

ZODIAC



ZODIAC

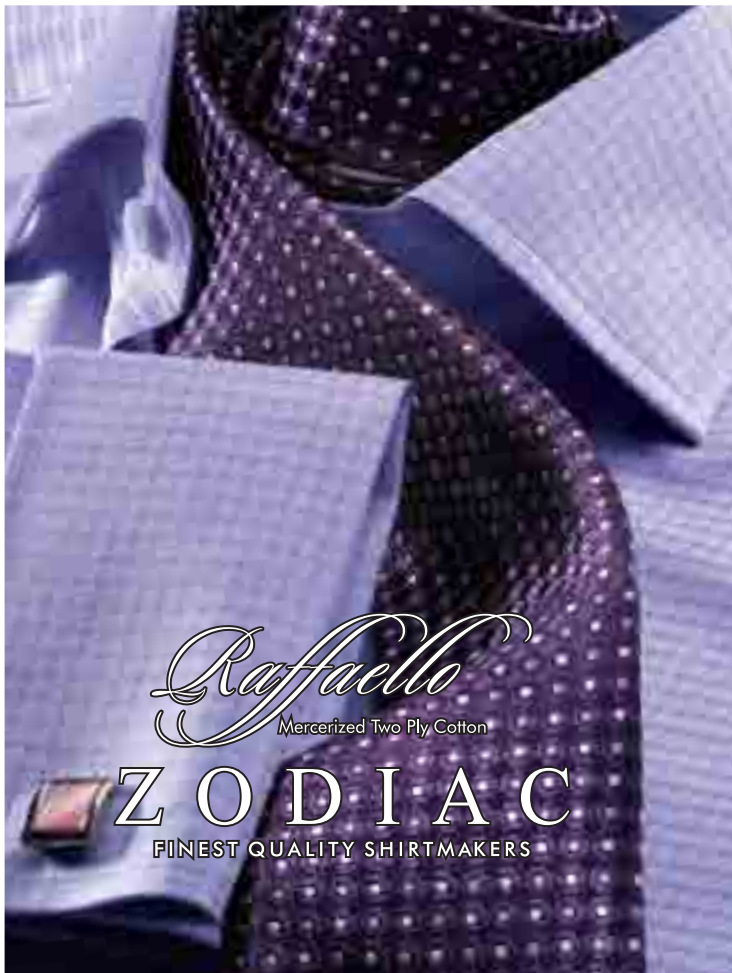
Two-Step Process for Extra Comfort

Biella

Superfine 140's Pure Wool Suits

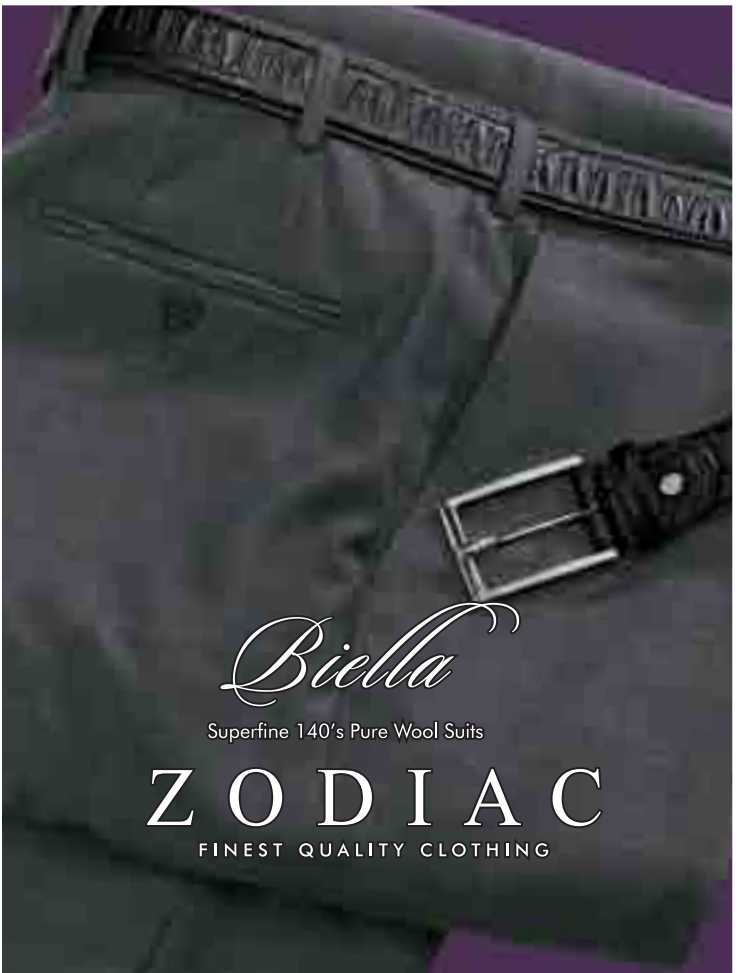
ZODIAC

FINEST QUALITY CLOTHING



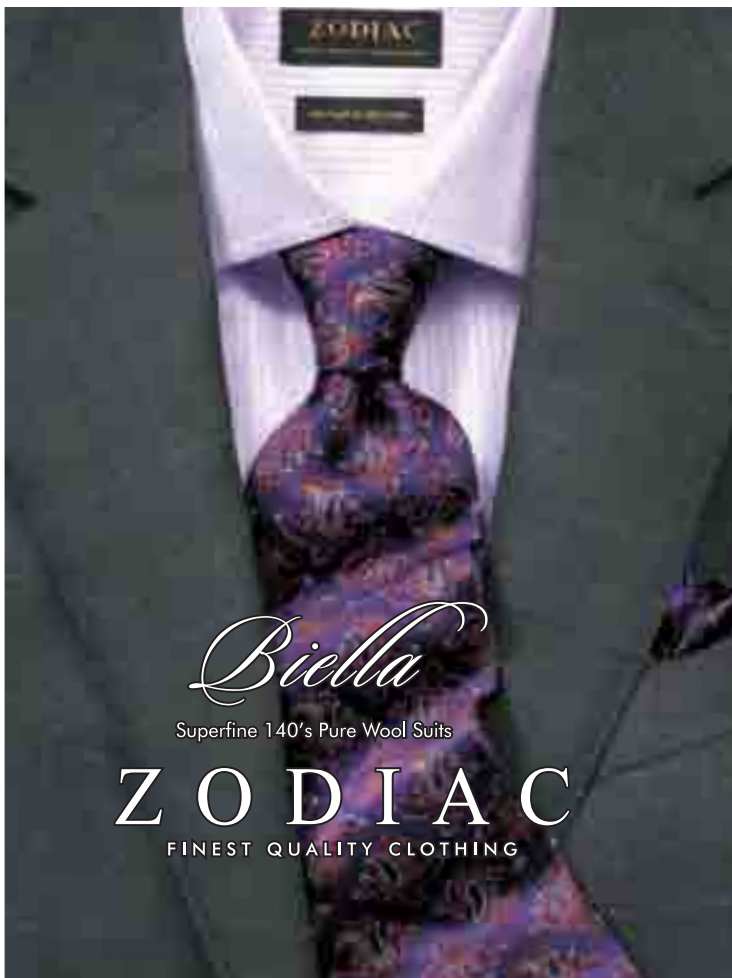
Raffaello
Mercerized Two Ply Cotton

ZODIAC
FINEST QUALITY SHIRTMAKERS



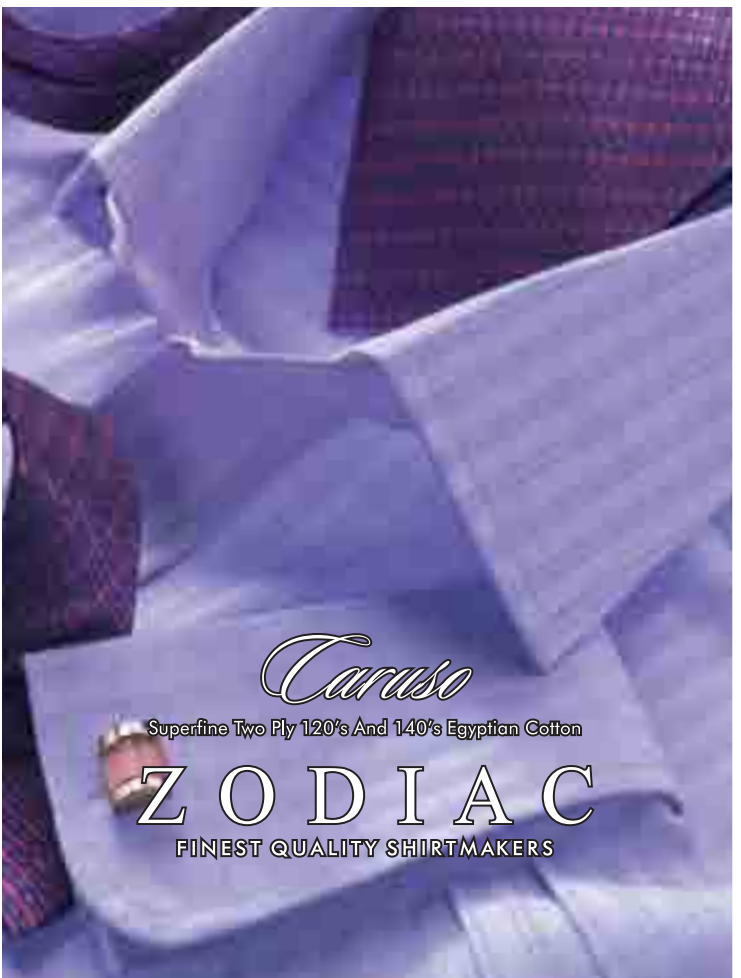
Biella
Superfine 140's Pure Wool Suits

ZODIAC
FINEST QUALITY CLOTHING



Biella
Superfine 140's Pure Wool Suits

ZODIAC
FINEST QUALITY CLOTHING



Caruso
Superfine Two Ply 120's And 140's Egyptian Cotton

ZODIAC
FINEST QUALITY SHIRTMAKERS

C O N T E N T S

Page

Board of Directors	06
Directors' Biographies	08
Chairman's Statement	10
Directors' Report	13
Annexure to Directors' Report	18
Report on Corporate Governance	19
Management Discussion & Analysis	40
Auditors' Report	49
Annexure to Auditors' Report	50
Balance Sheet	52
Profit & Loss Account	53
Schedules Forming Part of the Accounts	54
Balance Sheet Abstract & Company's General Business Profile	81
Cash Flow Statement	82
Consolidated Group Accounts with Auditors' Report	147

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

Multiplex Collapsible Tubes Limited	86
Zodiac Clothing Co. S.A. (Switzerland)	111
Zodiac Clothing Company (U.A.E.) LLC	117
Zodiac Clothing Company Inc.	131
Zodiac Properties Limited	39

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 D. Dieckmann

Mr. Deepak Parekh

(Alternate Director to
Dr. Heinrich D. 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. Omprakash Singh

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.

