

TIMEX

Smart Watchmaking™

ANNUAL REPORT 2017

TIMEX GROUP INDIA LIMITED



iQ+

Fitness Band Incognito.

Timex iQ+™ Move Activity Tracker



Connects with
Your Phone



Sync Time &
Perfect Date*



Activity & Sleep
Tracking



No Charging
Required



...and of course
INDIGLO*

As functional as it is beautiful.



introducing

TIMEX
YACHT RACER

TRUE
SINCE
1854

TIMEX

Built for pure enjoyment of the sport, the analog Timex® Yacht Racer features a unique bi-directional center hand providing countdown to start and the Perfect Date™ feature you'll never have to set.

Board of Directors

Colin Davis Arsenault	Non-Executive Director & Chairman
David Thomas Payne	Non-Executive Director
Sharmila Sahai (Ms.)	Managing Director
Anil Malhotra	Non-Executive 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

CFO

Amit Jain

GM Legal & Company Secretary

Dhiraj Kumar Maggo

Bankers

J.P. Morgan Chase Bank NA
HDFC Bank Limited

Auditors

BSR & Co., LLP
Chartered Accountants

Registered Office

106-107, Ambadeep, 14, Kasturba Gandhi Marg,
New Delhi – 110001.

Works

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

**Registrar & Share
Transfer Agent**

Alankit Assignments Limited
1E/13 Alankit Heights
Jhandewalan Extension
New Delhi 110 055
Tel.: 011-42541234
Fax: 011-23552001
Email: rta@alankit.com
Website : www.alankit.com

DIRECTORS' REPORT

To the Members of Timex Group India Limited

The Directors are pleased to present the Twenty-Ninth Annual Report and Audited Statement of Accounts for the year ended 31st March 2017.

	Rs. In Lakh	
FINANCIAL RESULTS	2016-17	2015-16
Revenue from operations (including other income)	19,995	17,338
Profit before Interest and Depreciation	105	(292)
Less: Interest	277	357
Less: Depreciation	209	278
Add: Exceptional item	-	-
Profit/ Loss for the year	(381)	(927)

The year 2016-17 was another year of improved operating performance, financial growth and new initiatives for Timex Group. The Revenue from Operations (including other income) during the financial year 2016-17 has increased by 15% over the previous year, and the loss for the year has reduced by 59% over the previous year. With the issuance of Cumulative Redeemable Non-Convertible Preference Shares amounting to Rs. 3500 Lakh to the Holding Company, the net worth of the Company has become positive.

The growth has been driven by increased sales to all sales channels. Timex has been one of the few brands registering double digit growth consistently. The new products developed by the Company have been well accepted, not only in the domestic market but also in the international markets. The Company has received good orders from group companies globally.

During the year, the Company reinforced the American heritage of the brand by a high decibel TV advertising campaign, supported by digital and social media, PR and local promotions. The Timex Metropolitan collection heralded the advertising campaign for the year. This was followed by the in-movie placement and association with the Salman Khan blockbuster Sultan, which won rave reviews and created impact in India and abroad. The sales campaign for the festival season was supported by an impactful multimedia advertising campaign. Other licensed watch brands like Versus, Versace and Salvatore Ferragamo grew significantly, backed by in-store presence and selective advertising and PR campaigns. All these efforts resulted in creating more salience for Timex and licensed brands, expanding distribution and increased sales.

With continued focus on increasing operational efficiencies, better working capital management, increased supply chain capability and efficiency and cost control efforts resulted in improved performance metrics. Driving low cost manufacturing helped the Company become a leading supplier of Timex watches to other group companies across the World.

Employees continue to remain the Company's most important assets. Several efforts were undertaken to improve employee capability, build greater engagement with the company and provide opportunities for growth. These resulted in industry leading benchmarks for attrition and performance.

The dealer, distributor, retail and institutional network partners showed greater commitment and support to the Company which resulted in retail commitment, increased market share and positive share of mind.

Dividend

In view of the losses for the year ended 31st March, 2017 and accumulated losses, the Board of Directors has not recommended any dividend for this year.

CHANGES IN CAPITAL STRUCTURE

The Authorised Share Capital of the Company was re-classified and now stands at Rs. 17,000 Lakh, divided into 9,000 Lakh Equity Shares of Re. 1/- each and 800 Lakh preference shares of Rs. 10/- each.

