

TIMEX

ANNUAL REPORT - 2009



*The new TIMEX SLX Series skilfully reinvents the concept of
'Sports Luxury'.*

*An audacious blend of effortless luxury and classic sports-watch styling,
the collection reflects the 150 year old TIMEX heritage of technology and
innovation and reinforces the Brand promise of
"Style with Substance".*

*Presented in a striking rose gold and monochrome colour palette, the
collection is available in both leather strap and steel bracelet options.*

*The timepieces are powered by a 38-jewel automatic movement, the
elegance of which is showcased by a circular exhibition window at
six o'clock.*

Director(s)	Hans-Kristian-Hoejsgaard	Non-Executive Director & Chairman
As on 28 May, 2009	Kapil Kapoor	Non-Executive Director & Vice –Chairman
	Gopalratnam Kannan	Managing Director
	Daya Dhaon	Non-Executive & Independent Director
	Raghu Pillai	Non-Executive & Independent Director
	Gagan Singh (Ms.)	Non-Executive & Independent Director
	Frank Sherer	Alternate Director to Hans- Kristian Hoejsgaard
	Chittaranjan Dua	Alternate Director to Kapil Kapoor

**SVP - General Counsel
& Company Secretary** V D Wadhwa

Bankers The Hongkong & Shanghai Banking Corporation Limited
HDFC Bank Limited

Auditors BSR & Co.,
Chartered Accountants

Registered Office 117 G.F. World Trade Centre,
Babar Road, New Delhi – 110001.

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

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NOTICE

Notice is hereby given that the Twenty-first Annual General Meeting of the Members of TIMEX GROUP INDIA LIMITED will be held on 30 July, 2009 at 10.00 A.M. at the FICCI Auditorium, Tansen Marg, New Delhi 110 001 to transact the following business:

ORDINARY BUSINESS

1. To receive consider and adopt the Balance Sheet as at 31 March, 2009, 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 Ms. Gagan Singh who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Statutory 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 pursuant to Section 260 and other applicable provisions of the Companies Act 1956 and Article 103 of the Article of Association of the Company, Mr. Gopalratnam Kannan, be and is hereby appointed an Additional Director of the Company effective from 29 January 2009.

RESOLVED FURTHER THAT subject to provisions of Section 198, 269, 309, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956, the Company hereby accords its approval for the appointment of Mr. Gopalratnam Kannan as Managing Director of the Company for a period of two years with effect from 29 January, 2009 on the terms and conditions mentioned in explanatory statement attached herewith and as set out in the draft agreement between the Company and Mr. Kannan, which is hereby specifically approved with the liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement in such manner as may be agreed between the Board of Directors and Mr. Kannan.

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

NOTES

1. 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. Ms. Gagan Singh, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offer herself for reappointment. Brief resume of Ms. Gagan Singh, nature of her expertise and names of Companies in which she holds Directorship and membership / Chairpersonship 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 commends her 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 during 25 June 2009 & 26 June 2009 both days inclusive.
6. The members are requested to inform changes, if any, in their Registered Address along with 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 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.
8. 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.
9. 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.
10. 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: 28 May 2009

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

Item No 4

In terms of the provisions of Section 260, 198, 269, 309, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and Article 103(a) of the Articles of Association of the Company and subject to approval by Members of the Company, Mr. Gopalratnam Kannan was appointed an Additional Director and Managing Director by the Board of Directors at their meeting held on 29 January 2009.

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

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 has appointed Mr. Kannan as Managing Director of the Company for a period of two years effective 29 January, 2009. The details of the proposed appointment are given in this explanatory statement and also in the resolution at Item No 4 of this notice, seeking approval of the members of the Company, which may also be treated as an abstract u/s 302 of the Companies Act, 1956.

