

# TIMEX

ANNUAL REPORT - 2009



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

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

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

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

<b>Director(s) As on 28 May, 2009</b>	Hans-Kristian-Hoejsgaard Kapil Kapoor Gopalratnam Kannan Daya Dhaon Raghu Pillai Gagan Singh (Ms.) Frank Sherer Chittaranjan Dua	Non-Executive Director & Chairman Non-Executive Director & Vice –Chairman Managing Director Non-Executive & Independent Director Non-Executive & Independent Director Non-Executive & Independent Director Alternate Director to Hans- Kristian Hoejsgaard Alternate Director to Kapil Kapoor
<b>SVP - General Counsel &amp; Company Secretary</b>	V D Wadhwa	
<b>Bankers</b>	The Hongkong & Shanghai Banking Corporation Limited HDFC Bank Limited	
<b>Auditors</b>	BSR & Co., Chartered Accountants	
<b>Registered Office</b>	117 G.F. World Trade Centre, Babar Road, New Delhi – 110001.	
<b>Works</b>	Plot No.10 Baddi Industrial Area Katha Bhatoli Baddi, Distt. Solan (H.P)	

## NOTICE

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

### ORDINARY BUSINESS

1. To receive consider and adopt the Balance Sheet as at 31 March, 2009, Profit and Loss Account for the year ended on that date and the report of the Auditors and Directors thereon.
2. To appoint a Director in place of Ms. Gagan Singh who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Statutory Auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

M/s BSR & Co., the retiring Auditors, being eligible, offer themselves for reappointment on a remuneration to be fixed by the Board of Directors of the Company in addition to reimbursement of all out of pocket expenses.

### SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to Section 260 and other applicable provisions of the Companies Act 1956 and Article 103 of the Article of Association of the Company, Mr. Gopalratnam Kannan, be and is hereby appointed an Additional Director of the Company effective from 29 January 2009.

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

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

### NOTES

1. Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of the Special Business stated above is annexed.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
3. Ms. Gagan Singh, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offer herself for reappointment. Brief resume of Ms. Gagan Singh, nature of her expertise and names of Companies in which she holds Directorship and membership / Chairpersonship of Board Committee as stipulated under Clause 49 of the Listing Agreement with the Bombay Stock Exchange is provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Director of the Company commends her re-appointment.
4. The proxy form duly completed in all respects should reach the Registered Office of the Company not later than 48 hours before the commencement of the meeting.

5. The Register of Members and the Register of Share Transfers of the Company have remained closed during 25 June 2009 & 26 June 2009 both days inclusive.
6. The members are requested to inform changes, if any, in their Registered Address along with Pin Code Number to the Company at the following Address:  
TIMEX GROUP INDIA LIMITED  
(Investors Relation Department)  
117, Ground Floor, World Trade Centre  
Babar Road, New Delhi – 110 001
7. The Members attending the meeting are requested to bring the enclosed attendance slip and deliver the same after filling in their folio number at the entrance of the meeting hall. Admission at the Annual General Meeting venue will be allowed only on verification of the signature(s) on the Attendance Slip.  
Duplicate attendance slip shall not be issued at the Annual General Meeting venue. The same shall be issued at the Registered Office of the Company up to a day preceding the day of the Annual General Meeting.
8. As a measure of economy, copies of the Annual Report will not be distributed at the venue of the Annual General Meeting. The Members are, therefore requested to bring their copies of the Annual Report to the meeting.
9. The Members desirous of any information on the Accounts are requested to write to the Company at least a week before the meeting so as enable the management to keep the information ready.
10. The Non Resident members are advised to provide their correspondence address in India and to give mandate for remittance of dividend directly to their bank account(s) in future.

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

**By Order of the  
Board of Directors**

**V D Wadhwa  
Sr. VP, General Counsel  
& Company Secretary**

Dated: 28 May 2009

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

##### **Item No 4**

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

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

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

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

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

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

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

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

- i) Period of Appointment : Two years with effect from 29 January, 2009
- ii) Terms of Appointment and Remuneration:
  1. As Managing Director of the Company, Mr. Kannan shall exercise such powers to manage the day to day affairs of the Company as may be delegated to him by the Board of Directors from time to time. Mr Kannan will serve diligently and faithfully and will comply with all applicable laws and regulations and with all business policies and standards of the Company in his performance of services under this Agreement. Mr. Kannan will perform such services personally at such reasonable times and places as the Company may direct in connection with the business
  2. During the term of this Agreement, Mr. Kannan will not engage in or accept any other assignment or employment. Mr. Kannan shall devote sufficient time and attention to and exert his best efforts in the performance of his duties hereunder, so as to promote the business of the Company.
  3. Mr. Kannan shall perform his obligations subject to the supervision, control and direction of the Board of Directors and to regularly report to the Board of Directors on the activities of the Company in respect of the matters delegated to him by the Board.
  4. Mr. Kannan shall be drawing remuneration from the Company during his tenure as its Managing Director. The salary, perquisites, performance bonus and other benefits are as under:
    - (i) **Salary:** Basic Salary of Rs. 2,00,000/- per month, to be reviewed annually by the Board of Directors.
    - (ii) **Perquisites:** In addition to the above basic salary Mr. Kannan shall be entitled to the perquisites such as:
      - a) House rent Allowance of Rs. 1,00,000/- per month
      - b) Reimbursements towards Car lease, Fuel & maintenance, leave travel allowance and medical expenditure of Rs. 71,250/- per month
      - c) Performance Bonus of Rs.10,80,000/- per year on achievements of yearly goals
      - d) Contribution to provident fund, gratuity and superannuation as per the rules of the Company.

In Compliance with the provisions of Section 309 of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the Members in General Meeting for approval.

The draft of Agreement between the Company and Mr. Kannan is available for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day of the Company.

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

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

Dated: 28 May 2009

By Order of the  
Board of Directors  
  
V D Wadhwa  
SVP General Counsel  
& Company Secretary

**DIRECTORS' REPORT**

To the Members of Timex Group India Limited

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

**FINANCIAL RESULTS**

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

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

**OPERATIONS**

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

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

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

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

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

Your Directors are confident that its thrust on developing the retail channel and indigenization of international styles are likely to further improve its business and operating margins in the coming years.

**MANAGEMENT DISCUSSION AND ANALYSIS****ECONOMY - OVERVIEW**

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

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

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

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

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

## **INDUSTRY STRUCTURE AND DEVELOPMENT**

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

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

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

## **OUTLOOK & KEY CHALLENGES**

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

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

## **OPPORTUNITIES AND THREATS**

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

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



**RISKS**

The Global Economic Slowdown is impacting all aspects of business and your industry is no exception. Fortunately the impact of slowdown is not so severe in India and your Company expects the Indian economy to revive faster than most other countries of the World. The economic slowdown has severely impacted the retail sentiments in the Country and growing retail in this environment continues to be a big risk as well as challenge. Your Company intends to mitigate the incremental levies through various cost savings initiative undertaken by it for improvement in operational efficiencies. The exchange rate fluctuations are beyond control of any organization and weakening rupee has a negative impact on the profitability of your Company being a net importer. Due to adverse exchange rate, the profitability of your Company has been severely impacted during 2008-9 and it continues to be a major risk factor even during the current year. We intend to mitigate the exchange risk through price increases and increase in operating efficiencies.

**GOVERNMENT POLICY**

Your Company has been actively involved with the "All India Federation of Horological Industries", an apex body of the Horological Industry in India. Your Company together with AIFHI has been taking up the issues concerning the watch industry and your Company in particular, with the various government agencies. We have made several representations to the Government for reduction in basic Custom Duty & Excise, increase in the abatement factor, rationalization of duty structure and streamlining of various procedural formalities. As a result of these efforts, the Government has lowered the basic excise duty from 14% to 10% and the custom duty has been reduced to 10%. We shall continue to endeavour our efforts to represent the interest of Industry and our own Organization.

**CORPORATE INITIATIVES**

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

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

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

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

**SEGMENT WISE REPORTING**

The Company has identified segments taking into account the nature of products and services, the different risks and returns, the organizational structure and the internal financial reporting system. The main business of the Company is manufacturing and trading of watches. The other segments are less than 10% of the business. The segment wise information for watches and other activities are provided in the Notes to the Accounts.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your Company has endeavoured to continuously improve the internal controls both relating to financial reporting and Operations. Your Company has well established procedures for internal control, which are commensurate with its size and operations.

The internal control mechanism comprises of a well-defined organization structure, documented policy guidelines, predetermined authority levels and processes.

The systems and operations are regularly reviewed by the Audit Committee to ensure and review their effectiveness and implementation. The Statutory Auditors of the Company also attend these meetings and convey their views on the adequacy of internal control systems as well as financial disclosures. The Audit Committee also issues directives for enhancement in scope and coverage of specific areas, wherever felt necessary.

**HUMAN RESOURCES**

Your Company is proud to have result oriented, committed & loyal employees, who are the key resource for the growth of its business. Your Company provide a challenging work environment that encourages meritocracy at all

# **TIMEX**

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

The information required as prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is annexed herewith forming part of this report. However as per provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, only the report and accounts are being sent to all the shareholders excluding the statement of particulars of employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office address of the Company.

## **CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis, outlining the Company's objective, expectations or predictions may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied in the statements. The important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in government regulation, tax laws, economic developments within the country and abroad and such other factors such as litigation and industrial relation.

## **DEMATERIALISATION**

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

## **DIRECTORS**

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

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

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

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

## **DIRECTORS RESPONSIBILITY STATEMENT**

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

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

## **CORPORATE GOVERNANCE**

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

**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**

Lastly, 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 NOIDA, the Government of Uttar Pradesh and Himachal Pradesh, the Company's bankers and finally the Members of the Company and its employees.

**For and on behalf of the Board of Directors**

New Delhi  
28 May 2009

**Chairman**

**ANNEXURE TO THE DIRECTORS' 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**

	2008-09	2007-08
UPSEB/ HPSEB Power purchase (units)	1988586	2033804
Total Amount (in Rs.)	10334018	9250524
Rate per unit (in Rs.)	5.20	4.55
Own generation (units)	255750	542727
Cost per unit (in Rs.)	9.81	10.75
Units per litre of diesel	3.50	3.11

**TECHNOLOGY ABSORPTION****Research and Development (R&D)****Areas in which R&D carried out by the Company****Development -**

- 1) Internalised assembly of E-tide watches.
- 2) Conversion of Offline toolings for Seiko movements to online toolings for bulk production.

**Future plan of action**

- 1) Automation of glue application in Crown and Stem process.
- 2) Development of Tumble Tester for quality checking of Case Plating.
- 3) Localisation of swing arms for hand driving tools.

**Technology Absorption, Adoption and Innovation Benefits**

Upgraded processes will help improve productivity, reduce assembly costs and increased focus on plating and fitment quality.

**Foreign Exchange Earned**

The company has earned Rs. 85,972 thousands in Foreign exchange and used Rs. 13,515 thousands.

## Report on Corporate Governance

Your Company appreciates the need of upholding highest standard of Corporate Governance in its Operation. It has always been an endeavor of the Company to adopt & implement best Practices of Corporate Governance, disclosure standards and enhancing shareholder value while protecting the interests of other stakeholders, clients, suppliers and its employees.

This directors present below the report on Corporate Governance pursuant to Clause 49 of the Listing Agreement and it forms a part of the report of the Board of Directors.

### A. MANADATORY REQUIREMENTS

#### CORPORATE GOVERNANCE PHILOSOPHY

Corporate Governance assumes a significant role in the business life of Timex. The driving forces of Corporate Governance at Timex are its vision and core values, as described hereunder:

#### VISION

The Timex Group vision is anchored in our rigorous focus on long lasting relationships with our customers and our commitment to build the power of our brands, underpinned by our peoples will to win.

