

# TIMEX

## Annual Report 2010





Timex women's Crystal collection epitomizes modern femininity and timeless beauty. The collection enhances feminine styling and elevates luxurious aesthetics. The dials have been treated with subtle silver patterns inspired by floral themes and the watches have two extravagant rows of 100 Swarovski crystals which set it apart.

<b>Director(s)</b> <b>As on 27 May, 2010</b>	Frank Sherer Kapil Kapoor V.D. Wadhwa Daya Dhaon Raghu Pillai Gagan Singh (Ms.) Pradeep Mukerjee	Non-Executive Director & Chairman Non-Executive Director & Vice –Chairman Managing Director Non-Executive & Independent Director Non-Executive & Independent Director Non-Executive & Independent Director Non-Executive & Independent Director
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<b>Bankers</b>	The Hongkong & Shanghai Banking Corporation Limited HDFC Bank Limited
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<b>Auditors</b>	BSR & Co., Chartered Accountants
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<b>Registered Office</b>	117 G.F. World Trade Centre, Babar Road, New Delhi – 110001.
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<b>Works</b>	Plot No.10 Baddi Industrial Area Katha Bhatoli Baddi, Distt. Solan (H.P)
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<b>Share Registrar &amp; Transfer Agent</b>	Alankit Assignment Limited 2E/21 Alankit House, Jhandewalan Extension New Delhi-110 055 Tel. : 011-42541234 Fax: 011-42541967 Email.: rta@alankit.com Website : www.alankit.com
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## NOTICE

Notice is hereby given that the Twenty-second Annual General Meeting of the Members of TIMEX GROUP INDIA LIMITED will be held on Thursday, 22<sup>nd</sup> July, 2010 at 10.00 A.M. at the Air Force Auditorium, Subroto Park, New Delhi 110010 to transact the following business:

### ORDINARY BUSINESS

1. To receive consider and adopt the Balance Sheet as at 31 March, 2010, Profit and Loss Account for the year ended on that date and the report of the Auditors and Directors thereon.
2. To declare and pay of Dividend on Preference Shares.
3. To appoint a Director in place of Mr. Daya Dhaon who retires by rotation and being eligible, offers himself for re-appointment.
4. 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

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

**“RESOLVED THAT** Mr. Frank A Sherer, who was appointed as an Additional Director of the Company pursuant to Section 260 and other relevant provisions of the Companies Act 1956 and Article 103(a) of the Articles of Association of the Company with effect from 29 October,2009, 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 Director of the Company, liable to retire by rotation.

**RESOLVED FURTHER THAT** pursuant to Article 106 of the Articles of Association of the Company, Mr. Frank A Sherer is also appointed as Chairman of the Company, not liable to retire by rotation, in place of Mr. Hans-Kristian Hoejsgaard with effect from 29<sup>th</sup> October 2009.

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

**“RESOLVED THAT** Mr. Pradeep Mukerjee who was appointed as an Additional director of the Company pursuant to Section 260 and other relevant provisions of the Companies Act 1956 or any statutory modification(s) or re-enactment thereof and Article 103(a) of the Articles of Association of the Company with effect from 30 July,2009, 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 Director of the Company, liable to retire by rotation.”

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

**“RESOLVED THAT** Mr. V D Wadhwa, who was appointed as an Additional Director of the Company pursuant to Section 260 and other applicable provisions of the Companies Act 1956 and Article 103 of the Article of Association of the Company with effect from 29 April, 2010, 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 Director of the Company, not liable to retire by rotation”

8. To consider and if thought fit, to pass with or without modification the following resolution as an **ORDINARY RESOLUTION**:

**“RESOLVED THAT** Mr. V D Wadhwa who was appointed as the Managing Director of the Company by Board of Directors of the Company in the meeting held on 29 April, 2010 subject to the approval of shareholders and pursuant to the Article 123 and 124 of Articles of Association of the Company, provisions of Sections 198,269,302,309,311, Schedule XIII and all other applicable provisions of the Companies Act, 1956 and subject to the approval of the