Mr. Kannan started his career with Procter and Gamble and had a stint with Zubair Furnishing, Dubai, as General Manager-Marketing. He brings with him 30 yrs of industry experience out of which 18 yrs have been with the watch business with Swatch Group India and Titan Industries. A pioneer in luxury goods retailing, Mr. Kannan in his last assignment as Country Manager – Swatch Group India was

TIMEX

responsible for complete set up of the luxury watch segment for brands like Omega, Longines, Rado, Blancpain, Tissot and Swatch.

At Titan Industries, Mr. Kannan evolved retailing formats through mono-brand stores for Titan and Tanishq. He also introduced the multi-brand 'Time Zone' chain.

He is a Post Graduate in English Literature from ST. Joseph College, Madras University

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

- i) Period of Appointment : Two years with effect from 29 January, 2009
 - ii) Terms of Appointment and Remuneration:
 1. As Managing Director of the Company, Mr. Kannan 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 Kannan 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. Kannan 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. Kannan will not engage in or accept any other assignment or employment. Mr. Kannan 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. Kannan 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. Kannan shall be drawing remuneration from the Company during his tenure as its Managing Director. The salary, perquisites, performance bonus and other benefits are as under:
 - (i) **Salary:** Basic Salary of Rs. 2,00,000/- per month, to be reviewed annually by the Board of Directors.
 - (ii) **Perquisites:** In addition to the above basic salary Mr. Kannan shall be entitled to the perquisites such as:
 - a) House rent Allowance of Rs. 1,00,000/- per month
 - b) Reimbursements towards Car lease, Fuel & maintenance, leave travel allowance and medical expenditure of Rs. 71,250/- per month
 - c) Performance Bonus of Rs.10,80,000/- per year on achievements of yearly goals
 - d) Contribution to provident fund, gratuity and superannuation as per the rules 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 draft of Agreement between the Company and Mr. Kannan 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. Kannan himself, are deemed to be concerned or interested in this resolution, as it relates to his appointment.

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

Dated: 28 May 2009

By Order of the
Board of Directors

V D Wadhwa
SVP General Counsel
& Company Secretary

DIRECTORS' REPORT

To the Members of Timex Group India Limited

The Directors are pleased to present the Twenty First Annual Report and Audited Statement of Accounts for the year ended 31 March 2009.

FINANCIAL RESULTS

	2008-09	Rs. in Thousands 2007- 08
INCOME	1,319,639	1,328,976(a)
EXPENDITURE	1,293,229	1,259,628
EBIDTA	56,471	102,164
INTEREST	6,646	6,956
DEPRECIATION	23,415	25,860
PROFIT BEFORE TAX	26,410	69,348
PROFIT ON SALE OF PED BUSINESS	63,533	0
PROVISION FOR TAXES	15,401	14,825
PROFIT AFTER TAX	74,542	54,523

(a) The Income is inclusive of Rs 9.18 Crore of Precision Engineering Division, which has been discontinued during the current year.

OPERATIONS

Your Company has recorded a marginal growth in its business and maintained its revenue at Rs 132 Crore during the year despite sale of Precision Engineering Business (PED) to another entity effective 1 November 2008. Your Company has also been able to improve the profit for the year in its watch business through revamping of the product portfolio and indigenization of fast moving international styles. The Company has earned Operating Profit of Rs 7.45 Crore (Rs 6.93 Crore in 2007-8) before absorption of exchange loss of Rs 4.81 Crore. In addition, the Company has also earned profit of Rs 6.35 Crore on sale of Precision Engineering Business to another entity.

The opening of "Time Factory Stores (TTF)" has been working well for your Company. Your Company continues to pursue its retail strategy and in view of the changing economic environment, re-evaluating its plan to add new stores. The Company is also in the process of opening Travel Retail at two domestic airports, thereby increasing the visibility and OTS for the Brand.

As shared during the last year, your Company has introduced Ferragamo watches in the trade apart from its presence in the Ferragamo boutiques. During the year, its presence would be expanded to few select towns.