By transforming ourselves into a truly Global Company and intent on globalizing the mindset of our people, we are building one of the most powerful portfolios of brands in the watch and jewelry industry.

Our vision for the future goes way beyond timekeeping. We will delight and surprise our customers through innovation in design, technology and application of our brands and deliver a superior customer experience. This will lead to enhanced values for our shareholders and increase returns on investments and assets.

Deeply committed to our Corporate Social Responsibility and our values, we will build pride in our people and win the best future talent for our Group.

#### VALUES

- The customer is our most important asset,
- Corporate Social Responsibility is our foundation,
- Truth and transparency and respect for our differences are our pillars of strength,
- We work together to achieve Group goals,
- Our core values encompass integrity, responsibility and courage,
- We reward performance and results and we value a culture of discipline,
- We are fair and listen to our people and we expect them to always look for a better way,
- We protect our assets,
- We want to win.

**BOARD OF DIRECTORS**

**(a) Composition of the Board**

The Board of Directors of the Company was reconstituted on 29<sup>th</sup> January 2009 and comprises of six members, which includes five Non-executive directors. The day-to-day management of the Company is conducted by Mr. Gopalratnam Kannan, Managing Director of the Company subject to the supervision and control of the Board of Directors of the Company. Mr. H.K. Hoejsgaard, a Non-executive Director is Chairman of the Board of the Company. Mr. Kapil Kapoor, a Non-executive Director is Vice-Chairman of the Board of the Company. Mr Daya Dhaon, Mr. Raghu Pillai and Ms. Gagan Singh are independent directors on the Board of the Company. Presently, The Company has two alternate directors namely Mr. Frank Sharer to represent Mr H.K. Hoejsgaard and Mr. C. R. Dua to represent Mr. Kapil respectively on the Board. Non- executive Directors do not have any pecuniary relationship and transactions with the Company. The Directors are well qualified professionals in business, finance and corporate management

**(b) Board Meetings**

The Board met five times during financial year 2008-2009 on 23 May,2008, 29 July,2008, 23 August, 2008, 4 November,2008 and 29 January,2009 to consider amongst other business matters, the quarterly performance of the Company and financial results. Directors attending the meeting actively participated in the deliberations at these meetings.

**(c) Composition and Category of Directors**

The details of the composition and category of Directors as on 31 March 2009 are given in the table below:

Name	Category	Designation	No. of Shares Held	No. of Meetings held During the last financial year	No. of Meetings attended	No. of Memberships in Boards of other Companies(1)	No. of Memberships in Committees of other Public Companies (2)	Attendance of each Director at last AGM
Hans-KristianHoejsgaard	Non-Executive Director	Chairman	-	5	2	-	-	-
Kapil Kapoor(3)	Non-Executive Director	Vice-Chairman	2100	5	5	2	3	Yes
Gopalratnam Kannan(4)	Executive Director	Managing Director	1000	5	1	-	-	-
Daya Dhaon	Independent Director	Director	-	5	5	-	-	Yes
Raghu Pillai	Independent Director	Director	-	5	4	13	-	Yes
Gagan Singh (Ms.)	Independent Director	Director	-	5	5	3	-	Yes
Frank Sherer(5)	Non-Executive Director	Alternate Director	-	5	2	1	-	-
Chitranjan Dua (6)	Non-Executive Director	Director	10000	5	4	6	4	yes

1. Does not include directorships / committee position in Companies incorporated outside India.
2. Only Audit Committee and Shareholders Grievance Committee have been considered for the purpose of ascertaining no. of membership & Chairmanship of Committee across all the public companies.
3. Mr. Kapil Kapoor resigned as Managing Director of the Company on 29 January, 2009 and has been designated as Vice-Chairman.
4. Mr. Gopalratnam Kannan has been appointed as Managing Director of the Company w.e.f from 29 January, 2009
5. Mr. Frank Sharer resigned as Director from the board on 29 January, 2009 and has been appointed as Alternate Director for Mr. Hans Kristian Hoejsgaard.
6. Mr. C R Dua was director for a part of the year. He resigned as Director effective 4<sup>th</sup> November 2008 and has been appointed as Alternate Director for Mr. Kapil Kapoor effective 28 may 2009.

## **Code of Conduct**

The Company has formulated and adopted a Code of Conduct for its Board of Directors and senior management and has put up the same on the Company's website [www.timexindia.com](http://www.timexindia.com). The Code has been circulated to all members of the Board and Senior Management and they have affirmed the compliance of the same. A declaration signed by the Managing Director of the Company is annexed hereto,

## **Audit Committee**

The Audit Committee of the Company was constituted in July 1999 in line with the provisions of clause 49 of the listing agreement with the Bombay stock exchange read with section 292A of the Companies act, 1956. The Company Secretary of the Company acts as the Secretary of the Committee.

The Company has an adequately qualified and independent Audit Committee. The committee comprises of four Non-Executive Directors: Mr. Daya Dhaon, Mr. Hans Kristian Hoejsgaard, Mr. Raghu Pillai and Ms. Gagan Singh. Three of the four members on the committee are independent. The committee is chaired by Mr. Daya Dhaon, who is an independent Director having vast experience and expertise in the area of finance and accounts.

The charter of role and responsibilities of the Audit Committee includes the following major areas;

- Reviewing the adequacy of internal control system and the Internal Audit Reports, and their compliance thereof.
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible.
- Recommending the appointment of external auditors and fixation of their audit fee, and also approval for payment for any other services
- Reviewing with Management the quarterly and annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgment by management.
  - Significant adjustments arising out of audit.
  - Qualifications in draft audit report.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements.
  - Any related party transactions i. e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc, which may have potential Conflict with the interests of Company at large.

During the year under review, the Audit Committee met four times on 23 May 2008, 29 July 2008, 4 November, 2008 and 29 January 2009. The details of member's attendance at the Audit Committee Meetings are as under;

Name of Director	Designation	Total no of Meetings held in 2008-09	No of meetings attended
Mr. Daya Dhaon	Chairman & Independent Director	4	4
Mr. Hans-Kristian Hoejsgaard	Non-Executive –Director	4	2 (Joined w.e.f. 23 May,2008)
Mr. Frank Sherer	Non-Executive Director	4	2 (Resigned w.e.f. 29 Jan'2009)
Mr. Raghu Pillai	Non-Executive Independent Director	4	3
Ms. Gagan Singh	Non-Executive Independent Director	4	4

The Chief Financial Officer, Head of Internal Audit function and the Statutory Auditors were invited and they duly attended the Audit Committee meetings. The Committee held discussions with the management of the Company and with the Statutory Auditors to review the quarterly, half-yearly and annual audited financial statements and to recommend its views to the Board of Directors of the Company. The committee also reviewed the internal control systems and the effectiveness of Internal Audit function.

#### **REMUNERATION COMMITTEE**

The Remuneration Committee was constituted in May 2003, to decide and recommend the remuneration of directors including the Managing Director of the Company. Effective 29 January 2009, the remuneration of all the Sr Management of the Company with direct reporting to the Managing Director of the Company shall also be reviewed and recommended by the Remuneration Committee. The Committee comprises of four Non- executive Directors, namely Mr. Daya Dhaon, Mr. Raghu Pillai, Ms. Gagan Singh and Mr. Hans Kristian Hoejsgaard. Mr. Daya Dhaon, an independent Director is Chairman of the Committee. The Committee meets periodically as and when required. None of the directors, except Managing Director draws remuneration from the Company.

#### **SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE**

A Shareholders / Investors Grievance Committee headed by a Non-Executive Director was formed in January 2002 which was subsequently merged with the Share Transfer Committee on 31 July 2002 in view of the commonalities of area of work and was renamed as Share Transfer & Shareholders / Investors Grievance Committee, to approve all matters pertaining to share transfers, transmissions, issuance of duplicate shares, transposition etc and also to provide the shareholders of the Company with additional assurance that sufficient information is being provided to enable them to form a reasoned opinion on the working of the Company and to ensure speedy redressal of their grievances pertaining to share related issues.

The Committee was formed specifically to look into the redressal of shareholders & investors grievances pertaining to:

- 1) Transfer of shares and its timeliness
- 2) Transmission of shares
- 3) Issuance of duplicate shares
- 4) Investors / shareholders grievance(s) pertaining to all type of matters concerning their dealing with the Company with respect to their investment in the securities of the Company, more specifically pertaining to non-receipt of Annual Reports, delay in transfers, non redressal of complaints, non receipt of dividend, dematerialization related issues etc.

- 5) All other day-to-day matters governing the relationship between the Company and its shareholders.

### DISCLOSURES

- (a) **Related Party Transactions:** The Audit Committee has been reviewing the disclosure of Related Party Transactions periodically. During the year, the Company sold its Precision Engineering Division to another group Company at a fair market valuation done by Deloitte Touche Tohmatsu India Pvt. Limited, an independent valuer firm and in accordance with the resolution passed by the shareholders of the Company through postal ballot on 23 October 2008. Besides this transaction, the Company does not have any related party transactions, which are material in nature that would have a potential conflict with the interests of the Company at large.
- (b) **Details of Non-compliance:** There have been no cases of penalties, strictures imposed on the Company by Stock exchange or SEBI or any other statutory authority, on any matter relating to capital markets, during the last three years.
- (c) **Risk Management:** The Company has laid down procedures so as to ensure that the executive management controls risk through means of a properly defined framework and to inform the Board members about the same and has engaged the services of a leading Chartered Accountant's firm to carry out this activity on a regular basis and inform the Board members about the risk assessment and minimization procedures.
- (d) **Secretarial Audit :** Pursuant to Clause 47( c ) of the Listing Agreement with the Stock Exchanges, certificates on half-yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) Regulations, 1996 certificates have also been received by a Company Secretary-in-Practice for timely dematerialization of share of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.
- (e) **Disclosure of Accounting Treatment:** The Company follows Accounting Standards issued by the institute of Chartered Accountants of India and in the preparation of financial statements; the Company has not adopted a treatment different from that prescribed in any Accounting Standard.
- (f) **Proceeds from Issue of Preference Shares :** The Company has raised funds through issues of preference shares during financial year 2002 -2003, 2003-2004, 2005 -2006. The proceeds of the preference share issue have been largely utilized towards repayment of the term loan, pending full utilization allocated for the retail venture. The Board/ Audit Committee reviews the Utilization details periodically.
- (g) **CEO/CFO Certification :** The Managing Director (CEO) and Chief Financial Officer(CFO) have placed before the Board of Directors a certificate relating to the financial statements, in accordance with clause 49 (V) of the Listing Agreement for the financial year ended 31 March,2009 which is annexed hereto.

### DIRECTORS' REMUNERATION

#### Pecuniary Relationships

None of the Directors' of your Company except Managing Director has any pecuniary relationships or transactions with the Company except for attending Board meetings or Committee Meetings thereof. The Directors of the Company are only paid sitting fees. However, the Managing Director of the Company draws remuneration from the Company.



**MEANS OF COMMUNICATION**

Website, where results are displayed : The financial results are displayed on  
www.timexindia.com

Quarterly Results : Financial Results are published in the  
Newspapers as required under the Listing  
Agreement.

Annual Results : -do-

Newspaper in which results are normally published : The Financial Express, Jan Satta, vernacular  
(Hindi) Newspaper.

Whether Management Discussion & Analysis is a part of the Annual Report : Yes

All Financial Results and other material information about the Company are promptly sent through fax to the Bombay Stock Exchange and the same is then either hand delivered or sent by courier to the respective Stock Exchange.