During the year, the Company issued and allotted 5% Cumulative Redeemable Non-Convertible Preference Shares amounting to Rs. 3,500 Lakh to its Holding Company i.e. Timex Group Luxury Watches B.V., Nederland for working

capital requirements. Pursuant to the above allotment, the issued and paid-up share capital of the Company has increased to Rs. 8,619.5 Lakh, divided into 1,009.5 Lakh Equity Shares of Re. 1/- each and 761 Lakh Preference Shares of Rs. 10/- each.

MANAGEMENT DISCUSSION AND ANALYSIS

INDIAN ECONOMY

Despite demonetisation impact, the Indian economy has performed well during the year 2016-17 as compared to other countries. The World Bank expects Indian economic growth rate to be 7% during the financial year 2016-17. However, the International Monetary Fund expects the Indian economy to grow at 6.8% during this year due to the temporary disruptions caused by demonetisation. The growth is expected to rebound quickly to 7.2% in 2017-18. Tailwinds from favourable monsoon, low oil prices and continued progress in resolving supply-side bottlenecks, as well as robust consumer confidence, will support near-term growth and ease cash shortages.

Goods and Services Tax (GST) is expected to be introduced from 1st July, 2017. Industry will have to reorganise its business as the country switches to the GST regime, which will bring more small companies into the tax net. While lower GST may lead to a decline in inflation, the transition to the new GST system will affect economic growth in the short term even though it will benefit both industry and the government in the medium term.

OVERVIEW OF WATCH INDUSTRY

Watch industry has seen sluggish growth due to lower than expected performance of bigger players. The luxury watch market has been affected on account of demonetisation and PAN card disclosure for purchase of watches of value above Rs. 2,00,000. New introductions of luxury watch brands has seen innovative distribution practices and realignment of market share within the industry.

Future of watch industry looks bright as the economy is expected to regain its consumption momentum. This will be a function of new brand introductions and wearable technology supporting larger customer needs. Improved distribution in Tier 3 and Tier 4 markets is helping the Industry to acquire new customers. This is supported by the increased activity of online e-commerce players who offer deep distribution and significant discounts to create greater excitement for the watch category.

The young customer who is driven by fashion considerations is increasingly buying watches which suit their lifestyles. Supported by large format department store, boutique and mall led distribution and larger advertising spends, this category has shown resilience and is the fastest growing segment in the watch industry.

GROWTH DRIVERS OF THE COMPANY

The Company has put in place plans for achieving sustained growth, keeping in view the fast-changing business environment and the growing competition. The industry is growing at a modest pace while the Company's growth is faster. The Company is focussed at maintaining this growth while ensuring returns for all its stakeholders. The Company has identified the key growth drivers as:

Strengthening the Product portfolio:

The Company believes that a good product is the most important way to approach, acquire and retain the consumer. To this end, the Company has adopted two-pronged approach viz. refreshing the existing product portfolio by introduction of new products in terms of design, technology and innovation that match the ever-changing taste and trends of the consumer and launch of new products for the fashion oriented consumer segment.

The new products launched by the Company have been well appreciated, both in the Indian and international markets. Brand 'Versus from the house of Versace', priced between Rs.11-20,000, has been doing well among the fashion-conscious consumer segments. The Company has also been introducing international products in the Indian market to offer more choice to the consumer. The Company has recently launched IQ+ Move in the connected style segment which combines the benefits of an activity tracker with beauty of a traditional analog quartz watch. In the past, the Company had also introduced activity trackers for the tech savvy consumer, such as the Runx 20 and Metropolitan+. The Company believes that the market for the wearable products is growing and has drawn up a robust and exciting technology roadmap to cater to this segment.

Enhancing the distribution footprint and increasing points of Sale:

The Company continues to focus on growth by further increasing its distribution footprint. Special focus on Tier 2 and

TIMEXGROUP

Tier 3 markets has yielded better than expected results. Franchisee led expansion will increase Showrooms in Tier 1 and Tier 2 cities. The Company is investing significantly in retail fixtures and visual merchandising to improve retail presence and increase consumer shopping experience. Increased brand perception amongst consumers has helped increase market share in large retail formats like department stores.

E-commerce business has seen exponential growth. In order to strengthen this business, the Company plans to introduce exclusive products for the E-commerce channel. The Company is also working on an omni channel strategy to unlock greater value.

Increasing Marketing initiatives:

The Company plans to introduce new marketing campaigns in 2017 to become the preferred choice of consumers. The company will continue to use traditional media like print & TV and also leverage new media vehicles to smartly connect with the core target group.

The in-store visibility of Timex Group brands is a key focus area to help improve brand presence. The Company will run innovative consumer campaigns, without diluting brand's perceived value.

