

Annual Report
2011

TIMEX GROUP

TIMEX



HELIX
TIMEX



VERSACE



Salvatore Ferragamo



marc eckō



NAUTICA



larun lahiliani
WATCHES



TIMEX GROUP

Timex launched its Intelligent Quartz technology, A revolutionary new proprietary movement, at the 2011 Basel World watch fare this year.

The Intelligent Quartz technology is developed in Timex's state-of-the-art engineering facility in Pforzheim, Germany, and is the result of a 156-year history of timekeeping technology innovation.

Intelligent Quartz encompasses independent motors, digital sensors and microprocessor technology making it flexible and capable of displaying an array of information. This flexibility allows Timex to quickly incorporate new technologies, functions and microprocessors into the Intelligent Quartz platform to deliver new quartz analogue applications.

Intelligent Quartz technology also places its stamp on the new Tide Temperature Compass featuring a distinctive fourth hand functionality. With multiple functions including a tide tracker, temperature sensor and electronic compass all driven by a dedicated fourth hand, the Tide Temperature Compass is the ultimate accessory for the tech savvy professional with a love for adventure.



Director(s) As on 26 May, 2011	Kapil Kapoor V D Wadhwa Frank Sherer Daya Dhaon Gagan Singh (Ms.) Pradeep Mukerjee	Non-Executive Director & –Chairman Managing Director Non-Executive Director Non-Executive & Independent Director Non-Executive & Independent Director Non-Executive & Independent Director
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Bankers	The Hongkong & Shanghai Banking Corporation Limited HDFC Bank Limited
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Auditors	BSR & Co., Chartered Accountants
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Registered Office	117 G.F. World Trade Centre, Babar Road, New Delhi – 110001.
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Works	Plot No.10 Baddi Industrial Area Katha Bhatoli Baddi, Distt. Solan (H.P)
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Share Registrar & Transfer Agent	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-third Annual General Meeting of the Members of TIMEX GROUP INDIA LIMITED will be held on Friday, 29th July, 2011 at 11.00 A.M. at the Siri Fort Auditorium, August Kranti Marg, New Delhi- 110049, to transact the following business:

ORDINARY BUSINESS

1. To receive consider and adopt the Balance Sheet as at 31 March, 2011, 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 Dividend on Preference Shares.
3. To appoint a Director in place of Mr. Frank A Sherer who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pradeep Mukerjee who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

NOTES

1. **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.**
2. Mr. Frank A Sherer and Mr. P Mukerjee retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Brief resume of these Directors, nature of their expertise and names of Companies in which they hold Directorship and membership / Chairmanship of Board Committee as stipulated under Clause 49 of the Listing Agreement with the Bombay Stock Exchange are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Director of the Company commends their re-appointments.
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 during 29 June 2011 & 30 June 2011 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 at the following Address:

TIMEX GROUP INDIA LIMITED
(Investors Relation Department)
117, Ground Floor, World Trade Centre
Babar Road, New Delhi – 110 001
6. The dividend declared by Board of Directors On 1,57,00,000 Cumulative redeemable non-convertible Preference Shares issued on 27 March, 2004 and 2,29,00,000 issued on 21st March, 2006 and also 25,00,000 Non-cumulative Redeemable Preference shares issued on 25 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.
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 00

Dated: 26 May 2011

**By Order of the
Board of Directors**

**Kapil Kapoor
Chairman**

Important Communication to Members

The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill the appropriate column in the members business reply form (refer page 47 of the Annual Report) and register the same with Alankit Assignment Limited. **Postage for sending the business reply form will be borne by the Company.**

DIRECTORS' REPORT

To the Members of Timex Group India Limited

Your Directors are pleased to present the Twenty-third Annual Report and Audited Statement of Accounts for the year ended 31 March 2011.

FINANCIAL RESULTS

	Rs. in Thousands	
	2010-11	2009-10
Income	1739082	1400709
Expenditure	1563321	1341958
EBIDTA	192734	83311
Interest	47	1679
Depreciation	16926	22881
Profit before tax (PBT)	175761	58751
Provision for Taxes	35663	12518
Profit after Tax	140098	46233

The economic environment for the domestic business continued to remain conducive for most part of the year and all major players in the watch industry witnessed strong growth, which was largely driven by fashion and youth segment and expansion of the retail footprint. The high inflation rate and rising cost of commodities prices, if not contained, is likely to adversely impact the consumer sentiment and the overall economic growth environment in the year ahead.