HDFC Bank Limited
Trade World, A Wing,
Kamala Mills Compound,
Lower Parel, Mumbai - 400 013.

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, Shree Cement Limited and the Chairman of 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 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 Corporation of India Limited, Reach (Cargo Movers) Private Limited, Speciality Restaurants Ltd. and Director of 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 and Rabo India 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 and Apollo Munich Health Insurance Co. Ltd.



Dr. Heinrich D. Dieckmann
Director

Dr. Heinrich D. 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, Lafarge India Private 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 Company Limited, Exide Industries Limited, The Indian Hotels Co. Limited, Borax Morarji Limited, Bharat Bijlee Limited and Airport Authority of India. 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 and Sai Services Station Ltd. and also a Director of Reliance Industries Limited, Birla Power Solutions Limited, Metro Exporters Private Limited, Supreme Industries Limited, New Consolidated Construction Co. Limited, Seksaria Biswan Sugar Factory Ltd., Emami Ltd. 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 Company Private Limited, KSK Electricity Financing Pvt. Ltd., Writer Lifestyle P. Ltd., Writer Safeguard P. Ltd., Canfin Homes Ltd. and Kannada Prabha Publications 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.



India's export of clothing during the year (April 2010 – February 2011) was Rs.39,324 crore vs. Rs.39,731 crore (minus 1%) during the corresponding period last year. In USD terms, exports grew by approximately 3% during April – February of the year under review from USD 8,380 million to USD 8,622 million. The impact of the rupee appreciation is glaringly visible in these numbers, where despite the higher realization in USD terms, the Rupees realized were negative.

The export of cotton clothing was minus approximately 3% in Rupee terms, and plus 0.85% in USD terms, whereas manmade fibre clothing grew both in Rupee terms (12%) as well as in USD terms (16%), mainly driven by the reduction of taxes on manmade fibres.

There was volatility across the months, with the major growth accruing during the last few months of the year - some growth is ascribable to China consciously yielding market share. This growth is encouraging, because it has been achieved despite the industry's constraints on raw cotton/cotton fabric prices, the subdued scenario in the US and the EU, the Rupee appreciating during the year and the duty drawback being reduced and capped in Rupee terms at lower caps than before (which is a disincentive to companies like ours who achieve higher unit value realization) and the Market Focus Scheme being withdrawn for the US/withdrawal of the scrip for manufacturers availing of TUFs. This not only impacts profits, but also inhibits growth and fresh investment in the industry.

Consumer demand turned positive early in the year, with the economy price segment being the biggest beneficiary- the premium end has also shown handsome gains. Projections from credible agencies indicate this trend will continue.

During the financial year 2010-11, the company reported consolidated gross revenues of Rs.37,032 lakhs, against Rs.33,310 lakhs in the previous year. On a standalone basis, the revenue was Rs.30,858 lakhs, against Rs.28,650 lakhs in the previous year. The consolidated net profit increased from Rs.2,619 lakhs in the previous year to Rs.3,319 lakhs for 2010-11, (26.73%) over the previous year. The standalone net profit was Rs.2,330 lakhs for the year, compared to Rs.2,105 lakhs in 2009-10.

The branded business as well as the company's own retail business have grown in healthy double digits. The

design-driven international business from India has been impacted adversely due to the hitherto unseen volatility during the year and the constraints referred to earlier. Despite this, the company's focus on profitability has stood it in good stead.

The Dubai subsidiary of the company has been able to perform much better than it did in the previous year, (Net Profit of Rs.671 lakhs this year vs. Rs.149 lakhs last year).

During the year, the company sold a part of its shares of Shoppers Stop Limited, at a small premium to the then market price and recovered almost its entire cost of original investment of Rs.1,020 lakhs in that company, while continuing to hold a substantial portion of shares originally acquired.

The incidence of tax (both State and Central) on inputs continues to be not fully reimbursed to the clothing export industry in India. Adding to the woes of the industry being only partially insulated from the incidence of Service Tax (where also actual disbursements continue to remain outstanding), the services covered under Service Tax are continuously being widened.

Our competitor countries notably Bangladesh and Vietnam (already the second largest clothing suppliers to the US after China) continue to get fullest co-operation from their Governments and grab market share in global trade in clothing. Cambodia is the new kid on the block, which is making its presence felt.

The evolving situation in China holds out tremendous potential for India. Stemming from their single child policy/ageing population, the availability of skilled workers willing to work in manufacture of clothing is diminishing with wages rising fast, or even soaring, in the south-eastern part of China, where the industry is concentrated. Workers there are shifting to more sophisticated products to move up the value chain. With this, the era of low cost production in China seems to be drawing to a close with a reversal of the trend of China's inefficient use of labour when it was cheap. Rising demand from within China for clothing (pursuant to the policy makers' steps to stimulate domestic consumption) seems to be diverting production towards the internal market in China.

India's clothing exports at USD 8.6 billion are a meagre fraction of China's USD 120 billion. If India could, initially, capture only 10% of China's market share of 30% of the global market (i.e. 3% of the global market

for India), our export of clothing would rise nearly 250%. India is the logical beneficiary of the market share yielded by China because we are the only country, apart from China, which has, besides our other strengths, the complete textile chain.

Seen together with the status on the proposed EU/India bi-lateral/FTA, which is reported to be virtually settled on most items (textiles and made-up clothing negotiations have been concluded). The few extraneous issues delaying finalisation are at advanced stages of negotiations and reliable sources indicate that the agreement could be finalized, ratified by the European Parliament, and probably be effective by 1st January 2012. When that happens, India should not be found wanting due to its historic cost disabilities, which are curable. The Government should be urged to partner the industry (through the different levers available to it such as duty drawback, market focus scheme, making cost of funds for the industry available at international pricing, WTO-compatible tax benefit, encouragement of innovation by means of product development funds/R&D funds and fast tracking of bi-lateral/multi-lateral agreements under discussion with different markets) to capture India's rightful share of the market.

The company could benefit considerably if the conditions discussed above emerge.

This year, the company opened 17 new stores and closed down 7, a net increase of 10 stores, taking the total of company stores to 84 as of 31st March, 2011. The company's strategy of investing in growing of its own retail business is being pursued vigorously, with plans for store openings this year being more aggressive in view of consumer demand rising. The growth pattern, although inconsistent across the months, continues to be most encouraging for the company's own retail business, as well as for its branded business in India.

The branded business shows an impressive growth trajectory. The company's leadership position in terms of product quality and fashion content compete with best global standards and aggressive growth for the company-run stores (besides its strong linkages with independent retailers and national chains), achieved consistent growth for the Zodiac, ZOD! and Z3 brands.

With international prices of cotton having fallen considerably from its peak and with the pause in the appreciation of the Rupee, the design driven international business of the company, which saw its profitability eroding significantly in 2010-11, could achieve better profitability, barring unforeseen challenges.

During the year, the company issued 42,04,238 bonus shares in the ratio of one share for every two shares held on the record date, i.e. 24th August, 2010, which was duly approved in the last Annual General Meeting.

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 Annual General Meeting held on 31st August, 2006. During the year, the company allotted 2,24,150 shares (including the bonus entitlement thereon) on receipt of valid applications along with the necessary application money from the 5,00,000 stock options approved at the Annual General Meeting in 2006. The paid-up share capital of the company as on 31st March, 2011, increased from Rs.8,39,26,760/- to Rs.12,82,10,640/-.

Considering the profitability of the company during the year, as well as the future outlook in line with best practices vis-à-vis dividend pay out ratio, your Directors are pleased to declare a dividend of Rs.5/- per equity share of the face value of Rs.10/- on the enhanced paid-up capital of Rs.12,82,10,640/-.

During the year, the Compensation Committee approved the Second Grant of 2,67,350 Stock Option to the eligible Directors / Employees at an exercise price of Rs.346/- per option pursuant to Employee Stock Option Scheme 2006 of the Company. Those eligible have the option to exercise their right in one or more tranches, within a period of 3 years from the date of vesting, commencing 20th January, 2012.

ICRA (an associate of Moody's Investor Service) has yet again reaffirmed the Company's rating of A1+ for its short-term fund based/non fund based facilities, of Rs.51.5 crore, for the financial year 2010-11. (Within the A1 category, which is ICRA's highest quality rating denoting lowest credit risk in the short term, certain instruments are assigned A1+ rating denoting their stronger credit quality).

Zodiac Properties Limited, the SPV (step down subsidiary of the company) set up to acquire the property for the UK operations, has gainfully employed the residential floor by leasing it. We are studying the possibility/feasibility of adding a floor to increase rental income to amortise costs faster, should it be possible and viable.

All in all, the year has been eventful in terms of sharp increase/volatility in prices of raw cotton/cotton fabric and Excise Duty (hitherto optional) being made mandatory for branded clothing sold in India. Both these resulted in upward price revisions.

One wishes that Excise Duty had been synchronized with the roll out of GST, as this would have been the most painless method, with there being a structure in place for the set offs, as well as the structure for making it simpler for the exporting community to avoid incurring transaction costs in terms of paperwork and records (an existing simplified scheme has ambiguity, therefore, its implementation is causing hardship to exporters of clothing).

I sincerely 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.

My grateful thanks to our eminent Board of Directors for their valuable guidance and advice, which have steered the company's progress and profitability over the decades, and helped sustain highest standards of Corporate Governance.

My deepest appreciation and thanks to our employees at all levels 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 challenging times.

Thank you for the trust and confidence reposed in our organisation during these volatile times. We assure you we remain as committed as ever to the company's goals.

