Timex Group India

Operator: All right, good afternoon everyone. I request all the people on the virtual call to mute themselves for the convenience of others. Good afternoon everyone. I welcome you to the investor call today, which will be a question-and-answer session. We are not going to make any presentation in this meeting. You can ask your questions, and we will take them. You can also write in the chat box. From the management side, we have Mr. Deepak Chhabra, Managing Director; Mr. Amit Jain, CFO; and myself, Company Secretary Dheeraj Bhardwaj. We will first take the questions from the people in the room and then from the people on the call. You can raise your hands, and we will ask your questions. We can start with Vatsal.

Vatsal: I have three questions. One is on Aston Martin; I want to know if you can quantify the sales of Aston Martin so far in terms of volume and absolute value. My second question is regarding the Timex parent entity's recent investment in JNV. Mr. Tobias says that jewelry is a natural adjacency to watches. I want to understand your view on that and whether we can expect Timex India to enter into jewelry as an adjacency in the next 1 or 2 years? My last question is about the celebrity signup; we discussed last time that you were about to sign someone. What is the update on that?

Analyst: I just wanted to know if you could share the revenue bifurcation by brand, brand automation, and also the channel mix—specifically e-commerce, offline, and the institutional or direct business. If you could also share the average ticket size by brand in terms of pricing, that would help provide more color.

Operator: We don't have anyone raising their hands on the call. Is anyone on the call wanting to ask a question?

Samir: Yes, we can hear you. This is Samir here.

Management: Yes, Samir, go ahead.

Samir: First of all, many congratulations for a good set of numbers and the continuing growth trajectory. I just wanted to understand two things. You do not bifurcate your other expenses in your quarterly numbers. How should we think about the flow of other expenses going forward? Will they grow as much as your revenues, or less than that?

Akhil - 361: This is Akhil here from 361. I have a couple of questions. If I look at the sales mix between the traded brands versus the Timex brand, the traded mix has gone up from 14% in FY22 to almost 35%. Can you throw some light on the margin profile of the traded brands versus the Timex brand? Despite the change in the mix, the gross margins have largely remained range-bound between 42% and 44%. Second, are the brands we are trading exclusively tied up with us? Is there any clause regarding that? Third, can you provide more color on the channel mix between the EBOs, MBOs, and the e-commerce channel?

Ajay - Niveshay: Ajay here from Niveshay. On raw materials, when I look at your total COGS, what is the split between imported versus domestically sourced components? On the imported part, how is that split between finished goods versus raw material components?

Management: If this stock stays here, this call will expire out-of-the-money, right.

Ajay - Niveshay: Regarding the e-commerce platform, based on channel checks for the 1P model, we are paying a healthy margin and also doing advertisement revenue on the same platform. Do we have plans to reduce that margin given that brand uptick is increasing? On the product side, can you help us understand which series—for example, Marlin or Waterbury—outperformed or underperformed in the last 2-3 years? How much are they contributing to revenue compared to a basic Timex watch? How do you internally define a successful product launch? For example, if you launch the Marlin series, is success defined by selling 10,000 pieces or reaching 100 crores in sales? For FY27, what kind of series or product plans are targeted? We see Timex Group Philippines has many series launches that we also take ideas from. What are the prime launches for FY27 and how will we define success there? Finally, regarding channel partners, fast-delivery platforms like Blinkit performed well in February due to Valentine's Day. How is the traction on those platforms now as the festival season starts to pick up?

Tanmay Gupta: Thank you for the opportunity. We have done good margin expansion in FY26. Is this 14% margin sustainable going forward? Second, can you bifurcate the brands in the trading good segment? What are the core brands versus international ones, their salience, and their ASP? Lastly, on the channel mix, out of EBO, LFS, and MBO, I believe we are expanding MBOs in a better way. Are we opening more MBOs or concentrating on the top 1,000 or 2,000 MBOs to garner more revenue productivity?

Operator: Mr. Naman Maheshwari, please go ahead.

Naman Maheshwari: Thank you. Can you help with the current revenue split?

Operator: Your voice is not clear. We will take you later. Mr. Chetan Mahadik?

Chetan Mahadik: Thank you. Firstly, regarding the royalty payment structure, is there any minimum guarantee royalty or licensing milestone? Second, on capacity, we are planning to take capacity from 6 million to 10 million units by doing a double shift. For how long will this capacity be sufficient—until FY28 or FY30?

