

FINEST QUALITY CLOTHING

ZODIAC

*Passione
per l'Arte*



REPORT

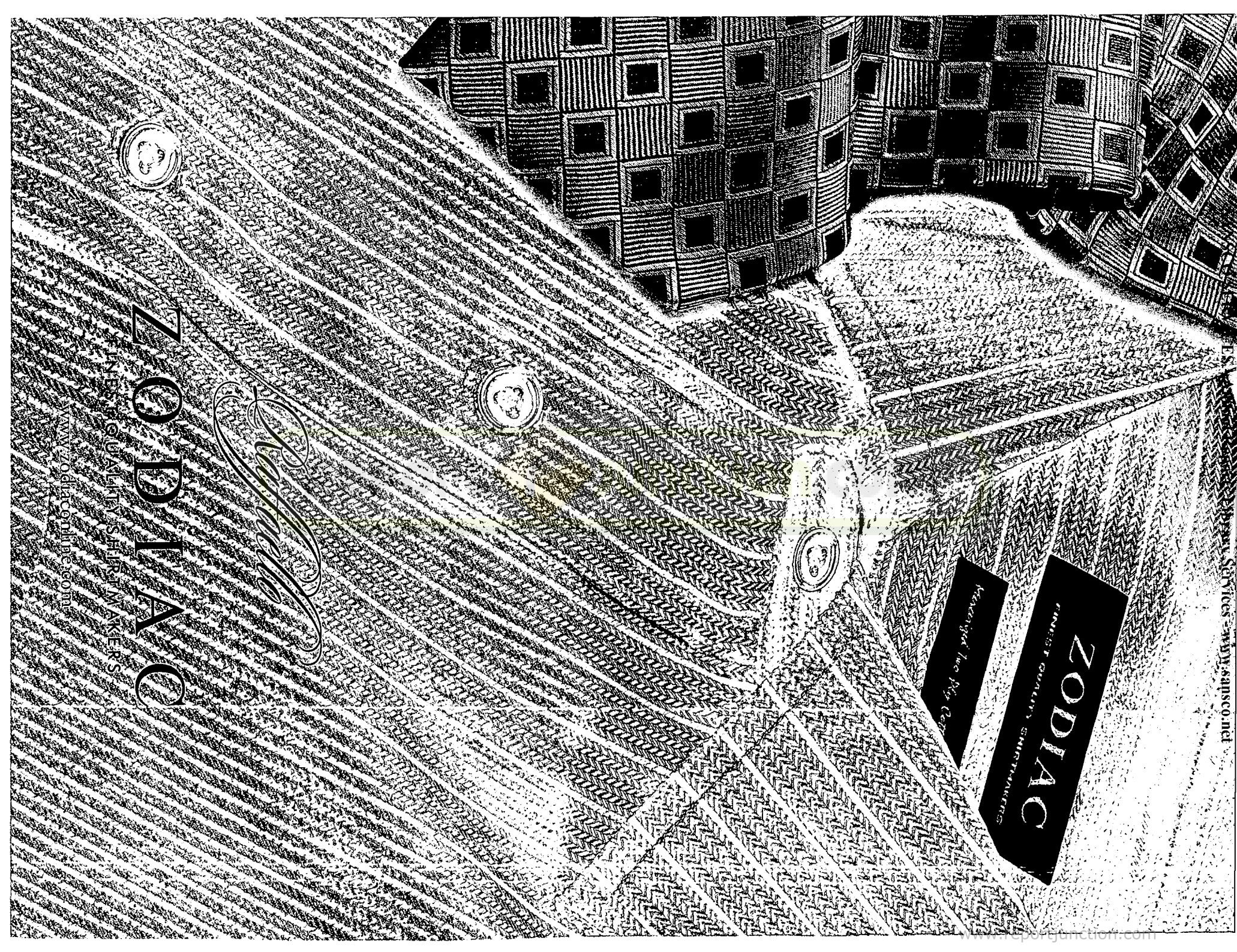
ZODIAC
FINEST QUALITY SHIRTSMAKERS
Manufactured from 100% Cotton

ZODIAC

Refined

© CANTAS SHIRTSMAKERS

www.zodiacshirts.com



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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

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. : 022-66677000
Fax : 022-66677279

COMPANY SECRETARY

Mr. S. Chakraborty

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.
- A-1, 181/1, GIDC, Umbergaon,
Valsad, Gujarat - 396 171
- C/2/7, GIDC, Industrial Area,
Umbergaon, Valsad, Gujarat - 396 171
- Plot No. 411, Unit II, GIDC,
Umbergaon, Valsad, Gujarat - 396 171
- A to Z Industrial Area, Lower Parel,
Mumbai - 400 011

SOLICITORS

M/s. A.H. Parpia & Co.
203/204 Prabhat House, 2nd Floor,
92, S.V. Road, Khar (W), Mumbai - 400 052

M/s. Kanga & Co.
Readymoney Mansion,
43, Veer Nariman Road,
Mumbai - 400 001.