M.Y. Noorani
Chairman

HIGHLIGHTS: (STANDALONE)

Rs. in lakhs

PARTICULARS	2010-2011	2009-2010
Sales & other Income	30858	28650
Less: Total Expenditure	27198	24788
Profit before Interest, depreciation & other written off extra ordinary items	3660	3862
Less : Interest	51	119
Profit before depreciation	3609	3743
Less : Depreciation	523	460
Profit before write off of extra-ordinary items	3086	3283
Less : Extra ordinary and prior period expenses	8	3
PROFIT BEFORE TAX FOR THE YEAR	3078	3280
Provision for Tax (net)	747	1175
PROFIT AFTER TAX FOR THE YEAR	2330	2105
Add: Balance brought forward from the last year	8339	7146
Total amount available for appropriation	10669	9251
Appropriations:		
Proposed dividend	641	587
Corporate dividend tax	104	100
General Reserve	235	225
Balance retained in Profit & Loss A/c	9689	8339

DIRECTORS' REPORT TO THE MEMBERS

To,

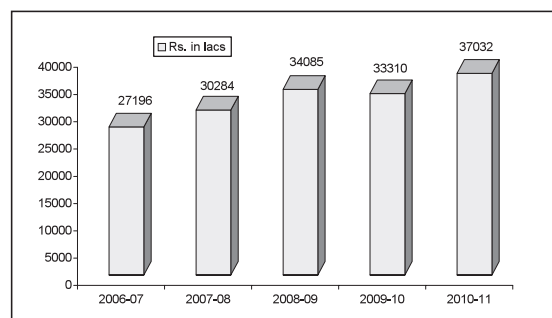
The Members,
Zodiac Clothing Company Limited.

Your Directors hereby present the 27th Annual Report with the Audited Statements of Accounts for the Financial Year ended 31st March, 2011.

1. BUSINESS:

Turnover & Profits - During the financial year ended 31st March 2011, the income of the company on a standalone basis increased 8% to Rs.30,858 lakhs vs. Rs.28,650 lakhs in the previous year. The Profit before Tax was Rs.3,078 lakhs vs Rs.3,280 lakhs in the previous year, while the net Profit After Tax for the financial year ended 31st March 2011 was Rs.2,330 lakhs vs. Rs.2,105 lakhs in the previous year.

GROSS INCOME – CONSOLIDATED



2. RESULTS OF OPERATIONS

FINANCIAL RESULTS:

	(Rupees in Lakhs)			
	Standalone		Consolidated	
	2010-11	2009-10	2010-11	2009-10
Sales & other Income	30858	28650	37032	33310
PROFIT BEFORE TAXATION	3078	3280	4182	3887
Provision for Taxation				
Current Tax	625	1144	741	1243
Deferred Tax	123	7	123	7
PROFIT AFTER TAXATION	2330	2129	3318	2637
Short Provision for Taxation	—	24	(1)	18
Profit for the Year	2330	2105	3319	2619
Balance of Profit Brought forward	8339	7146	12351	10713
Profit Available for Appropriation	10669	9251	15670	13332

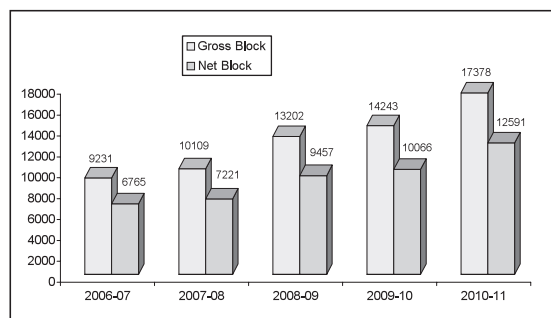
The branded business as well as the company's own retail business have grown in double digits (despite the upward revision in prices due to the inordinate increase in cotton prices, and in the last week of March, due to the pass through of the Excise imposed on the industry in the budget).

The design-driven international business from India has been impacted due to the very substantial increase in cotton prices, as well as due to the appreciation of the Rupee. Thus, despite the increase in price per unit in USD terms, the top line as well as the bottom line were impacted adversely.

The top line across the business segments, therefore, grew 8% despite the volatility referred to above. The revenue pattern during the year has not been consistent, showing an impressive growth during certain periods and growth disappearing during certain months.

As of 31st March 2011 the company had 84 stores. 17 new stores were opened and 7 were closed during the year, a net increase of 10 stores. 6 existing stores were refurbished. (All stores are company-owned, not franchised). The company's strategy of investing in growth of its own retail business is being pursued vigorously. The growth pattern, although inconsistent, continues to be most encouraging for the branded business as well as the Company's own retail store business.

FIXED ASSETS – CONSOLIDATED



3. SUBSIDIARY COMPANIES:

The audited Statement of Accounts of the company's subsidiaries, viz., Multiplex Collapsible Tubes Ltd., India; Zodiac Clothing Co. S.A. Switzerland; Zodiac Clothing Co. (UAE) LLC, Dubai, Zodiac Clothing Co. Inc. U.S.A. and Zodiac Properties Limited, Dubai, together with the Report of the Directors and the Auditors, as required under Section 212 of the Companies Act, 1956, are attached to this Report.

4. CASH FLOW STATEMENT:

In conformity with the provisions of Clause 32 of the Listing Agreement with Stock Exchanges, the Cash Flow Statement for the year ended 31st March 2011 is annexed hereto.

5. CONSOLIDATED FINANCIAL STATEMENTS:

In accordance with the requirements of Accounting Standards AS-21 notified under the Companies (Accounting Standard) Rules 2006, the Consolidated Accounts of the company and its subsidiaries are annexed to this Report.

6. RATING:

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, which have been maintained at Rs.51.5 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.

7. CAPEX

Capex was incurred predominantly on the new company run Stores (Rs.715 lakhs), balancing machinery and equipment (Rs.341 lakhs),

refurbishing of the Corporate Headquarters, as well as energy conservation (Rs.713 lakhs) and pollution control equipment (Rs.18 lakhs), besides rental deposits (Rs.103 lakhs).

During the year, the Capex aggregated Rs.1787 lakhs (as against Rs.1,254 lakhs last year) on a standalone basis and Rs.3306 lakhs (as against Rs.1,371 lakhs last year) on a consolidated basis.

8. LIQUIDITY:

The Debt Equity Ratio as on 31st March 2011 was 0.22 on a standalone basis. The company met its need for funds from internal accruals as well as from the sale of 150,000 shares of Shoppers Stop Limited (which recovered almost the total investment made by the company in Shoppers Stop, after which it continues to hold approximately 85% of the number of shares originally purchased).

The cash and bank balances/cash equivalents alongwith liquid investments (consolidated) were Rs.2,955 lakhs in March 2011, as against Rs.2,922 lakhs last year.

9. INCREASE IN SHARE CAPITAL:

During the year, the paid-up share capital of the company has increased from Rs.8,39,26,760/- to Rs.12,82,10,640/- as a result of allotment of 4204238 bonus shares and 224150 shares issued under the ESOP Scheme.

10. APPROPRIATIONS:

Dividends: Your Directors have recommend dividend on expanded capital pursuant to allotment of Bonus Shares, at Rs.5/- per Equity Share of Rs.10/- each on 12821064 Equity Shares (previous year Rs.7/- per Equity Share of Rs.10/- each on 8392676 Equity Shares). The total dividend amount (if approved by the shareholders including dividend distribution tax would be Rs.745 lakhs, (previous year Rs.687 lakhs). Dividend (including dividend distribution tax) as a percentage of profit after tax is 31.97 %.

Transfer to Reserves: Your Directors proposed to transfer Rs.2,35,00,000/- (10.08 % of the net profit for the year) to the General Reserve. An amount of Rs.9,689 lakhs is proposed to be retained in the Profit & Loss Account.

11. CORPORATE GOVERNANCE:

The process of sharpening of and consistent improvement in the already high standards of Corporate Governance continues. As required under the revised Clause 49 of the Listing

Agreement with the Stock Exchanges, a detailed note on Corporate Governance is annexed to this Report. The company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate confirming compliance of the Corporate Governance requirements by the company is attached to the Report on Corporate Governance.

12. QUALITY:

The company continues to pursue its policy of quality, productivity, value addition and innovation with a large percentage of consumers "trading up", i.e. looking for better quality/ brands, albeit this requires them having to spend more to achieve this objective.

13. BRANDING:

The company's competitors continued their strategy of aggressive discounting for the better part of the year. By virtue of this, the Zodiac, Z3 and ZOD! brands continued to strengthen vis-à-vis the competition, since none of the three brands, viz., Zodiac, Z3 and ZOD! were discounted, and since the company continued to add value in terms of quality and fashion content. The suits business of the company continues to achieve better-than-projected response from consumers.

During the year Excise was introduced on the clothing industry for branded clothing. The ensuing confusion caused by changes in the policy announced in the budget, resulted in some deliveries to customers spilling over into April.

14. INFORMATION UNDER SECTION 217(1) (E) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES 1988:

(A) Conservation of Energy

In the process of becoming more efficient with regard to the conservation of energy, we have installed and commissioned:

- (i) Specially-designed light fittings with customised reflectors, which result in huge energy savings.
- (ii) The machinery in the production centres is upgraded to have two distinct modes, which enable them to go into a 'sleep' mode when an operation is not in progress. This changeover is automatic. This also results in considerable energy saving.

(B) Pollution Control

- Over and above the boilers, which are eco-friendly and energy-friendly, we have also

installed heat recovery systems where the heat from the discharged effluents is taken back into the process so that the boiler is fired for a shorter period resulting in saving of furnace oil, which in turn makes the whole process more eco-friendly.

- Our high-end water treatment systems have further been upgraded with more high-tech treatment equipment, which has increased our recovery of treated water and made our company more eco-friendly. This enables us to recover and take back 80% of our water needs for our process requirements.

(C) Technology, Absorption, Adaptations & Innovation : Not applicable

(D) Foreign Exchange Earnings and Outgo:

Total Foreign Exchange Earned	Rs.13,563 lakhs
Total Foreign Exchange Outgo	Rs.5,175 lakhs

15. CORPORATE SOCIAL RESPONSIBILITY :

The company continues to lay emphasis on discharging its social responsibility. At the meeting of the Board of Directors held on 24th June 2009, the Board renewed the proviso for contribution by the company by way of Charitable Funds not related to the business of the company. This is within the limit approved by the shareholders.

16. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the company, Dr. S. Abid Hussain, Mr. M. L. Apte and Mr. S. M. Datta, Directors of the Company, shall retire by rotation at the ensuing Annual General Meeting and, being eligible, have offered themselves for re-appointment. A brief resume of Dr. S. Abid Hussain, Mr. M. L. Apte and Mr. S. M. Datta, Directors as required by Clause 49 of the Listing Agreement with the Stock Exchanges, is provided in the Notice convening the Annual General Meeting of the Company.

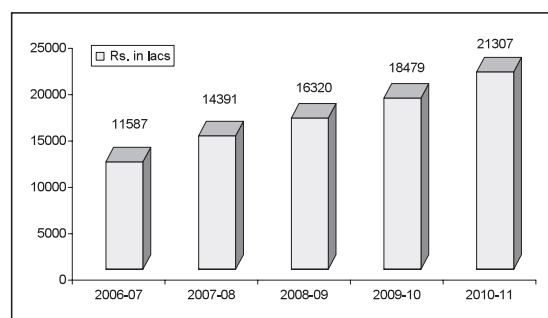
17. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- (ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors have prepared the accounts for the financial year ended 31st March, 2011 on a 'going concern' basis.

NET WORTH – CONSOLIDATED



18. HUMAN RESOURCE MANAGEMENT:

The company's belief that its people are the primary source of its sustainable competitive advantage, drives its consistent emphasis on HRD. The performance driven culture is bearing fruit. Cordial employee relations, in keeping with tradition, are being pursued vigorously with the variable component also including rewards for contribution to the profitability of the company. The Board wishes to place on record its appreciation to all the employees of the company for their sustained efforts and immense contribution to the high level of performance and efficiency of the business during the year.

19. ZODIAC EMPLOYEES' STOCK OPTION PLAN 2006:

At the Annual General Meeting held on August 31, 2006, the shareholders of the Company have approved the 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).

The Company granted 2,91,000 stock options and 2,67,350 stock options on 27th December 2006 and 20th January 2011 at an exercise price of Rs.255.40 and Rs.346.00 per equity share respectively (each option carried out entitlement of one equity share of face value of Rs.10/- each). Both grants were duly approved by the Compensation Committee/Board of Directors.

During the year under review, the Company allotted 2,24,150 equity shares (to eligible Directors and Employees of the Company under Zodiac Clothing Company Limited – Employees Stock Option Plan – 2006) on receipt of valid applications along with the necessary application money. The said allotment was done successfully on receipt of confirmation given by National Securities Depository Limited and Central Depository Services Ltd. The Company has also received the trading permission from The Bombay Stock Exchange Limited and National Stock Exchange of India Limited in respect of 2,24,150 equity shares allotted under ESOP. The particulars with regard to the stock options as on March 31, 2011 as required to be disclosed pursuant to Clause 12 of SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 are enclosed as Annexure 1 to this Report. The company has obtained a certificate from the auditors stating that ESOP has been implemented in accordance with SEBI (ESOS and ESPS) Guidelines, 1999 and the resolution of the Company passed in the Annual General Meeting held on August 31, 2006.

20. COMPLIANCE WITH THE CODE OF CONDUCT:

The Code of Conduct adopted by the Company for its Board of Directors and its Managerial Personnel has been uploaded on the company's website. The declaration of compliance with the Code of Conduct has been received from all Board Members and the Managerial Personnel. A certificate to this effect from Mr. A.Y. Noorani, Vice Chairman and Managing Director, forms part of this Report.

21. MANAGEMENT DISCUSSION AND ANALYSIS:

The Management Discussion and Analysis of the Company is provided under the separate section and forms part of this report.

22. FIXED DEPOSIT:

The Company has not accepted any Fixed Deposits from the public under Section 58A of the Companies Act, 1956.

23. COMPANY'S WEBSITE:

The Financial Statements, Annual Report including Corporate Governance Report, Shareholding Pattern etc. are displayed interse with the other informations on the company's website viz. www.zodiaconline.com

24. DONATIONS:

During the financial year, the Company has contributed a sum of Rs.107 Lakhs to various Charitable and Educational Institutions.

25. INSURANCE:

All the properties/assets including buildings, furniture/fixtures, etc. and insurable interests of the Company are adequately insured. The international debtors enjoying credit facilities are also insured, despite their flawless record, as a measure of abundant precaution.

26. AUDITORS:

The Auditors M/s. Deloitte Haskins and Sells, Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and, being eligible, have offered themselves for re-appointment. The Audit Committee and Board of Directors recommend the re-appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors of the Company.

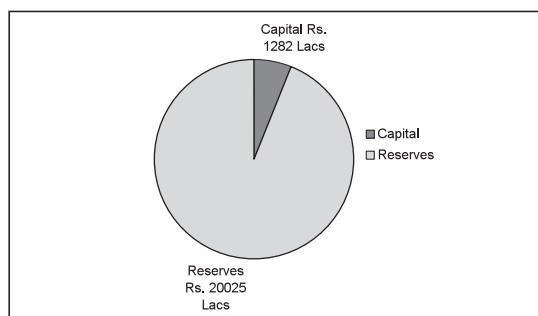
27. AUDIT COMMITTEE:

In accordance with Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company has constituted an Audit Committee, which consists of three Non-Executive Independent Directors of the Company viz Mr. S.R Iyer (Chairman of the Audit Committee), Mr. Y.P Trivedi and Mr. M.L Apte (Members). The Audit Committee functions in terms of the powers and role and delegated by the Board of Directors keeping in view the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, have been described separately under the head Audit Committee on Report of Corporate Governance.

28. PARTICULARS OF EMPLOYEES:

The Particulars of Employees required to be

furnished under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 forms part of this Report. However as per the provisions of Section 219(1) (b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders, excluding the statement of Particulars of Employees. Any shareholder interested in obtaining a copy, may write to the Company Secretary at the Registered Office of the Company.

29. SOURCE OF SHAREHOLDERS' FUNDS EMPLOYED FOR THE YEAR 2010-2011 – CONSOLIDATED**30. ACKNOWLEDGEMENTS:**

Your Directors would like to express their grateful appreciation for the assistance, support and co-operation received from the customers, shareholders, Government, other statutory bodies, banks, solicitors, distributors, suppliers and other business associates.

Your Directors also place on record their sincere appreciation for significant contribution made by employees at all levels through their dedication, commitment and look forward to their valuable support in accomplishing the excellent growth of the company.

For and on behalf of the Board

Mumbai:
Dated: June 28, 2011

M.Y. NOORANI
Chairman

ANNEXURE 1 TO DIRECTORS' REPORT

Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

Zodiac Employees Stock Option Plan 2006

		First Grant: December 27, 2006	Second Grant: January 20, 2011
a.	Options granted till date	401550*	267350
b.	Pricing formula	The Options are granted at closing market price of the Company's equity shares quoted on the Bombay Stock Exchange Limited / National Stock Exchange of India Limited (wherever trading volumes are higher) as on the date preceding the date on which the Remuneration & Compensation Committee considers grant of Options to Eligible employees.	
c.	Option vested till date	401550*	Nil
d.	Options exercised till date	254200*	Nil
e.	The total number of shares arising as a result of exercise of option	254200	Nil
f.	Option lapsed	24500*	Nil
g.	Variation of terms of option as at 31st March 2011	Not Applicable	
h.	Money realized by exercise of option	Rs.47,185,150/-	Nil
i.	Total number of options in force as on 31st March 2011	122850*	267350
j.	Employees wise details of options granted to: (i) senior managerial person (ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year (iii) Identified employees who were granted option, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant:	(i) 319950* Options (ii) Nil (iii) Nil	(ii) 214850 Options (ii) Nil (iii) Nil
k.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS - 20) 'Earnings Per Share' Refer note no. 22(d) of schedule 18B : notes to the Accounts	Rs.18.29	
l.	Where the company has calculated the employees compensation cost using the intrinsic value of the stock option, the difference between the employee compensation cost of so computed and employee compensation cost that shall have been recognized if it had used the fair value of the option, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	The company uses the intrinsic value based method of accounting for stock option. Had the company followed fair value of method for accounting the stock option, compensation expenses would have been higher by Rs.60,12,137 (Previous Year Rs. Nil) and consequently profit after tax would have been lower by Rs.60,12,137 (Previous Year Rs. Nil) and Basic and Diluted Earning Per Share would have been lower by Rs.0.48 (Previous year Rs. Nil) per share and Rs.0.48 (Previous year Rs. Nil) per share respectively. These options are considered to be anti-dilutive in nature and the effect of this is ignored in calculating diluted earnings per share in accordance with Accounting Standard 20 viz. Earnings Per Share notified under the Companies (Accounting Standard) Rules, 2006.	
m.	Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock on the grant date.	Rs.255.40	Rs.346.00
n.	A description of the method and significant assumption used during the year to estimate the fair value of options, including the following weighted average information. (1) Risk free rate (2) Expected life of options (3) Expected volatility (4) Expected dividends (5) The price of the underline share in the market at the time of option grant prior to option grant.	Rs.255.40 7.59% to 7.67% 2.5 to 4.5 years 45.22% to 51.13% As the weighted average life of the option is more than 1 year and hence the estimation of the future dividend is unacceptable. Rs.255.40	8.10% 2.5 to 4.5 years 50.58% to 61.45% As the weighted average life of the option is more than 1 year and hence the estimation of the future dividend is unacceptable. Rs.346.00

* The Company declared Bonus of 1:2 on record date of 24 August 2010, consequently the options and its related information has been adjusted for the bonus effect.

For and on behalf of the Board

Mumbai
Dated: 28.06.2011

M.Y. NOORANI
Chairman

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2010-2011

Corporate Governance is a process that aims to meet stakeholders' aspirations and expectations. Corporate Governance is much more than complying with the legal and regulatory requirements. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures etc. serve as the means for implementing the philosophy of corporate governance. The Company's policies on Corporate Governance and compliance thereof in respect of specific areas for the year ended March 31, 2011, as per the format prescribed by SEBI and as incorporated in the revised Clause 49 of the Listing Agreement with the Stock Exchanges, are set out below for the information of the shareholders and investors of the Company.