Parth Dalal: How do you maintain heritage brand value while modernizing with smartwatches?

Naman Maheshwari: My voice should be audible now. Can you split current revenue in terms of range—below 5,000 rupees, 5,000 to 10,000, and 10,000 to 20,000? How has this trended over the last 3 years and what are management's aspirations for these numbers? What is the margin differential across these price bands?

Management: Good afternoon everyone. I enjoy these meetings and learn every time I interact with you. I will try to cover all the questions. First, regarding the industry, the total watch market is about $3.4 billion. It is growing very fast, so please do not quote my previous numbers. It is roughly a 30,000 crore market. The ratio is two-thirds analog and one-third smartwatches. That means 20,000 crores comes from analog and 10,000 crores comes from smartwatches. Historically, the industry grew at about 8-9%. While there is no new research for the last 2 years, looking at the top 5 groups, the analog industry is growing at 13-15%, which is a very big number.

Smartwatches went through a curve that started in 2019. It reached huge numbers in 2023 when India consumed about 40 million smartwatches at a very low price point. Since then, the market has dropped; for the full year 2025, it is estimated at 26 million watches. It has gone down, but the estimate is that it will start growing again at a slow pace, similar to analog. Genuine watch manufacturers are not playing much in this category. Even the biggest competition, Titan, is toning it down because their growth in analog is higher, but their growth in the overall category drops due to a 30-50% de-growth in smartwatches. Mobile players in the smartwatch space are also moderating their strategy because everyone was losing money selling watches at 999 or 1,299 rupees. Average selling prices are now going up.

We have a smartwatch portfolio and sell about 100,000 watches a year. We were waiting for the right time to scale up because for the past 4 or 5 years, people have scaled without making money. It was very fluid, and leadership in the category was changing. Most were sold online with huge discounts. We are not in the business of losing money, but we will be there when the time is right to ramp up and profitability becomes more of a focus. Our average selling price for smartwatches is about 2,300 rupees. We have Timex Smart and iConnect. iConnect is the lower price point, less than 2,000. Timex Smart is between 2,000 and 4,000. It is only about 2.5% of our business currently. Out of our 12-month average of approximately 5.6 million or 5.7 million watches sold, smartwatches represent only 100,000.

On the financial results, for the full year, we grew at about 49% in revenue and hit 800 crores. Our EBITDA margin expanded from 9.2% the previous year to 14.5% for the full year. Quarter 4 was exceptionally strong, with revenue growing at 73% and the EBITDA margin reaching 17.1%. Our inventory is working hard. We build inventory because we are at a stage where we want to grow faster. If you want to convert aspiration into numbers, you have to take a risk on inventory. For the next 6 to 8 quarters, inventory will appear high when looking forward but low in retrospect. You cannot grow 73% with only 20% high inventory.

Our inventory turn is very healthy at 2.67. Industry standard, especially for a company that does both manufacturing and importing, makes 2.67 a very good turn. Regarding the age of inventory, 92% is "Go Forward" and only 8% sits in slow-moving inventory (SMI) or dropped styles. In watches, SMI does not mean zero value. While we do provisions in our books, we write them back because online ecosystems can sell everything. Even with a 70% discount, it is never zero. We do not have to scrap it; we can still get half of our COGS in the worst merchandise.

Regarding the supply chain, a year ago our capacity was 3 million units and we produced about 2.9 million. What we produce in our factory in India is largely Timex and sub-brands like Helix and TMX, plus our OEM business. We manufacture and sell about 1.2 million watches a year for OEM. In January and February, we expanded capacity to 6 million. However, with our run rate approaching 5.8 million, 6 million is not enough due to seasonal phasing. Quarter 2 and Quarter 3 are the biggest. If you do not make the goods for Quarter 2 in Quarter 1, you cannot meet demand.

We decided on a long-term plan with a separate building on our land in Baddi. We currently utilize only 10% of our land there. The separate building will take our capacity from 6 million to 10 million in a single shift, with a total potential for 15 million. The physical infrastructure will be ready, and I can add assembly lines within 30 to 45 days when needed. We prefer single shifts because 99% of our colleagues in Baddi are women. Moving to a second shift involves significant compliance and management costs. This new capacity should be up and running by March next year. The capex for this is about $1 million, or 8 crores, which includes the building and assembly lines. We are adding 12,000 square feet. We are moving from U-shaped to straight assembly lines to improve productivity.

