



FINEST QUALITY TIE MAKERS

# ZODIAC

Fresh colours inspired by the Italian summer

*Summer Collection*

Report  junction.com

**ZODIAC**  
FINEST QUALITY SHIRTMAKERS

*ringed Two Ply Cotton*



*Firenze*  
COLLECTION

**ZODIAC**  
FINEST QUALITY SHIRTMAKERS

C O N T E N T S

	Page
Board of Directors	6
Directors' Biographies	8
Chairman's Statement	10
Directors' Report	13
Report on Corporate Governance	16
Management's Discussion & Analysis	30
Auditors' Report	33
Annexure to Auditors' Report	34
Balance Sheet	36
Profit & Loss Account	37
Schedules Forming Part of the Accounts	38
Balance Sheet Abstract & company's General Business Profile	53
Cash Flow Statement	54
Annexure to Directors' Report	56
Consolidated Group Accounts with Auditors' Report	87

S U B S I D I A R I E S

Multiplex Collapsible Tubes Limited	61
Zodiac Clothing Co. S.A.	81

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. Bernhard Steinrucke

Mr.S.M.Datta

Mr.Gurcharan Das

Dr. Heinrich-Dietrich Dieckmann

Report Junction.com

Mr.Deepak Parekh

(Alternate to Dr.Heinrich Dieckmann)

Mr. S.R. Iyer

Mr. Y.P. Trivedi

Mr.A.Y.Noorani

Vice Chairman & Managing Director

Mr.S.Y.Noorani

Managing Director & President

**REGISTERED  
OFFICE**

Apte Properties  
10/76, Off Dr. E. Moses Road,  
Worli, Mumbai - 400 018.  
Tel. : 56677000  
Fax : 56677159

**SECRETARY**

Mr. Anoop Pillai

**STATUTORY AUDITORS**

M/s. Rege & Thakkar,  
Chartered Accountants  
5-B, Fairy Manor,  
13, Rustom Sidhwa Marg,  
Fort, Mumbai -400 001.

**INTERNAL AUDITORS**

M/s. Bhandarkar & Kale  
Chartered Accountants  
Lentin Chambers, Fort,  
Mumbai.

**FACTORIES**

- Yelahanka,  
Bangalore - 560063.
- Whitefield Road,  
Bangalore - 560 048.
- Bommasandra,  
Bangalore - 560 099
- Koramangala ,  
Bangalore - 560 095.
- Umbergaon,  
Gujarat - 396 171.
- Umbergaon,  
Gujarat - 396 171.
- Umbergaon,  
Gujarat - 396 171.
- Lower Parel,  
Mumbai - 400 011.

**SOLICITORS**

M/s. A.H.Parpia & Co.  
Lentin Chambers, Fort,  
Mumbai.

M/s. Kanga & Co.  
Readymoney Terrace,  
Fort,  
Mumbai.

**REGISTRAR & TRANSFER  
AGENTS OFFICE**

Karvy Computershare Pvt. Ltd.  
7, Andheri Indl.Estate,  
Off. Veera Desai Road,  
Andheri (W), Mumbai - 400 053.

**BANKERS**

Dena Bank  
Maker Towers E,  
Cuffe Parade,  
Mumbai - 400 005.

IDBI Bank  
Mittal Tower, C-Wing,  
Nariman Point,  
Mumbai - 400 021

ABN AMRO Bank N. V.  
74, Sakhar Bhavan,  
Nariman Point,  
Mumbai - 400 021.

Central Bank of India  
Chander Mukhi Building,  
Nariman Point,  
Mumbai - 400 021.

**SUBSIDIARIES**

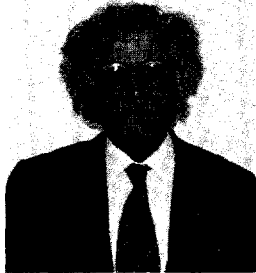
- Multiplex Collapsible Tubes Ltd.
- Zodiac Clothing Company S.A.