The year 2010-11 has been a year of major transformation, during which, your Company has delivered its highest ever volume, revenue and profitability performance. Sales Revenue grew by 25% at Rs 174 Crore and Profit before tax grew by 203% at Rs 14 Crore.

The year begun with a leadership change in the management team and the subsequent finalization of your Company's three years strategic plan. Under the new leadership, several key initiatives were taken to drive efficiencies across the organization and also align all stakeholders of the Company with the goals to create a strong sense of vision and focus for the business.

Some of the key marketing initiatives taken were as under;

- Revamped the product portfolio and introduced new styles with improved aesthetics and at the same time generated a higher gross margin for the business.
- Launched New Brands – to target different consumer segments and widen the appeal of the Timex Group Portfolio. The brands launched this year were;
 - o Mark Ecko : in the fashion segment
 - o Versace : in Luxury fashion segment
 - o Tarun Tahiliani : in the premium women's segment
 - o Helix : in the fast growing youth segment
- Partnered with "ICC Cricket World Cup 2011" event as the "Official Product Licensee"
- Increased media spend with a focus on Television Advertising. A new brand television commercial was developed for the Timex brand during the year to reinforce the "conversation starters" theme. This campaign was well received by trade and consumers.
- Visual Merchandising development. A marketing toolkit was conceptualized and executed across points of sale in the different store formats. This has helped build a consistent image for the different brands across the country.
- Expanded the number of franchised retail stores, "The Time Factory", to 76 during the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

THE INDIAN WATCH MARKET

The size of Indian watch market is estimated to be at Rs 5000 Crores of which 60% of the business is contributed by the organized sector. The brands at the premium end of the market and in the fashion and youth segments continue to grow significantly faster than other brands. While the unit growth is driven by low price unbranded products, the growth at the mid and higher price points is driven by creating higher value through improved styling and technology features. The growth in the market has been led by marketing investments made by several Indian and Global brands (including the launch of several new brands) which are increasing their focus on the Indian market. This increased competition and marketing investment is a good sign; since we believe this will drive the growth of the industry, which is still in a nascent stage when compared to penetration in developed countries.

The entry of several brands especially in the Fashion and Luxury segments of the market has resulted in increased competition for the rather limited retail space available in the multi brand watch retail environment. And in turn this has led to further investment and development of “modern retail” channels to meet the increased demand. The industry has overall witnessed an increase in the contribution of “modern retail” to the overall business. The development of this channel, while enhancing the consumer buying experience in terms of an international environment to shop in, is leading to an increase in margin expectations from the branded companies. In view of this, companies which are in a position to offer a portfolio of brands are better positioned for faster and profitable growth.

OUTLOOK/OPPORTUNITIES & KEY CHALLENGES

The economic growth of India and the changing life style of the Indian consumers (especially the relatively younger consumers) who are aspiring to a more international way of life on account of the growing awareness of the global fashion trends, bodes well for the growth of the watch industry. And your company is well positioned to take advantage of this.

The company has an unique advantage of having several international brands with domestic manufacturing capabilities. This allows international products to be sold in India at prices which offer tremendous “Value for Money” to the consumer. The company also boasts of a portfolio of seven Global brands and the presence of its own franchised retail chain, “The Time Factory”, comprising of 76 stores. This allows TGIL to participate at all ends of the value chain which in turn enhances margins. By doing so, the company is also better positioned to control its own destiny more effectively and this provides a sustainable growth platform for the business in the years ahead.

In addition, your Company continues to enjoy the support of the Timex Group Global Design Centre located in Milan and also Global Supply Chain organization to support the business in India which has resulted in improved technology and styling of the products.

The watch industry has changed significantly over the last few years and watches are being used as a fashion accessory more than a time telling device. This has resulted in a trend for multiple watch ownership; “A different watch for different occasions”. This is an encouraging trend for the industry and could propel industry growth significantly in future years and TGIL with its wide array of brands and styles, ranging from Fashion and Classics to Sports can take full advantage of this.

In addition, India continues to be a key strategic market for the Timex Group and therefore enjoys easy access to its global resources across all functional areas, which should help improve our operational efficiencies due to the scale of the Group’s global operations.