All our luxury and fashion brands are imported from our subsidiaries because the current volume in those brands does not justify local manufacturing. You need a width of 250 to 350 SKUs per brand, and until you sell half a million units per brand, local supply chain is not beneficial. However, we plan to start making Guess in India next year. We will focus on the top 50 SKUs where we need the most volume.

In the OEM business, which is about 15% of our total volume, we do not budget for growth. We treat it as an opportunity. Because we do not control the sales for those brands, we do not want to rely on it as a core business driver. Of the 85% of our business that we run completely, 60% comes from offline and 40% from online. In offline, we have 80 distributors supplying 4,000 points of sale. We also have "Direct Dealers" like Just Watches, Helios, or Ethos, representing another 800 points of sale. Departmental stores like Shoppers Stop and Lifestyle give us another 325 points of sale. We also serve the armed forces through about 800 CSD canteens. Our institutional business serves about 100 customers like Mankind Pharma or Abbott for gifting and rewards. Finally, our own stores, Timex World and Just Watches, total about 40 locations.

Four years ago, online was only 5%. Today it is 40%. We use four models. 1P (First Party) involves selling directly to portals like Flipkart, Amazon, and Myntra. This is our biggest contribution because it is operationally easy. However, to mitigate the risk of regulatory shifts, we have developed Marketplaces (Third Party) on ten different portals. We also have our own websites—timex.com, justwatches.com, and helios.com—which are important for the direct-to-consumer journey. The newest addition is Quick Commerce. We are on Blinkit, Zepto, Swiggy Instamart, and others. This contributes 8% of our online business and about 3.5% of total revenue excluding OEM. This is non-cannibalizing; it has created a new category for last-minute gifting.

Our brands are divided into the Timex Business Unit (Timex, Helix, TMX), which is 55% of our business, and the Licensed Portfolio (Luxury and Fashion). OEM is 15%. In the Licensed Portfolio, Fashion is about 23% and Luxury (Versace and Ferragamo) is about 7%. Guess is the largest licensed brand in the country in the fashion space and our number one licensed brand, making up about 17.5% of our total revenue. Aston Martin, launched in November, sold roughly 10,000 units by the end of January at an average selling price of 40,000 rupees.

Timex brand has two lines: the Market Line (designed and produced in India) and the Main Line (global line). The global line now contributes 14% of Timex value because its ASP is 2.5 times higher. We are using a product franchise route with series like Waterbury, Q, and Marlin. In India, we developed Frea (for women), Vector (sports), and Signio (occasion wear for men). 60% of Timex business now comes from these franchises. This helps curate assortments for different stores; premium retailers get higher-end series, while small-town distributors get 2,000 to 5,000 rupee watches. Our online growth was 90% last year, and offline grew at 32%. We are growing in both without conflict.

Regarding jewelry, our parent company has a joint venture globally with Digital Fuel to invest in direct-to-consumer jewelry brands. In India, most jewelry is either fine jewelry or low-end fashion jewelry. The segment in between, like Swarovski or Pandora, is difficult because there isn't a strong multi-brand channel for fashion jewelry in India. We sell Guess jewelry, but it is not a huge success because retailers are hesitant. We have started placing jewelry in about 22 points of sale alongside watches. However, we do not want to distract our core business unless our global parent makes Timex jewelry a major focus. We have a five-year plan that includes other categories like perfumes or luggage, but that will come once we are a 3,000 crore company and have 300 of our own stores to sell them in.

Our EBITDA margin expanded to 14.5%, and I believe it could hit 20%, but we do not plan for that. I want to stay aggressive with marketing and pricing to drive top-line growth. I would rather have 16% EBITDA on a much larger top line. On marketing, we have signed a major female celebrity for Guess and a pair for Timex. We will announce them closer to Diwali. We also have a separate budget for Just Watches to build it as a retail brand rather than just a multi-brand store.

Management: We now have 800 points of sale for direct dealers and are present everywhere. Our focus is now on productivity rather than reach. We have formed "Club 750," focusing on the top 750 stores that contribute roughly half of our offline business. We are not actively serving about 500-700 stores at the bottom that contribute less than 2% of business. It is not viable to invest in fixtures for stores that only buy 1.5 lakhs worth of goods a year. For a new store to get a fixture, we now require a first purchase of 5 lakhs to ensure they have skin in the game. We are cutting distributors where it is not viable. Our online team of 10 people handles 40% of the business, while our offline team of 110 people handles the rest. We must be sensible about where we put resources.