## DIRECTORS' BIOGRAPHIES



**Mr. M.Y. Noorani**  
Chairman

Mr. M.Y. Noorani, is the founder of ZODIAC and the founding father of the Clothing industry in India. He was the founder of the Clothing Manufacturers Association of India as well as its President for three consecutive terms. He has served on the managing committee of several trade organizations, including Indo German Chamber of Commerce, Bombay Chamber of Commerce, Indo Italian Chamber of Commerce as well as E.U. Chamber of Commerce, where he was the President for two terms. He has led Zodiac in its continuous quest for excellence and has also been the recipient for Lifetime achievement awards from IFA Lycra Images and also from Clothing Associations – CMAI and CIAE.



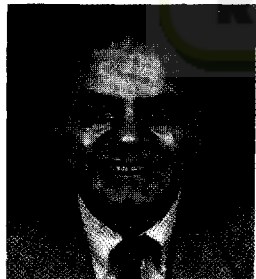
**Dr. S. Abid Hussain**  
Director

Dr. S. Abid Hussain is a retired I.A.S. officer and the former Secretary, Govt. of India, Ministry of Commerce. He was the special Rapporteur of the U.N. Commission on Human Rights, Geneva for about 6 years. 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 G.V.K. Industries Ltd., G.V.K. Taj Hotels & Resorts Ltd., Wockhardt Ltd., Havels India Ltd., Shree Cements Ltd. and Chairman of Hyderabad Flextech Ltd. He is also the principal trustee of Morgan Stanley Asset Management (India) 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, Member of the Indian Cotton Mills Federation and former Chairman of the Textiles Committee. He is currently the Chairman of the Apte Amalgamations Ltd. and a Director of Lintas India Pvt. Ltd., Grasim Industries Ltd. and Tata TD Waterhouse Asset Management Pvt. Ltd., Bajaj Hindustan Ltd., Standard Industries Ltd. & the Bombay Burmah Trading Corporation 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. He has graduated with honours from Harvard University and later attended Harvard Business School, where he featured in three case studies. He is an operating advisor in Chrys Capital, a venture capital fund for India's knowledge industries. He is a Director of Ranbaxy Laboratories Ltd, Arcus Ltd., Mastek Ltd., Fortis Healthcare Ltd., Berger Paints India Ltd. He was also the Chairman of Citibank's Advisory Board. He was also a member of the government's Foreign Investment Promotion Council.



**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., Philips India Ltd., EID Parry (India) Ltd. and IL & FS Investment Managers Ltd. He is currently a Director of Peerless Gen. Fin. and Inv. Co. Ltd., Goodlass Nerolac Paints Ltd., Transport Corporation of India Ltd., BOC India Ltd., Atul Ltd., Bhoruka Power Corporation Ltd. and is the former President of Bombay Chamber of Commerce and Industry and also the past President of Council of EU Chamber of Commerce.



**Mr. Bernhard Steinrucke**  
Director

Mr. Bernhard Steinrucke is the Director General of Indo-German Chamber of Commerce. He was the Managing Partner on the Board of ABC Bank GmbH, Berlin, 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.



**Dr. Heinrich-Dietrich Dieckmann**  
Director

Dr. Heinrich-Dietrich Dieckmann is a retired German diplomat whose entire career was focused mainly on international economic affairs. During his illustrious career he has served as the German Ambassador to India, Head of the Economic Department for German Mission to the United Nations, German Ambassador to Japan, Director General for Economic Affairs and European Integration in German Foreign office. He was the Foreign Office Representative in all negotiations with the Soviet Union and later on Russia, dealing with the economic aspects of German unification.



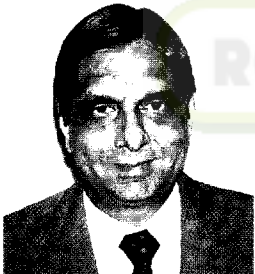
**Mr. Deepak Parekh**  
Director

Mr. Deepak Parekh is the Chairman of H.D.F.C. Ltd., Infrastructure Development & Finance Co. Ltd., Glaxo Smithkline Pharmaceuticals Ltd., HDFC Asset Management Co. Ltd., HDFC Chubb General Insurance Co. Ltd., HDFC Standard Life Insurance Co. Ltd., and Burroughs Wellcome (India) Ltd. He is a Fellow of the Institute of Chartered Accountants, (England and Wales). He has been a member of various Committees setup by the Government of India, especially in the field of Finance and Capital Market. He is currently a Director of Hindustan Lever Ltd., Castrol India Ltd., Mahindra & Mahindra Ltd., Siemens Ltd. and The Indian Hotels company Ltd.