Central Government if any, subject to compliance with the provisions as stated above, the Company hereby accords its approval for the appointment of Mr. V D Wadhwa as the Managing Director of the Company for a period of two years with effect from 29 April, 2010, he being a director not liable to retire by rotation, on the terms and conditions mentioned in the Explanatory Statement attached herewith and as set out in the draft agreement between the Company and Mr. Wadhwa, 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. Wadhwa within the parameters as provided in the Explanatory Statement and that the Company also accords its approval for the actions taken or to be taken by the 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. Daya Dhaon, retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment. Brief resume of Mr. Daya Dhaon, 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 commends 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 during 24 June 2010 & 25 June 2010 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 dividend declared by the Board of Directors on 1, 57, 00,000 Cumulative redeemable non-convertible Preference Shares issued on 27<sup>th</sup> March 2004 and 2, 29, 00,000 issued on 21<sup>st</sup> March 2006 and also 25, 00,000 Non-cumulative Redeemable Preference shares issued on 25<sup>th</sup> March 2003 in favour of Timex Group Luxury Watches BV (formerly known as Timex Watches BV) will be paid/distributed within the statutory period of 30 days after declaration by members in this Annual General Meeting.
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**

**Kapil Kapoor  
Vice - Chairman**

Dated: 27 May 2010

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

### Item No 5

In terms of the provisions of Section 260 and other relevant provisions of the Companies Act, 1956 and Article 103(a) and 106 of the Articles of Association of the Company, Mr. Frank A Sherer was appointed an Additional Director and Chairman of the Board of Directors by the Board of Directors at their meeting held on 29 October, 2009. Mr. Sherer 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. Sherer as a Chairman and Director of the Company along with a deposit of Rs. 500/- (Rupees Five Hundred only) which shall be refunded to the member, if Mr. Sherer is elected as a Director.

Mr. Sherer is a Legal Professional who is associated with Timex Group, U.S.A for over twenty-five years and currently heading Legal & Human Resources functions for the Timex Group's worldwide operation. Your Directors believe that his appointment as a Director would be in the best interest of the Company.

The Directors commend the Resolution for acceptance by the Members.

None of the Directors, other than Mr. Sherer himself, are deemed to be concerned or interested in this resolution, as it relates to his appointment

### Item No 6

In terms of the provisions of Section 260 and other relevant provisions of the Companies Act, 1956 and Article 103(a) of the Articles of Association of the Company, Mr. Pradeep Mukerjee was appointed an Additional Director of the Company by the Board of Directors at their meeting held on 30 July, 2009. Mr. Mukerjee 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. Mukerjee as a Director of the Company along with a deposit of Rs. 500/- (Rupees Five Hundred only) which shall be refunded to the member, if Mr. Mukerjee is elected as a Director.

Mr. Mukerjee has 29 years of experience. He is presently the Founder –Director of Confluence Coaching & Consultancy and prior to this, he was associated with Citigroup as Human Resource Director & VP, India, Sri Lanka and Bangladesh. Your Directors believe that his appointment as a Director would be in the best interest of the Company

The Directors commend the Resolution for acceptance by the Members.

None of the Directors, other than Mr. Mukerjee himself, are deemed to be concerned or interested in this resolution, as it relates to his appointment

### Item No 7 & 8

In terms of the provisions of Section 260, 198, 269, 302, 309, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 ("Act") and Article 103(a) of the Articles of Association of the Company and subject to approval by shareholders of the Company, Mr. V D Wadhwa was appointed an Additional Director and also as Managing Director of the Company by the Board of Directors at their meeting held on 29 April 2010.

The Company has received a notice from a member in writing pursuant to Section 257 of the Act signifying his intention to propose the appointment of Mr. Wadhwa 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. Wadhwa is elected as a Director.

In accordance with the relevant provisions of the Act, and subject to the approval of the shareholders and other regulatory authorities, as applicable, the Board of Directors of the Company has appointed Mr. Wadhwa as Managing Director of the Company for a period of two years effective 29 April, 2010. The details of the proposed appointment are given hereunder and also in the resolution at Item No 8 of this notice, seeking approval of the members of the Company, which may also be treated as an abstract u/s 302 of the Act.

Mr. Wadhwa is an Alumni of Harvard Business School and a Fellow Member of the Institute of Company Secretaries of India. Mr. Wadhwa has over 25 years of work experience in various industries/ businesses. He has been associated with the Company since its inception in various capacities and largely credited with the re-establishment of the entire distribution and retail base after the Company ceased to be the Timex JV with Tata's. Subsequent he played a major role in the profitable turnaround of Company's operations through business and financial restructuring. Prior to his

elevation as the Managing Director of the Company, he was holding the position of Senior Vice President, Business Development & Corporate affairs in the Company.