I. Company's Philosophy on Code of Corporate Governance

The Company's endeavor is to follow the spirit of good governance than mere compliance with the conditions specified by regulatory authorities. The Company has a strong legacy of fair, transparent and ethical governance practices. The Company has formulated, inter alia, various policy documents and introduced best practices of governance like Code of Conduct, Prohibition of insider trading policy and risk management policy. For the Company, Corporate Governance is not a destination but a continuous journey that seeks to provide an enabling environment to harmonize the goals of maximizing stakeholders' value and maintaining a strong customer focus.

II. Board of Directors

(a) Composition of the Board

The Board of Directors provides strategic direction and thrust to the operations of the Company. As on 31st March 2011, the Board of Directors of the Company comprises of 11 Directors including an Alternate Director. The Chairman, Mr. M.Y. Noorani, is a Non – Executive Director, who is also one of the promoters of the company. Besides, there are two Executive Directors, viz. Mr. A.Y. Noorani, Vice-Chairman & Managing Director and Mr. S. Y. Noorani, Managing Director & President, who are also promoters of the Company. Out of the 11 Directors, 9 are Non-Executive Directors (including 1 Alternate Director). Out of the above 9 Non-Executive Directors, 8 are independent Directors (including 1 Alternate Director). Thus, more than 50% of the Board comprises of Non-executive Independent Directors. The members of the Board are professionals who are senior, competent, richly experienced and highly respected persons from their respective fields.

The composition of the Board and other relevant details relating to Directors as on 31st March 2011 are given below:

Name of the Director	Designation	Category of Directorship	*Directorship in other companies including private companies [other than Zodiac Clothing Company Limited]	*Committee membership [other than Zodiac Clothing Company Limited]
Mr. M.Y. Noorani	Chairman	Promoter & Non Executive	5	Nil
Dr. S. Abid Hussain	Director	Independent & Non Executive	6	5
Mr. M.L. Apte	Director	Independent & Non Executive	8	4
Mr. S.M. Datta	Director	Independent & Non Executive	16	7
Mr. Bernhard Steinruecke	Director	Independent & Non Executive	5	Nil
Dr. Heinrich D. Dieckmann	Director	Independent & Non Executive	Nil	Nil
Mr. Deepak Parekh	Director (Alternate Director to Dr. Heinrich D. Dieckmann)	Independent & Non Executive	17 (Including Alternate Directorships)	7
Mr. Y.P. Trivedi	Director	Independent & Non Executive	9	4
Mr. S.R. Iyer	Director	Independent & Non Executive	9	7#
Mr. A.Y. Noorani	Vice Chairman & Managing Director	Promoter & Executive	10	1
Mr. S.Y. Noorani	Managing Director & President	Promoter & Executive	10	Nil

* Details of other directorships/committee memberships of all directors are given by way of a separate Annexure.

Including Chairman of two Audit Committees of Listed Companies.

None of the above Directors is less than 21 years of age.

(b) Details of sitting fees, remuneration etc., paid to Non-executive Directors for the year ended 31st March 2011.

Name of the Director	Sitting fees paid for attending meetings of the Board and / or Committee (all figures in Rupees)	Number of Stock Options exercised**
Mr. M. Y. Noorani	Nil	Nil
Dr. S. Abid Hussain	1,20,000	12750
Mr. M.L. Apte	2,60,000	2550
Mr. S.M. Datta	140000	5100
Mr. Bernhard Steinruecke	60,000	3825
Dr. Heinrich D. Dieckmann	Nil	Nil
Mr. Deepak Parekh (Alternate Director to Dr. Heinrich D. Dieckmann)	20,000	12750
*Mr. Y.P. Trivedi	2,20,000	Nil
Mr. S.R. Iyer	2,80,000	3825

* Mr. Y. P. Trivedi is a practicing Supreme Court Advocate, who specializes in income tax matters. He is a member of Rajya Sabha and has been appearing on behalf of the company before the Income Tax authorities / Tribunals in a professional capacity, on a case-to-case basis. However during the financial year ending 31st March 2011, no professional fees were paid to him.

** As adjusted on allocation of Bonus Option, wherever applicable.

The Company does not have any pecuniary relationship or transactions with the non- Executive Directors save and except as disclosed above and further to the Note No. 18(ii) of schedule 18B of the notes to accounts. The fee/compensation paid to non-executive and independent directors is fixed by the Board and previously approved by shareholders in general meeting.

Save and except as stated above, the Non-Executive Directors are not entitled to any remuneration for attending Board/ Committee Meetings. However, each executive director, is entitled to remuneration by way of commission not exceeding 5% of net profit as computed u/s 198 of the Companies Act, 1956. The approval of Central Government has been obtained vide their letters dated February 22, 2011 for payment of such commission.

During the year under review, the Company received applications from the following Directors of the Company exercising options granted to them under the Zodiac Clothing Company Limited - Employees Stock Option Plan – 2006.

ALLOTMENT TO DIRECTORS OF THE COMPANY

Sr. No	Name of the Allottees	No of options exercised*	Amount received (Rs)
1.	Mr. S.M. Datta	5100	868360
2.	Mr. S.R Iyer	3825	651270
3.	Mr. M.L Apte	2550	651270
4.	Mr. Deepak Parekh (Alternate Director to Dr. Heinrich D. Dieckmann)	12750	2170900
5.	Dr. S. Abid Hussain	12750	2170900
6.	Mr. Bernhard Steinruecke	3825	651270

* as adjusted on allocation of Bonus Option, wherever applicable.

In respect of the above shares, the Company has completed all the formalities towards Corporate Action with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) respectively and the shares have been credited to the shareholders in Electronic format. The Company has also received the Trading permission from the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited in respect of the above shares allotted under ESOP.

(c) Number of Board Meetings held and attended by Directors

The meetings of the Board of Directors are scheduled well in advance. The Board Members are presented in advance with the detailed agenda in respect of all Board Meetings. During the year under review 6 meetings of the Board of Directors were held on the following dates, and the maximum time gap between any two meetings did not exceed 4 months:

May 26, 2010, July 6, 2010, August 10, 2010, November 3, 2010, February 9, 2011 and March 30, 2011

The attendance record of each of the Directors at the Board Meetings during the year ended on 31st March, 2011 and during the last Annual General Meeting is as under:

Directors	No of Board Meetings Attended	Attendance at the last Annual General Meeting
Mr. M.Y. Noorani	6	Yes
Dr. S. Abid Hussain	6	Yes
Mr. M.L. Apte	5	Yes
Mr. S.M. Datta	4	No
Mr. Bernhard Steinruecke	3	No
Dr. Heinrich D. Dieckmann	—	No
Mr. Deepak Parekh (Alternate Director to Dr. Heinrich D. Dieckmann)	1	No
Mr. Y.P. Trivedi	5	No
Mr. S.R. Iyer	6	Yes
Mr. A.Y. Noorani	6	Yes
Mr. S.Y. Noorani	6	Yes

(d) Membership of Committees:

As per the disclosures made to the Company by Directors none of the directors of the company is a member in more than 10 committees nor have they acted as Chairman of more than five committees across all companies in which they are Directors. This includes membership in Audit Committee and Shareholders/Investors Grievance Committee only. The Directors of the Company have been intimating the company about the committee positions they occupy in other companies and have also been notifying changes as and when they take place.

(e) Based on the reports received from the Functional Heads of the Company, the Vice Chairman & Managing Director has been reporting to the Board periodically about the compliance position in respect of the laws applicable to the Company. The Board is also informed about non-compliances, if any, as well as steps taken by the company to rectify instances of non-compliance.

(f) Compliance with Code of Conduct:

The company has evolved and adopted a Code of Conduct for its Board of Directors and its managerial personnel based on the principles of good Corporate Governance and best management practices. The declaration of compliance with the Code of Conduct has been received from all Board Members and the managerial personnel. The code is available on website of the Company. A certificate to this effect from Mr. A.Y. Noorani, Vice Chairman & Managing Director, forms part of this report.

Declaration affirming compliance to Code of Conduct

I, A.Y. Noorani, Vice Chairman & Managing Director of the Company, hereby declare that the company has adopted a Code of Conduct for its Board Members and Managerial Personnel and they have affirmed compliance with the said Code of Conduct.

For Zodiac Clothing Company Limited

Place : Mumbai
Date : June 28, 2011

A. Y. Noorani
Vice-Chairman & Managing Director

III. Audit Committee

(a) Constitution of Audit Committee

The Company has a duly constituted Audit Committee. The Chairman of the Audit Committee is Mr. S.R. Iyer, who is an independent director. The other members of the Audit Committee are Mr. Y.P. Trivedi and Mr. M.L. Apte who also are independent directors. The Committee presently consists of three Directors all being non-executive and independent. All the members of the Audit Committee are financially literate and two of the members have accounting or related financial management expertise [viz. Mr. S. R. Iyer and Mr. Y. P. Trivedi]. The Company Secretary acts as the Secretary to the Audit Committee. At the Annual General Meeting held on 10th August 2010, Mr. S.R. Iyer, Chairman of the Audit Committee was present to answer the queries of the shareholders.

(b) Role and Powers of Audit Committee:

The terms of reference of the Audit Committee includes:

Powers

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Role:

1. To oversee of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. To recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
3. To approve payment to Statutory Auditors for any other services rendered by them.
4. To review with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. To review with the management, the quarterly financial statements before submission to the Board for approval.
- 5A. To Review, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. To review with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

8. Discussion with internal auditors, any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- 12A. To Approve the appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
13. To carry out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee mandatorily reviews the following:

- i. Management discussion and analysis of financial condition and results of operation,
- ii. Statement of significant related party transactions
- iii. Management letters / letters of internal control weaknesses issued by the statutory auditors
- iv. Internal audit reports relating to internal control weaknesses and
- v. The appointment, removal and terms of remuneration of the chief internal auditor.

