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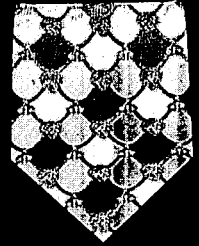
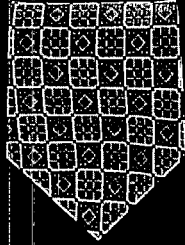
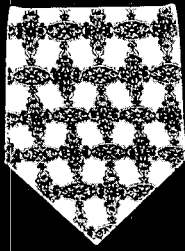




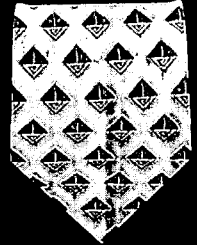
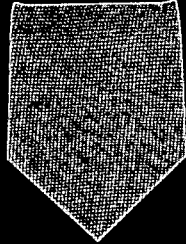
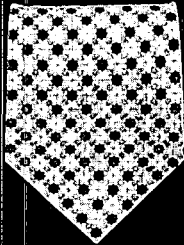
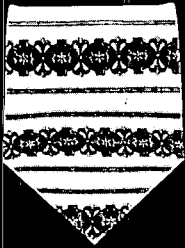
ZODIAC

CLASSIC BUSINESS STATEMENTS

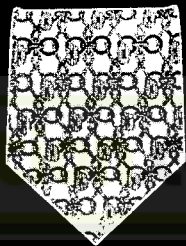
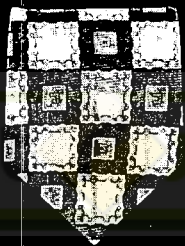
14TH ANNUAL REPORT 1997-98



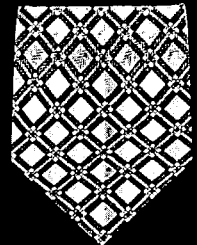
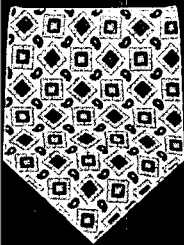
Corporate barons



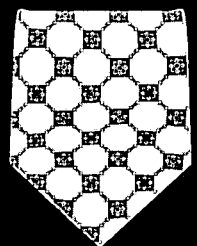
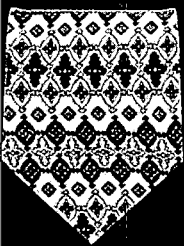
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The

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B O A R D O F D I R E C T O R S

Mr.M.Y.Noorani Chairman

Dr.S.Abid Hussain

Mr.M.L.Apte

Mr.Gurcharan Das

Mr.S.M.Datta

Mr.Klaus Habermann



Mr.Bernhard Steinrucke

Mr.Deepak Parekh

(Alternate to Mr.Klaus Habermann
and Mr.Bernhard Steinrucke)

Mr.A.Y.Noorani

Managing Director

Mr.S.Y.Noorani

Jt.Managing Director

SECRETARY

Mr.Anoop Pillai

SOLICITORS

M/S. A.H.Parpia & Co.
Lentin Chambers, Mumbai - 400 023

**REGISTERED
OFFICE**

10/76, Off.Haines Road,
Worli, Mumbai - 400 018

**REGISTRAR & TRANSFER
AGENTS OFFICE**

Karvy Consultants Ltd.
7, Andheri Indl.Estate,
Off. Veera Desai Road,
Andheri (W), Mumbai - 53

AUDITORS

M/s.Rege & Thakkar,
Chartered Accountants
5-B, Fairy Manor,
13, Rustom Sidhwa Marg,
Fort, Mumbai - 1

BANKERS

Dena Bank
Industrial Finance Branch,
Maker Towers E,
Cuffe Parade,
Mumbai - 5

FACTORIES

- Near Bagalur Cross,
Air Force Station, Yelahanka,
Bangalore-560063
- No.48, 7th Cross,
Near Kusum Alloys,
Visweshariah Indl.Area,
Mahadevapura Post,
Bangalore-560 048.
- A-1, 181/1, GIDC,
Umbergaon, Gujarat
- S-28, Post Sarigam,
Umbergaon, Bulsar, Gujarat

SUBSIDIARIES

- Mayfair (Bombay) Ltd.
- Multiplex Collapsible Tubes Ltd.
- Zodiac Clothing Company S.A.