**GENERAL SHAREHOLDERS' INFORMATION**

AGM:Date,time and venue	: Thursday,30 July,2009 10:00 a.m. at FICCI Auditorium, Tansen Marg, New Delhi – 110 001.
Financial Year	: April 1, 2008 to March 31,2009
Directors seeking appointment/re-appointment	: As required under Clause 49(IV)(G), particulars of Directors seeking appointment/re-appointment are given in the Explanatory Statement and Annexure to the Notice of the Annual General Meeting to be held on 30 July,2009
Tentative calendar of events for the financial year 2009-10 (April – March)	: To review and approve unaudited Financial Results for the quarter First quarter - ended July 2009 Second quarter - ended October 2009 Third quarter - ended January 2010 Fourth quarter - ended May/June 2010
Book closure Date	: 25 June to 26 June, 2009 (both days inclusive)
Listing of shares on Stock Exchanges	: Bombay Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001
Registered Office	: 117, Ground Floor, World Trade Centre, Babar Road, New Delhi-110001.
Listing Fees	: Listing fees as prescribed has been paid to the Stock Exchange up to March,31,2009
Share Registrar & Transfer Agents	: Alankit Assignment Limited 2E/21 Alankit House, Jhandewalan Extension, New Delhi – 110055 of the Company for both physical and electronic mode of share transfers. Contact Person : Mr. Y K Singhal, Vice President. Phones : 011- 42541234 Fax : 011- 42541967 Email : rta@alankit.com <a href="mailto:info@alankit.com">info@alankit.com</a> Website : <a href="http://www.alankit.com">www.alankit.com</a>

**SHARE TRANSFER SYSTEM**

The Company has appointed Alankit Assignment Limited as Registrar and Shares Transfer Agent. Shares sent for transfer in physical form are registered by the Registrar and Share Transfer Agents within fifteen days of receipt of the documents, if found in order. Shares under objection are returned within two weeks. All requests for dematerialization of shares are processed, if found in order and confirmation is given to the respective depositories i.e. National Securities Depository Ltd.(NSDL) and Central Depository Services Limited (CDSL) within twenty-one days.

All the transfers received are processed and approved by the Share Transfer & Shareholders / Investors Grievance Committee at its meetings. For redressal of transfer related grievances, shareholders may contact Vikram Bhardwaj, Senior Manager – Legal and / or V D Wadhwa, SVP- General Counsel & Company Secretary at the registered office address of the Company

**INVESTOR SERVICES****Number of Complaints received, not solved & shares pending transfer**

Complaints outstanding as on April,1, 2008	1
Complaints received during the year ended March 31,2009	109
Complaints resolved during the year ended March 31,2009	110
Complaints pending as on March 31, 2009	0

**Constitution and Composition**

The Committee comprises of Four non-executive Directors namely, Hans-Kristian Hoejsgaard, Mr. Daya Dhaon, Mr. Raghu Pillai and Ms. Gagan Singh. The Chairman of the meeting is elected by majority at each meeting. The Company Secretary is the Secretary of the Committee and has attended all its meetings. He addresses shareholders complaints, monitors share transfer process and liaisons with the regulatory authorities, as required.

**OTHERS**

Name and designation of compliance officer: Mr. V D Wadhwa, SVP, General Counsel & Company Secretary.

**APPOINTMENT OF DIRECTORS AND RETIREMENT**

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 103(a) of the Articles of Association of the Company and subject to the approval of the Members of the Company, The Board of Directors have appointed Mr. Gopalratnam Kannan as Managing Director of the Company for a period of two years effective 29 January 2009 as per terms specified in the draft agreement between the Company and Mr. Kannan.

Mr. Kannan started his career with Procter and Gamble and had a stint with Zubair Furnishing, Dubai, as General Manager-Marketing. He has 30 years of valuable experience in industry out of which 18 yrs have been in the watch business with Swatch Group India and Titan Industries.

A pioneer in luxury goods retailing, Mr. Kannan in his last assignment as Country Manager – Swatch Group India was responsible for complete set up of the luxury watch segment for brands like Omega, Longines, Rado, Blancpain, Tissot and Swatch. At Titan Industries, Mr. Kannan evolved retailing formats through mono-brand stores for Titan and Tanishq. He also introduced the multi-brand ‘Time Zone’ chain.

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

Mr. Kapil Kapoor resigned as Managing Director of the Company effective 29<sup>th</sup> January 2009, however, he shall continue to be a Director on the Board and has been appointed as Vice-Chairman of the Board w.e.f. 29 January, 2009

Mr. Kapoor is a graduate in Economics and has masters in Business Administration from IIM Ahmedabad, He is also an alumnus of the Ashridge Management School. Since August,2003, he has been entrusted with the additional responsibilities of the markets in the Asia Pacific region and currently designated as Sr. Vice President based in Hong Kong. He is also a Director on the Board of Info-edge India Limited and Timex Group Precision Engineering Limited.

Mr. Frank Sharer resigned from the Board of the Company on 29<sup>th</sup> January 2009 and has been appointed as Alternate Director to Mr. Hans-Kristian Hoejsgaard w.e.f. 29 January,2009. Mr. Sherer is a legal Professional who is associated with Timex Group, U.S.A. for over twenty years and currently holds the position of Group General Counsel and Secretary.

Mr. Chittaranjan Dua resigned from the Board of the Company on 4th November, 2008 and has been appointed as Alternate Director to Mr. Kapil Kapoor w.e.f. 28 May, 2009. Mr. Dua is a Lawyer by profession and is the founder and managing partner of Dua Associates, and has vast experience in the fields of corporate law, mergers and acquisitions, privatizations, project finance, public issues, entry strategies, foreign investment, corporate structuring/ re-structuring, infrastructure, projects and commercial aspects of doing business in India.He has been actively involved in the process of regulatory reforms in India consistent with India's multilateral trade policy commitments and has advised clients ranging from Fortune 500 Companies to closely held and privately held owned Indian and Foreign companies, public sector undertakings and listed companies in India.

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

She was the Deputy CEO of Jones Lange Lasalle Meghraj (JLLM) based at New Delhi. Prior to joining JLLM, Ms. Singh was the Managing Director of Benetton India Private Limited. She is also a trustee with the Salaam Baalak Trust, and is the founder member and Vice President of Youth reach.

Ms. Gagan Singh is a Director on the Board of Gamma Pizzakraft Private Limited, Gamma Brand Management services Private Limited and Gamma Pizzakraft (Overseas) Private Limited and does not own any shares in the Company

**Venue and Time of the Last Three General Body Meetings**

Date	Category	Venue	Time	No. of Special Resolutions	Members present by		Representative of Body Corporate
					Person	Proxy	
28.09.2006	AGM	FICCI Auditorium, Tansen Marg, New Delhi	10.00 AM	-	1754	37	1
25.09.2007	AGM	Air Force Auditorium, Subroto Park, New Delhi	10.00 AM	3	1600	60	1
23.08.2008	AGM	Air Force Auditorium, Subroto Park, New Delhi	10.00 AM	2	2099	31	1

# TIMEX

The resolutions were (including special resolution) passed on show of hands with requisite majority. The venue of the General Meeting of the Company has been chosen for its location, prominence, and capacity.

## Postal Ballots

A Resolution under Section 293(1) (a) read with section 192A and other applicable provisions, if any, of the Companies Act, 1956 was put through a Postal Ballot during the last financial year whereby the Company sold and disposed of its Precision Engineering Division together with its assets and liabilities to another Group Company for a consideration of Rs 12.12 Crore, as was arrived at a fair market valuation by an independent valuer and approved by the shareholders of the Company.

Based on the Scrutinizer's report dated 23 October, 2008 the Chairman declared the results on that day as under:

Number of valid postal forms received	312
Voting in favor of the Resolution	75732295
Votes against the Resolution	3900
Number of Invalid postal ballot forms	17

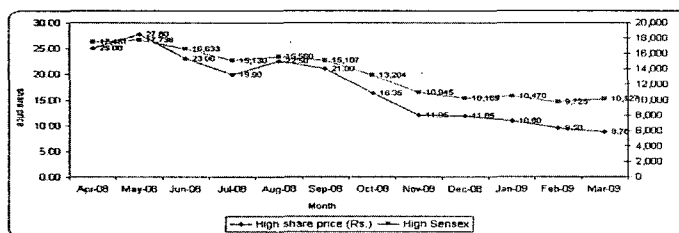
Accordingly, the Resolution set out in the Notice dated 23 August, 2008 was duly passed by the requisite majority of shareholders. The results were published in the Financial Express and Jan Satta newspapers dated 24 October, 2008.

As on date there is no proposal to pass any special resolution through postal ballot.

## STOCK PERFORMANCE

**Market price data:** The monthly high and low stock quotations during the last financial year at the Bombay Stock Exchange and performance in comparison to BSE Sensex are given below:

Month	High	Low
Apr-08	25.00	19.70
May-08	27.80	21.15
Jun-08	23.00	16.45
Jul-08	19.90	15.00
Aug-08	22.50	18.20
Sep-08	21.00	13.40
Oct-08	16.35	8.10
Nov-08	11.95	7.27
Dec-08	11.85	7.00
Jan-09	10.80	7.50
Feb-09	9.50	7.72
Mar-09	8.70	7.00



## STOCK CODE

The stock code of the Company at BSE	:	500414
ISIN allotted by National Securities Depository Limited and Central Depositories Securities Limited for Equity Shares	:	INE064A01026

The Company's shares are covered under the compulsory dematerialization list and are transferable through the depository system. Share received for physical transfers are registered within a maximum period of two weeks from the date of receipt, if the documents are clear in all respects.

As on 31 March 2009, the distribution of Company's shareholding was as follows: -

No. of Shares	No. of Share holders	% of Shareholders	Share Amount	% of Amount
UPTO - 2500	58589	98.281	13470498	13.344
2501 - 5000	560	0.939	2140588	2.12
5001 - 10000	256	0.429	1953996	1.936
10001 - 20000	89	0.149	1321286	1.309
20001 - 30000	62	0.104	1524001	1.51
30001 - 40000	18	0.03	623966	0.618
40001 - 50000	10	0.017	467541	0.463
50001 - 100000	20	0.034	1315472	1.303
100001 AND ABOVE	10	0.017	78132652	77.397
<b>TOTAL</b>	<b>59614</b>	<b>100.00</b>	<b>100950000</b>	<b>100.00</b>

#### DEMATERIALIZATION OF SHARES

Dematerialization of shares: The Company appointed M/s Alankit Assignments Limited as depository registrar and signed tripartite agreements with NSDL/CDSL to facilitate dematerialization of shares. Shares received for dematerialization are generally confirmed within a maximum period of two weeks from the date of receipt, if the documents are clear in all respects. There are **34811** no. of shareholders holding their shares in dematerialized form, which represent **21.78%** of the paid up capital of the Company.

#### PLANT LOCATION

##### Timex Group India Limited,

Plot No-10, Baddi, Ind. Area Katha, Near Fire Station Baddi, Nalagarh, Solan, Himachal Pradesh.

##### Address for correspondence:

Timex Group India Limited, 117, GF, World Trade Centre, Babar Road, New Delhi -110 001

#### B. NON MANDATORY

##### REMUNERATION COMMITTEE

The details are given under the heading "Other Sub-Committee of Board of Directors"

##### CORPORATE POLICY MANUAL

The Timex Group has a Corporate Policy Manual outlining the policies applicable to the Group Companies so that it promotes ethical and moral behavior in all its business activities. Employees are free to report a violation of any law, mismanagement, gross waste or misappropriation of funds, a substantial and specific danger to public health and safety, or an abuse of authority without fear of retribution or even can request advice when in doubt about the propriety of some action. Employees also may, if they wish, make anonymous reports of violations or other irregularities. Employees may also call the compliance line, toll free 24 hours a day. The Corporate Policy Manual is available on Timex group website at below stated link.