(c) Meetings of Audit Committee:

During the year ended 31st March 2011, Six Audit Committee meetings were held on May 26, 2010, July 6, 2010, August 10, 2010, November 3, 2010, February 9, 2011 and February 21, 2011. The attendance of each Audit Committee member in the above meetings is given hereunder:

Name of the Audit committee Member	No. of meetings held	No. of meetings attended
Mr. S.R. Iyer – Chairman	6	6
Mr. M.L. Apte – Member	6	5
Mr. Y.P. Trivedi – Member	6	4

Attendees:

The Audit Committee invites such of the executives and directors, as it considers appropriate to be present at its meeting. The Chairman, Managing Directors, the Vice- President - Accounts, the Internal Auditor and the Statutory Auditors are normally invited to these meetings.

IV. Compensation Committee:

The company has constituted compensation committee on 31st October 2006, with the following Board Members:

- | | |
|--------------------------|----------|
| Mr. Y. P. Trivedi | – Member |
| Mr. M. L. Apte | – Member |
| Mr. Bernhard Steinruecke | – Member |

The scope of the activities of the compensation committee is formulations and implementations of Employee Stock Option Plans (ESOP) schemes in the Company.

At the Annual General Meeting held on August 31, 2006, the shareholders of the Company have approved the grant of Stock Option to employees of the Company and its subsidiaries / Directors of the Company (other than Promoter Directors or their relatives).

At the first meeting of the Compensation Committee held on 27th December 2006, the Committee approved grant of 2,31,500 Stock options to employees of the Company and 34,000 Stock options were granted to eligible Directors of the Company at a price of Rs.255.40 per Option. The Board of Directors approved the grant of 25,500 Stock options to members of Compensation Committee at a price of Rs.255.40 per option on the said date. Two meetings of Compensation Committee were held during the year under review.

At the Meeting of the Committee held on 20th January, 2011, the Committee approved the Second Grant of 214850 Stock Options to employees of the Company and 30,000 Stock Options were granted to eligible Directors of the Company at a price of Rs.346.00 per option. Board of Directors approved the grant of 22,500 Stock options to members of Compensation Committee at a price of Rs.346.00 per option on the said date. Accordingly, an aggregate of 2,67,350 Stock Options were granted during the year at a price of Rs.346.00 per share pursuant to Employee Stock Option Scheme 2006 of the Company.

During the year under review, the Company allotted 224150 equity shares (as adjusted on allocation of Bonus Option, wherever applicable) to eligible Employees / Directors of the Company under Zodiac Clothing Company Limited – Employees Stock Option Plan- 2006 after receiving full consideration on the shares. The allotment was done successfully on receipt of confirmation given by National Securities Depository Limited and Central Depository Services (India) Limited. The Company has also received the trading permission from The Bombay Stock Exchange Limited and National Stock Exchange of India Limited in respect of all the above shares.

Continuous learning is the cornerstone of the Company's human resource policy. The Company's human resource policy is structured to meet the aspirations of employees as well as of the organization. The company has a progressive HR policy of continuous development of employees by training and motivating them to attain greater efficiency and competency.

V. Forex Committee:

The Forex Committee was constituted on June 24, 2009 with the following members of the Board:

Mr. M.Y Noorani
Mr. A.Y Noorani
Mr. S.Y Noorani
Mr. S.M Datta

VI. Investment Committee :

The Investment Committee was constituted on August 10, 2010 consisting of the following members of the Board :

Mr. M.Y Noorani
Mr. A.Y Noorani
Mr. S.Y Noorani
Mr. S.M Datta
Mr. S.R. Iyer

VII. Subsidiary Companies:

The Company has five subsidiary companies namely:

- (1) Multiplex Collapsible Tubes Ltd.
- (2) Zodiac Clothing Company S.A. (Switzerland)
- (3) Zodiac Clothing Company (U.A.E.) LLC (step down Subsidiary)
- (4) Zodiac Clothing Company INC (step down Subsidiary)
- (5) Zodiac Properties Limited (step down Subsidiary)

The revised Clause 49 defines a 'material non-listed Indian subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding Company and its subsidiaries in the immediately preceding accounting year.

Zodiac Clothing Company Limited does not have a 'material non-listed Indian subsidiary' within the meaning of the above definition.

The Audit Committee reviews the financial statements of its unlisted subsidiaries, in particular the investments made by the unlisted subsidiary companies, if any.

The Minutes of the Board Meetings of the above unlisted subsidiary companies are periodically placed before the Board of Directors of the Company. The Management also brings to the attention of the Board of Directors of the Company periodically, the statement of significant transactions entered into by the unlisted subsidiaries of the Company, if any.

VIII. Disclosures:

i. Disclosure on materially significant related party transactions

None of the transactions with any of the related parties were in conflict with the interest of the Company. The details of all transactions with related parties in the manner required to be tabled before the Audit Committee as per the revised Clause 49 of the listing agreement, are placed before the Audit Committee on quarterly basis. Attention of the members is drawn to the disclosures of transactions with related parties set out in the Notes to Accounts No.18(ii) Schedule 18B forming part of the Annual Report.

ii. No penalties or strictures have been imposed on the company by the Stock Exchanges or SEBI or any other Statutory Authority on any matter related to capital market during the last three years.

iii. The Board hereby confirms that no personnel have been denied access to the Audit Committee.

iv. Disclosure of Accounting Treatment

In the preparation of financial statements, no treatment materially different from that prescribed in the Accounting Standards issued by the Institute of Chartered Accountants of India as applicable has been followed.

v. Disclosure on Risk Management

The Company has laid down policies and procedures to inform Board members about the risk assessment and minimization procedures. The main objective of the Risk Management policy, as defined in manual, is to protect the property, earnings and personnel of the company against losses and legal liabilities that may be incurred due to various risks.

vi. Remuneration of Directors

Non-executive Directors:

1. The pecuniary relationship or transactions of the non-executive directors vis-à-vis the company further to note under point II [b] above have been disclosed in No. 18(ii) of Schedule 18B to the Notes to Accounts.

2. Criteria of making payments to Non-Executive Directors:

The Non-Executive Directors are entitled to sitting fees for attending Board/ Committee Meetings, as the case may be. However, the Chairman, a Non-executive Director, does not take sitting fees for attending Board Meetings. In addition to the above the following may also be noted:

a. Mr. Y. P. Trivedi, a Non-executive Director, is a leading Income Tax Practitioner and a noted Supreme Court lawyer. He is a member of the Rajya Sabha. The Professional fees paid to Mr. Y.P. Trivedi are based upon his expertise in income tax matters for which the company avails his services on case-to-case basis. However, during the financial year ending 31st March 2011, no professional fees were paid to him.

b. Seven Non – Executive Independent Directors (out of the eight on the Board) have been offered 8,500 Stock Options each at a price of Rs.255.40 per share in terms of ‘Zodiac Employees Stock Option Plan – 2006’ in the Financial Year 2006-07.

During the year under review, further 7,500 Stock Options (Second Grant) each at a price of Rs.346.00 per share under the ‘Zodiac Employees Stock Option Plan – 2006’ have been offered to Non-executive Independent Directors. The Directors have the option to exercise their right of subscription for these shares in one or more tranches, within a period of 3 years commencing from January 20, 2012.

Executive Directors:

1. Each Executive Director of the company is entitled to remuneration by way of commission not exceeding 5% of net profit as computed u/s 198 of the Companies Act, 1956 in terms of their appointment.

2. Remuneration paid / payable to Managing / Executive Directors for the year ended March 31, 2011:

Name of the Director	Designation	Commission	Contract Period
Mr. A.Y. Noorani	Vice-Chairman & Managing Director	Rs.1,12,50,000/-	April 1, 2010 to February 28, 2014
Mr. S.Y. Noorani	Managing Director & President	Rs.1,12,50,000/-	April 1, 2010 to February 28, 2014

The above Executive directors are not entitled for any sitting fees for attending the Board Meeting/Committee Meeting.

vii. Management

A Management Discussion and Analysis Report forms part of the Annual Report and includes discussions on various matters specified under clause 49(IV)(F) of the Listing Agreement.

There are no material, financial and commercial transactions, with Senior management personnel, where there is a personal interest that may have a potential conflict with the interest of the company at large.

viii. Prevention of Insider Trading:

The Company has framed its Insider Trading Regulations wherein rules for the preservation of price sensitive information, pre-clearance of trade, monitoring and implementation of the code of conduct are framed. This code is applicable to all Directors and such employees of the Company who are expected to have access to unpublished price sensitive information relating to the Company. Transaction for dealing in the securities of the Company during the prescribed time requires prior approval from the Company.

Shares held by Directors as at 31st March 2011 are as under:

SR. NO	NAME OF THE DIRECTOR	NO OF SHARES HELD
1.	Mr. M.Y. Noorani	7,39,218
2.	Mr. A.Y. Noorani	2,10,360
3.	Mr. S.Y. Noorani	2,67,909
4.	Dr. S. Abid Hussain	6,358
5.	Mr. S.R. Iyer	7,650
6.	Mr. S. M. Datta	18,750
7.	Mr. Y. P. Trivedi	6,825
8.	Mr. M. L. Apte	7,650
9.	Dr. Heinrich D. Dieckmann	NIL
10.	Mr. Deepak Parekh (Alternate Director to Dr. Heinrich D. Dieckmann)	12,750
11.	Mr. Bernhard Steinruecke	3,825
	Total	12,81,295

IX. Shareholders:

i. Appointment/Re-appointment of Directors

1. Appointment

No new directors were appointed during the year ended 31st March, 2011.

2. Re-appointment

Directors retiring by rotation

The directors who retire by rotation at the ensuing Annual General Meeting and who are eligible for reappointment are Dr. S. Abid Hussain, Mr. M.L Apte and Mr. S.M Datta. A brief profile of the Directors are annexed to the notice of 27th Annual General Meeting. The details of Directorships/Committee Membership of the said 3 directors are given hereunder for kind perusal of the shareholders.