Your Company is also aggressively pursuing its strategy to revamp its product portfolio and to indigenize the fast moving international styles for enhanced value and margins.

Due to global economic meltdown and liquidity crunch, the diversification in the Jewelry business has been postponed for the time being and shall be reconsidered at an appropriate time.

Your Directors are confident that its 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.

MANAGEMENT DISCUSSION AND ANALYSIS**ECONOMY - OVERVIEW**

The Global Financial Crisis, which began in 2007 took a turn for the worse in September 2008 with the collapse of several international financial institutions, including investment banks, mortgage lenders and insurance Companies. There has been a severe choking of credit since then and a global crash in stock markets. The slowdown intensified with the US, Europe and Japan sliding into recession. Current indications of the global situation are not encouraging. Forecasts indicate that the world economy in 2009 may fare worse than in 2008.

A crisis of such magnitude in developed countries is bound to have an impact around the world. Most emerging market

TIMEX

economies have slowed down significantly. India too has been affected. The growth rate of exports has come down to 17.1%, the industrial production has fallen by 2% year on year basis in December 2008. In these difficult times, most economies are struggling to stay afloat; a healthy 7.1% rate of GDP growth still makes India fastest growing economy in the world.

To counter the negative fallout of the global slowdown on the Indian economy, our government took prompt action by providing substantial fiscal and monetary stimulus to provide tax relief to boost demand, increase expenditure on public projects to create employment and public assets and to facilitate flow of funds from financial system to meet the needs of productive sectors, which has helped the economy to revive at a faster pace.

The results of general elections are indicative of political stability and continuation of economic reform process, which shall have a positive impact on the economic growth. We expect the demand for the consumer durables and FMCG sector to pick up during festival season towards end of the year 2009.

INDUSTRY STRUCTURE AND DEVELOPMENT

The watch industry in India has witnessed a tough year of performance after registering double digit growth since last several years. The economic downturn is impacting all the businesses and your industry is no exception. Most brands were under pressure to offer consumer programme to maintain their revenue stream. Despite economic slowdown and sluggish retail, the industry has witnessed marginal growth over the previous year.

The profile of the organized watch industry is undergoing change and witnessing increased focus on the Retail presence and fashion range of products. Most industry players are focusing on expansion of its retail presence across all formats, which will ensure better quality, superior products and quality service to the end consumers. The Industry growth is largely driven by the growth of premium segment, which is estimated to have grown in double digits during the year. We expect this trend to continue and it augurs well for the changing business profile of your Company.

The size of the Indian Watch Market is currently estimated to be at 42 million watches. The unorganized sector, which accounts for nearly 60% of the total market, continues to hamper the Industry with no accountability to either the government or the consumer. Your Company, together with other Industry players as a member of the All India Federation of Horological Industries has taken several initiatives to curb these malpractices through intervention of various government departments, Industry forums and help of judicial and regulatory authorities. These initiatives generally act as deterrent for those who are indulged in malpractices and we are confident that continued efforts in this direction will help curb these malpractices to a large extent.

OUTLOOK & KEY CHALLENGES

The consumer preference is increasing for the sports life style brands with stress on outdoor and technology and Timex as a brand is investing in these two segments backed by communication. Besides, youth segment also has been identified as a potential area for growth, which shall be largely catered through product differentiation and introduction of exclusive range targeting this segment. The luxury segment continues to register healthy growth and during current situation also, this segment was largely unaffected and continues to maintain the momentum. 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", launching of Luxury brand Ferragamo and consolidating the operation of Versace brand in your Company.

The key challenge and opportunity ahead is to stimulate consumer demand and strengthen our brands & retail network to ensure sustainable strong growth and to increase the profitability in an increasing competitive market.

OPPORTUNITIES AND THREATS

Besides Retail and Portfolio Strategy, the emergence of Tier II/III towns, Product differentiation and improving communication have been identified as key opportunities by your Company. We intend to capitalize on these opportunities and willing to commit adequate investment and resources in this regard. The increasing cost of retailing and communication is the biggest challenge for speedier growth of business of your Company.