DIRECTORS' BIOGRAPHIES



Mr. M.Y. Noorani
Chairman

Mr.M.Y.Noorani, the founder of ZODIAC and the founding father of the clothing industry in India. With his dynamism, he has led the organisation to the heights that it enjoys and in its continuous quest for excellence. He is on the Managing Committee of several trade organizations, including the Indo-German Chamber of Commerce, Indo-Italian Chamber of Commerce, Indo - E U Chamber of Commerce, Indo-Spanish Business Association and a Director appointed by the Government of India on the Board of the Export Credit Guarantee Corporation and is currently the President of Council of EU Chamber of Commerce.



Dr. S. Abid Hussain
Director

Dr. S.Abid Hussain is a retired I.A.S. Officer and the former Secretary, Govt. of India, Ministry of Commerce. He was also a member of the Planning Commission and the Ambassador of India to the United States of America. He is currently a director of U.T.I. Bank Ltd., Morgan Stanley Asset Management Ltd., DCM Group, G.V.K. Industries Ltd.



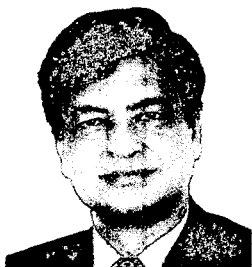
Mr. M.L. Apte
Director

Mr.M.L.Apte, former Sheriff of Bombay was also the former President of Maharashtra Chamber of Commerce, Bombay Chamber of Commerce, Cricket Club of India, Indian Sugar Mills Association and former Chairman of the Textiles Committee. He is currently the Chairman of the Apte Group of Companies and a Director of Lintas India Ltd., Thomas Cook (India) Ltd., Indian Dyestuff Industries Ltd., Rhone-Poulenc (India) Ltd., Grasim Industries Ltd.



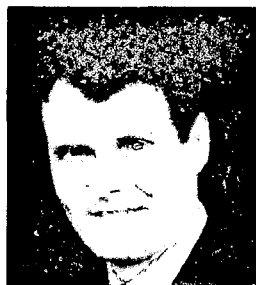
Mr.Gurcharan Das
Director

Mr.Gurcharan Das is the former Chairman and Managing Director of Procter and Gamble India Ltd. and Richardson Hindustan Ltd. A Graduate from Harvard University, he also periodically lectures there and is currently a Director of Deepak Nitrite Ltd., Times Guaranty Financials Ltd. and the Chairman of the Advisory Board of Citibank, India.



Mr. S.M. Datta
Director

Mr. S.M. Datta is the former Chairman of Hindustan Lever Ltd. and is currently Chairman of Castrol India Ltd., Indian Aluminium Co. Ltd. and the Advisory Board of Barclays Bank PLC India. He is currently a Director of Philips India Ltd., Ashok Leyland Ltd., E.I.D. Parry Ltd., Tata Mutual Fund, President of ASSOCHAM as well as the Council of E.U. Chamber of Commerce in India, and former President of Bombay Chamber of Commerce & Industry. He is also Chairman of the Board of Governors of I.I.M., Bangalore, and a member of the Board of Governors of I.I.M., Calcutta.



Mr. Bernhard Steinrucke
Director

Mr. Bernhard Steinrucke is the Managing Director and speaker of the Board of ABC Bank GmbH, Berlin, Vice Chairman of DSK Leasing GmbH, Germany and representative of the Indo-German Chamber of Commerce, Berlin, Germany. After acquiring an honours degree in law from the University of Heidelberg, he became the Assistant Judge at the Supreme Court of Hamburg. He later on joined the Deutsche Bank AG and rose to become its Joint Chief Executive Officer, India.