REGISTRAR & TRANSFER AGENTS OFFICE

Karvy Computershare Pvt. Ltd.
Karvy House,
46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad - 500 034.

BANKERS

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

Citi Bank N.A.
Citi Bank Centre,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051.

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

SUBSIDIARIES

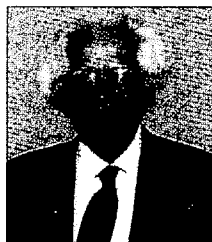
- Multiplex Collapsible Tubes Limited
- Zodiac Clothing Co. S.A. (Switzerland)
- Zodiac Clothing Company (U.A.E.) LLC

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. He is also Chairman of various Public Limited and Private Limited Group Companies.



Dr. S. Abid Hussain
Director

Dr. S. Abid Hussain (Padma Bhushan, 1988) is a retired I.A.S. officer and the former Secretary, Government of India, Ministry of Commerce and Ministry of Heavy Industry. He was also a member of the Planning Commission and the Ambassador of India to the United States of America, besides holding membership of numerous national and international bodies including several U.N. assignments in varied fields. He was the Special Rapporteur of the U.N. Commission of Human Rights, Geneva, Chairman of CSIR, Vice Chairman of the Rajiv Gandhi Foundation and Chancellor of the Central University, Hyderabad. Dr. S. Abid Hussain is currently a member of the International Panel on Democracy & Development of UNESCO and Professor Emeritus at the Indian Institute of Foreign Trade (IIFT) and the Foreign Service Institute of the Ministry of External Affairs. He is currently a director of G.V.K. Industries Limited, G.V.K. Taj Hotels & Resorts Limited, GVK Power & Infrastructure Limited, Wockhardt Limited, Havel's India Limited, Shree Cement Limited, Gangavaram Port Limited and the Chairman of Hyderabad Flextech Limited and Nagarjuna Oil Corporation Limited. He is also Principal Trustee of Morgan Stanley Asset Management (India) Limited.



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 Limited and a Director of Lintas India Private Limited, Grasim Industries Limited, Tata Asset Management Limited, Bajaj Hindustan Limited, Standard Industries Limited, The Bombay Burmah Trading Corporation Limited New Phaltan Sugar Works Limited, The Raja Bahadur International Limited, Kulkarni Power Tools Limited and Dr. Writer's Food Products Private Limited.



Mr. S. M. Datta
Director

Mr. S. M. Datta is the former Chairman of Hindustan Lever Limited. 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 Limited, Philips Electronics India Limited, Tata Trustee Co. Private Limited, IL & FS Investment Managers Limited, BOC India Limited, Peerless Hospital & Research Centre Limited, Reach (Cargo Movers) Private Limited and Director of Peerless Gen. Fin. and Inv. Co. Limited, Kansai Nerolac Paints Limited, Transport Corporation of India Limited, Atul Limited, Bhoruka Power Corporation Limited, Peerless Hotels Limited, Ambit Corporate Finance Pte. Limited, Chandra's Chemical Enterprises (Private) Limited, Rabo India Finance Limited, Wockhardt Hospitals Limited and BHW Home Finance Limited.



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 Limited and Motor Industries Co. Limited.



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, German Ambassador to Japan, Director General for Economic Affairs and European Integration in the German Foreign Office, Head of the Economic Department of the German Mission to the United Nations in New York. He was the Foreign Office Representative in all negotiations with the Soviet Union and later on Russia, dealing with the economic aspects of German reunification, and one of the German Sherpas for the preparations of the G7 summits 1992, 1993 and 1994.