Strengthening our manufacturing capability:

The Company continues to improve upon domestic manufacturing capability as part of the Make in India effort of the Government. Improved productivity and efficiency have resulted in higher production of watches per day. The Company has been able to export watches to other Group companies. There is growing recognition within the Global Supply Chain that India can become an important supplier in the future and efforts to support this drive are being undertaken.

Internal and External stakeholder support:

Employees have supported the building of the Company and will continue to drive its performance improvement. Suppliers and trade and institutional sales partners are committed to building this Company further.

Managing Regulatory changes:

The Company has taken steps to maintain business continuity despite introduction of new regulations like GST and transition from Excise exemption at Baddi. Vendors have been educated on documentation requirements and trained in new laws such as GST to ensure that there is no disruption in supplies. Key vendors have also been taken to Cebu, Philippines; a key manufacturing centre for Timex Global, to sensitise them to global manufacturing and supply chain practices.

OPPORTUNITIES AND CHALLENGES

The Indian watch industry has strong growth potential which is substantiated by the following factors:

1. With increasing disposable income and purchasing power of Indian population, the watch industry is expected to grow at a higher rate. With the increase in number of millionaires and high net worth individuals (HNI), the demand for consumer products including watches is expected to increase.
2. The watch industry in India has potential to grow, with only 35% of our population wearing wristwatches and only 5% of them owning multiple watches.
3. Premium priced and Fashion categories are the fastest growing categories, which are expected to help the Company achieve better prices and product margins.
4. Online and Omni channels will fuel the growth of watch industry.
5. Fitness trackers and Smart watches, though at a nascent stage in development, will continue to aid the growth of the Watch industry.
6. Timex is one of the few brands registering consistent double digit revenue growth, and this is expected to continue.
7. Entry of new brands including international brands, and their marketing efforts are attracting new customers to the Industry.

The Excise benefit from the Company's Baddi plant has ceased in May 2017. The Company has taken efforts to maintain its margins despite this change. The proposed GST rates can also impact prices adversely, but the Company is taking steps to ensure that margins will not be affected despite these changes.

RISKS & THREATS

The Company has set up a well-defined risk management mechanism to identify and assess the potential risks and

determine the processes to mitigate the same. A Committee comprising of senior management executives has been constituted to periodically review and assess the key risks in consultation with the functional managers. Detailed exercise has been carried out to identify, evaluate, manage and monitor the potential risks to the operations of the Company. The Board periodically reviews the risks and suggests steps to be taken to mitigate the same.

The Company has recognized the below specific key risks -

• Financial Risk

The Company has increased capital by issuing Cumulative Redeemable Non-Convertible Preference Shares amounting to Rs. 3,500 Lakh to the Parent Company, thereby addressing the concern of negative net worth.

The Company has taken various measures to improve its operational efficiency and growth rate. As per the business plans of the Company, the funding requirements of the company will be met through internal accruals, borrowings from Banks and affiliate Companies. With growth in revenue, the Company is confident of achieving breakeven.

While the Indian Rupee has strengthened against the US Dollar, and a bulk of the Company's imports designated in US Dollars, there has been an improvement in product margins. Continued efforts to indigenise will help protect the Company from any adverse exchange rate fluctuations.

• External Environment

Wearable technology is the buzzword in watch industry. Mobile handset manufacturers and technology companies are investing on wearable technology. Wellness companies also are launching bands which are an extension to their health apps. Technology companies are tying up with various watch manufacturers to integrate technology with watches. The Company believes that continuous innovation is key to success. Timex Group Global Design Centre located in Milan, and the Global Supply Chain organization supports the Company to create differentiation and bring cutting edge technology and designs to a highly competitive marketplace. By thinking and acting both locally and globally, we are constantly challenging ourselves to look at the future.

• Internal Environment

Dependency on China, which is a procurement hub for raw material, may get affected due to external environment. To combat this risk, the Company is integrating with Timex Global supply chain to develop alternate vendors.

• Other Risks

Risks relating to retention of key personnel, compliance to various laws, contractual obligations, risks relating to the general macroeconomic environment including risks associated with political and legal changes, changes in tax structures, commercial rules & laws, information technology, business continuity and disaster management are analyzed regularly and measures taken to mitigate the same.

DIRECTORS

Composition

The Company has eight (8) Directors consisting of four (4) Independent Directors, three (3) Non-Executive Directors and One (1) Managing Director.

Appointment/ Resignation from the Board of Directors/Key Managerial Personnel

Mr. David Thomas Payne was appointed as a Director by the shareholders in their annual general meeting held on August 3, 2016.

