

TIMEX®

Timex Group India Ltd Analyst Call KTA:: Time's Changing



INDEX

- 1) Business Summary
- 2) Analyst Call KTA
- 3) Financial Highlight

Business Summary

Timex Group India is engaged in the business of manufacturing and trading of watches and rendering of related after sales service. It has brands such as Helix, Salvatore Ferragamo, Versace and Versus by Versace under its banner.

Its manufacturing facilities are located at Baddi, Himachal Pradesh and it also provides accounting, information and technology support services to group companies.

Timex Group India was incorporated in 1988, is a subsidiary Timex Group, founded in 1854. Timex Group holds 74.93% of shares in Timex Group India.

Analyst Call KTA

1. Business Summary

With a manufacturing capacity of 24,00,000 watches per year, it is operating at 70% capacity. 90% of its revenue comes from sales of its Timex & Helix by Timex brand while the remaining 10% of the revenue is contributed by Salvatore Ferragamo, Versace and Versus.

70% of its sales comes from the distribution channel, 10% of sales from Timex World showrooms (Currently 65 stores across pan India) and the remaining from tie ups with departmental store chains like Shoppers Stop.

The prime brands (Salvatore Ferragamo, Versace and Versus by Versace) demand an exclusive personal touch and hence are not sold through online route or Timex world stores. There are 3 boutiques for the sale of Salvatore Ferragamo brand and 3 Boutiques for the sale of Versace brand in India.

Timex Watches are assembled, distributed and sold through its plant in Baddi, Himachal Pradesh while the rest 3 premium brands are only sold through boutiques in India. Around 10% for global market and 85% of products sold in India are made in India. Business with its parent group is done at arm's length with a focus on targeting margins at ~35%

2. Price Range

Timex Watches – they are sold in the price range of Rs 700 – Rs 10,000 with an aim of targeting the mass which occupies a market share of ~ 9% in the organized retail watch industry. The average ticket price is around Rs 3000 with a product mix targeting all occasional watches.

Versus by Versace – The price range for Versus brand is between Rs 10,000 – Rs 25,000 and is mainly sold through online route on Flipkart and Amazon targeting customers who are market savvy and prefer branded/designer watches.

Salvatore Ferragamo and Versace – Watches for these premium brand are focused on HNIs with a price range of Rs 1,00,000 – Rs 2,50,000 and are only sold through 6 luxurious boutiques in India.

Versus, Versace and Salvatore Ferragamo contribute ~ 20 Cr Rs to its topline with approximate sales of 2000 watches in FY17.

3. Past – Present – Future Outlook

In the last 5 years Timex has managed to grow its top line at CAGR of 13% from 121.44 Cr Rs in FY13 to 199.81 Cr Rs in FY17 on account of changes in business model, focusing more on the product mix rather than volumes. Strategic decisions were taken in October, 2012 to revamp the business model with relentless focus on the consumer and delivering designs that the Indian consumer wants.

Prior to October 2012, the business permitted longer credit period to its distributors. However, the decision was taken to limit the credit cycle to 90 days which impacted the financials of the company. With due course of time, the financials have normalised and a turnaround is seen. H1 FY18 reported profits for the first time of 4.38 Cr Rs as compared to losses in the last 5 years of operations. As the focus is more on the product mix, it is planning to launch 200 new products in FY18.

Economic events such as demonetisation and GST can be partly held responsible for tepid growth in Q3 FY17 and Q1 FY18 respectively. However, as seen in the past the Q3 and Q4 of the company generally exceed H1 on accounts of festive season. Recent rate cut from 28% to 18% GST can also lift up the sales leaving unorganised sector in a striving position.

Timex Group India is eyeing a double digit growth (~13%-15%) in the next 5 years on accounts of improved product, improved production capabilities, strong marketing story and their relationships with all key retailers. No future capex is required for the next 2 years however, if needed; a Brownfield capex can be done with minimal investments to add another 6,00,000 capacity of watches p.a. Management has guided, Nautica a brand under the parent company is possible to come to India in the distant future.

Exports for Timex Group India contribute ~7% of its revenue to regions like Western Europe, Southeast Asia and the US. Timex Group CEO Tobias Reiss-Schmidt envisioned India as part of Timex Groups supply chain with an objective of making India the second largest market after US in the next 3 years.

Financial Highlight

Profit & Loss Account (RS CR)	FY16	FY17	Q1 FY18	Q2 FY18	H1 FY18
Gross Sales	175.23	200.18	45.92	57.64	103.56
Excise Duty	1.89	0.37	2.1	0	2.1
Revenue net of excise duty	173.34	199.81	43.82	57.64	101.46
Other Income	0.04	0.14	0.4	0.2	0.6
Total Income	173.38	199.95	44.22	57.84	102.06
COGS	93.21	111.78	23.28	31.58	54.86
Employee Expenses	22.45	24.18	6.23	6.42	12.65
Other Expenses	60.64	62.94	15	13.23	28.23
TOTAL EXPENSES	176.3	198.9	44.51	51.23	95.74
EBIDTA (Excl other income)	-2.96	0.91	-0.69	6.41	5.72
OPM (Excl other income)	-1.71%	0.46%	-1.57%	11.12%	5.64%
EBIDTA (Inc other income)	-2.92	1.05	-0.29	6.61	6.32
OPM (inc other income)	-1.68%	0.53%	-0.66%	11.43%	6.19%
Depreciation	2.78	2.09	0.43	0.42	0.85
PBIT	-5.7	-1.04	-0.72	6.19	5.47
Financial Expenses	3.57	2.77	0.54	0.55	1.09
PBT	-9.27	-3.81	-1.26	5.64	4.38
Provision for Tax	0	0	0	0	0
PAT	-9.27	-3.81	-1.26	5.64	4.38
PAT Margin	-5.35%	-1.91%	-2.85%	9.75%	4.29%

Disclaimer

This document has been prepared and compiled from reliable sources. While utmost care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the Company nor any of its Directors, Officers or Employees shall in any way be responsible for the contents. The Company, its Directors, Officers or Employees may have a position or may otherwise be interested in the investment referred in this document. This is not an offer or solicitation to buy, sell or dispose off any securities mentioned in this document.

Copyright © 2017 Pankaj Mangaldas Securities pvt. Ltd. , All rights reserved.

Registered Office 701, PJ Tower, Dalal Street, Mumbai - 400023

Corporate Office 411 Atlantic Commercial Tower, R.B Mehta road, Ghatkopar (E), Mumbai – 400077

Get in touch: +91 (22) 2501-2333 | info@pmsec.in | www.pmsec.in