<http://mdintranet.americas.corp.timex.com/corp-policy-manual>

The Company also has in place a "Women's Committee" since 01 October 2003, to take care of cases of sexual harassment in workplace. This committee is chaired by a woman running an independent NGO and is assisted by a team of women employees.

##### AUDIT QUALIFICATIONS

During the year under review, there were no audit qualifications in the Company's financial statements. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.

## **TRAINING OF BOARD MEMBERS:**

The Company's Board of Directors consists of professionals with expertise in the respective fields. They endeavor to keep themselves updated with the global economic changes and various legislations. They attend various workshops and seminars to keep themselves abreast with the changing business environment.

## **Chief Executive Officer(CEO) and Chief Financial Officer(CFO) Certification as per Clause 49(V) of the Listing Agreement**

The Board of Directors  
Timex Group India Limited  
New Delhi

## **CERTIFICATION TO THE BOARD PURSUANT TO CLAUSE 49(V) OF THE LISTING AGREEMENT**

This is to certify that;

- a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and Audit Committee;
  - i) significant changes in internal control during the year over financial reporting during the year;
  - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in Company's internal control system over financial reporting.

Sd/-  
Gopalratnam Kannan  
Managing Director  
Dated: 28th May, 2009

Sd/-  
Ananda Mukherjee  
CFO

## **DECLARATION BY THE CEO UNDER CLAUSE 49 I (D) OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT**

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, Affirmation that they have complied with the Code of Conduct in respect of the financial year 2008 -2009.

Sd/-  
Gopalratnam Kannan  
Managing Director

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**CERTIFICATE**

To the Members of Timex Group India Limited

We have examined the compliance of the conditions of Corporate Governance by Times Group of India Limited, for the financial year ended on 31 March , 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company entered with Bombay Stock Exchange.

Th Compliane of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In out opinion and to the best of our information and according to the explanations given to us and the representation made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For K.K. MALHOTRA & CO.  
Company Secretaries

Date: 28 May, 2009  
PLACE: NEW DELHI

Sd/-  
K.K. MALHOTRA  
C.P. No: 446

## Auditors' Report

To the Members of

### Timex Group India Limited

1. We have audited the attached Balance Sheet of Timex Group India Limited ('the Company') as at 31 March 2009 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
  - (e) on the basis of the written representations received from the directors as on 31 March 2009, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31 March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
  - (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2009;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

*For BSR & Co.*  
*Chartered Accountants*

Kaushal Kishore  
*Partner*  
Membership No.: 090075

Place: New Delhi  
Date: 28th May, 2009



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**Annexure referred to in para 3 of the Auditors' report to the members of Timex Group India Limited on the financial statements for the year ended 31 March 2009**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. According to this programme, the Company has verified a portion of its fixed assets during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
- (c) As explained in note 5 of schedule 16, during the year the Company has divested its Precision Engineering Division. In our opinion, and according to information and explanations given to us, the aforesaid divestment does not effect the Company's ability to continue as a going concern. The Company did not dispose off any substantial part of its fixed assets other than the above.
- (ii) (a) According to the information and explanations given to us, the inventories, except goods-in-transit and stocks lying with third parties, have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
- (b) In our opinion and according to the information and explanations given to us, the procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventories, we are of the opinion that the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paras 4(iii)(b) to (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods and services sold are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instances of major weaknesses in the aforesaid internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us and having regard to the explanation in para (iv) above, the transactions made in pursuance of contracts and arrangements referred to in para v(a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from public during the year.

- (vii) In our opinion and according to the information and explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the products covered and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to ensure whether they are adequate or complete.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Customs duty, Excise duty, Wealth tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities *except for dues of Rs 63 thousand to Investor Education and Protection Fund where there has been delay.*
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Service tax, Customs duty, Excise duty, Investor Education and Protection Fund, Wealth tax and other material statutory dues were in arrears as at 31 March 2009 for a period of more than six months from the date they became payable.
- There were no dues on account of cess under section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.
- (b) According to the information and explanations given to us, there are no dues in respect of Income-tax, Service tax, Wealth tax, and Customs duty which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following dues of Sales tax and Excise duty have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the dues	Amounts (Rs. thousand)	Amounts paid under protest (Rs. Thousand)	Period to which the amount relate	Forum where dispute is pending
Central Excise Act, 1944	Excise duty (Cenvat credit) Penalty	4,253 4,253	700	1995-96 to 1998-99	CESTAT, New Delhi
Central Excise Act, 1944	Excise duty Penalty	1,630 50	-	1999-2000 to 2000-01	Supreme Court
Central Excise Act, 1944	Excise duty	632	550	1992-93 and 1996-97	Deputy Commissioner, Central Excise
Central Sales Tax Act, 1956	Sales Tax	5,898	-	1994-95	Deputy Commissioner – Commercial tax
The Kerala Sales Tax Act, 1963	Sales Tax	84	-	1995-96	Assistant Commissioner – Sales Tax
Tamil Nadu General Sales Tax Act, 1959	Sales Tax	818	-	1992-93 to 1993-94	Commercial taxation officer
Andhra Pradesh Sales Tax Act, 1957	Sales Tax	44	-	1995-96	Commercial taxation officer
Karnataka Sales Tax Act, 1957	Cess	69	-	1995-96	Deputy Commissioner – Commercial taxes
Tamil Nadu General Sales Tax Act, 1959	Sales Tax	941	941	2002-03	High Court, Chennai

For our comments on cess, refer para (ix)(a) above.

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institutions or debenture holders during the year.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us, the Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based on the audit procedures performed and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

*For B S R & Co.  
Chartered Accountants*

**Kaushal Kishore**  
*Partner*  
Membership No.: 090075

Place: New Delhi  
Date: 28 May 2009

# TIMEX

## BALANCE SHEET as at 31 March 2009

(Rs. in thousands)

	Schedule	As at 31 March 2009	As at 31 March 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	511,950	511,950
Reserves and surplus	2	<u>76,702</u>	<u>35,125</u>
		<u>588,652</u>	<u>547,075</u>
<b>Loan funds</b>			
Unsecured loans	3	<u>60,260</u>	<u>4,453</u>
		<u><b>648,912</b></u>	<u><b>551,528</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	4	355,371	612,647
Accumulated depreciation		<u>(209,727)</u>	<u>(414,158)</u>
Net block		<u>145,644</u>	<u>198,489</u>
Capital work-in-progress		<u>2,102</u>	-
		<u>147,746</u>	<u>198,489</u>
<b>Current assets, loans and advances</b>			
Inventories	5	248,686	199,925
Sundry debtors	6	603,012	495,846
Cash and bank balances	7	56,963	92,215
Other current asset	8	9,238	-
Loans and advances	9	<u>96,206</u>	<u>67,740</u>
		<u>1,014,105</u>	<u>855,726</u>
<b>Current liabilities and provisions</b>			
Current liabilities		455,734	486,586
Provisions		<u>57,205</u>	<u>49,065</u>
<b>Net current assets</b>		<u>501,166</u>	<u>320,075</u>
<b>Debit balance in profit and loss account</b>			
		-	<u>32,964</u>
		<u><b>648,912</b></u>	<u><b>551,528</b></u>
<b>Significant accounting policies</b>	16		
<b>Notes to the accounts</b>	17		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report attached to the balance sheet.

**For B S R & Co.**

*Chartered Accountants*

**Kaushal Kishore**

*Partner*

Membership No.: 090075

**For and on behalf of the Board**

**Hans Kristian Hoejsgaard**

*Chairman*

**V D Wadhwa**

*Sr. Vice President - General  
Counsel & Company Secretary*

**Gopalratnam Kannan**

*Managing Director*

**Ananda Mukherjee**

*CFO & Vice President  
( Finance &IT)*

Place: New Delhi

Date: 28 May 2009

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009**

(Rs. in thousands)

	Schedule	Year ended 31 March 2009	Year ended 31 March 2008
<b>INCOME</b>			
Sales		1,273,798	1,276,830
Less: Excise duty		(23,515)	(18,242)
Net sales		1,250,283	1,258,588
Service income		48,085	56,056
Net income from operations		1,298,368	1,314,644
Other income	11	21,270	14,332
		1,319,638	1,328,976
<b>EXPENDITURE</b>			
Materials consumed and movements in finished goods and work-in-progress	12	608,218	657,579
Personnel cost	13	150,475	153,306
Other expenses	14	504,475	415,927
Depreciation and amortisation	4	23,415	25,860
Interest	15	6,646	6,956
		1,293,229	1,259,628
<b>Profit for the year before tax and exceptional items</b>		<b>26,409</b>	<b>69,348</b>
<b>Exceptional item*</b>			
-Profit from sale of business (Refer to note 5 of schedule 17)		63,533	-
<b>Profit for the year before tax</b>		<b>89,942</b>	<b>69,348</b>
Less: Fringe benefit tax		5,773	6,248
Less: Minimum alternate tax*		9,628	8,577
<b>Profit for the year</b>		<b>74,541</b>	<b>54,523</b>
Loss: brought forward		(32,964)	(87,487)
<b>Profit/(loss) carried forward</b>		<b>41,577</b>	<b>(32,964)</b>
Basic and diluted earning/(loss) per share (Rs.)		0.74	0.34
(Refer to note 6 of schedule 17)			
<b>*Information on discontinued business</b>	17 (5,24)		
Precision Engineering Division			
Profit before taxation from operations		5,298	12,537
Income tax expense relating to the above		600	1,420
Profit on disposal of discontinued business (pre-tax)		63,533	-
Income tax expense relating to the above disposal		7,198	-
<b>Significant accounting policies</b>	16		
<b>Notes to the accounts</b>	17		

The Schedules referred to above form an integral part of the Profit and loss account .  
As per our report attached to the balance sheet.

**For B S R & Co.**  
*Chartered Accountants*

**Kaushal Kishore**  
*Partner*  
Membership No.: 090075

**For and on behalf of the Board**

**Hans Kristian Hoejsgaard**  
*Chairman*

**V D Wadhwa**  
*Sr. Vice President - General  
Counsel & Company Secretary*

**Gopalratnam Kannan**  
*Managing Director*

**Ananda Mukherjee**  
*CFO & Vice President  
( Finance &IT)*

Place: New Delhi  
Date: 28 May 2009

# TIMEX

## SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. in thousands)	
	As at	As at
	<u>31 March 2009</u>	<u>31 March 2008</u>
<b>1. Share capital</b>		
<b>Authorised</b>		
1,250,000,000 (previous year 1,250,000,000) equity shares of Re. 1 each	1,250,000	1,250,000
45,000,000 (previous year 45,000,000) preference shares of Rs. 10 each	450,000	450,000
	<u>1,700,000</u>	<u>1,700,000</u>
<b>Issued, subscribed and paid-up</b>		
100,950,000 (previous year 100,950,000) equity shares of Re. 1 each, fully paid up.	100,950	100,950
2,500,000 (previous year 2,500,000), 0.1% non cumulative redeemable non convertible preference shares of Rs. 10 each, fully paid up*	25,000	25,000
15,700,000 (previous year 15,700,000), 2.9% cumulative redeemable non convertible preference shares of Rs. 10 each, fully paid up**	157,000	157,000
22,900,000 (previous year 22,900,000), 5.4% cumulative redeemable non convertible preference shares of Rs. 10 each, fully paid up***	229,000	229,000
	<u>511,950</u>	<u>511,950</u>
* Maturity period for redemption of preference shares is ten years from the date of allotment i.e. 25 March 2003, with an option to the Company of an earlier redemption after 24 March 2005.		
** Maturity period for redemption of preference shares is ten years from the date of allotment i.e. 27 March 2004, with an option to the Company of an earlier redemption after 27 March 2006. The coupon rate has been revised to 7.1% with effect from April 1, 2009.(Refer to note 4 of schedule 17).		
*** Maturity period for redemption of preference shares is ten years from the date of allotment i.e. 21 March 2006, with an option to the Company of an earlier redemption after 21 March 2008. The coupon rate has been revised to 7.1% with effect from April 1, 2009.(Refer to note 4 of schedule 17).		
Of the above:		
- 75,645,100 (previous year 75,645,100) equity shares of Re. 1 each are held by Timex Group Luxury Watches B.V., the holding company.		
- All preference shares issued by the Company are held by Timex Group Luxury Watches B.V., the holding company.		
<b>2. Reserves and surplus</b>		
Share premium account	35,125	35,125
Credit balance in profit and loss account	41,577	-
	<u>76,702</u>	<u>35,125</u>
<b>3. Unsecured loans *</b>		
Loans from banks:		
- Cash credit and overdraft facilities	10,260	4,453
- Other short term loans	50,000	-
* Refer to note 8 of schedule 17.		
	<u>60,260</u>	<u>4,453</u>

