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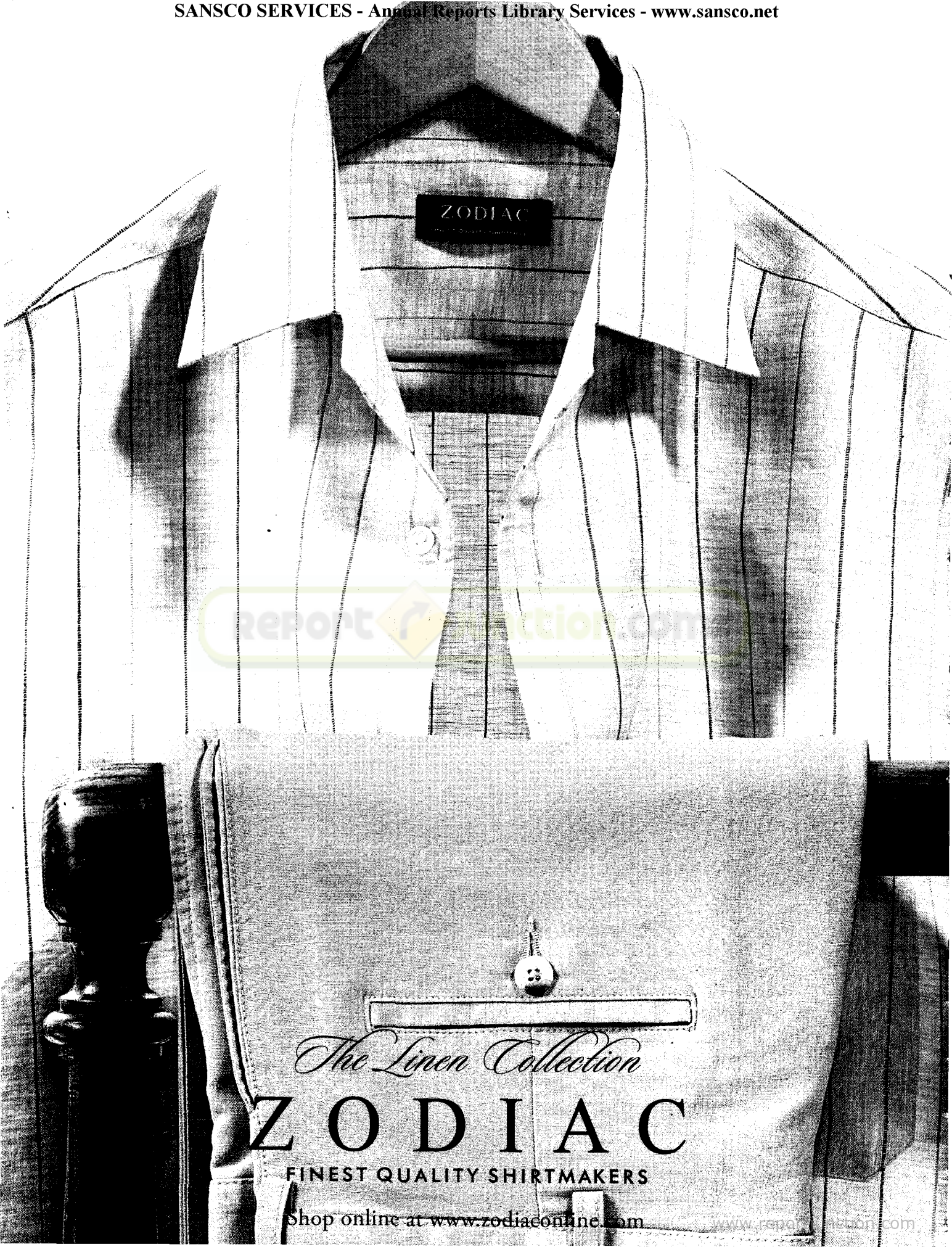
Ravello

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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

Dr. Heinrich-Dietrich Dieckmann

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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. : 66677000
Fax : 66677279

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 - 560 063.
- 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

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.

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

State Bank of India
Commercial Branch,
N. G. N. Vaidya Marg,
Mumbai - 400 023.

SUBSIDIARIES

- Multiplex Collapsible Tubes Ltd.
- Zodiac Clothing Company S.A. (Switzerland)
- Zodiac Clothing Company (U.A.E.) LLC

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., G.V.K. Power & Infrastructure 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 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. 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 Electronics 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. Visvesvaraya 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.