In accordance with Section 152 of the Companies Act, 2013 and Articles of Association of the Company, Mr. Anil Malhotra retires by rotation as a Director of the Company, and being eligible, offers himself for re-appointment. The Directors recommend his re-appointment.

There was no change in the Key Managerial Personnel during the year.

Declaration by the Independent Directors

The Company has received declarations from all Independent Directors of the Company confirming that they continue to meet the criteria of independence, as prescribed under Section 149(6) of the Companies Act, 2013 and Regulation 16(1) (b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Independent Directors have confirmed that they have complied with the Company's code of conduct.

Number of meetings of Board of Directors

The Board met six times during the financial year 2016-2017 on 26th May, 2016, 1st July, 2016, 3rd August, 2016, 24th August, 2016, 10th November, 2016 and 2nd February, 2017. Directors attending the meeting actively participated in the deliberations at these meetings. The intervening gap between any two meetings was within the period prescribed under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. More details of the Board meetings have been provided in the 'Report on Corporate Governance'.

COMMITTEES OF THE BOARD

The Company has constituted various Committees pursuant to the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013. Presently, the Company has following Committees of the Board in place-

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders' Relationship Committee
4. Corporate Social Responsibility Committee
5. Share Allotment and Transfer Committee

The details with respect to the composition, powers, roles, terms of reference, etc. of these Committees are given in the 'Report on Corporate Governance' of the Company which forms part of this Annual Report.

REMUNERATION POLICY

The Policy on Directors appointment and remuneration, including criteria for determining qualifications, positive attributes and independence of the Directors and other matters provided under sub-section (3) of Section 178 of the Companies Act, 2013 adopted by the Board, is attached as **Annexure A** and forms an integral part of this Report.

EMPLOYEE REMUNERATION

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in the Annual Report, which forms part of this Report.

Disclosures relating to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annual Report, which forms part of this Report.

Having regard to the provisions of the first proviso to Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the Registered Office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

FORMAL ANNUAL EVALUATION

The Board has carried out performance evaluation of itself, its Committees and each of the Directors (without participation of the concerned director). Independent Directors collectively evaluated the Board's performance, performance of the Chairman and other non-independent Directors. The Nomination and Remuneration Committee also reviewed the performance of the Board, its Committees and of the Directors.

The performance evaluation concluded on the note that each of the individual directors, Committees and the Board as a whole, were performing efficiently and effectively and shared a common vision to turning organization goals into reality.

VIGIL MECHANISM

The Whistle Blower Policy of the Company provides a mechanism for employees / Board Members and others to raise good faith concerns about violation of any applicable law/ Code of Conduct of the Company, gross wastage or misappropriation of funds, substantial or specific danger to public health and safety, abuse of authority or unethical behaviour and to protect the individuals who take such actions from retaliation or any threat of retaliation and also provides for direct access to the Chairman of the Audit Committee, in exceptional cases. The functioning of the Vigil mechanism is reviewed by the Audit Committee from time to time.

The Whistle Blowers are not denied access to the Audit Committee of the Board. The details of the Whistle Blower Policy are given in the Report on Corporate Governance and are also available on the website of the Company at the following link: www.timexindia.com.

POLICY ON PREVENTION OF INSIDER TRADING

In terms of the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has framed a) Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Insiders and b) Code of Fair Disclosure. The Company's Code, inter alia, prohibits dealing in the shares of the Company by an insider, while in possession of unpublished price sensitive information in relation to the Company and also during certain prohibited periods.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

RELATED PARTY TRANSACTIONS

The Board of Directors of the Company has, on the recommendation of the Audit Committee, adopted a policy to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Companies Act 2013, the Rules there under and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Policy has been uploaded on the website of the Company at www.timexindia.com.

All related party transactions entered into during the year under review were in the ordinary course of business, on arm's length basis and were in compliance with the applicable provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. For transactions which are foreseen and repetitive in nature, omnibus approval of Audit Committee is obtained at the beginning of the financial year. A statement of all Related Party Transactions is placed before the Audit Committee for its review on a quarterly basis, specifying the nature, value and terms and conditions of the transactions.

The Company has issued preference shares to Timex Group Luxury Watches B.V., its Holding Company, at arms-length terms and conditions. As this transaction does not fall in the ambit of Section 188(1) of the Companies Act, 2013 and there is no other material related party transaction, the disclosure required under section 134(3) (h) of the Companies Act, 2013 in Form AOC-2 is not applicable to the Company. The details of the related party transactions entered during the year are given in the financial statements of the Company.