The draft Agreement between the Company and Mr. Wadhwa contains the following main terms and conditions:

(A) Period of Appointment : Two years with effect from 29 April, 2010

(B) Terms of Appointment

1. As Managing Director of the Company, Mr. Wadhwa 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. Wadhwa 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. Wadhwa 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. Wadhwa will not engage in or accept any other assignment or employment. Mr. Wadhwa 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. Wadhwa 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.

(C) Terms of Remuneration

1. The following terms of remuneration shall be applicable to Mr. Wadhwa, effective 29<sup>th</sup> April 2010.
2. The Board of Directors of the Company is empowered to fix the remuneration payable to Mr. Wadhwa in the slab of Rs 63,00,000 to Rs 150,00,000 per annum, with the base salary in the scale of Rs 2,00,000 – Rs 5,00,000 per month, subject, however to deduction of all applicable taxes and / or levies etc.
3. Remuneration payable to Mr. Wadhwa, shall be fixed by the Board of Directors of the Company in accordance with the approval given by the shareholders of the Company which shall constitute the minimum remuneration payable to him irrespective of the fact that the Company has inadequate profits/ or has losses. Further Mr. Wadhwa shall be eligible for compensation for loss of office for the purposes of Section 318 of the Act.
4. Mr. Wadhwa's performance shall be reviewed by the Board annually and his remuneration shall be revised within the overall range as mentioned above.
5. Mr. Wadhwa shall also be entitled to all other employee benefits with respect to Provident Fund, Superannuation Fund, Gratuity, leave rules, Club Membership etc. as per Company's policy. In addition, he shall be entitled to reimbursement of all business related expenses incurred by him on actual basis as per Company's policy, practice and procedure as is in effect from time to time, as an employee in continuation of his employment with the Company.
6. In compliance with the provisions of Section 309 of the Act, the terms of remuneration specified above as approved by the Board of Directors of the Company are now being placed before the shareholders of the Company in Annual General Meeting for their approval.
7. The draft of agreement between the Company and Mr. Wadhwa 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. Wadhwa 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

By Order of the  
Board of Directors

Kapil Kapoor  
Vice-Chairman

Dated: 27th May 2010

## DIRECTORS' REPORT

To the Members of Timex Group India Limited

The Directors are pleased to present the Twenty Second Annual Report and Audited Statement of Accounts for the year ended 31 March 2010.

## FINANCIAL RESULTS

	Rs. in Thousands	
	2009-10	2008- 09
Income	1400709	1319639
Expenditure	1341958	1293229
EBIDTA	83311	56471
Interest	1679	6646
Depreciation	22881	23415
Profit before tax (PBT)	58751	26410
Profit on sale of PED Business	-	63533
Provision for Taxes	12518	15401
Profit after Tax	46233	74542

The year 2009-10 witnessed a slow but definite sign of recovery in retail sentiment across most segments, after the slowdown of economy during 2008-9. For the year ended 31 March 2010, the sales revenue grew to Rs. 140 crores increasing by a modest 7% from Rs 131 crores. Profit before taxes grew by 122% to Rs 5.87 crores from Rs 2.64 crores during previous year and Net profit for the year was Rs 4.62 crore compared to Rs 7.45 crore in previous year, which was inclusive of one time profit of Rs 6.35 crore due to sale of PED business.

Your Company continues to drive its strategy of retail expansion through opening of “The Time Factory” stores and internalization of fast moving international styles for driving business growth in profitable segments, which is reflected in the increased profitability.

Your Company is also finalizing its plan for launching “Versace” and “Marc Ecko” watch brands from its International portfolio in the Indian Market to drive its portfolio strategy and offer multiple choices of brands across price points to the Indian Consumers.

## MANAGEMENT DISCUSSION AND ANALYSIS THE INDIAN WATCH MARKET

The size of Indian watch market is estimated at 45 million watches. The brands at the premium end of the market and in the fashion segments continues to grow significantly faster than other brands. While the volume growth is driven by low price point products, the growth of most brands is driven by value and not volume. The growth has been led by marketing investments by several Indian and Global players including your Company. This augurs well for the growth of overall Industry.

The watch industry witnessed the entry of several luxury and fashion brands during the year, which resulted in increasing the competition for retail space in the multi brand outlets across the country. Companies, which are expanding their retail footprint and offering a portfolio of brands continue to grow faster. Your Company has the unique advantage of being the only international brand with its own domestic manufacturing capabilities, a portfolio of eleven international brands and the presence of its own retail chain, “The Time Factory”, comprising of 69 stores.