Regarding expenses, our fixed costs have grown at a CAGR of 7% over the last 4 years, while the business has grown at 35%. We keep the same number of employees as 4 years ago but have upgraded the skill sets. We add infrastructure as business progresses. Royalty and freight will grow with revenue, but infrastructure costs will not. Royalty has an upper cap of 4.99% of last year's turnover, even though the rate is 6%. Because we are growing fast, we hit that cap early. Last year we hit the ceiling in February and did not have to provide for royalty after that. Marketing remains steady at 7% to 7.5% of revenue. Gross margins have remained strong despite currency and commodity headwinds.

Analyst: Which brands are not working?

Management: Helix and TMX are under pressure. Helix was impacted by the surge in smartwatches among youth. We are working on newer products and aggressive pricing to correct this. TMX is doing well but is currently small at about 12-15 crores. We are not overplaying TMX because I want the parent brand, Timex, to stay strong first. TMX is an entry price point for someone buying their first watch. Helix ASP is around 2,200 rupees, and TMX is around 1,200. There is no major overlap with Timex because as Timex prices move up, TMX stays as the entry point.

Regarding Quick Commerce, the ASP is about 60% of our company average because it is used for last-minute gifting and includes more low-priced kids' watches. It starts at 999 and goes up to 3,999 rupees. Most sales are between 999 and 2,000 rupees. Overall growth is 50% from volume and 50% from higher ASP.

Management: For e-commerce, 1P handles two-thirds of the business. We are building the 3P marketplace and our own website as a backup, but fulfilling 2.5 million shipments a year ourselves is operationally nightmarish. Marketplace returns are around 25%. Dealing with ten different portals for reconciliation and shipping would be very difficult to manage at scale. 1P is much more efficient for us.

For the next 5 years, we have a clear plan. Our supply chain is sorted, and any brand we sell in any channel gives us a similar EBITDA margin. Retail expansion is a huge opportunity; 45% of Titan's business comes from their stores, while ours is 2%. We have many brands like Adidas that can be bigger.

Analyst: What are the growth rates in metros versus Tier-2 and Tier-3 cities?

Management: Luxury brands like Versace see 80% of business from the top 10 metros. For Timex, it is a 50-50 split between the top 100 cities and the rest of the 5,000 towns. While there is growth in the smaller towns, it is very fragmented and expensive to serve. Our focus remains on the top 100 cities to drive faster growth at a lower cost of operation.

We are improving store productivity through visual merchandising, training, and better assortment. We have also increased investment in marketing, and our Google search results are higher than ever. Regarding management incentives, we do not have ESOPs due to compliance complexities. We have a long-term incentive (LTI) in cash based on wealth creation, paid over a three-year performance block and disbursed over 4 years.

Timex is doing well globally. India is the fastest-growing market. While the global industry saw a decade of de-growth, it has started growing at 3-4%. Timex is growing at 10-12% globally, which is three times the industry. We will also launch a new entry-price Swiss brand in January, our own brand made in Lugano, priced between 29,999 and 70,000 rupees.

The watch market is a pyramid, and at the bottom, it is just Titan and Timex. There are no global brands selling for less than 10,000 rupees. Titan is roughly 4.5 times our size, but we are growing at a 35% CAGR while they are at 13-14%. The market for watches under 10,000 rupees is about 8,000 crores. We have no problem selling at 2,000 to 5,000 rupees because the profitability is good. The largest share of the Indian market will always be for watches under 10,000 rupees.

Finally, on data analytics, we use Oracle and have a robust distributor management system. We are now investing in AI, specifically for product design and marketing. We identify 52 use cases that can be automated through AI to improve turnaround times and analytics. This will help with better capital allocation and efficiency. Over the next 12 to 15 months, we will reach a stage where many processes, like assortment planning and training, will be automated. We are generating four times the turnover we had 3 years ago with the same overhead, and that is why our EBITDA has expanded so well. This is our path to continuing growth.

Analyst: Thank you for your time and the detailed answers. The turnaround you have architected is a great case study.

Management: Thank you for joining. Thank you everyone on the call.