**Mr. Deepak Parekh**

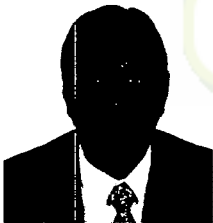
Director

Mr. Deepak Parekh (Padma Bhushan, 2006) is a Fellow of the Institute of Chartered Accountants (England and Wales). He is the Chairman of H.D.F.C. Limited, Infrastructure Development & Finance Co. Limited, Glaxo Smithkline Pharmaceuticals Limited, Siemens Limited, HDFC Asset Management Co. Limited, HDFC ERGO General Insurance Co. Limited and HDFC Standard Life Insurance Co. Limited. He is a Director of Hindustan Unilever Limited, Castrol India Limited, Mahindra & Mahindra Limited, Hindustan Oil Exploration Corporation Limited, Exide Industries Limited, The Indian Hotels Co. Limited, and Lafarge India Private. Limited. He has been a member of several Committees set up by the Government of India, especially in the field of Finance and Capital Markets, the recent one being the Investment Commission Committee. Mr. Parekh has won several accolades and awards. He was the youngest recipient of the 'Corporate Award for Life Time Achievement', from the Economic Times. He was awarded the 'Businessman of the Year - 1996' by Business India, and the 'JRD Tata Corporate Leadership Award' from the All-India Management Association. He was the first recipient of the 'Qimpro Platinum Award' for Quality for his contributions to the services sector.

**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, a member of the Managing Committee of Indian Merchants' Chamber. He is a member of Rajya Sabha. He is currently the Chairman of Trivedi Consultants Private Limited, Zandu Pharmaceuticals Works Limited and Sai Service Station Limited and also a Director of Reliance Industries Limited, Reliance Petroleum Limited, Birla Power Solutions Limited, Metro Exporters Private Limited, Safari Industries Limited, Supreme Industries Limited, Clare Mont Trading Private Limited, Colosseum Sports and Recreation International, Monica Travels Private Limited, Seksaria Biswan Sugar Factory Limited, New Consolidated Construction Co. Limited, Birla Cotsyn (India) Limited. Mr. Trivedi has also served as a Director of Central Bank of India, Dena Bank and Central Bank Executors and Trustee Company Limited.

**Mr. S. R. Iyer**

Director

Mr. S.R. Iyer retired as Managing Director of the State Bank of India. He is the former Chairman and Director of the Credit Information Bureau (India) Limited. He was also the Managing Director of State Bank of Mysore, Director of the National Stock Exchange of India Limited and GE Capital Business Process Management Services Private Limited. He has vast knowledge and rich experience in banking. He is presently Director of Dhara Vegetable Oil & Foods Co. Limited, the Indian Dairy Machinery Company Limited, KSK Energy Ventures Limited, and KSK Power Venture Plc, P.N. Writer & Co. Private Limited, KSK Electricity Financing Private Limited.

**Mr. A. Y. Noorani**

Vice-Chairman & Managing Director

Mr. A.Y. Noorani joined the House of Zodiac in 1968 and after successfully developing its export business and scaling up its overall operations, became Managing Director of the organisation in 1980. He completed the Advance Management Programme at Harvard Business School, Boston, and is responsible for overseeing the management of the organisation, corporate affairs and finance. Mr. Noorani is Past President of the Indo-German Chamber of Commerce and is presently on the Managing Committee of the Chamber and a member of the Indo-German Consultative Group. He is also Director of Public Limited and Private Limited companies of the House of Zodiac. Mr. A.Y. Noorani has been appointed as a Director on the Board of Indian Oil Corporation Limited.

**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. He is also Director of various Public Limited and Private Limited companies of the House of Zodiac.

CHAIRMAN'S STATEMENT



During the year under review (April 2007 to February 2008), clothing exports from India have grown by a modest 7% in US Dollar terms (which is the appropriate measure, given the forex volatility). India's share of global trade in clothing is 4% vs. China's 35%. The opportunity of growth of trade in clothing continues to be promising with the trend towards readymade clothing also catching on in developing economies.

With the situation in China becoming increasingly unfavourable for the export of clothing due to factors such as the appreciation of their currency, high inflation, reduction in subsidies paid to exporters, higher wages, somewhat greater enforcement of labour laws and the demographic problems stemming from the ageing population/single child policy, an opportunity seems to be evolving for India to capture market share.

However, this is not, as yet, happening. This can be partly attributed to the sharp, sudden and rapid appreciation of the Rupee. This has resulted in not only a fall in the export of clothing from India in Rupee terms (4.5% from April 2007 to February 2008), but also in a large number of redundancies in the industry, which has been the largest single employer in the country after agriculture. When looked at in the context of growth in market share of countries like Bangladesh and Vietnam, who do not have the underlying strengths that India does, this is truly disappointing.

The company continues to pursue its de-risking strategy and to refine it continuously. This is all the more relevant with the current state of the global as well as the Indian economy. India is still plagued by the cost disabilities, that I have been referring to for some years now.

