



Positano Linen Jackets

Half lined jackets in pure linen.

ZODIAC

FINEST QUALITY SHIRTMAKERS



Superfine lightweight structured shirts, in 2 ply 120's and 140's Egyptian cotton.

Caruso

ZODIAC

FINEST QUALITY SHIRTMAKERS

www.zodiaconline.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. Shivatosh 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, Gujrat - 396 171
- C/2/7, GIDC, Industrial Area, Umbergaon,
Valsad, Gujrat - 396 171
- Plot No. 411, Unit II, GIDC Umbergaon,
Valsad, Gujrat - 396171
- 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

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

The Royal Bank of Scotland N.V.
74, Sakhar Bhavan,
Nariman Point, Mumbai - 400 021.

SUBSIDIARIES

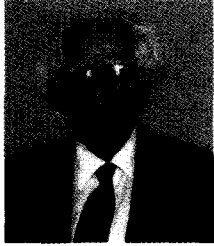
- Multiplex Collapsible Tubes Limited
- Zodiac Clothing Co. S.A. (Switzerland)
- Zodiac Clothing Company (UAE) LLC
- Zodiac Clothing Company Inc.
- Zodiac Properties Limited

DIRECTORS' BIOGRAPHIES



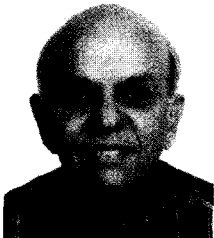
Mr. M. Y. Noorani
Chairman

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. The Cross of Order of Merit was conferred on him by the President of the Federal Republic of Germany in December 2009.



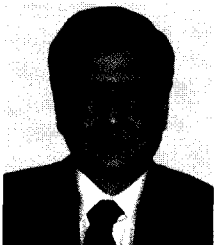
Dr. S. Abid Hussain
Director

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



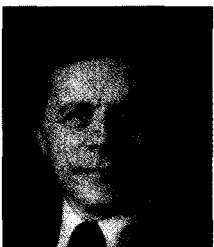
Mr. S. M. Datta
Director

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. Limited, IL & FS Investment Managers Limited, BOC India Limited, Transport Corp of India Ltd and Reach (Cargo Movers) Private Limited and Director of Peerless Hospitex Hospital & Research Centre Limited, Peerless Gen. Fin. and Inv. Co. Limited, Kansai Nerolac Paints Limited, Atul Limited, Bhoruka Power Corporation Limited, Peerless Hotels Limited, Ambit Holdings Pvt. Limited, Chandra's Chemical Enterprises (Private) Limited, Rabo India Finance Limited, and Deutsche Postbank 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, Bosch Limited, HDFC Ergo General Insurance Company 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

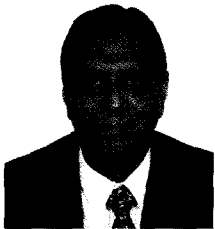
Mr. Deepak Parekh (Padma Bhushan, 2006) is a Fellow of the Institute of Chartered Accountants (England and Wales). He is the Chairman of HDFC Limited, Infrastructure Development & Finance Co. Limited, Glaxo Smithkline Pharmaceuticals Limited, Siemens Limited, HDFC Asset Management Co. Limited, HDFC ERGO 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, Borax Morarji Limited, Bharat Bijlee Limited, Airport Authority of India 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. He is the first International recipient of the Institute of Chartered Accountants in England and Wales' Outstanding Achievement Award - 2010.



Mr. Y. P. Trivedi

Director

Mr. Y. P. Trivedi, a member of the Rajya Sabha, 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 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, Birla Power Solution Limited, Metro Exporters Private Limited, Supreme Industries 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

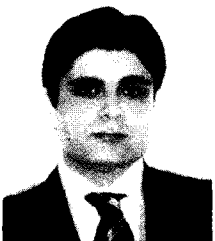
Mr. S.R. Iyer retired as Managing Director of the State Bank of India. He is the former Chairman and Director of the Credit Information Bureau (India) Limited. He was also the Managing Director of State Bank of Mysore, Director of the National Stock Exchange of India Limited and GE Capital Business Process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



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 was a member of the Managing Committee of the Apparel Export Promotion Council, the Bombay Chamber of Commerce & Industry, the Clothing Manufacturers' Association of India, member of the Board of Governors of the National Institute of Fashion Technology and member of the Steering Group on Investment and Growth in the Textile Industry. He is also Director of Indian Oil Corporation Limited and Public Limited and Private Limited companies of the House of Zodiac.