**Mr. Y. P. Trivedi**  
Director

Mr. Y. P. Trivedi is the former President of Indian Merchants Chamber, The Chamber of Income Tax Consultants, Indo-African Chamber of Commerce. He is currently the Chairman of Telstar Travels Pvt. Ltd., Trivedi Consultants Pvt. Ltd. and Sai Service Station Ltd. and also a Director on the Board of Reliance Industries Ltd., Birla Power Solutions Ltd., Metro Exporters Pvt. Ltd., Safari Industries Ltd., Zandu Pharmaceuticals Works Ltd., Clare Mont Trading Pvt. Ltd. & Bloomingdale Estates Pvt. Ltd.. Mr. Trivedi has also served as a Chairman/Director of Central Bank of India, Central Bank Executors and Trustee company Ltd.



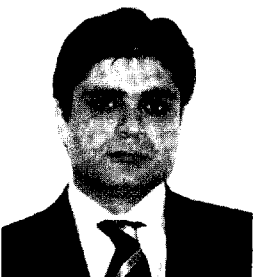
**Mr. S.R. Iyer**  
Director

Mr. S.R. Iyer is the former Chairman and Director of Credit Information Bureau (India) Ltd. a joint venture of the State Bank of India & HDFC Ltd. Mr. Iyer has vast knowledge and rich experience in the banking industry. He was also the Managing Director of State Bank of Mysore and retired as the Managing Director of the State Bank of India. He has also been a Director of National Stock Exchange of India Ltd. and GE Capital Business Process Management Services Pvt. Ltd. Mr. S.R. Iyer is presently the Director of Dhara Vegetable Oil & Foods Co. Ltd. and IDMC Ltd.



**Mr. A.Y. Noorani**  
Vice Chairman & Managing Director

Mr. A.Y. Noorani joined the House of ZODIAC in 1969 and after successfully developing its export business and scaling up its overall operations became Managing Director of the organization in 1980. He has completed the Advance Management Programme at Harvard University, Boston, and is today responsible for overseeing the management of the organization, Corporate affairs and Finance. He is the Vice President and Managing Committee Member of the Indo-German Chamber of Commerce and Honorary Adviser of CIAE. He is also a member of the Executive Council of Apparel Export Promotion Council (AEP), Managing Committee of Bombay Chamber of Commerce, and Committee for National Institute of Textile Management (established by Ministry of Textiles), Steering Group on Investment and Growth in Textile Industry and a member of the Committee for Market access for textile products (both established by Ministry of Textiles).



**Mr. S.Y. Noorani**  
Managing Director & President

Mr. S.Y. Noorani joined the House of ZODIAC in 1982. He was responsible for setting up the company's state-of-the-art manufacturing facilities and international marketing operations in London, Dusseldorf and New York. He leads a dynamic team of professionals in the running of the organization ranging from design and manufacturing to sales and marketing which has successfully launched the brand ZOD! in the Indian market. Mr.S.Y. Noorani is the Co-Chairman of Indo-Spanish Business Committee of Bombay Chamber of Commerce and is also on the Managing Committees of Indo-Italian Chamber of Commerce, Confederation of Indian Industry (Western Region) and Young Presidents Organization. He is also a member of the CII Steering Committee on Indo-EU Trade & Investment in Textiles.



## CHAIRMAN'S STATEMENT



The export of clothing from India in April 2003-March 2004 declined 3.82% in terms of volume. The value of the exports during this period was Rs. 22,703 crores as against Rs.23,035 crores in the previous year, i.e. a decline of 1.44%.

The export turnover of your company increased by 45% in terms of volume and by Rs.33.94 crores in terms of value, i.e. 55%, indicating your company's constant effort to outperform the market. Infact, the overall turnover of the company increased from Rs.123 crores in the previous financial year to Rs.162 crores i.e. an increase of 32%, with the PAT rising from Rs.3.18 crores to Rs. 9.03 crores i.e. an increase of 184% over the previous year. The EPS also increased to Rs. 26.33. (previous year Rs. 9.27).

In line with the improved performance of the company, your directors are pleased to recommend, for your approval, an increased dividend of 70% instead of 50% paid in the past.

The year in review has been eventful, with the House of Zodiac entering its 50th year of operation this year. During June 2003, the company acquired a shirt manufacturing facility at Bangalore, besides which the company is in the process of setting up a highly sophisticated trouser and suit manufacturing facility, also at Bangalore. The capacity at one of our plants at Bangalore for shirt manufacture has been doubled.

Besides, the Board, in their meeting held in July 2004, have approved a proposal for the acquisition of a running, profit-making shirt manufacturing facility in the UAE, with an installed capacity of 1.7 million pieces annually, as a stepdown subsidiary. This is one more step in making your company a truly transnational company, with the eventual objective of sharpening its competitiveness, and gaining market share in the post-2005 scenario, that I have talked to you about before.

The company has also received in August, 2004, from CMAI (The Clothing Manufacturers' Association of India), APEX Awards for 4 categories viz:

1. Best Management Team of the Year - Zodiac Clothing Co. Ltd.
2. The Most Promising Brand of the Year – ZOD!
3. Best Media Campaign of the Year - ZODIAC.
4. Best Clothing Professional of the Year - Mr. Ancees Noorani, Vice Chairman and Managing Director of your company.

During the year, the industry has continued to face challenges, such as the appreciation of rupee vis-a-vis the dollar (though this trend in the current year has thankfully been reversed), heightened competition as the date for the restraint-free global trade in Clothing gets closer, some of the markets in the EU continuing to face economic problems, especially Germany, and addressing the threat posed due to the advantage conferred upon

some competitor countries due to Free Trade Agreements/ Preferential Tariff Agreements enabling them to get duty free/concessional duty access for their export of clothing into the EU/US markets. The challenge is of addressing the competition from different blocks a] Low Cost countries from the Far East (viz. China, Vietnam, Myanmar) b] FTA/PTA countries (NAFTA, AFTA, Sub-Sahara, Eastern Europe, Turkey, AGOA and LDCs like Bangladesh] - the new threat is the FTA between Thailand and the US and the potential FTA between Sri Lanka and the USA. c] Countries which are "creations of quota" whose Raison d'être was quota, and who going forward, are the most vulnerable. The rise in the rate of inflation is a cause of concern.

The scenario in the Indian market continues to be most promising viz. the consumer exists in large numbers with adequate buying power and with knowledge of, and desire for, clothing of the kind used by his counterparts globally. The product of international standard is available from your company, besides a few others. What is missing is the infrastructure of organized professional retailing, which is still in its nascent stage in our country and on establishment of which one will see a quantum jump in volumes. This will happen perhaps by permitting of FDI in Retailing. Your company's investment in Shoppers Stop Ltd. should be looked at in light of this.

Volumes have been written about the post-2005 restraint-free scenario. Several studies by respected organisations indicate that the biggest beneficiary would be China, followed by India. To be able to harness the opportunities presented to it, India needs to negotiate FTAs/PTAs with the EU/US for zero duty/concessional duty access before December 2004, mobilise to become totally WTO compliant so as to be able to counter potential non-tariff barriers and anti-dumping actions. We also need to

improve infrastructural facilities to speed up movement of cargo, both within the country and as well as to reduce the time for handling this cargo in the ports to 12 hours, matching major ports like Dubai, Colombo and Hong Kong.

The industry is jubilant at the world class economists/brainpower we currently have in our government in the PMO, Ministries of Finance/Commerce and in the Planning Commission. We look to them to negotiate favourable agreements with our major trading partners i.e. the EU/US, before December 2004, to help prevent misuse of preferential tariffs by some competitor countries, and to offer the Clothing industry a WTO compliant tax benefit to offset the effects of the potential price deflation (as they have done for the I.T., Power, Agriculture, Infrastructure industries), to help strengthen the cotton fabric production base in India and to encourage the clothing industry in brand building in the EU/US market, where hitherto only one brand i.e. 'ZODIAC' has been successful in making headway in selling some Indian branded clothing in the European and North American markets.

The current year continues to be promising and we are doing our utmost to perform even better during the year.

Finally, let me take this opportunity to thank our dedicated team for their valuable support and cooperation, without which the company would not have been able to reach the position it enjoys today.

I also thank my colleagues on the Board for their valuable participation and contribution while guiding the course of the company.

**M.Y. NOORANI**  
Chairman