The steep increase in interest rates in India and non-addressal of the refund mechanism for Service Tax promised to be refunded, have aggravated the situation. Duty Drawback for the industry has been enhanced to 11%, but still does not fully reimburse taxes (including Service Tax) incurred on inputs. Insignificant improvement in infrastructure and lack of simple labour reforms continue to cause concern, because of which the competitiveness of the Indian clothing industry continues to be eroded. The industry has faced severe distress, which has been further aggravated by turmoil in the market place due to the sub-prime and other related crises, rising inflation in India, runaway oil prices, consequent sharp rise in the budget deficit and political instability.

This is all beginning to impact the world (and the Indian) economy and points to a global slowdown with reduction in growth and decrease in consumption, signs of which are visible in subdued consumer behaviour. This makes the situation challenging, as well as exciting.

The Company has, in this scenario, performed creditably in its international business, where the emphasis during the year was on enhancement of value addition and profitability, which has been borne out by both the unit value realisation (despite the appreciating Rupee), as well as by higher profitability. The company's strategy for profitability has been realised by strict financial discipline, cost control, global sourcing and a judicious hedging of forex exposure.

The branded business in India continued to grow impressively during the year, driven by the strengths of the Zodiac and ZOD! brands, as well as by virtue of the

company's strengths in product design and quality which are increasingly recognised and acknowledged by the end consumers as well as the trade. That our competitors treat us as a role model is evidence of our strengths. We continue our focus on the branded business in India, and plan to continue our own store growth on a sustained basis.

In keeping with the company's strategy of investing assiduously in this channel, we opened 11 new company-owned stores and renovated 8 existing stores. Consistent with the company's policy of closing down unviable stores, we closed one store during the year.

There are reports by leading analysts as well as international broking firms operating in India that rentals for real estate, including for retail, may be impacted due to the economic conditions.

The national retail chains, as well as independent retailers with multiple locations, have plans for aggressive increase in the number of their stores. This, when realised, would also be a major opportunity for the company.

The profitability of the branded business has improved consistently despite the gestation of the new stores added in the recent past.

Last year, I had drawn your attention to the potential the company had for both product extension as well as brand extension. The company has taken some steps in both directions, i.e product extension by virtue of suits, silk poucheffes and knits and brand extension in terms of Z3, a new brand in the casual wear segment (which was launched in April 2008), which addresses yet another need of our target audience. The ethos of this new brand of shirts is relaxed casual luxury and has many innovative distinguishing features built into the product, which is brought alive by the luxurious hand feel, premium 2-ply cotton and the unique designs and styling.

We continue to evaluate opportunities in both product extensions as well as brand extensions.

During the fiscal year 2007-08, the company has reported consolidated gross revenues of Rs. 303 crores, as against Rs. 272 crores in the previous year, thus registering a growth of 11.4%. The consolidated net profit increased from Rs. 14.09 crores in the previous year to Rs. 20.16 crores for the fiscal year 2007-08, registering an impressive growth of 43% over the previous year.

On a standalone basis, the company reported a turnover of Rs. 248.38 crores for the year 2007-08, as compared to the previous year's turnover of Rs. 216.85 crores, i.e. an increase of 14.5%.

Keeping in view the overall performance of the company and the outlook for the future year, Directors are pleased to recommend a dividend of Rs.6.50 per equity share of the face value of Rs.10/- each on the Paid-up Capital of Rs.8,38,62,260, subject to the approval of the shareholders, and with a view to be in line with best practices with regard to dividend payout ratio.

During the year 2007-08, the Company, in keeping with the approval by shareholders in the meeting of August 31, 2006, has vested 87,300 Options to the eligible Non-Promoter Directors / Employees for subscribing to equivalent number of fully paid-up equity shares of the Company, at a price of Rs.255.40 per share. The Vesting Options would be exercised over a period of 3 years from the date of vesting, based on specified criteria. Consequent upon that, 23,600 equity shares of Rs.10/- each were issued and allotted to eligible Non-Promoter Directors / Employees of the Company and thus the Paid-up Share Capital of the Company as on March 31, 2008 stands increased from Rs.8,36,26,260/- to Rs.8,38,62,260/-.

May I conclude with sincere thanks to our shareholders, our customers, the government, banks, solicitors, distributors, suppliers and other business associates for their valued contribution in making it possible for the company to achieve the results it has.

I would also like to thank employees at all levels of the organisation for their sincerity, dedication and effort. Finally, to our eminent independent directors, my grateful thanks for their help in steering the company not only in achieving growth and profitability, but also for the high standard of Corporate Governance that has been attained by the company as a direct result of their inputs, and for their continuously guiding the company towards best practices across industries.

I do look forward to your continued participation in the evolution of the company during these challenging and exciting times.

M. Y. NOORANI
Chairman