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! and Z3 in the Indian market. Mr. S. Y. Noorani is the Co-Chairman of Indo-Spanish Business Committee of Bombay Chamber of Commerce and has also served on the Managing Committees of Indo- Italian Chamber of Commerce as well as CMAI. He is a member of the regional council of CII (Western Region). He is also Director of various Public Limited and Private Limited companies of the House of Zodiac.

CHAIRMAN'S STATEMENT – 2009-10



India's export of clothing declined from USD 10.933 billion in FY 2008-09 to USD 10.644 billion in FY 2009-10. In USD terms there was a decline in 9 of the 12 months. Even in INR terms, it declined in each of 6 months of the year (from October 2009 to March 2010). What has been even more significant is that this was on an already low base - in the second half of the previous year i.e. October 08 – March 09, the post-Lehman period, there was a decline each month in Rupee terms and a decline in 5 of the 6 months in USD terms.

During the fiscal year 2009-10, the company reported consolidated gross revenues of Rs.33385 lakhs, against Rs. 34085 lakhs in the previous year. On a standalone basis, the company reported a turnover of Rs. 28,725 lakhs for the year 2009-10, as compared to the previous year's turnover of Rs. 28,605 lakhs. The consolidated net profit increased from Rs. 2,496 lakhs in the previous year to Rs. 2619 lakhs for the fiscal year 2009-10, an increase of 4.92% over the previous year.

During the year ended 31st March 2010, the company's different business segments, viz., the design driven international business, its branded business and the company's own retail have performed reasonably well considering the turmoil in the international markets and the subdued consumer sentiment both internationally and in India. The standalone net profit of Rs.2,105 lakhs is impressive even when compared to 2007-08's (a great year) profit of Rs. 2,016 lakhs. What is noteworthy is that despite revenues being virtually flat, the company's focus on profitability has yielded results, which are visible, both in the PBT and PAT rising sharply.

With our competitor countries getting fullest support and co-operation from their respective governments, they are able to grab market share from India. This is partly because India's clothing exporters are still not being fully reimbursed on incidence of taxes (both State and Central) on inputs. The issue of the industry being insulated from service tax on goods intended for export, also remains only partially addressed. Even on service

tax that has been paid and is eligible for refunds, the actual disbursements of refund is largely outstanding.

The TUFs scheme, which seeks to address the needs of the industry somewhat, has also been found wanting. Reimbursement of subvention under this scheme from July 2009, i.e. nearly one year, is still outstanding. The industry's request that the banks be directed to charge net interest to the industry under TUFs has also fallen on deaf ears.

The clothing industry, unlike the spinning and weaving industries, is not able to pass on the increase in costs to their customers. This is because of competitive pressures, where India's competitor countries are fiercely competing for a share in markets where demand has been affected adversely due to the global economic slow down. Although recession is "officially over", in most of the markets, the economic growth as well as retail sales have not shown any significant upturn in most markets.

In the present scenario, where cotton yarn, and consequently fabric prices have risen significantly, the competitiveness of India's exports has eroded considerably, not only of clothing, but also of yarn, fabrics and made-ups.

The clothing industry is capable of fulfilling an important objective of the government, i.e. being the second largest generator of employment after agriculture, the industry is an important tool for achieving inclusive growth, as well as being able to provide gender sensitive employment. The vitally important role of this sector needs to be acknowledged and needs addressing – immediate action could be either reining in cotton markets by intervention, or adequately reimbursing taxes paid on inputs by the clothing industry by increasing duty drawback appropriately.

There are reports in the press of the strong likelihood of a Bilateral/Free Trade Agreement between the EU and India before the end of 2010. This should prove to be a major source of strength for India's clothing industry, if

the industry's products are eligible for tariff elimination under the agreement. While the insistence of the EU to include some extraneous elements in the agreement is holding up its finalisation, negotiators from both sides seem to be confident that the negotiations will be concluded expeditiously and the agreement signed during the October 2010 Summit or by December 2010 in any case. Talks on a similar agreement with Japan are also progressing well.

The above measures should yield rich rewards in achieving a sharp turnaround for India's international trade in clothing and regaining lost market share.

The company's branded business continues to hold great promise – with signs of revival of consumer demand and the strength of the Zodiac/ZOD!/z3 brands, with their product quality and fashion content being of the best global standards and with the company's infrastructure of company run stores being strengthened, besides its strong linkages with national chains and independent retailers, one looks forward to harvesting the opportunities that seem to be evolving. Despite the sporadic pattern of sales during the different months of the year, the Company firmly believes that the return to sustained growth is palpable and consequently continues to vigorously pursue its target of profitable growth (increasing the retail presence being a vital ingredient of this target), with financial discipline, cost control, global sourcing and conservative hedging of its forex exposure.

