

TIMEXGROUP



ANNUAL REPORT

2013

TIMEXGROUP



TIMEX

HELIX
TIMEX

VERSACE

Salvatore Ferragamo
TIMEPIECES

tarun lahiani

Director(s)	Gary Piscatelli	Non-Executive Director & Chairman
	M K Bandyopadhyay	Acting Managing Director
	Daya Dhaon	Non-Executive & Independent Director
	Gagan Singh (Ms.)	Non-Executive & Independent Director
	Pradeep Mukerjee	Non-Executive & Independent Director
	Bijou Kurien	Non-Executive & Independent Director
	Ryan Todd Roth	Non-Executive & Alternate Director to Mr. Gary Piscatelli

Chief Financial Officer Sachin Selot

Company Secretary Shilpa Verma

Bankers HDFC Bank Limited
The Hongkong & Shanghai Banking Corporation Limited
JP Morgan

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)

Share Registrar & Transfer Agent Alankit Assignments 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

NOTICE

Notice is hereby given that the Twenty-fifth Annual General Meeting of the Members of TIMEX GROUP INDIA LIMITED will be held on Wednesday, 7 August 2013 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 2013, the 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. Daya Dhaon who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and to pass the following resolution thereof.
“**RESOLVED THAT** M/s. BSR & Co., Chartered Accountants (Firm Registration No. 101248W), be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting of the Company at remuneration to be fixed by the Board of Directors in consultation with the Auditors 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. Gary Piscatelli, 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 9 April 2013, 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.
Provided that he shall not be liable to retire by rotation until the time he occupies the position of the Chairman of the Company pursuant to Article 106 of the Articles of Association of the Company.”
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**.
“**RESOLVED THAT** Mr. M. K. Bandyopadhyay 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 Companies with effect from 1 February, 2013 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”
6. To consider and, if thought fit, to pass with or without modification the following resolution as a **SPECIAL RESOLUTION**:
“**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (the Act), as amended or re-enacted from time to time, read with Schedule XIII to the Act, the approval be and is hereby accorded to the appointment of Mr. M.K. Bandyopadhyay as the Acting Managing Director of the Company for a period of one year from 1 February, 2013 to 31 January, 2014, upon the terms and conditions set out in the Explanatory Statement annexed to the Notice and as set out in the agreement executed between the Company and

Mr. Bandyopadhyay, including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year, with liberty to the Directors to alter and vary the terms and conditions of the said appointment/ or agreement in such manner as may be agreed to between the Board/Committee and Mr. Bandyopadhyay.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.”

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

**By Order of the
Board of Directors**

Sd/-
Shilpa Verma
Company Secretary

Dated: 30 May 2013

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 OF THE COMPANY.** A blank Proxy Form is enclosed with this notice and if intended to be used, the form duly completed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Annual General Meeting. Proxies submitted on behalf of Companies, Societies etc. must be supported by appropriate resolution/ authority as applicable.
2. The Members/ Proxies 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 to the Annual General Meeting venue will be allowed only on verification of the signature(s) on the Attendance Slip.
3. 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.
4. Corporate Members are requested to send a duly certified copy of the Board resolution/ Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting.
5. In case of joint holders attending the meeting, only such joint holders who are higher in the order of names will be entitled to vote.
6. 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. Those members who have not received copies of Annual Report can collect their copies from the Corporate/ Registered Office of the Company.
7. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 1 August 2013 to Friday, 2 August 2013, both days inclusive.
8. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item No. 4 to 6 is annexed hereto. Relevant details, in terms of Clause 49 of the Listing Agreement, in respect of Director retiring by rotation and proposed to be re-appointed and other Directors proposed to be appointed are disclosed in the Corporate Governance Report.
9. 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

10. The Register of Directors' shareholding maintained under section 307 of the Companies Act, 1956, will be available for inspection by the members at the Annual General Meeting.
11. All documents referred to in the accompanying notice and the Explanatory Statement are available for inspection at the Registered Office of the Company during working hours between 10.00 A.M. to 1.00 P.M. except holidays up to the date of Annual General Meeting.
12. Members desirous of seeking any information relating to the Accounts of the Company may write to the Company at 117, Ground Floor, World Trade centre, Babar Road, New Delhi – 110001, for the attention of Ms. Shilpa Verma, Company Secretary, at least seven days in advance of the Meeting so that requisite information can be made available at the Meeting.

13. 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 notices/ 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 register their e-mail addresses with Alankit Assignments Limited.

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

Item No 4

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. Gary Piscatelli was appointed as an Additional Director of the Company by the Board of Directors at their meeting held on 9 April, 2013 and as the Chairman of the Company on 30 May 2013. Mr. Piscatelli 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. Piscatelli 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. Piscatelli is elected as a Director.

Mr. Gary Piscatelli is a seasoned financial executive with more than 25 years of hands-on senior management experience most recently as Chief Financial Officer of Timex Group USA Inc. He is experienced in cash flow forecasting, managing internal costing systems, internal and external financial reporting, implementing cost reduction initiative and rationalization of headcount and plant facilities. Gary has also handled business acquisitions with responsibility for integrating all accounting and financial operations.

The Directors commend the Resolution for acceptance by the Members.

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

Item No 5 & 6

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 103(a) of Articles of Association of the Company, the Board of Directors appointed Mr. M.K. Bandyopadhyay as an Additional Director of the Company with effect from 1 February 2013 to hold office up to the date of this Annual General Meeting. In terms of Section 257 of the Companies Act, 1956, a notice proposing the candidature of Mr. Bandyopadhyay has been received by the Company.

Mr. M.K. Bandyopadhyay is a mechanical engineer with over 30 years of comprehensive large-scale management and engineering experience in diversified Industry fields. He joined Timex Group India Limited in 2001 and has largely contributed towards restructuring of Supply Chain and Manufacturing operations from in-house integrated processes to outsourced model, re-engineered & value-engineered product, processes and after-sales service function and has managed the green field project at Baddi, HP right from initial inception, through development, to execution, consolidating all manufacturing functions at Baddi. He has an unexcelled record of bringing in mission-critical projects in on schedule and within budget, has outstanding communication talents with proven ability to build and lead highly efficient teams to deliver to business requirements. He also remained instrumental in establishing operations and growth of Timex Group Precision Engineering Limited from a captive tool room to a fully integrated tools and plastics business with customers in India and overseas.

Besides, the Board of Directors of the Company has appointed Mr. Bandyopadhyay as an Acting Managing Director of the Company for a period of one year effective 1 February, 2013 subject to the approval of the shareholders and other regulatory approvals, as applicable, on the terms and conditions set out in the Agreement and as briefed hereunder.

This may also be treated as an abstract u/s 302 of the Act.

(A) Period of Appointment : One year with effect from 1 February, 2013

(B) Terms of Appointment

1. As an Acting Managing Director of the Company, Mr. Bandyopadhyay 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. Bandyopadhyay 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. Bandyopadhyay 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. Bandyopadhyay will not engage in or accept any other assignment or employment. Mr. Bandyopadhyay 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. Bandyopadhyay 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. Mr. Bandyopadhyay was appointed as the Acting Managing Director of the Company on 1 February 2013 on his existing remuneration of Rs. 9,115,713 per annum. No increment was provided to him at that time. This was subsequently revised to Rs. 10,555,537 per annum with effect from 1 April 2013 to the end of the tenure with the authority granted to the Board of Directors (hereinafter referred to as "the Board" which term shall include a Committee of Directors) to determine the total remuneration as recommended by the Remuneration Committee.
2. Notwithstanding anything herein above and subject to the terms of the approval if any, where in any financial year during the currency of tenure of Mr. Bandyopadhyay, the Company has no profits or its profits are inadequate, the Company shall pay to Mr. Bandyopadhyay the same remuneration as specified above as minimum remuneration. Further, Mr. Bandyopadhyay shall be eligible for compensation for loss of office for the purposes of Section 318 of the Act.
3. Mr. Bandyopadhyay's performance shall be reviewed by the Board annually and his remuneration shall be revised within the overall range as mentioned above.
4. Mr. Bandyopadhyay shall also be entitled to all other employee benefits with respect to 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.
5. 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.
6. The draft of agreement between the Company and Mr. Bandyopadhyay 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. Bandyopadhyay 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**

Sd/-
Shilpa Verma
Company Secretary

Dated: 30 May 2013

GENERAL INFORMATION

- Nature of Industry:** Manufacturing of Wrist Watches
- Date or expected date of Commencement of Commercial Production:** The Company commenced its business from 4 October 1988.
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions approved by financial institutions appearing in the prospectus:**

Not Applicable

- Financial Performance of the Company based on given indicators**

The Financial Performance of the Company for the year 2011 – 2012 & 2012-13 are as follows:

Particulars	F.Y. 2011-12 Amount (Rs. in lakhs)	F.Y.2012-13 Amount (Rs. in lakhs)
Sales and other Income	18,391	12,168
Less:- Total Expenditure	17,786	16,364
Profit (Loss) Before Tax	605	(4,196)
Profit(Loss) After Tax	453	(4,196)

- Export Performance and Net Foreign Exchange Collaborations:**

Earnings in foreign currency

(Rs. In Lakh)

Particulars	Year ended 31 March 2012	Year ended 31 March 2013
Exports on F.O.B basis	564	1,038
Service income	177	227
	741	1,265

- Foreign Investment or Collaborators, if any:-**

Out of Rs.10,09,50,000/-(10,09,50,000 Equity shares of Re. 1/- each) Paid up capital, Rs.7,56,45,100/-(7,56,45,100 Equity Shares of Re. 1/- each) is held by Timex Group Luxury Watches B.V.

II. Information about Mr. M K Bandyopadhyay, :

- Background details**

Mr. M.K. Bandyopadhyay is a mechanical engineer with over 30 years of comprehensive large-scale management and engineering experience in diversified Industry fields. He joined Timex Group India Limited (TGIL) in 2001 and has largely contributed towards restructuring of Supply Chain and Manufacturing operations from in-house integrated processes to outsourced model, re-engineered & value-engineered product, processes and after-sales service function and has managed the green field project at Baddi, HP right from initial inception, through development, to execution, consolidating all manufacturing functions at Baddi. He has an unexcelled record of bringing in mission-critical projects in on schedule and within budget, has outstanding communication talents with proven ability to build and lead highly efficient teams to deliver to business requirements. He also remained instrumental in establishing operations and growth of Timex Group Precision Engineering Limited from a captive tool room to a fully integrated tools and plastics business with customers in India and overseas.

Prior to joining TGIL, Mr. Bandyopadhyay was associated with Honda Sael Cars (I) Ltd. (Subsidiary of Honda Japan), Xerox Modi Corp Ltd.(Subsidiary of Xerox Corp. USA) and ORG Systems Ltd. (an Ambalal Sarabhai Enterprise).

- Past Remuneration:**

Organization	Designation	Duration	Total cost to the Company (In Rs.)
Timex Group India Limited	Chief Operating Officer	1 April 2012 to 31 January 2013	9,115,713/- per annum

3. Recognition or awards:

Not Applicable

4. Job Profile & his Suitability:

As Acting Managing Director of the company, Mr. M K Bandyopadhyay is responsible for the overall performance of the company.

Since his joining, Mr. Bandyopadhyay has very ably handled many challenges and has largely contributed towards restructuring of Supply Chain and Manufacturing operations. He put in rigorous systems & processes in place to regularly review performance of the company, generate timely MIS, fulfil all compliance & related obligations, etc. He had set up internal controls & processes and delegated responsibilities effectively to his teams.

Keeping in view of his contribution to the Company since his appointment, the Board is confident that Mr. M K Bandyopadhyay's management capabilities will enable the Company progress further.

5. Remuneration Proposed:

As set out in the above Notice.

6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin):

The Company conducts the annual compensation bench marking exercise for determining the industry norms and finalizes the remuneration basis the same. The Company takes a conservative approach while finalization of remuneration.

Taking into consideration the size of the Company, the profile of Mr. M.K. Bandyopadhyay, responsibility to be shouldered by him and the industry bench mark, the remuneration proposed is commensurate with the remuneration packages paid to similar senior level appointees in other companies.

7. Pecuniary relationship, directly or indirectly, with the Company or relationship with the managerial personnel, if any:

Mr. M.K. Bandyopadhyay has no pecuniary relationship with the company, except to the extent of the remuneration as proposed to be paid to him.

Further, he has no relationship with any of the managerial personnel of the company

III. Other Information

❖ Reasons of loss or inadequate profits:

The adverse economic conditions, continuing trend of currency devaluation and weak consumer sentiments adversely impacted the retails during the financial year 2012-2013. Defense channel, one of the key contributor's to company's revenue, saw a sizeable downturn over previous years. Adding to this, a subdued market sentiment, limited the order situation on the B2B front to an average level. The company has also stepped up the commercial discipline to drive a prudent Credit Management and focus on improving the Working Capital.