**4: Fixed assets**

(Rs. in thousands)

Description	Gross Block			Depreciation/amortisation					Net block	
	As at 31 March 2008	Additions	Deletions*	As at 31 March 2009	Upto 31 March 2008	For the period	On deletions/ adjustments <sup>#</sup>	Upto 31 March 2009	As at 31 March 2009	As at 31 March 2008
<b>Tangible assets</b>										
Leasehold land	15,590	-	110	15,480	311	165	-	476	15,004	15,279
Buildings	33,278	124	-	33,402	986	1,119	-	2,105	31,297	32,292
Leasehold improvements	19,135	3,418	4,593	17,960	13,128	3,960	4,349	12,739	5,221	6,007
Plant and machinery	458,266	11,281	257,057	212,490	355,178	7,420	207,791	154,807	57,683	103,088
Office equipment	10,749	1,045	3,291	8,503	3,748	425	2,606	1,567	6,936	7,001
Furniture and fixtures	35,137	5,292	10,846	29,583	16,900	5,717	9,151	13,466	16,117	18,237
Computer	38,456	3,262	4,569	37,149	22,876	4,303	3,251	23,928	13,221	15,580
<b>Total tangible assets</b>	<b>610,611</b>	<b>24,422</b>	<b>280,466</b>	<b>354,567</b>	<b>413,127</b>	<b>23,109</b>	<b>227,148</b>	<b>209,088</b>	<b>145,479</b>	<b>197,484</b>
<b>Intangible assets</b>										
Computer software	2,036	-	1,232	804	1,031	306	698	639	165	1,005
<b>Total intangible assets</b>	<b>2,036</b>	<b>-</b>	<b>1,232</b>	<b>804</b>	<b>1,031</b>	<b>306</b>	<b>698</b>	<b>639</b>	<b>165</b>	<b>1,005</b>
<b>Grand Total</b>	<b>612,647</b>	<b>24,422</b>	<b>281,698</b>	<b>355,371</b>	<b>414,158</b>	<b>23,415</b>	<b>227,846</b>	<b>209,727</b>	<b>145,644</b>	<b>198,489</b>
Previous Year	598,302	88,900	74,555	612,647	462,172	25,860	73,874	414,158	198,489	185,054
Capital work-in-progress									2,102	-
									147,746	198,489

\* Deletion in gross block includes assets transferred on divestment of Precision Engineering Division. (Refer to note 5 of schedule 17).

# Deletion/ adjustment in accumulated depreciation includes accumulated depreciation on assets transferred on divestment of Precision Engineering Division. (Refer to note 5 of schedule 17).

(Rs. in thousands)

	<u>As at 31 March 2009</u>	<u>As at 31 March 2008</u>
<b>5. Inventories</b>		
<i>(at lower of cost and net realisable value)</i>		
Raw materials and components [including goods-in-transit Rs. 2,233 thousand (previous year Rs. 1,804 thousand)]	91,782	74,880
Work-in-progress	12,095	17,727
Finished goods [including goods-in-transit Rs. 11,564 thousand (previous year Rs.3,488 thousand)]	144,466	106,978
Stores and consumables	343	340
	<u>248,686</u>	<u>199,925</u>

**6. Sundry debtors \***

*(Unsecured and considered good, unless otherwise stated)*

Debts outstanding for a period exceeding six months

- Considered good	62,178	19,423
- Considered doubtful	28,709	30,210
Other debts, considered good <sup>†</sup>	540,834	476,423
Provision for doubtful debts	(28,709)	(30,210)
	<u>603,012</u>	<u>495,846</u>

\* Refer to note 18 of schedule 17.

# TIMEX

	<u>As at 31 March 2009</u>	<u>As at 31 March 2008</u>
<b>7. Cash and bank balances</b>		
Cash in hand	360	758
Cheques in hand	42,946	22,260
Balances with scheduled banks:		
- Current accounts	13,502	29,042
- Fixed deposit accounts [includes Rs. 155 thousand (previous year Rs. 155 thousand) pledged with sales tax authorities]	155	40,155
	<u>56,963</u>	<u>92,215</u>
<b>8. Other current asset</b>		
Dues relating to sale of business #	9,238	-
	<u>9,238</u>	<u>-</u>
# Refer to note 5 of schedule 17.		
<b>9. Loans and advances</b>		
Secured, considered good		
- Vehicle loans to employees*	576	1,235
Unsecured, considered good		
- Loans and advances to employees**	994	944
- Advances recoverable in cash or in kind or for value to be received**	59,458	49,391
- Balances with customs and excise authorities	13,229	6,569
- Advance tax	21,949	9,601
	<u>96,206</u>	<u>67,740</u>
* Secured by hypothecation of respective vehicles.		
** Refer to note 19 of schedule 17		
<b>10. Current liabilities and provisions</b>		
<b>Current liabilities</b>		
Sundry creditors - others*#	439,030	464,968
Voluntary retirement scheme	-	1,853
Other current liabilities	16,704	19,765
	<u>455,734</u>	<u>486,586</u>
* Refer to note 3 of schedule 17.		
# Transfer during the year to investor education and protection fund with respect to debentures redeemed in 2000-01 aggregates Rs. Nil (previous year Rs. 6,250 thousand).		
<b>Provisions</b>		
Gratuity	7,901	7,457
Leave encashment	9,884	9,205
Warranties**	4,698	6,134
Minimum alternate tax	19,326	9,698
Fringe benefit tax [net of advance tax of Rs. 22,340 thousand (previous year Rs. 14,999 thousand)]	563	2,131
Sales return**	14,833	14,440
	<u>57,205</u>	<u>49,065</u>
** Refer to note 23 of schedule 17.		



	<u>As at</u> <u>31 March 2009</u>	<u>As at</u> <u>31 March 2008</u>
<b>11. Other income</b>		
Interest income		
- on dues from customers	933	592
- on deposits with banks (gross)	27	760
[Tax deducted at source Rs. 8 thousand (previous year Rs. 152 thousand)]		
- others	23	322
Exchange gain (net)	-	6,626
Liabilities/provisions no longer required written back	10,381	590
Rental income	1,878	2,145
Miscellaneous income	8,028	3,297
	<u>21,270</u>	<u>14,332</u>
<b>12. Materials consumed and movements in finished goods and work-in-progress *</b>		
Raw materials and components consumed *	545,678	562,202
Excise duty	29,502	14,877
Less: Excise duty recovered	<u>23,515</u>	<u>18,242</u> (3,365)
Purchase of watches for resale	100,743	91,200
Decrease/(increase) in inventories of finished goods and work-in-progress		
Opening stock		
- Work in progress	17,727	7,320
- Finished goods	<u>106,978</u>	<u>124,927</u>
	124,705	132,247
Less: Stock transferred on divestment of Precision Engineering Division		
- Work in progress	659	-
- Finished goods	<u>11,675</u>	-
	12,334	-
Closing stock		
- Work in progress	12,095	17,727
- Finished goods	<u>144,466</u>	<u>106,978</u>
	156,561	124,705
	(44,190)	7,542
	<u>608,218</u>	<u>657,579</u>
* Refer to note 13 of Schedule 17		
<b>13. Personnel cost</b>		
Salaries, wages and bonus	124,147	126,705
Contribution to provident and other funds	8,579	8,011
Workmen and staff welfare	14,526	17,353
Gratuity	3,223	1,237
	<u>150,475</u>	<u>153,306</u>
<b>14. Other expenses</b>		
Advertising, marketing and brand building expenses	183,227	137,258
Warranty	8,245	14,937
Selling and distribution	41,740	40,757
Power and fuel	12,077	15,131
Repairs and maintenance:		
- buildings	1,133	1,763
- plant and machinery	3,796	4,442

	<u>As at</u> <u>31 March 2009</u>	<u>As at</u> <u>31 March 2008</u>
- others	4,217	3,947
Rent	37,440	32,198
Rates and taxes	16,307	15,895
Insurance	2,100	2,594
Travelling	41,048	44,522
Communication	12,804	12,052
Bank charges	2,050	1,846
Legal and professional (includes prior period expense of Rs. Nil (previous year Rs.1,910 thousand)	17,077	16,382
Commission	15,810	15,689
Purchased services	15,126	11,756
Provision for doubtful debts	6,000	10,127
Bad debts written off	6,086	-
Less: Provision held	<u>(6,086)</u>	-
Advances written off	456	867
Loss on sale/retirement of fixed assets	2,288	663
Stores and consumables	3,574	5,045
Exchange loss (net)	48,119	-
Miscellaneous expenses *	29,841	28,056
	<u><b>504,475</b></u>	<u><b>415,927</b></u>

\* includes director sitting fees Rs. 900 thousand (previous year Rs. 860 thousand).

#### 15. Interest

Interest on bank overdrafts and short term loans	6,646	6,956
	<u><b>6,646</b></u>	<u><b>6,956</b></u>

### SCHEDULE - 16

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. Background

Timex Group India Limited (TGIL or the Company), a subsidiary of Timex Group Luxury Watches B.V. (formerly Timex Watches B.V.), is a limited liability Company incorporated on 4 October 1988 under the provisions of the Companies Act, 1956. The Company is listed on Bombay Stock Exchange in India.

The Company's business consists of manufacture and trade of watches and rendering of related after sales service. The Company also manufactures tools, moulds and plastic components for other parties and provides accounting and information and technology support to group companies.

##### 2. Basis of preparation of financial statements

The financial statements are prepared and presented under the historical cost convention, on accrual basis of accounting in accordance with the Generally Accepted Accounting Principles ('GAAP') in India and comply with the accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006, to the extent applicable, and the presentational requirements of the Companies Act, 1956, as adopted consistently by the Company.

##### 3. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimated provision for doubtful debts, warranties, future obligations under employee retirement benefit plans and estimated useful life of fixed assets.

Differences between actual results and estimates are recognised in the year in which the actual results are known or materialised. Any revision to accounting estimates is recognised in accordance with the requirements of the respective accounting standard.

#### 4. **Fixed assets and depreciation**

Fixed assets are carried at cost of acquisition less accumulated depreciation/amortisation. Cost is inclusive of freight, duties, taxes and any other directly attributable costs to bring the assets to their working condition for intended use.

Depreciation on tangible assets other than leasehold improvements is provided under the straight line method over the useful life as estimated by the management or the derived useful life as per Schedule XIV of the Companies Act, 1956, whichever is lower. Depreciation on the following categories of fixed assets is provided at rates that are higher than the corresponding rates prescribed in Schedule XIV:

- Plant and machinery (including office equipment) at rates ranging from 4.75% per annum to 100% per annum based on technical evaluation.
- Furniture and fixtures at the rate of 20% per annum.
- Tools and moulds are fully depreciated in the year of manufacture / purchase.