## OUTLOOK/OPPORTUNITES & KEY CHALLENGES

The current economic environment, the growing awareness of global fashion trends and the changing life style of the Indian consumers are indicative of high growth for life style brands with emphasis on outdoor & technology, fashion and luxury segments. Over the last several decades, the Timex Brand has come to be known for its technological superiority and large offering of outdoor and fashion products.

Your Company shall continue to invest in its product portfolio and strengthen the communication of its brand attributes of “Superior Technology”, “Sporty” and “Fashionable”. The younger segment has also been identified as a segment poised for high growth, which shall be largely addressed through product differentiation and offering an exclusive range crafted by International designers following the global trends.



The Timex Group now offers a portfolio of eleven international brands including Timex, i.e. Salvatore Ferragamo, Versace, Guess, Gc, Nautica, Marc Ecko, TX, Valentino, Versus and OPEX. During the year, your Company intends to introduce Salvatore Ferragamo, Versace and Marc Ecko to the Indian Consumers to pursue its portfolio strategy and, further strengthen its retail presence through expansion of “The Time Factory” stores and gain share in the Multi Brand Retail outlets. Your Company has identified these as key action points for driving business growth in the coming years.

## **RISKS / THREATS**

Your Company is expanding its retail network through franchisees at the front end. This is an efficient way to expand rather than having Company owned/managed showrooms which is a costlier option. The relationships have to be actively managed to pre-empt shifting of loyalties of these franchisees to other product category/Brands.

The Company is addressing this risk by initiating a high level of engagement with the franchisees and addressing their reasonable business requirements in an empathetic manner, through both contractual arrangements and day to day interface with these business associates.

The increasing operating costs of retailing also pose as risk to the maintenance of operating margins.

The weakening rupee had a negative impact on the profitability of your Company being a net importer. Your Company continues to drive operating efficiencies to overcome and mitigate such risks.

## **GOVERNMENT POLICY**

Your Company has been actively involved with the “All India Federation of Horological Industries”, an apex body of Horological Industry in India. Your Company together with AIFHI has been taking up 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 and rationalization of duties, increase in the rate of abatement on watches, and enhancement of DEPB credit rates relating to export of Quarts Analogue Watches including other export benefits etc. We shall continue our efforts to represent the interests of the Industry and your own Organisation.

## **FINANCE**

Your Company has been able to manage its cash flow through improved collections and utilized the surplus cash to reduce the borrowings and accounts payable, which has resulted in savings in Interest costs despite firming up of Interest Rates.

The Company does not hold any fixed deposits from the public, shareholders & employees. There were no overdue / unclaimed deposits as on 31 March 2010.

During the year under review, the Company made payment aggregating to Rs.30.06 Crore by way of Central, State and local sales taxes and duties as against Rs. 27.39 Crore in the previous year.

Your Company is also paying dividend on its Preference Shares at the agreed coupon rate. The dividend liability on preference shares until March 2009 was waived by the Preference Share Holders.

## **SEGMENT WISE REPORTING**

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 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. The efforts are on to impart training to 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 demand and supply conditions affecting sale price 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 etc.

## DEMATERIALISATION

Since year 2000, the equity shares of your Company are being compulsorily traded in dematerialization form. As on date, 33977 no. of shareholders representing 21.86% of the Equity Share are holding shares in the dematerialized form.

## DIRECTORS

Mr. Daya Dhaon retires by rotation as Director of the Company and being eligible, offers himself for reappointment.

Mr. Hans-Kristian Hoejsgaard resigned from directorship of the Company. The Company wishes to place on record its appreciation for the valuable guidance and support provided by Mr. Hoejsgaard during his tenure as Director and Chairman of the Board of Directors of the Company.

Mr. Sherer was appointed an Additional Director to hold office up to the date of the forthcoming shareholders meeting. Mr. Sherer has been subsequently appointed as Chairman of the Board of Directors pursuant to Articles of Association of the Company. 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. Pradeep Mukerjee was appointed as an 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. V.D.Wadhwa was appointed an Additional Director to hold office up the date of the forthcoming shareholders meeting. Mr. Wadhwa was subsequently appointed Managing Director of the Company in place of Mr. G. Kannan, who resigned from the directorship and the post of Managing Director effective 29 April 2010. Your Company has received notice from a shareholder seeking Mr. Wadhwa's appointment as Director of your Company pursuant to Section 257 of the Companies Act 1956.

## 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.