Your Company has a unique advantage of having access to international portfolio of brands being a part of Timex Group, USA besides having a domestic manufacturing unit in India. This provides us great opportunity and flexibility to cater to the changing demand of the Consumers at a faster pace and that too at an affordable price.

RISKS

The Global Economic Slowdown is impacting all aspects of business and your industry is no exception. Fortunately the impact of slowdown is not so severe in India and your Company expects the Indian economy to revive faster than most other countries of the World. The economic slowdown has severely impacted the retail sentiments in the Country and growing retail in this environment continues to be a big risk as well as challenge. Your Company intends to mitigate the incremental levies through various cost savings initiative undertaken by it for improvement in operational efficiencies. The exchange rate fluctuations are beyond control of any organization and weakening rupee has a negative impact on the profitability of your Company being a net importer. Due to adverse exchange rate, the profitability of your Company has been severely impacted during 2008-9 and it continues to be a major risk factor even during the current year. We 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 Duty & Excise, increase in the abatement factor, rationalization of duty structure and streamlining of various procedural formalities. As a result of these efforts, the Government has lowered the basic excise duty from 14% to 10% and the custom duty has been reduced to 10%. We shall continue to endeavour our efforts to represent the interest of Industry and our own Organization.

CORPORATE INITIATIVES

Your Company has been able to manage its cash flow through renegotiation of the terms of issue with the Preference Shareholders of the Company. As per the revised terms agreed with the preference shareholders, the dividend liability due and payable until March 2009 has been waived and the coupon rate on 2.9% and 5.4% series of Redeemable Non-convertible debentures has been revised to 7.1% effective 1 April 2009 till date of maturity of the respective series.

During the year, your Company sold its Precision Engineering Division to another Group Company at a consolidated sum of Rs 12.12 Crore and earned a net profit of Rs 6.35 Crore from the sale of business.

The Company does not hold any fixed deposits from the public, shareholders & employees. There were no overdue / unclaimed deposits as on 31 March 2009.

During the year under review, the Company made payment aggregating to Rs. 27.39 Crore by way of Central, State and local sales taxes and duties as against Rs. 28.09 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 of 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 meritocracy at all

TIMEX

levels and has believed in an environment that fosters accomplishment, ownership, creativity and mutual respect. One of the key challenges in this area is to increase manpower productivity, through training and motivational programmes. We have started an effort to impart training to the sales staff at our TTF Stores.

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. The important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in government regulation, tax laws, economic developments within the country and abroad and such other factors such as litigation and industrial relation.

DEMATERIALISATION

Effective the year 2000, the equity shares of your Company are being compulsorily traded in dematerialization form. As on date, 34811 no. of shareholders representing 21.78% of the Equity Share are holding shares in the dematerialized form.

DIRECTORS

Ms Gagan Singh retires by rotation and is eligible for reappointment.

Mr. Kannan was appointed additional director during the year to hold office up the date of the forthcoming shareholders meeting. Your Company has received notice from a shareholder seeking his appointment as Director of your Company pursuant to Section 257 of the Companies Act 1956.

Mr Frank Sherer and Mr. C R Dua resigned during the year from directorship of the Company. The Company wishes to place on record its appreciation for the valuable guidance and support provided by Mr Sherer and Mr Dua during their tenure as Director(s) of the Company.

Mr. Frank Sherer and Mr. Dua have been subsequently appointed as alternate directors to Mr. Hoejsgaard and Mr. Kapoor respectively.

DIRECTORS RESPONSIBILITY STATEMENT

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

- (i) That in preparation of the Balance Sheet and the Profit & Loss Account of the Company, the applicable accounting standards has been followed along with proper explanation relating to material departures.
- (ii) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- (iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

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