1. Dr. S. Abid Hussain:

The details of Directorships of Dr. S. Abid Hussain are as follows:

NAME OF THE COMPANY	BOARD POSITION HELD
Nagarjuna Oil Corporation Limited	Chairman
G.V.K. Industries Limited	Director
G.V.K. Taj Hotels & Resorts Limited	Director
GVK Power & Infrastructure Limited	Director
Wockhardt Limited	Director
Shree Cement Limited	Director

COMMITTEE MEMBERSHIP

NAME OF THE COMPANY	POSITION HELD
<u>AUDIT COMMITTEE</u>	
G.V.K. Industries Limited	Member
G.V.K. Taj Hotels & Resorts Limited	Member
Shree Cement Limited	Member
Wockhardt Limited	Member
<u>SHAREHOLDERS & INVESTOR GRIEVANCES COMMITTEE</u>	
Shree Cement Limited	Member
The details of position of Trustee held by Dr. Abid Hussain in the following companies:	
Name of the Company	Position Held
Morgan Stanley Asset Management (I) Limited	Principal Trustee

2. Mr. M.L. Apte:

The details of Directorships of Mr. M.L. Apte are as follows:

NAME OF THE COMPANY	BOARD POSITION HELD
Apte Amalgamations Limited	Director
Grasim Industries Limited	Director
Tata Asset Management Limited	Director
Bajaj Hindustan Limited	Director
Standard Industries Limited	Director
The Bombay Burmah Trading Corporation Limited	Director
The Raja Bahadur International Limited	Director
Kulkarni Power Tools Limited	Director

COMMITTEE MEMBERSHIP

NAME OF THE COMPANY	POSITION HELD
<u>AUDIT COMMITTEE</u>	
Grasim Industries Limited	Member
The Bombay Burmah Trading Corporation Limited	Member
Standard Industries Limited	Member
<u>SHAREHOLDERS / INVESTOR GRIEVANCES COMMITTEE</u>	
The Bombay Burmah Trading Corporation Limited	Member

3. Mr. S.M. Datta:

The details of Directorships of Mr. S.M Datta are as follows:

NAME OF THE COMPANY	POSITION HELD
Castrol India Limited	Chairman
Philips Electronics India Limited	Chairman
Tata Trustee Co. Limited	Chairman
IL & FS Investment Managers Limited	Chairman
BOC India Limited	Chairman
Transport Corporation of India Limited	Chairman
Speciality Restaurants Ltd.	Chairman
Reach (Cargo Movers) Private Limited.	Chairman
Peerless Gen. Fin. and Inv. Co. Limited	Director
Peerless Hotels Ltd.	Director
Kansai Nerolac Paints Limited	Director
Atul Limited	Director
Bhoruka Power Corporation Limited	Director
Ambit Holdings Pvt. Limited	Director
Chandra's Chemical Enterprises Private Limited	Director
Rabo India Finance Limited	Director

COMMITTEE MEMBERSHIP

NAME OF THE COMPANY	POSITION HELD
<u>AUDIT COMMITTEE</u>	
BOC India Limited	Chairman
Tata Trustee Co. Limited	Chairman
Transport Corporation of India Limited	Member
Peerless Gen. Fin. and Inv. Co. Limited	Member
Rabo India Finance Limited.	Member
<u>SHAREHOLDERS / INVESTOR GRIEVANCES COMMITTEE</u>	
Castrol India Limited	Chairman
IL & FS Investment Managers Limited	Member

3. Disclosure of relationships between Directors

Mr. M.Y. Noorani –Chairman of the Company is the father of Mr. A. Y. Noorani and Mr. S.Y. Noorani. Mr. A.Y. Noorani, Vice – Chairman & Managing Director is the son of Mr. M.Y. Noorani and brother of Mr. S.Y. Noorani. Mr. S.Y. Noorani, Managing Director & President, is the son of Mr. M. Y. Noorani and brother of Mr. A. Y. Noorani. Except for the above-mentioned directors, none of the other Directors are related to each other in terms of relationships.

ii. **Means of Communication:**

The results of the company [quarterly /annual] are published mostly in Business Standard and Lokmat. The financial results [quarterly /annual] are uploaded on the company's website viz. www.zodiaconline.com. The company also uploads official news releases on its website for the information of its shareholders/investors. Even presentations if any, made to analyst / institutional investors have been uploaded on the website of the company from time to time as well as sent to stock exchanges to enable them to put it on their website. During the year under review, no presentations were made to analyst.

The Company does not have the system of sending its shareholders individually its quarterly results. However, investors / shareholders desirous of getting the quarterly unaudited results are given copies thereof after consideration of results by the Board and publication in newspapers.

iii. **Shareholders/Investor Grievance Committee:**

A Board committee under the Chairmanship of a non-executive director has been formed to specifically look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. This Committee has been designated as 'Shareholders/Investors Grievance Committee'. The Committee consists of Mr. M.Y. Noorani, non-executive director, acting as the Chairman and the other members of the Committee are Mr. A.Y. Noorani, Mr. S.Y. Noorani and Mr. M.L. Apte. The Company Secretary acts as the Compliance Officer of the Company.

The Committee meets at frequent intervals to consider share transfer, Shareholders' complaints and other matters as delegated to it by the Board of Directors. All valid share transfers received during the year 2010-11 have been approved/ratified and attended to by the Committee in accordance with the delegation of authority conferred on the said Committee by the Board.

iv. **Shareholders' complaints:**

Twenty-Nine complaints were received from the shareholders during the financial year ended March 31, 2011, which were attended to by the company promptly. Most of the complaints were relating to non-receipt of dividend, non-transfer of shares, non-receipt of annual report etc. There are no complaints/ queries pending to be replied/ attended to as at 31st March, 2011.

X. Annual General Meetings:

Location, time and date where last three Annual General Meetings of the company were held are given below:

FINANCIAL YEAR	DAY & DATE	TIME	VENUE
2007-2008	Wednesday, August 20, 2008	3.00 p.m.	Amar Gian Grover Auditorium, Lala Lajpatrai Memorial Trust, Haji Ali, Mumbai – 400 034
2008 –2009	Wednesday, August 26, 2009	3.00 p.m.	Nehru Center, Hall of Culture, Dr. Annie Besant Road, Worli, Mumbai 400 018
2009-2010	Tuesday, August 10, 2010	10.30 a.m.	Nehru Center, Hall of Culture, Dr. Annie Besant Road, Worli, Mumbai 400 018

Special Resolutions passed in last 3 Annual General Meetings and in Extraordinary General Meeting:

24th Annual General Meeting held on 20th August 2008: At this meeting, no Special resolutions were passed.

25th Annual General Meeting held on 26th August 2009: At this meeting, no Special resolutions were passed.

26th Annual General Meeting held on 10th August 2010: At this meeting, Two Special Resolutions were proposed, seconded and passed with three-fourth majority on show of hands. These resolutions related to: 1) Payment of commission to Mr. A.Y Noorani, Vice-Chairman & Managing Director. 2) Payment of commission to Mr. S.Y. Noorani, Managing Director & President.

Special Resolutions whether passed by postal ballot:

No special resolution was passed by postal ballot in the last Annual General Meeting and also no resolution requiring approval of shareholders by way of postal ballot are proposed to be passed in the ensuing Annual General Meeting.

XI. General Shareholders' Information:**a. Annual General Meeting:**

DAY & DATE	TIME	VENUE
Wednesday, August 10, 2011	3.30 p.m.	Nehru Center, Hall of Culture, Dr. Annie Besant Road, Worli, Mumbai 400 018.

b. Financial Calendar 2011-2012 (tentative) Schedule of the Board Meetings:

First Quarter ending 30th June 2011	:	Before 15th August, 2011
Second Quarter ending 30th September 2011	:	Before 15th November, 2011
Third Quarter ending 31st December 2011	:	Before 15th February 2012
Fourth Quarter ending 31st March 2012	:	Before end of May, 2012

c. Dates of Book Closure:

Monday July 11, 2011 to Friday July 15, 2011 (Both days inclusive).

d. Dividend payment date:

Dividend when sanctioned by shareholders will be paid between 16th August, 2011 to 18th August, 2011.

e. Pursuant to Clause 5A of the Listing Agreements, the Company has initiated the process by sending reminder letters to those shareholders who have not yet claimed their shares.**f. Listing on Stock Exchanges:**

The Equity Shares of the Company continue to be listed at the following Stock Exchanges:

The Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

The National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

The Listing Fees have been paid to the aforesaid Stock Exchanges for the year 2011-2012.

g. Stock Code/Symbol

The Bombay Stock Exchange Limited	:	521163
The National Stock Exchange of India Limited	:	ZODIACLOTH
ISIN No.	:	INE206B01013

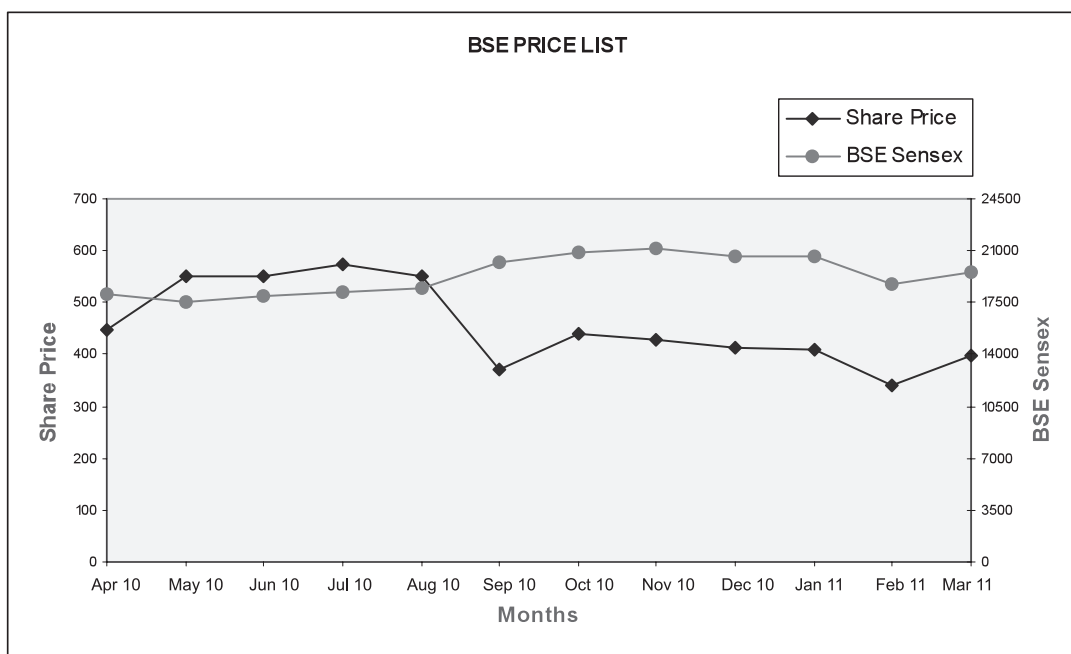
h. Market Price:

The monthly high & low quotations of the Company's shares traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited during the financial year 2010-2011 are as under:

	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2010	448.90	400.30	454.85	401.00
May 2010	550.00	401.00	544.00	400.00
June 2010	551.80	421.00	550.00	421.00
July 2010	573.00	487.15	574.00	482.20
August 2010	552.40	332.50	554.80	341.00
September 2010	371.95	322.20	409.90	322.00
October 2010	440.00	351.95	459.80	347.00
November 2010	427.00	340.00	418.90	332.55
December 2010	415.00	361.00	426.85	366.00
January 2011	409.00	332.20	408.00	331.50
February 2011	399.35	302.00	385.00	301.00
March 2011	396.00	346.50	397.00	355.65

Performance in comparison to broad based indices:

ZODIAC vs BSE SENSEX



i. Registrar & Share Transfer Agents.