❖ Steps taken or proposed to be taken for improvement:

Going forward the Company has set clear goals and objectives to ensure the sales and profit evolution is in line with the Company's strategic plan. Your company through a strict credit control over the last two quarters has been in the process of ensuring a right balance of collections and credits with its Trade partners. On the operations front, the demand planning, procurement and production is being closely monitored and the endeavor has been to strictly procure and produce to exact market requirements. This entails close control on Component Inventory, Finished Watch Stocks, Forecasting process and SKU control. The front end of the business, too, has been prudent in ensuring that distribution of products is done to ensure that the right SKU mix reaches the right channel. Aggressive actions has been taken to cut down cost and enhance the contribution by addressing product mix and market mix.

❖ Expected Increase in productivity and profits in measurable terms:

The performance of the Company is expected to improve in the year ahead in terms of higher turnover, better productivity and profitability as a result of above measures taken for improvement in performance.

IV. Disclosures

The Remuneration package of the managerial personnel has been provided in the Notice and the Company shall make appropriate disclosures as required under Schedule XIII of the Companies Act, 1956 in the Corporate Governance Report forming part of the Directors' Report of the Company every year.

TIMEX GROUP

DIRECTORS' REPORT

To the Members of Timex Group India Limited

Your Directors are pleased to present the Twenty-fifth Annual Report and Audited Statement of Accounts for the year ended 31 March 2013.

FINANCIAL RESULTS

	2012-13	Rs. in Lakhs 2011-12
Income	12,168	18,391
Expenditure	16,364	17,786
EBIDTA	(3,875)	911
Interest	98	109
Depreciation	223	197
Profit before tax (PBT)	(4,196)	605
Provision for Taxes	-	152
Profit after Tax	(4,196)	453

2012-13 was a very difficult financial year. Revenues and profit declined 34% and 46 crores, respectively. These declines were driven by a combination of a weaker economic climate and higher costs due to the devaluation of the Rupee. Additionally, revenues were reduced as we implemented improved credit controls and new strategies against some of our trade channels. These changes were necessary to ensure a healthy long term business and we are already beginning to show positive results.

The Company is committed to improving its top and bottom line financial performance through three focused and simple strategies. In the near-term, the Company's focus will be on the following: 1) Generate positive cash to reinvest in profitable growth, 2) Grow revenues by more closely aligning product offerings with consumer demand, and 3) Rationalize and realign spending to drive profitable growth

As part of its focus on cash, over the past two quarters the Company instituted more stringent Credit Management policies as well as efforts aimed at eliminating unproductive investments in Working Capital. While the Credit Management policies tempered revenues somewhat, they were necessary in order to balance revenues with collection of accounts receivable to generate cash. And within Operations, a more closely integrated sales forecasting and production process was implemented to ensure maximum productivity of investments in inventory. These initiatives will be a critical enabler to provide the cash necessary to permit business-critical investments in new products, advertising and store openings going forward.

In terms of leadership, during fiscal 2012-2013, Mr. M.K. Bandyopadhyay was appointed Acting Managing Director, replacing Mr. V.D. Wadhwa who resigned on January 31, 2013.

By placing greater focus on the above short-term objectives, the Company expects future financial performance to improve substantially. However, fiscal 2013-2014 will be a transition year. While it is expected that significant progress will be achieved in fiscal 2013-2014, it is also expected to be a year of depressed financial performance as comparatively weak economic conditions persist and as the costs associated with the transition to a healthier business continue.

MANAGEMENT DISCUSSION AND ANALYSIS

THE INDIAN WATCH MARKET – Industry Structure and Development

The present size of the Indian watch industry is estimated at INR 5,000 crore. The unorganized sector of watches is estimated to be more than double the size of the organized sector in the country. The average growth in the size of the market is slated to be steady.

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, which your Company is well positioned to take advantage of.

The economy and mass segments form close to 80 per cent of the market by volume and contribute only 40 per cent of the market by value. Affordable luxury and luxury segments are estimated to contribute around 20 per cent of the market by value and have a small volume of around one lakh pieces. Around 60 per cent of the market by value is controlled by organized players.

Currently, the major challenges faced by the industry are stringent government regulations, economic slowdown and slower than anticipated change in the consumer behavior and the large unorganized market.

OUTLOOK/ OPPORTUNITIES AND CHALLENGES

Factors like increasing consumerism and strong middle class present us with an opportunity within Timewear industry in near future. TGIL has an advantage of a strong brand portfolio spread across mass to premium to luxury along with domestic manufacturing capabilities. This allows international products to be sold in India at prices which offer "Value for Money" proposition to the consumer.