The company's competitors' brands weakened considerably due to these being aggressively discounted. By comparison, the Zodiac and z3 brands, strengthened considerably vis-à-vis the competition, to a large extent because none of the three brands, i.e. Zodiac, ZOD! and z3 were discounted. This, while resulting in a subdued top line, contributed to the brands' strength as well as the strong bottom line. The product extension of suits and shoes to the Zodiac brand has received an encouraging initial response from the consumers.

During the year, the company opened 8 new stores, and renovated 3 stores, (all stores are company-run, not franchised) in keeping with its strategy of investing in the growth potential of retail. 4 unviable stores were closed during the year.

Keeping in view the overall profitability of the company and the outlook for the future, as well as with a view to be in line with best practices with regard to dividend payout ratio, your Directors are pleased to recommend a dividend of Rs. 7.00 per equity share of the face value of Rs.10/- each on the Paid-up Capital of Rs.8,39,26,760, subject to the approval of the shareholders. The Board of Directors, in their meeting held on 6th July, 2010, have recommended a Bonus issue in the ratio of one share for every two shares held on the record date, subject to the shareholders' approval in the ensuing AGM.

A grant of 5,00,000 Stock Option to employees of the Company and its subsidiaries / Directors of the Company (other than Promoter Directors or their relatives) was approved by the shareholders at its AGM held

on 31st August, 2006. During the year under review, the Company allotted 6150 shares on receipt of valid applications along with the necessary application money. Thus, the Paid-up Share Capital of the company as on March 31, 2010 stands increased from Rs.8,38,65,260/- to Rs.8,39,26,760/-.

During the year, ICRA (an associate of Moody's Investor Service) has reaffirmed the Company's rating of A1 + for its short term fund based/non fund based facilities of Rs.51.5 crore, (enhanced from Rs. 45.25 crore). The company has also been assigned an A1 + rating for its issue of commercial paper for Rs.20 crores. A1 is the highest credit quality rating assigned by ICRA to short term debt instruments, which carry the lowest credit risk in the short term. Within this category, certain instruments are assigned the rating of A1 + to reflect their relatively stronger credit quality.

Zodiac Clothing Company (UAE) LLC, our step-down subsidiary incorporated a wholly-owned subsidiary, viz. Zodiac Properties Limited, in the UAE, as a SVP to acquire a property for the U.K. operations of the company.

During the year, the Board constituted a Forex Sub-Committee, chaired by Mr. S.M. Datta, for guiding the Forex policy and its implementation during the period of extreme volatility. Mr. Rajwade of M/s. A. Rajwade & Associates is the Advisor to the Committee.

The Government notified its intent to acquire a part of the company's land and building at its factory located on National Highway 7, Bangalore, We appealed against this acquisition, as it would have meant the dismembering and closing down of the plant. With grateful thanks we acknowledge the empathy and sensitivity of the Government for having modified their intended acquisition plan, whereby the company's factory building would not be affected.

In conclusion, I would like to heartily thank all our stakeholders – our shareholders, customers, the Government, banks, solicitors, distributors, suppliers and other business associates – all of whom have supported and helped the company in achieving the results it has in these challenging times.

I also gratefully acknowledge the valuable guidance, advice and co-operation received from our eminent Board of Directors, which has played a significant role in steering the company's progress and profitability over the years and helping achieve the highest standards of Corporate Governance.

I would also like to express my deep sense of appreciation to our employees at all levels and thank them for their excellent performance, strong work ethic, teamwork, solidarity and commitment to the Company at all times, which has contributed to our consistent profitability in this challenging environment.

I take this opportunity to thank you for the trust and confidence you have reposed in our organisation during these volatile times, and assure you that we remain as committed as ever to the company's goals.

M.Y. Noorani
Chairman

HIGHLIGHTS: (STANDALONE)

Rs. in lakhs

PARTICULARS	2009-2010	2008-2009
Sales & other Income	28725	28605
Less: Total Expenditure	24863	25665
Profit before Interest, depreciation & other written off extra ordinary items	3862	2940
Less : Interest	119	119
Profit before depreciation	3743	2821
Less : Depreciation	460	415
Profit before write off of extra-ordinary items	3283	2406
Less : Extra ordinary and prior period expenses	3	14
PROFIT BEFORE TAX FOR THE YEAR	3280	2392
Provision for Tax (net)	1175	879
PROFIT AFTER TAX FOR THE YEAR	2105	1513
Add: Balance brought forward from the last year	7146	6496
Total amount available for appropriation	9251	8009
Appropriations:		
Proposed dividend	587	545
Corporate dividend tax	100	93
General Reserve	225	225
Balance retained in Profit & Loss A/c	8339	7146