Depreciation on additions is provided on a pro-rata basis from the date of acquisition/installation.

Depreciation on sale/deduction from fixed assets is provided for upto the date of sale/adjustment, as the case may be.

Leasehold improvements are depreciated under the Straight Line method over the lowest of the following:

- (i) period of the lease
- (ii) useful life as estimated by management
- (iii) derived useful life as per Schedule XIV.

Intangible assets are amortised over their estimated useful life of 5 years.

Assets costing upto Rs. 5,000 are fully depreciated in the year of purchase.

During the year, the Company has revised its estimate of residual values of certain items of plant and machinery and office equipment and provided accelerated depreciation thereon amounting to Rs. 281 thousand (previous year Rs. 2,320 thousand).

#### 5. **Impairment**

The carrying amounts of assets are reviewed at each balance sheet date in accordance with Accounting Standard – 28 on 'Impairment of Assets' to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

#### 6. **Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost of inventories includes all costs incurred in bringing the inventories to their present location and condition.

In determining the cost, the weighted average cost method is used. Fixed production overheads are allocated on the basis of normal capacity of production facilities. Finished goods and work-in-progress include appropriate share of allocable overheads.

Finished goods held for the purpose of demonstration are amortised over a period of three years after deducting 10% residual value.

#### 7. **Employee benefits**

The Company's obligations towards various employee benefits have been recognised as follows:

##### *Short term benefit*

All employee benefits payable/available within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages and bonus etc., are recognised in the profit and loss account in the period in which the employee renders the related service.

Cost of accumulating compensated absences that are expected to be availed within a period of 12 months from the year-end are recognised when the employees render the service that increases their entitlement to future compensated absences. Cost is computed based on past trends and is not discounted.

Cost of non-accumulating compensated absences continues to be recognised when absences occur. Cost of other short term employee benefits continues to be recognised on accrual basis based on the terms of employment contract and other relevant compensation policies followed by the company.

*Post employment benefits*

In respect of the defined contribution plan in the form of Superannuation, the Trustees of the Scheme have entrusted the administration of the Scheme to the Life Insurance Corporation of India (LIC). Annual contribution to the LIC is recognised as an expense in the profit and loss account.

Charge for the year in respect of unfunded defined benefit plan in the form of gratuity has been ascertained based on actuarial valuation at the year end using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. Actuarial gains and losses are recognised immediately in the profit and loss account.

The Provident Fund is administered by trustees of an independently constituted Trust recognised by the Income-tax Act, 1961. Contributions, including shortfall, if any, to the Trust are charged to the profit and loss account on an accrual basis. As the provident fund scheme has a guaranteed return linked with that under EPF Scheme, 1952, the same has been considered as a defined benefit plan.

*Other long term benefits*

Cost of long term benefit by way of accumulating compensated absences that are expected to be availed after a period of 12 months from the year end are recognised when the employees render the service that increases their entitlement to future compensated absences.

**8. Revenue recognition**

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer. The amount recognised as sale is inclusive of excise duty and excludes sales tax and trade and quantity discounts. Revenue from services is recognised on rendering of services to customers.

Interest income is recognised on a time proportion basis.

**9. Foreign currency transactions**

The Company accounts for effects of differences in foreign exchange rates in accordance with Accounting Standard – 11 on “The Effects of Changes in Foreign Exchange Rates” notified by the Companies (Accounting Standards) Rules, 2006. Foreign exchange transactions are recorded using the exchange rate prevailing on the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account of the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date and the resultant exchange differences are recognised in the profit and loss account.

**10. Warranties**

Warranty costs are estimated by the management on the basis of past experience. Provision is made for the estimated liability in respect of warranty costs in the year of sale of goods.

**11. Taxation**

Income tax expense comprises current tax/fringe benefit tax (that is amount of tax for the year determined in accordance with the Income-tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing difference between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liability or deferred tax asset is recognised using the tax rates that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty of realisation. Such assets are reviewed at each balance sheet date to reassess realisation. However, where there are carried forward losses or unabsorbed depreciation under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. (Also refer to note 21 of schedule 16).

The credits arising from Minimum Alternate Tax paid are recognised as receivable only if there is virtual certainty that the Company will have sufficient taxable income in future years in order to utilize such credits.

**12. Leases**

Lease rentals in respect of assets taken on operating lease are charged on a straight-line basis to the profit and loss account.

**13. Other Provisions and Contingent Liabilities**

The Company recognises a provision when there is a present obligation as a result of a past event and it is probable that it would involve an outflow of resources and a reliable estimate can be made of the amount of such obligation. Such provisions are not discounted to their present value and are determined based on the management's estimation of the obligation required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect management's current estimates.

Provision for sales returns is recognised to the extent of estimated margin on expected returns based on past trends.

A disclosure for a contingent liability is made where it is more likely than not that a present obligation or possible obligation may result in or involve an outflow of resources. When no present or possible obligation exists and the possibility of an outflow of resources is remote, no disclosure is made.

**14. Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**15. Earnings per share**

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of equity and dilutive potential equity shares outstanding during the year, except where the results would be anti-dilutive.

**SCHEDULE - 17**

**NOTES TO THE ACCOUNTS**

**1. (a) Capital commitments**

(Rs. in thousands)

	As at 31 March 2009	As at 31 March 2008
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	144	-

**(b) Contingent liabilities**

(Rs. in thousands)

	As at 31 March 2009	As at 31 March 2008
(i) Claims against the Company not acknowledged as debts		
a) Sales tax	7,903	7,903
b) Excise	10,333	10,333
c) Customs	779	779
d) Others	2,742	8,242
(ii) Arrears of dividend on cumulative preference shares (Refer note 4):		
- 2003-04	-	62
- 2004-05	-	4,553
- 2005-06	-	4,926
- 2006-07	-	16,919
- 2007-08	-	16,919
(iii) Corporate dividend tax on cumulative preference shares (Refer note 4):		
- 2003-04	-	11
- 2004-05	-	774
- 2005-06	-	837
- 2006-07	-	2,875
- 2007-08	-	2,875
(iv) Bills discounted	4,074	-

2. The Timex Global Services Division of the Company renders information technology and finance support services to its overseas group companies. The expenditure incurred by the Division is recovered from the group companies at a mark up of 10% on costs, with reimbursement of specified expenses, and forms part of the service income.
3. Based on the information presently available with the management, there are no dues outstanding to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006 as at 31 March 2009 (previous year Rs. Nil).
4. The dividend liability on 15,700,000 2.9% cumulative redeemable non-convertible preference shares of Rs.10 each and 22,900,000 5.4% cumulative redeemable non-convertible preference shares of Rs. 10 each, payable until 31 March 2009 has been waived off as per the consent of the holders of these preference shares vide their letter dated 15 March 2009. The coupon rate applicable to these series of preference shares have been revised to 7.1% effective 1 April 2009 till date of maturity.
5. Pursuant to shareholders' approval via Postal Ballot, the Precision Engineering Division of the Company was divested on a slump sale basis to Timex Group Precision Engineering Limited, a fellow subsidiary Company w.e.f. 1 November 2008 for a consideration of Rs. 130,438 thousand, including Rs. 9,238 thousand for working capital adjustment as on date of transfer of risk and reward i.e. 1 November 2008 ('effective transfer date') of the business. Profit on sale of above (shown as an exceptional item in Profit and Loss Account) amounts to Rs 63,533 thousand. The balance consideration receivable amounting to Rs. 9,238 thousand as at the year end has been included in Other Current Asset in Schedule 8. The related operations of the Division upto 31 October 2008 have been included in the financial statements as "discontinued business".

## 6. Earnings per share

The computation of basic/diluted earnings per share is set out below:

	Year ended 31 March 2009	Year ended 31 March 2008
Profit as per profit and loss account (Rs. In thousands)	74,541	54,523
Less: Preference dividend and tax thereon (Rs. In thousands)	29	19,823
Net Profit / (loss) attributable to equity shareholders (Rs. In thousands) – (A)	74,512	34,700
Basic/weighted average no of equity shares outstanding during the year – (No. in thousands.) – (B)	100,950	100,950
Nominal value of equity shares – Re:	1.00	1.00
Basic /diluted Earning per share (Rs.) – (A)/(B)	0.74	0.34

## 7. Managerial Remuneration \*\*

(Amount in thousand)

Particulars	Year ended 31 March 2009	Year ended 31 March 2008
Salaries and other allowances	776	-
Perquisites	159	-
<b>Total</b>	<b>935+</b>	-

- \* Does not include expense towards gratuity and leave encashment since the same are based on actuarial valuation carried out for the Company as a whole.
- + The appointment of Managing Director and the remuneration is pending approval of the shareholders.
- # Profit on sale of Precision Engineering business, to the extent it relates to fixed assets as per section 349(3) of the Companies Act, 1956, has not been considered for the computation.

**8. Related parties**

**a. Related parties and nature of related party relationship where control exists:**

Description of Relationship	Name of the Party
Ultimate Holding Company	Timex Group B.V.
Holding Company	Timex Group Luxury Watches B.V.

**b. Other related parties with whom transactions have taken place:**

Description of Relationship	Name of the Party
Fellow Subsidiaries	Timex Group B.V. T/A Mersey Manufacturers Fransen Horlogerie S.A. TMX Limited NV TMX Limited NV(International Sales Division) Timex Corporation (Germany) Timex Corporation (Middlebury) Opex S.A. Timex Limited NV Timex Group UK Timex Nederland B.V. Callanen International Inc. Sequel International Sequel AG Vertime S.A. Timex Group Luxury Watches B.V.(Ferragamo) Tiempo, S.A. de. C.V Timex Group Precision Engineering Limited (TGPEL)
Key Management Personnel	Kapil Kapoor, Managing Director ( <i>till 29 January 2009</i> ). Vice Chairman ( <i>w.e.f. 29 January 2009</i> ) Gopalratnam Kannan, Managing Director ( <i>w.e.f. 29 January 2009</i> )

## c. Transactions with related parties:

(Rs. in thousands)

Party	IT Support expenses	Purchase of Capital goods	Purchase of Goods	Reimbursements		Misc. Income	Service Income	Sale of Capital goods	Sale of goods	Sale of business unit	Payable	Receivable
				Paid	Received							
<b>Ultimate holding company</b>												
Timex	-	-	-	-	-	-	4,371	-	-	-	-	6,927
Group B.V	-	-	-	-	-	-	4,150	-	-	-	-	1,049
<b>Holding company</b>												
Timex Group	-	-	-	-	-	-	391	-	-	-	-	1,335
Luxury Watches B.V.	-	-	-	-	-	-	813	-	-	-	-	631
<b>Fellow subsidiaries</b>												
Callanen	-	-	14,432	-	-	-	782	-	-	-	8,291	1,066
International Inc.	-	-	7,587	-	-	-	1,434	-	-	-	2,343	199
Mersey Manufacturers Limited	-	-	693	12	-	-	-	-	-	-	414	-
	-	-	3,316	191	39	-	-	-	-	-	20	12
Timex Corporation (Middlebury)	8,598	-	-	55	56	-	30,783	-	-	-	12,552	48,334
	724	422	-	-	231	-	36,626	-	-	-	2,528	7,062
TMX Limited NV	-	-	67,270	-	-	-	-	-	1,027	-	173,759	7,039
	-	-	63,989	55	32	-	-	-	7	-	227,393	4,590
Timex Nederland B.V.	-	-	-	-	-	-	-	-	-	-	1,832	-
	354	-	-	-	-	-	-	-	-	-	1,430	-
Timex Group UK	-	-	79	-	-	-	479	-	-	-	25	-
	-	-	157	17	-	-	880	-	-	-	60	89
Timex Group Luxury Watches B.V. (Ferragamo)	-	-	3,789	-	-	-	-	-	-	-	4,354	-
	-	-	-	-	-	-	-	-	-	-	-	-
Tmx Limited NV (international sales division)	-	-	72	-	794	-	-	-	2,106	-	-	3,024
	-	-	-	-	14	-	-	-	-	-	17	-
Timex Group Precision engineering limited	-	-	906	33,470	25,677	2,131	-	6,883	-	130,438	488	10,459
	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	626	-	-	-	7,219	-	31	-	2,210	780
	-	140	1,461	226	-	-	6,105	-	-	-	1,369	1,295

Current year figures are in bold.



