of the watches. The key challenge and opportunity ahead is to stimulate consumer

demand and strengthen our brands & retail network to ensure sustainable strong growth and increase in the profitability for the Company in an increasing competitive market.

The luxury segment of the watch industry is growing by over 30% on YOY basis, as a result, the industry is likely to witness entry of new high end luxury and fashion brands. Your company is taking full advantage of the changing business environment and pursuing its retail strategy through opening of exclusive stores titled "The Time Factory".

OPPORTUNITIES AND THREATS

The consistent growth of the Indian Economy, increasing purchasing power, consumerisation and emergence of organized retailing are indicative of high growth of the life style category products in the near future of which your Company is one of the key players. We are well poised to reap the benefits through pursuing our retail and portfolio strategy. Your Company is also contemplating diversifying in to branded Jewelry business both at national and international level being a related life style category product and personal accessory, which would allow it to leverage its organizational strengths and grow its business further in the Country. The large format retailers are pursuing 'private label' strategy. While the private label business is likely to improve the overall penetration level for the industry, it will negatively affect the business of brands, which are operating predominantly in sub Rs 1000/- price points.

RISKS

Your Company envisages that increased cost of the real estate and retailing as risks, which are putting pressure on the operating margins. In addition, levy of service tax on the lease rentals and imposition of CVD of 4% on the imported products have a negative impact on the operating margins. Your Company intends to mitigate the incremental levies through various cost savings initiative undertaken by it for improvement in operational efficiencies. The interest costs have already gone up significantly and we do not expect it to go up further from its present level. The weakening rupee has a negative impact on the profitability of the Company being a net importer. We believe that the rupee would continue to be at its current level with some fluctuations through out the next twelve months and intend to mitigate the exchange risk through price increases and increase in operating efficiencies.

GOVERNMENT POLICY

Your Company has been actively involved with the "All India Federation of Horological Industries", an apex body of the Horological Industry in India. Your company together with AIFHI has been taking up the issues concerning the watch industry and your Company in particular with the various government agencies. We have made several representations to the Government for reduction in Basic Custom Duties & Excise increase in the abatement factor, rationalization of duty structure and for streamlining of various procedural formalities. In the Union Budget presented this year, the Government has lowered the basic excise increase, duty from 16% to 14% but increased the abatement factor from 35% to 37%, which has resulted in only a marginal relief. We shall continue to endeavour our efforts to represent the interest of Industry and our own Organization.

FINANCE

Your Company has been able to manage its cash flow through improved trade collections and also used a part of the preference capital issue proceeds to retire a substantial part of its term loan liability, which has resulted in significant reduction in the interest costs despite increasing rate of interest. We do not anticipate further increase in the interest rates from its existing level and shall mitigate such risks through corresponding reduction in the term loans.

The Company does not hold any fixed deposits from the public, shareholders & employees. There were no overdue / unclaimed deposits as on 31 March 2008.

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During the year under review, the Company made payment aggregating to Rs. 28.09 Crore by way of Central, State and local sales taxes and duties as against Rs. 29.72 Crore in the previous year.

SEGMENT WISE REPORTING

The Company has identified segments taking into account the nature of products and services, the different risks and returns, the organizational structure and the internal financial reporting system. The main business of the Company is manufacturing and trading of watches. The other segments are less than 10% of the business. The segment wise information for watches and other activities are provided in the Notes to the Accounts.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has endeavoured to continuously improve the internal controls both relating to financial reporting and Operations. Your Company has well established procedures for internal control which are commensurate with its size and operations.

The internal control mechanism comprises a well-defined organization structure, documented policy guidelines, predetermined authority levels and processes.

The systems and operations are regularly reviewed by the Audit Committee to ensure and review their effectiveness and implementation. The Statutory Auditors of the Company also attend these 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.

HUMAN RESOURCES

Your Company is proud to have result oriented, committed & loyal employees, who are the key resource for the growth of its business. Your Company provide a challenging work environment that encourages novelty and meritocracy at all levels and has believed in an environment that fosters accomplishment, ownership, creativity and mutual respect.

The Company continues to benchmark its Key HR Processes – Compensation, Productivity, Performance Management Systems and employee friendly policies etc with the best in class and is aligned to business needs. The Company's structure is organized to provide the necessary support and resources for the scale up of business in organic, in-organic or new business categories.

The information required as prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is annexed herewith forming part of this report. However as per provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, only the report and accounts are being sent to all the shareholders excluding the statement of particulars of employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office address of the Company.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis outlining the Company's objective, expectations or predictions may be 'forward looking statements' within the meaning of applicable, laws and regulations. Actual results could differ materially from those expressed or implied in the statements.