Finally, at TGIL, we are benefiting from the operating leverage we now enjoy as a business and this means that future growth will be more profitable.

RISKS/THREATS

The increase in the commodities prices, increased cost of sourcing from China and limited vendor capacity for the critical watch parts in India are resulting in the increase in the sourcing costs of key components. The rising input costs shall have an adverse impact on the operating margins, unless mitigated through various measures to cut costs (without compromising quality). Several initiatives are being developed to address this risk.

The 'Tsunami' in Japan has severely impacted the supply of watch movements in the last few months, which has since improved. Re-occurrence of such disasters in future could cause a supply chain risk for the Category.

In addition to this, increasing consumer preference for usage of mobile phones as a time keeping device instead of watches also pose a major threat especially with the category of consumers who still use a watch to tell time. This is being suitably addressed by several marketing initiatives by promoting watches as a fashion accessory as indicated in the section above.

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. With the active participation by majority of brands in the Category, AIFHI has released a white paper on the industry, highlighting the key issues for which a change in Government Policy is recommended and taken up with the respective authorities for the overall growth of the industry. 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 2011.

During the year under review, the Company made payment aggregating to Rs.32.58 Crore by way of Central, State and local sales taxes and duties as against Rs. 30.06 Crore in the previous year.

Your Company is also paying dividend on its Preference Shares at the agreed coupon rate.

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, who undertake time bound audits and report their findings to the Audit Committee, 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

"Human Resources" continues to be a major thrust area in Your Company, which is highly critical for business expansion and growth. Your Company provides a challenging work environment that encourages meritocracy at all levels and has believed in an environment that fosters accomplishment, ownership, creativity and mutual respect.

Your Company comprises a small team of professionals, who are result oriented, committed and loyal.

Attracting and retaining the bright talent and improvement in the quality of manpower at retail stores are identified as key challenges and being addressed accordingly through various training initiatives and retention tools.

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.

DEMATERIALIZATION

Since year 2000, the equity shares of your Company are being compulsorily traded in dematerialization form. As on date, **31802** no. of shareholders representing **21.96%** of the Equity Share are holding shares in the dematerialized form.

DIRECTORS

In accordance with Section 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Frank A Sherer and Mr. Pradeep Mukerjee retire by rotation as Director of the Company and being eligible, offers themselves for reappointment.

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.
- (v) That due to sudden demise of Mr. Raghu Pillai on 10th April, 2011, who was one of the Director on the Board, representation u/s 274 (1) (g) was not received prior to the date of Audit Report, however, later representations u/s 274 (1) (g) have been received from two Companies, where he was a Director.

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.

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.

AUDITORS

M/s BSR & 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 New Okhla Industrial Development Authority, the Governments of Uttar Pradesh and Himachal Pradesh, and finally the Members of the Company and its employees.

For and on behalf of the Board of Directors

New Delhi
26 May, 2011

Kapil Kapoor
Chairman

ANNEXURE TO THE DIRECTOR'S REPORT

(Additional Information given in terms of notification no.1029 of 31 December, 1988 issued by the Department of Company Affairs)

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

POWER AND FUEL CONSUMPTION

	2010-11	2009-10
UPSEB/ HPSEB Power purchase (units)	650084	691056
Total Amount (in Rs.)	3289479	2921900
Rate per unit (in Rs.)	5.06	4.23
Own generation (units)	81902	84100
Cost per unit (in Rs.)	9.95	8.00
Units per litre of diesel	3.62	3.65

TECHNOLOGY ABSORPTION

Research and Development (R&D)

Areas in which R&D carried out by the Company

Development -

- 1) Conversion of Movements VX82/VX83 from open-type toolings to line toolings.
- 2) Installation of conveyORIZED system for movement 905/ 930/ 916 assembly line.
- 3) Semi-automation of Caseback Closing Press
- 4) Open type toolings developed for VX36/VX3R/VX3T movements.

Future plan of action

- 1) Conversion of VX3N/VX3P/VX3S from open-type tooling to line toolings.
- 2) Set up of new production line to increase assembly capacity by 2000 watches per day.
- 3) E-tester automation for 930/905/916 movements.

Technology Absorption, Adoption and Innovation Benefits

Upgraded process automations will help improve productivity and quality and reduce assembly costs.

Foreign Exchange Earned

The Company has earned Rs. 7.88 Crores in Foreign exchange and used Rs. 39.98 Crores.