(Rs. in thousands)

Transactions with key management personnel:	Year ended 31 March 2009	Year ended 31 March 2008
Remuneration	935	-
Loan given during the year	311	-
Loan refunded during the year	133	-
Receivable as at year end	178	-

**Note:**

Timex Group Luxury Watches BV, the holding company, has provided a standby letter of credit amounting to Rs. 178,000 thousand (previous year Rs. 178,000 thousand) to the bankers of the Company as a guarantee for use of cash credit and overdraft facilities.

**9. Payment to auditors (including service tax):**

(Rs. in thousands)

	Year ended 31 March 2009	Year ended 31 March 2008
(a) Statutory audit	1,655	1,685
(b) Tax audit	193	169
(c) Limited review	1,741	1,685
(d) Taxation matters	-	1,056
(e) Other services	727	731
(f) Reimbursement of out of pocket expenses	160	381
<b>Total</b>	<b>4,476</b>	<b>5,707</b>

**10. Capacity and production @**

Class of goods	Unit of Quantity	Year ended 31 March 2009		Year ended 31 March 2008	
		Installed capacity ***	Actual production	Installed capacity ***	Actual production
Watches *	Nos. (thousand)	1,714	1,456	1,714	1,447
Plastic components ** (Refer note below)	Nos. (thousand)	-	27,952	#	63,535
Tools and moulds ** (Refer note below)	Nos.	-	87	#	230

@ products of the Company are delicensed.

\* includes production at Noida in Uttar Pradesh and Parwanoo and Baddi in Himachal Pradesh.

\*\* excludes plastic components, tools and moulds produced for captive consumption.

\*\*\* installed capacities are as certified by management and have not been verified by the auditors, being a technical matter.

# in view of the items of varying size and nature that can be manufactured by the Company's facilities, the installed capacity is not ascertainable.

Note: There is no installed capacity for Plastic components and Tools and moulds at the year end since the Company has divested the related business during the year. (Refer to note 5 of schedule 17).

**11. Details of sales**

Class of goods	Unit of Quantity	Year ended 31 March 2009		Year ended 31 March 2008	
		Quantity	Value Rs. Thousands*	Quantity	Value Rs. thousands*
Watches	Nos. (thousand)	1,546	1,165,667	1,634	1,144,598
Plastic components	Nos. (thousand)	27,292 **	22,813	64,087	54,260
Tools and moulds	Nos.	87	36,334	230	37,535
Components and others			48,984		40,437
			<b>1,273,798</b>		<b>1,276,830</b>

\* Values are inclusive of excise duty

\*\* Does not include 3,035 thousands (Nos) of plastic components transferred on sale of Precision Engineering Division.

**12. Details of inventories of finished and traded goods**

Class of goods	Unit of Quantity	As at 31 March 2009		As at 31 March 2008	
		Quantity	Value Rs. Thousands	Quantity	Value Rs. thousands
Watches	Nos. (thousand)	303	144,466	264	106,480
Plastic components	Nos. (thousand)	-	-	2,375	498
			<b>144,466</b>		<b>106,978</b>

**13. Details of raw materials and components consumed**

Class of goods	Unit of Quantity	Year ended 31 March 2009		Year ended 31 March 2008	
		Quantity	Value (Rs. Thousands)	Quantity	Value (Rs. thousands)
Movements	Nos. (thousand)	1,456	141,689	1,448	124,305
Straps	Nos. (thousand)	1,457	136,273	1,447	130,252
Other materials *			267,716		307,645
			<b>545,678</b>		<b>562,202</b>

\* No individual items accounts for 10 per cent or more of the total value of the raw material consumed.

**14. Details of purchases of trading goods**

Class of goods	Unit of Quantity	Year ended 31 March 2009		Year ended 31 March 2008	
		Quantity	Value (Rs. Thousands)	Quantity	Value (Rs. thousands)
Watches	Nos. (thousands )	53	86,942	87	73,343
Alarm Clocks	Nos. (thousands )	76	13,801	120	17,857
			<b>100,743</b>		<b>91,200</b>

**15. Details of imported and indigenous raw materials, components, spares and consumables consumed**

Class of goods	Year ended 31 March 2009		Year ended 31 March 2008	
	Value (Rs. thousands)	% of total consumption	Value (Rs. thousands)	% of total consumption
Raw materials and components				
Imported	248,784	45.59	225,668	40.14
Indigenous	296,894	54.41	336,534	59.86
<b>Total</b>	<b>545,678</b>	<b>100.00</b>	<b>562,202</b>	<b>100.00</b>
Stores and consumables				
Imported	1,884	52.71	1,677	33.25
Indigenous	1,690	47.29	3,368	66.75
<b>Total</b>	<b>3,574</b>	<b>100.00</b>	<b>5,045</b>	<b>100.00</b>

**16. Value of imports on CIF basis**

(Rs. in thousands)

	Year ended 31 March 2009	Year ended 31 March 2008
Raw materials	-	256
Components and spares	204,838	168,035
Purchase of watches	53,115	56,328
Consumables	1,885	1,678
Capital goods	-	5,059
<b>Total</b>	<b>259,838</b>	<b>231,356</b>

**17. Expenditure and earnings in foreign currency**

*a. Expenditure in foreign currency (on accrual basis)*

(Rs. in thousands)

	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
Traveling	49	475
Software license fees	8,598	1,077
Sales and marketing	3,108	4,323
Others	1,760	595
	<b>13,515</b>	6,470

*b. Earnings in foreign currency (on accrual basis)*

(Rs. in thousands)

	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
Exports on F.O.B basis	41,946	22,069
Service income	44,026	50,030
	<b>85,972</b>	72,099

- 18.** Sundry debtors include the following, which are due from bodies corporate under the same management, as defined under Section 370 (1B) of the Companies Act, 1956.

	<b>As at 31 March 2009</b>	As at 31 Mar 2008
Timex Group, B.V.	6,927	1,049
Timex Group Luxury Watches B. V.	1,335	631
Timex Deutschland G.M.B.H	9	9
Opex S.A	-	73
Timex Do Brasil Comercio E Industria Ltd	7	7
Timex Hong Kong Limited	705	705
Timex Corporation.	48,334	7,062
TMX Limited NV	7,039	4,590
Timex Hungary Limited	22	22
Callanen International	1,066	199
Timex Group UK	-	89
Sequel International	-	320
Sequel AG	-	159
TMX Limited NV (International Sales Division)	3,024	-
Timex Group B.V. T/A Mersey manufacturers	-	12
Tiempo, S.A. de C.V	37	-
Timex Group Precision Engineering Limited	1,221	-
	<b>69,726</b>	14,927

**19. Loans and advances include:**

- a) dues from an Officer of the Company Rs. Nil (previous year Rs. Nil). The maximum amount outstanding during the year was Rs. Nil (previous year Rs. 10 thousand).
- b) dues from Managing Director of the Company Rs. 178 thousand (previous year Rs. Nil). The maximum amount outstanding during the year was Rs. 311 thousand (previous year Rs. Nil).

**20. Taxation**

The Company has significant carried forward tax losses. In view of the absence of virtual certainty of realisation of carried forward tax losses and unabsorbed depreciation allowance, deferred tax assets are recognised only to the extent of deferred tax liabilities.

The major components of deferred tax assets and liabilities are as follows:

(Rs. in thousands)

	As at 31 March 2009	As at 31 March 2008
<b>Deferred tax liabilities</b>		
Accelerated depreciation	18,105	16,551
<b>Deferred tax assets</b>		
Gratuity	2,685	2,535
Leave encashment	3,360	3,129
Provision for doubtful debts	9,758	10,269
Provision for warranty	1,597	2,085
Provision for sales returns	5,042	4,908
Disallowance under section 35DD of the Income-tax Act, 1961	1,208	3,688
Carried forward depreciation	159,730	164,228
Carried forward tax losses	136,179	156,540
<b>Total</b>	<b>318,329</b>	<b>347,382</b>
Deferred tax asset recognised (to the extent of deferred tax liability above)	18,105	16,551
Net deferred tax asset/ (liability)	Nil	Nil

21. The Company has taken land and building, office premises, showrooms, other business premises and residential accommodation for some of its employees under operating lease arrangements, with an option of renewal at the end of the lease term and escalation clause in some of the cases. Lease payments charged during the year to the profit and loss account aggregate Rs. 33,088 thousand (previous year Rs. 26,324 thousand). The future minimum lease payments under non-cancellable operating leases are as follows:

(Rs. in thousands)

Future lease payments due	As at 31 March 2009	As at 31 March 2008
Within one year	28,504	12,748
Later than one year and not later than five years	75,903	6,826
<b>Total</b>	<b>104,407</b>	<b>19,574</b>

22. The Company has given certain items of plant and machinery on operating lease, with an option of renewal at the end of the lease term. However, the lease agreements entered into with the lessees do not provide for any escalation. Lease rentals recognised during the year in the profit and loss account amount to Rs. 1,878 thousands (previous year Rs. 2,145 thousand). The future lease payments receivable under non-cancellable operating leases are as follows:

(Rs. in thousands)

Future lease payments receivable	As at 31 March 2009	As at 31 March 2008
Within one year	693	1,278
Later than one year and not later than five years	-	92
<b>Total</b>	<b>693</b>	<b>1,370</b>

The gross block, accumulated depreciation and depreciation charge for the year on plant and machinery given under operating lease arrangements are as under:

(Rs. in thousands)

	<b>As at 31 March 2009</b>	As at 31 March 2008
Gross block	85,327	85,327
Accumulated depreciation	64,068	60,796
Depreciation charge for the year	3,272	3,272

23. a) Provision for warranties has been recognised for expected warranty claims on products sold during the year. The provision has been created based on estimates and past trend. Following is the movement of the provision during the year:

(Rs. in thousands)

	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
Opening provision	6,134	3,256
Add: provision created during the year	8,245	14,937
Less: utilised during the year	(9,681)	(12,059)
Closing provision	4,698	6,134

- b) Provision for sales return has been created for estimated loss of margin on expected sales return in future period against products sold during the year. The provision has been created based on management's estimates and past trends. Following is the movement in the provision during the year:

(Rs. in thousands)

	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
Opening provision	14,440	8,614
Add: provision created during the year	22,609	19,577
Less: utilised during the year	(22,216)	(13,751)
Closing provision	14,833	14,440

**24. i) Segment information**

Following divestment of Precision Engineering Division in 2008-09(Refer to note 5), the Company's business segment comprises of :

- Watches : Manufacturing and trading of watches;
- Timex Global Services: Providing IT and finance related back office support to other group companies.

Segment revenue in the geographical segments considered for disclosure are as follows:

- Revenues within India (Domestic) include sale of watches and spares to consumers located within India; and
- Revenues outside India (Overseas) include sale of watches manufactured in India and service income earned from customers located outside India.

Segments have been identified in line with the Accounting Standard 17 on "Segment Reporting" notified by the Companies (Accounting Standards) Rules, 2006, taking into account the nature of products and services, the risks and returns, the organisation structure and the internal financial reporting system.