Karvy Computershare Pvt. Ltd.

Hyderabad Office

Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081.
Tel No. 040-44655000, Fax No. 040-23420814
E-mail : einward.ris@karvy.com

Mumbai Office

7, Andheri Industrial Estate,
Off. Veera Desai Road,
Andheri (West), Mumbai: 400 053.

j. Share Transfer System

Shares held in the dematerialized form are electronically traded in the Depositories and the Registrar and Share Transfer Agents of the company, viz. Karvy Computershare Pvt. Ltd., periodically receive from the Depository the beneficial holdings data, so as to enable them to update their records and to send all corporate communications, dividend warrants etc. Physical shares received for dematerialization are processed and completed within a period of 15 days from the date of receipt provided they are in order in every respect. Bad deliveries are immediately returned to Depository participants under advice to the shareholders within the aforesaid period.

k. Distribution of shareholding as on March 31, 2011

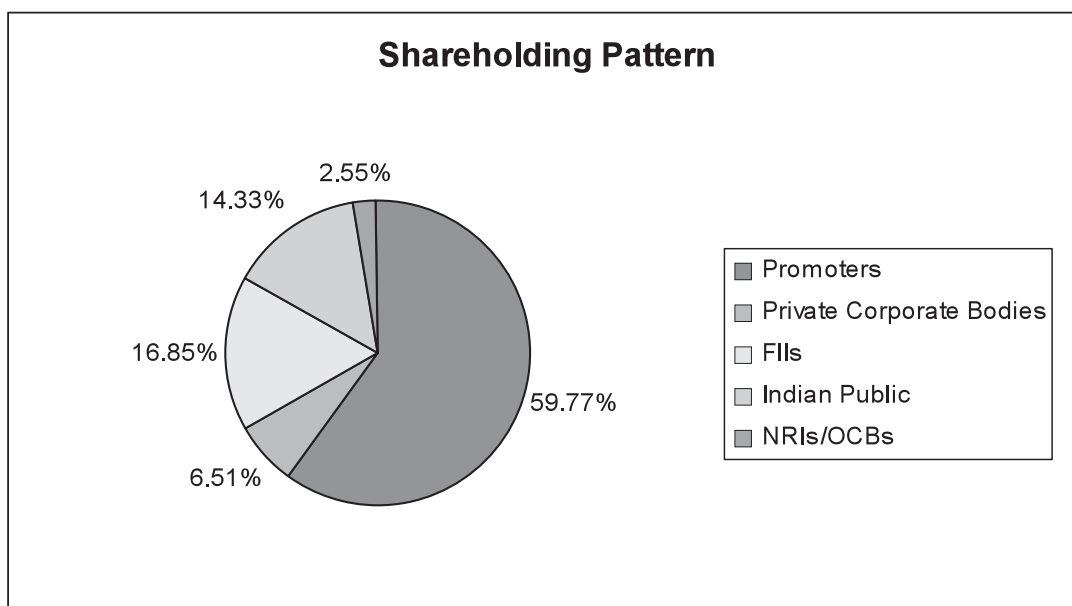
Category	Cases	% of Cases	Amount (Rs.)	% Amount
upto 1 – 5000	3142	88.73	3225600.00	2.52
5001 – 10000	161	4.55	1128760.00	0.88
10001 – 20000	81	2.29	1144360.00	0.89
20001 – 30000	44	1.24	1124690.00	0.88
30001 – 40000	15	0.42	530350.00	0.41
40001 – 50000	14	0.40	662810.00	0.52
50001 – 100000	32	0.90	2343470.00	1.83
100001 & ABOVE	52	1.47	118050600.00	92.08
Total	3541	100.00	128210640.00	100.00

Shareholding Pattern as on March 31, 2011

Category Code	Category of shareholder	Total number of shareholders	Number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VIII)/(IV)*100
(A)	Shareholding of Promoter and Promoter Group							
	(1) Indian							
	(a) Individuals/ Hindu Undivided Family	4	1245774	1241949	9.72	9.72	0	0.00
	(b) Central Government/ State Government(s)	—	—	—	—	—	—	—
	(c) Bodies Corporate	3	1545156	1538406	12.05	12.05	—	—
	(d) Financial Institutions/ Banks	—	—	—	—	—	—	—
	(e) Any Other (specify)							
	Sub-Total (A)(1)	7	2790930	2780355	21.77	21.77	0	0.00
	(2) Foreign							
	(a) Individuals (Non-Resident Individuals/ Foreign Individuals)	5	665769	664569	5.19	5.19	—	—
	(b) Bodies Corporate	2	4206510	4206510	32.81	32.81	—	—
	(c) Institutions							
	(d) Any Other (specify)							
	Sub-Total (A)(2)	7	4872279	4871079	38.00	0.00	0	0.00
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	14	7663209	7651434	59.77	59.77	0	0.00
(B)	Public shareholding[3]							
	(1) Institutions							
	(a) Mutual Funds/ UTI	4	421800	421800	3.29	3.29	—	—
	(b) Financial Institutions/ Banks	1	75	75	0.00	0.00	—	—
	(c) Central Government/ State Government(s)	—	—	—	—	—	—	—
	(d) Venture Capital Funds	—	—	—	—	—	—	—
	(e) Insurance Companies	—	—	—	—	—	—	—
	(f) Foreign Institutional Investors	6	2159936	2159936	16.85	16.85	—	—
	(g) Foreign Venture Capital Investors							
	(h) Any Other (specify)							
	Sub-Total (B)(1)	11	2581811	2581811	20.14	20.14	—	—
	(2) Non-institutions							
	(a) Bodies Corporate	147	834208	829258	6.51	6.51	—	—
	Individuals -							
	i. Individual shareholders holding nominal share capital up to Rs.1 lakh.	3261	868316	782847	6.77	6.77	—	—
	ii. Individual shareholders holding nominal share capital in excess of Rs.1 lakh.	26	545872	485002	4.26	4.26	—	—
	(b) Any Other (specify)							
	Non Resident Indians	69	326452	325552	2.55	2.55	—	—
	Trust	3	137	137	0.00	0.00	—	—
	Clearing Members	10	1059	1059	0.01	0.01	—	—
	Sub-Total (B)(2)	3516	2576044	2423855	20.08	20.09	—	—
	Total Public Shareholding (B)= (B)(1)+(B)(2)	3527	5157855	5005666	40.23	40.23	—	—
	TOTAL (A)+(B)	3541	12821064	12657100	100.00	100.00	—	—
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00	0.00	—	—
	GRAND TOTAL (A)+(B)+(C)	3541	12821064	12657100	100.00	100.00	—	—

As per Regulation 3 of SEBI Takeover Code, 1992 as amended up-to date, Group Companies includes Multiplex Collapsible Tubes Ltd., Zodiac Clothing Company S.A., Elite Clothing Company Pvt. Ltd., Euro Global Holdings Pte. Limited, Asia Tangible Investment Pte. Limited, Zodiac Metropolitan Clothing GmbH, Zodiac Clothing Company (U.A.E.) LLC, Zodiac Properties Limited, Onward LLC, Zodiac Clothing Company INC and the firms viz. Metropolitan Trading Company, Mustang Manufacturing Company, Munraz Enterprises, Mashal Enterprises, Montage Corporation and Miraj Marketing Company LLP.

Shareholding pattern as on March 31, 2011



l. Dematerialization of equity shares

The shares of the company are compulsorily traded in dematerialized form and are available for trading under both the Depository Systems – NSDL [National Securities Depository Limited] and CDSL [Central Depository Services (India) Limited]. Nearly 98.72% of total equity shares of the company are held in dematerialized form with NSDL & CDSL as on March 31, 2011.

m. Liquidity :

Zodiac Clothing Co. Ltd. equity shares are actively traded on the Stock Exchanges i.e. The Bombay Stock Exchange Limited and The National Stock Exchange of India Limited.

n. Outstanding GDRS/ADRS/Warrants or any Convertible Instruments conversion date and likely impact on equity:

The company has not issued any GDRS / ADRS.

o. Plant Locations:

(I) Bangalore:

1. Near Bagalur Cross, Air Force Station,
P.O.Yelahanka, Bangalore - 560 063.
2. No.48, 7th Cross,
Near Kusum Alloys, Visweshwaraiah Industrial Area,
Whitefield Road, Mahadevapura Post, Bangalore - 560 048.
3. No. 107, 5th Block,
4th 'C' Cross, Koramangala Industrial Layout,
Bangalore - 560 095
4. Bommasandra Industrial Area, Attibele Hobli,
Anekal Taluka, Bangalore

- | | |
|---------------|---|
| (II) Gujarat: | <ol style="list-style-type: none"> 1. A-1, 181/1, GIDC,
Umbergaon, Valsad, Gujarat: 396171 2. C/2/7, GIDC, Industrial Area,
Umbergaon - 396 171, Valsad 3. Plot no. 411, Unit II,
GIDC, Umbergaon, Gujarat: 396171 |
| (III) Mumbai: | <ol style="list-style-type: none"> 1. A to Z Industrial Area,
Lower Parel, Mumbai - 400 011 |

p. Address for Investor Correspondence:

For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares, please write to:

M/s. Karvy Computer Share Pvt. