

ZODIAC CLOTHING CO. LTD.

ANNUAL REPORT

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2004-05



ZODIAC

FINEST QUALITY SHIRTMAKERS

Mercerized Two Ply Cotton

REPORT JUNCTION

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Portofino Linen

ZODIAC

FINEST QUALITY SHIRTMAKERS

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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. Bernhard Steinruecke

Mr.S.M.Datta

Mr.Gurcharan Das

Dr. Heinrich-Dietrich Dieckmann

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 : 56677279

SECRETARY

Mr. Anoop Pillai

STATUTORY AUDITORS

M/s. Deloitte Haskins & Sells
Chartered Accountants
12, Dr. Annie Besant Road,
Opp. Shivsagar Estate,
Worli, Mumbai - 400 018.

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.

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

Citi Bank N. A.
Citi Tower,
61, Dr. S.S. Rao Road,
Parel, Mumbai - 400 012.

SUBSIDIARIES

- Multiplex Collapsible Tubes Ltd.
- Zodiac Clothing Company S. A. (Switzerland)
- Zodiac Garment Factory L. L. C. (U.A.E)

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 the 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., Havel's India Ltd., Shree Cement Ltd. and the Chairman of Hyderabad Flextech Ltd. & Nagarjuna Oil Corporation Ltd. He is also principal trustee of Morgan Stanley Asset Management (India) Ltd.



Mr. M.L. Apte
Director

Mr. M.L. Apte, former Sheriff of Bombay is 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 Apte Amalgamations Ltd. and a Director of Lintas India Pvt. Ltd., Grasim Industries Ltd., Tata TD Waterhouse Asset Management Pvt. Ltd., Bajaj Hindustan Ltd., Standard Industries Ltd., The Bombay Burmah Trading Corporation Ltd., New Phaltan Sugar Works Ltd., The Raja Bahadur Poona Mills Ltd., Kulkarni Power Tools Ltd. and Dr. Writer's Food Products Pvt. 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 was also a member of the government's Foreign Investment Promotion Council. He was also the Chairman of Citibank's advisory board. 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., Mastek Ltd., Fortis Healthcare Ltd., Berger Paints India Ltd., Crest Animation Studio Ltd., Birla Sunlife Trustee Co. Pvt. Ltd., Agni Media Pvt. Ltd. Gurcharan Das Consultants Pvt. Ltd. and Ankar Capital Pvt. Ltd.



Mr. S.M. Datta
Director

Mr. S.M. Datta is the former Chairman of Hindustan Lever Ltd. He is also the former President of Bombay Chamber of Commerce and Industry and is also the past President of Council of EU Chamber of Commerce. He is currently the Chairman of Castrol India Ltd., Philips India Ltd., EID Parry (India) Ltd. Tata Trustee Co. Pvt. 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., TIL Ltd., M. Visvesvarya Industrial Research & Development Center, Ambit Corporate Finance Pte. Ltd. Chandra, s Chemical Enterprises Pvt. Ltd. and Rabo India Finance Pvt. Ltd.



Mr. Bernhard Steinruecke
Director

Mr. Bernhard Steinruecke 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. He is currently a Director of FAG Bearings India Ltd. and Motor Industries Co. Ltd.



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 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 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 Siemens Ltd. He is currently a Director of Hindustan Lever Ltd., Castrol India Ltd., Mahindra & Mahindra Ltd., Motor Industries Co. Ltd., Hindustan Oil Exploration Corporation Ltd., Borax Morarji Ltd., Bharat Bijlee Ltd. Excide Industries Ltd. and The Indian Hotels Co. 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. Zandu Pharmaceuticals Works Ltd. and Sai Service Station Ltd. and also a Director on the Board of Reliance Industries Ltd., Reliance Infocom Ltd., Reliance Communications Infrastructure Ltd. Birla Power Solutions Ltd., Metro Exporters Pvt. Ltd., Safari Industries Ltd., Supreme Industries Ltd., Clare Mont Trading Pvt. Ltd. Colosseum Sports and Recreation International & Bloomingdale Estates Pvt. Ltd. He is also a member of the managing committee of Indian Merchant Chambers. 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 President and Managing Committee member of the Indo-German Chamber of Commerce and an Honorary Adviser of CIAE. He is a member of Indo-German Consultative Group constituted by the Ministry of External Affairs, New Delhi. He is a Managing Committee member of Bombay Chamber of Commerce & Industry and also a member of the CII-National Committee on 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 CMAI. He is a member of the CII-Steering Committee on Indo-EU Trade & Investment in Textiles and also of Young Presidents Organisation.

CHAIRMAN'S STATEMENT



During the financial year 2004-2005, the export of clothing from India declined to approximately US\$ 5.5 billion as against US \$ 5.79 billion in 2003-04. This is attributable to the global realignment of the industry in the runup to the phasing out of the Multi-fibre agreement from January 01, 2005. Every analyst globally has projected that India would be the second biggest beneficiary (after China) of the new situation. However, for India to fully harvest this opportunity, it is vital that the right conditions are created for the Indian Clothing and Textile Industry.

For the year ended 31st March, 2005, the consolidated gross revenues of the company stood at Rs. 177.68 crores as against Rs. 166.20 crores in the previous financial year. The consolidated net profits after tax for the financial year 2004-05 remained flat at Rs. 8.73 crores in comparison to the net profits of Rs. 8.76 crores for the previous year. The company has been able to maintain its performance during the fiscal 2004-05 despite intense competition in the overseas markets, which has consistently made international headlines and despite the reduction in duty drawback/appreciation of rupee.

The consolidated export revenues of the company increased to Rs. 115 crores in 2004-2005 as against Rs. 104 crores in the previous year. The Company benefited from the balanced diversification of its export markets between U. S. A, the E. U. and the U. K. as well as small presence in Latin America and Middle East. The economic slow down in Germany which is one of the key markets of the Company, was contained due to balanced market diversification.

The Company's branded business began to show an encouraging trend in the last quarter of 2004-05.

The Dubai manufacturing facility yielded Rs. 6.47 crores

during mid February 2005 to 31st March, 2005 to the consolidated turnover of the Company. The actual turnover of this unit during April to March 2005 was Rs. 50.35 crores.

In line with the performance of the company the Board of Directors have recommended a Dividend of Rs. 7/- per equity share, subject to the approval of shareholders in the ensuing Annual General Meeting.

During the year 2004-2005, there have been a few events which have had an adverse impact on the export of clothing from India. First was the embargo imposed by USA on import of clothing from India in November-December, 2004, prior to dismantling of the quotas.

In January 2005, duty drawback rates were reduced to effectively 3% from 9.5%. In May 2005 the same was reinstated to 6%. The effective rate for Zodiac is 5% due to the cap of duty drawback @ of Rs. 19/- per shirt. As against the above, the Clothing Industry in China is being compensated with a duty drawback rate of 13% by their government, which make their products extremely competitive in the International markets.

The global competitive pressure on pricing in the runup to January 01, 2005, had its impact on the export revenues of the company. This coupled with the Indian Rupee appreciating against the US dollar has aggravated the position. Furthermore, the depreciation of the Euro and Sterling pound against the US dollar impacted the export revenues.

The notable events during the financial year 2004-2005 were the conclusion of a preferential issue of 7,50,000 equity shares at a price of Rs. 400/- per equity share with financial investors (including FIIs) to raise Rs. 30 crores. The objects of the issue were to part fund the acquisition of a shirt manufacturing facility in the UAE, to aggressively grow the Company's own stores over the