Mr. Deepak Parekh
Director

Mr. Deepak Parekh is the Chairman of H.D.F.C. Ltd., Countrywide Consumer Financial Services Ltd., Infrastructure Leasing & Financial Services Ltd., Infrastructure Development & Finance Company Ltd. and a member of the Institute of Chartered Accountants, England and Wales. He has been a member of various Committees setup by the Govt. of India, especially in the field of Finance and Capital Markets. He is currently a Director of Glaxo India Ltd., Philips India Ltd., Otis Elevators Co. (India) Ltd., and is a member of the Asian Advisory Board of Banker Trusts, New York.



Mr. A.Y. Noorani
Managing Director

Mr. A.Y. Noorani joined the House of ZODIAC in 1969 and became Managing Director of the organisation in 1980. He has successfully built up a dynamic team of dedicated professionals and developed its export business. He has completed the Advanced Management Programme at Harvard University, Boston and is today running the organisation, alongwith the Chairman. He is also a Director on the Advisory Board of Lufthansa (India) and the Textiles Committee appointed by the Government of India.



Mr. S.Y. Noorani
Joint Managing Director

Mr. S.Y. Noorani joined ZODIAC in 1982. He was initially responsible for setting up the Tube Division and after being trained in the clothing business, is now the Jt. Managing Director. He is responsible for running the Export Division and manufacturing plants of the company as well as activities connected with product development, sourcing of raw materials and upgradation of the various facilities of the company.

CHAIRMAN'S STATEMENT



The Apparel Export Promotion Council has reported that during 1997-98 there has been a disturbing drop in the earnings of most garment manufacturing Units in the country. Further, there has been only a meagre increase of 3.12% in the garment exports during 1997-98 in dollar terms, which portrays a very gloomy scenario of the country's exports in the Clothing sector.

Despite the above sluggish scenario, the financial year 1997-98 has been extremely successful for your company, which has outperformed the industry once again, both in India and abroad. In fact the fundamentals of the company continue to compare favourably with the best companies in the country, in terms of increase in turnover, profitability, as well as return on net worth. I am happy to draw your attention to the fact that at the close of the year, your company has achieved the distinction of being a Zero-debt company.

We are continuing our consistent endeavour to both, sharpen our competitiveness as well as to, at the same time, further refine the quality of our product. In fact, Quality is a way of life at Zodiac. Zodiac has always aimed at innovation, greater efficiency and constant product upgradation and always believed in maintaining the highest level of quality in every aspect of our business. It is through this commitment to quality that we have gained the trust and goodwill of our customers, suppliers, bankers and the general business community. Further strengthening of both our brands as well as our distribution, to become even more market driven, are our goals going forward.

I, now draw your attention to the performance of the company. Your company has performed extremely well in terms of turnover, registering an increase of 35% as compared to the previous year. The profits have surged to Rs. 5.7 crores as compared to Rs. 4.12 crores in the previous year, registering an increase of around 38%. The Book Value of your company's shares have gone up from Rs. 63.23 in the previous year to Rs. 74.76 for the year under review. The E.P.S. of the company has also increased significantly from Rs. 12.14 in the previous year to Rs. 16.80 for the year under review.

In view of the above consistent outstanding performance of your company, the Board has recommended an increased dividend of 50% on the equity shares for the year under review as against 30% in the previous year, for your approval.

Given this background, I am happy to confirm the obvious assumption that the outlook for the current year is most encouraging. The fundamentals of your company continue to be strong as ever.

As I mentioned to you in my previous address, the wholly owned subsidiary company in Switzerland has enabled your company to increase its exports considerably. It has been successful in providing better service and attention to customers. During the financial year ended 31st December, 1997, the wholly owned subsidiary company has posted a turnover of SFR 498,173 and a