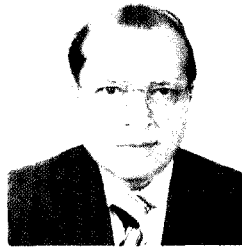
Dr. Heinrich-Dietrich Dieckmann
Director

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. Exide Industries Ltd. and The Indian Hotels Co. Ltd., Lafarge India Pvt. 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 Petroleum 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 Merchants' Chamber. Mr. Trivedi has also served as a Director of Central Bank of India, Dena Bank, 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) Limited a joint venture of the State Bank of India & HDFC Limited. 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 Limited and GE Capital Business Process Management Services Pvt. Ltd. Mr. S. R. Iyer is presently the Director of Dhara Vegetable Oil & Foods Co. Ltd., KSK Energy Ventures 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 was Past-President of the Indo-German Chamber of Commerce and is presently on the Managing Committee of the said Chamber and also an Honorary Adviser of CIAE. He is a member of Indo-German Consultative Group constituted by the Ministry of External Affairs, New Delhi 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



Clothing exports from India were of US\$ 7 billion in 2005-06 as against US\$ 5.5 billion in 2004-05. After the phasing out of quotas on January 2005 there was tremendous pressure on selling prices and margins. Those companies that sacrificed margins were able to achieve an increase in turnover, which is reflected above. Your company chose to not compromise on prices. The average unit value realization achieved by your company was higher in the financial year 2005-06 than in the previous financial year.

The Indian market is positioned for consistent growth, by virtue of growth of organised retail chains, and due to the rapid development of shopping malls. Organised retailing has increased its share of overall retailing in India, and is projected to expand from the current 3.4% level to about 10% of the total retail market by 2010. Presently 95 malls are in operation and more than 225 malls are expected to open in the next 2 to 3 years. The propensity of people to spend is increasing sharply due to factors like rapid growth in urban population, increasing proportion of young population joining workforce with higher disposable income and higher aspiration levels of a burgeoning middle class in big Indian cities. In view of the above your company is focusing on the branded business in India, in all its channels - own retail, large organised retailers, and well run independent retailers.

During the fiscal year 2005-06, the company has reported consolidated gross revenues of Rs. 226 crores as against Rs. 178 crores in the previous year, registering a growth of 27% over the previous year. The consolidated net profit increased to Rs.13.37 crores in F.Y. 2005-06 from Rs. 8.73 crores in the previous year, registering an impressive growth of 53% over the previous year. The company has been able to maintain its performance during the fiscal year 2005-06 despite intense competition in the international markets.

On a standalone basis the company reported a turnover of Rs.168 crores versus the previous year's Rs.150 crores, i.e. an increase of 11.57%. 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 a small presence in Latin America and the Middle East. The impact of the economic slowdown in Germany, one of our key markets, was contained due to market diversification.

The investment in the manufacturing facility in the U.A.E. has been vindicated, yielding approximately Rs. 57 crores of revenue and realizing our objective of multi-country production facilities with a view to de-risk our business. This has enabled the company to leverage its strengths in design and production systems. There is a free trade agreement being negotiated by the U.A.E. with both the E.U. and the U.S.A.

The branded business of the company in India recorded strong growth in every channel i.e. the large organised retailers, independent retailers as well as company's own stores - both like to like as well as new stores opened. Both Zodiac and Zod brands have made significant strides at the premium end of the Indian clothing industry.

During the year the company has issued bonus shares in the ratio of 1:1 on the increased number of shares after the preferential issue. The Board has also recommended a dividend of Rs. 5/- per share on the enhanced capital post-bonus, subject to the approval of shareholders at this A.G.M. Here again we are in line with best practices in terms of dividend payout ratio.

During the year under review Zodiac Clothing Co.SA, the wholly owned Swiss subsidiary company, has redeemed the preference shares subscribed by the company for the purpose of investment in the U.A.E. facility, to the tune of Swiss francs 1,300,000 [equivalent to Rs. 4,38,03,467/-].

Your company continues to focus on its core business of mens' clothing. Our objective has been to create a business which is vertically integrated from design to retail, in the most de-risked manner possible. Towards this end the company has opened 15 new stores during the year, and plans to continue to aggressively grow this by another 30 stores during 2006-07, subject to the rollout of the