Besides the normal accounting policies followed as described in Schedule 16, segment revenues, results, assets and liabilities include the respective amounts directly identified to each of the segments and amounts allocated on a reasonable basis.

# TIMEX

## Primary segment reporting (by business segment):

(Rs. in thousands)

	Watches		Timex Global Services		Discontinued business *		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
<b>Segment revenues</b>								
External sales (gross)	1,217,397	1,187,808	44,026	50,031	60,460	95,047	1,321,883	1,332,886
Excise duty	18,016	6,719	-	-	5,499	11,523	23,515	18,242
External sales (net)	1,199,381	1,181,089	44,026	50,031	54,961	83,524	1,298,368	1,314,644
Other business related income	18,166	3,824	-	-	-	-	18,166	3,824
<b>Total revenue</b>	<b>1,217,547</b>	<b>1,184,913</b>	<b>44,026</b>	<b>50,031</b>	<b>54,961</b>	<b>83,524</b>	<b>1,316,534</b>	<b>1,318,468</b>
<b>Results</b>								
Segment results	51,171	71,350	1,798	5,990	5,298	12,537	58,267	89,877
Unallocated income	-	-	-	-	-	-	3,077	9,748
Unallocated expenses	-	-	-	-	-	-	28,316	24,081
<b>Profit before interest, tax and exceptional items</b>							<b>33,028</b>	<b>75,544</b>
Interest expense	-	-	-	-	-	-	6,646	6,956
Interest income	-	-	-	-	-	-	27	760
<b>Profit before tax and exceptional items</b>	<b>51,171</b>	<b>71,350</b>	<b>1,798</b>	<b>5,990</b>	<b>5,298</b>	<b>12,537</b>	<b>26,409</b>	<b>69,348</b>
Exceptional items	-	-	-	-	-	-	63,533	-
<b>Profit before tax</b>	<b>51,171</b>	<b>71,350</b>	<b>1,798</b>	<b>5,990</b>	<b>5,298</b>	<b>12,537</b>	<b>89,942</b>	<b>69,348</b>
Income taxes								
- Fringe benefit tax	-	-	-	-	-	-	5,773	6,248
- Minimum alternate tax	-	-	-	-	-	-	9,628	8,577
<b>Net profit</b>							<b>74,541</b>	<b>54,523</b>
<b>Other information Assets</b>								
Segment assets	1,011,335	850,487	60,399	10,316	-	71,261	1,071,734	933,064
Unallocated corporate assets	-	-	-	-	-	-	90,117	121,138
Debit balance in profit and loss account	-	-	-	-	-	-	-	32,964
<b>Total assets</b>							<b>1,161,851</b>	<b>1,087,166</b>
<b>Liabilities</b>								
Segment liabilities	489,679	486,243	2,283	4,499	-	14,602	491,962	505,344
Unallocated corporate liabilities	-	-	-	-	-	-	81,237	34,747
Share capital (including share premium amount and balance in profit and loss account)	-	-	-	-	-	-	588,652	547,075
<b>Total liabilities</b>							<b>1,161,851</b>	<b>1,087,166</b>
<b>Others</b>								
Capital Expenditure	17,121	30,995	-	849	4,393	6,211	21,514	38,055
Unallocated capital expenditure	-	-	-	-	-	-	2,908	1,921
<b>Total capital expenditure</b>							<b>24,422</b>	<b>39,976</b>
Depreciation	16,778	16,014	878	888	2,394	5,544	20,050	22,446
Unallocated depreciation	-	-	-	-	-	-	3,365	3,414
<b>Total depreciation</b>							<b>23,415</b>	<b>25,860</b>

\* Precision Engineering Business (Refer note 5 of schedule 17)

**Secondary segment reporting (by geographical location of customers):**

(Rs. in thousands)

	India		Outside India		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Segment revenue	1,230,262	1,246,369	86,272	72,099	1,316,534	1,318,468
Segment assets	1,038,298	1,036,424	123,553	17,778	1,161,851	1,054,202
Capital expenditure	24,422	39,976	-	-	24,422	39,976

**25. Employee benefits**

The details of employee benefits with regard to provision/ charge for the year on account of gratuity, which is in the nature of an unfunded defined benefit are as under:

(Rs. in thousands)

	As At 31 March 2009	As At 31 March 2008
<b>Change in defined benefit obligations during the year</b>		
Present value of obligation at beginning of the year	7,457	7,570
Service cost	1,280	1,827
Interest cost	724	617
Actuarial (gain)/loss	1,490	(1,207)
Liabilities transferred on divestment of business	(1,977)	-
Benefit paid	(1,073)	(1,350)
Present value of obligation at end of the year	<b>7,901</b>	7,457
<b>Present value of unfunded obligation and liability recognised in Balance Sheet</b>		
Present value of defined benefit obligation as at the end of the year and liability recognised in the Balance Sheet	<b>7,901</b>	7,457
<b>Gratuity cost recognised in the profit and loss account for the year</b>		
Service cost	1,281	1,827
Interest cost	724	617
Actuarial (gain)/loss	1,490	(1,207)
<b>Net gratuity cost</b>	<b>3,495</b>	1,237
<b>Assumptions</b>		
Discount rate		
- For Timex Global Services	7.85%	8.30%
- Others	7.90%	8.75%
Expected rate of salary increase		
- For Timex Global Services	10%	10%
- Others	8%	8%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors. Medical cost trend rates have no impact on actuarial valuation of the above defined benefit plan. Discount rate is based on market yields prevailing on government securities as at 31 March 2009 for the estimated term of the obligations.

The guidance on implementing AS-15 issued by Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India states that benefit involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefits plans. Pending the issuance of the guidance note from Actuarial Society of India, the Company's actuary has expressed an inability to reliably measure provident fund liabilities. Accordingly, the related information has not been disclosed.

26. The Company's foreign currency exposure on account of payables/ receivables not hedged is as follows:

(Amounts in thousands)

	As at 31 March 2009		As At 31 March 2008	
	(in original currency)	(in Rupees)	(in original currency)	(in Rupees)
Payables				
- USD	3,967	204,614	5,904	235,793
- GBP	0.3	25	1	60
- Euro	20	1,396	11	724
- HKD	332	2,193	155	796
- CHF	97	4,354	-	-
Receivables				
- USD	1,645	82,472	432	17,387

27. Previous year's figures have been re-grouped / reclassified, wherever necessary, to conform to current year's classification.

28. Schedules 1 to 17 form an integral part of the financial statements.

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**For Timex Group India Limited**

**Hans Kristian Hoejsgaard**  
*Chairman*

**Gopalratnam Kannan**  
*Managing Director*

**V.D. Wadhwa**  
*Sr. Vice President –  
General Counsel &  
Company Secretary*

**Ananda Mukherjee**  
*CFO & Vice  
President (Finance  
&IT)*

Place: New Delhi  
Date : 28 May 2009



**CASH FLOW STATEMENT**

For the year ended 31 March 2009

	Schedule	Year ended 31 March 2009	(Rs. in thousands) Year ended 31 March 2008
<b>A. Cash flows from operating activities</b>			
Net profit before tax		26,409	69,348
Adjustments for:			
- Depreciation and amortisation		23,415	25,860
- Interest income		(983)	(1,674)
- Interest expense		6,646	6,956
- Loss on sale/retirement of fixed assets		2,288	663
Operating profit before working capital changes		<b>57,775</b>	101,153
Adjustments for:			
- (Increase)/decrease in sundry debtors		(111,567)	(35,026)
- (Increase)/decrease in other current assets		(9,238)	-
- (Increase)/decrease in loans and advances		(20,212)	2,111
- (Increase)/decrease in inventories		(61,095)	5,153
- Increase/(decrease) in current liabilities and provisions		(22,442)	105,730
Cash generated from operations		(166,779)	179,121
- Income taxes paid (net)		(12,348)	(6,636)
- Fringe benefit tax paid		(7,341)	(4,683)
<b>Net cash from operating activities</b>		<b>(186,468)</b>	167,802
<b>B. Cash flows from investing activities</b>			
Purchase of fixed assets (including CWIP)		(26,524)	(39,976)
Proceeds from sale of fixed assets		6,342	18
Proceeds from sale of business		121,200	-
Interest received		1,038	1,603
<b>Net cash used in investing activities</b>		<b>102,056</b>	(38,355)
<b>C. Cash flows from financing activities</b>			
Proceeds from short-term borrowings		55,677	-
Repayment of short-term borrowings		-	(86,130)
Interest paid		(6,517)	(6,956)
<b>Net cash used in financing activities</b>		<b>49,160</b>	(93,086)
<b>Net Cash Flows [increase/(decrease)] during the year (A+B+C)</b>		<b>(35,252)</b>	36,361
<b>Cash and cash equivalents - opening balance</b>		<b>92,215</b>	55,854
<b>Cash and cash equivalents - closing balance *#</b>		<b>56,963</b>	92,215

Significant accounting policies

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Notes to the accounts

17

The above cash flow statement has been prepared under the Indirect method set out in Accounting Standard 3 "Cash Flow Statement" specified in the Companies (Accounting Standard) Rules, 2006.

\* Of the above, an amount of Rs. 155 thousand (previous year Rs. 155 thousand) is pledged with sales tax authorities and is not available for use by the Company.

# Bank balance of Rs. 1,225 thousand (previous year Rs. 1,225 thousand) lying as unclaimed debenture payable and deposit payable are not available for use by the Company.

As per our report attached to the Balance Sheet.

**For B S R & Co.**

*Chartered Accountants*

**Kaushal Kishore**

*Partner*

Membership No.: 090075

**For and on behalf of the Board**

**Hans Kristian Hoejsgaard**

*Chairman*

**V D Wadhwa**

*Sr. Vice President - General*

*Counsel & Company Secretary*

**Gopalratnam Kannan**

*Managing Director*

**Ananda Mukherjee**

*CFO & Vice President*

*( Finance & IT )*

Place: New Delhi

Date: 28 May 2009

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration details

Registration No.

3 3 4 3 4

State Code

5 5

Balance Sheet date

3 1 0 3 2 0 0 9

Date Month Year

### II. Capital raised during the year (Amount in rupees thousands)

Public issue

N I L

Rights issue

N I L

Bonus issue

N I L

Private placement

N I L

### III. Position of mobilisation and deployment of funds(Amount in rupees thousands)

Total liabilities

1 1 6 1 8 5 1

Total assets

1 6 1 8 5 1

Sources of funds

Paid up capital

5 1 1 9 5 0

Reserve & surplus

7 6 7 0 2

Secured loans

N I L

Unsecured loans

6 0 2 6 0

Application of funds

Net fixed assets\*

1 4 7 7 4 6

Investments

N I L

\*\* including capital work in progress

Net current assets

1 0 1 4 1 0 5

Miscellaneous expenditure

N I L

Accumulated losses

N I L

### IV. Performance of Company (Amount in rupees thousands)

Turnover

1 3 1 9 6 3 '8

Total expenditure

1 2 9 3 2 2 9

Profit before tax

8 9 9 4 2

Profit after tax

7 4 5 4 1

Earning per share in rupees

0.74

Dividend rate %

Not applicable

### V. Generic names of three principle products/services of the company (as per monetary terms)

Item code No.(ITC Code)

9 1 0 2 1 9

Product description

W R I S T W A T C H E S

### For Timex Group India Limited

**Hans Kristian Hoejsgaard**  
Chairman

**Gopalratnam Kannan**  
Managing Director

**V.D.Wadhwa**  
Sr.V.P-General  
Counsel & Company  
Secretary

**Ananda Mukherjee**  
CFO & Vice President  
( Finance &IT)

Place : New Delhi  
Date: 28 May 2009