FINANCE

The Company has not invited nor does it hold any fixed deposits. There were no overdue / unclaimed deposits as on 31st March 2017.

During the year under review, the Company made payment aggregating to Rs. 4,356 Lakh by way of Central, State and local sales taxes and duties as against Rs. 4,555 Lakh in the previous year.

SEGMENT WISE REPORTING

The segment wise information for watches and other activities are provided in the Notes to the Accounts.

LISTING

The Equity Shares of the Company are listed on the BSE Ltd. The annual listing fee for the year 2017- 2018 has been paid to the Exchange.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has put in place adequate internal control systems, commensurate with size, scale and complexity of its operations, to ensure compliance with policies and procedures. The Company has also adopted policies and procedures for ensuring the orderly and efficient conduct of its business, safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

The internal control mechanism comprises a well-defined organization, which undertakes time bound audits and reports its findings to the Audit Committee, documents policy guidelines and determines authority levels and processes.

With a view to ensure and review the effectiveness and implementation of the systems and operations, the Audit Committee

regularly reviews them. The Internal Auditors and Statutory Auditors regularly attend Audit Committee meetings and convey their views on the adequacy of internal control systems as well as financial disclosures. The Audit Committee is briefed about the corrective actions taken by the management on the audit observations. The Audit scope is regularly reviewed by the Audit Committee for enhancement/ modification of scope and coverage of specific areas.

The Company has implemented internal financial controls with the help of M/s Deloitte Haskins & Sells LLP. These systems have also been checked by M/s BSR & Co., LLP, the Statutory Auditors.

AUDITORS AND AUDITORS' REPORT

a. Statutory Auditors

The Statutory Auditors of the Company, M/s BSR & Co. LLP, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting of the Company. In terms of the provisions of the Companies Act, 2013 relating to rotation of Auditors, the Company is required to appoint a different firm of Chartered Accountants as Statutory Auditors of the Company.

The Board of Directors has, in its meeting held on May 25, 2017, on the recommendations of the Audit Committee, recommended to the shareholders the appointment of M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No. 117366W/W-100018), as the Statutory Auditors of the Company for a term of 5 consecutive years from the conclusion of 29th Annual General Meeting till the conclusion of 34th Annual General Meeting. The Company has received their written consent and a certificate that they satisfy the criteria provided under section 141 of the Act and that the appointment, if made, shall be in accordance with the applicable provisions of the Act and the rules framed thereunder.

During the year under review, the Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act. The Report given by M/s BSR & Co. LLP, Statutory Auditors on the financial statement of the Company for the year 2016-17 is part of the Annual Report. There has been no qualification, reservation or adverse remark or disclaimer in their Report.

b. Secretarial Auditors and Secretarial Audit Report

The Secretarial Audit was carried out by M/s. NKJ and Associates, Company Secretaries (Certificate of Practice No. 5233) for the financial year 2016-17. The Report given by the Secretarial Auditors is annexed as **Annexure B** and forms integral part of this Report. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year under review, the Secretarial Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

In terms of Section 204 of the Companies Act, 2013, the Audit Committee recommended and the Board of Directors appointed M/s. NKJ & Associates, Company Secretaries (Certificate of Practice No. 5233) as the Secretarial Auditors of the Company in relation to the financial year 2017-18. The Company has received their consent for appointment.

HUMAN RESOURCES

The Company considers its employees as most valuable resource and ensures strategic alignment of Human Resource practices to business priorities and objectives. Our constant endeavour is to invest in people and processes to improve human capital for the organisation and service delivery to our customers. Attracting, developing and retaining the right talent will continue to be a key strategic initiative and the organisation continues its undivided attention towards that. Given growth plans of the Company, an important strategic focus of the Company is to continue to not only nurture its human capital, but also proactively focus on preparing all employees for the challenges of the future. The Company strives to provide a conducive and competitive work environment to help the employees excel and create new benchmarks of productivity, efficiency and customer delight.

The Company comprises a small team of professionals, who are result oriented, committed and loyal. As on 31st March 2017, the Company had 367 employees on its rolls.

The Company has reinforced a culture of performance and meritocracy by deploying transparent and agreed upon smart KRAs and KPIs. These KRAs and KPIs cascade from the Company's growth strategy and plans. The Company has implemented an online performance management system i.e. 'Workday' for setting up of goals and objectives of all employees and thereby tracking it on a regular basis. Appraisals are also completed based on these goals and objectives filled by the employees. The Company has also introduced a rewards and recognition policy for all employees i.e. Employee of the Month Award.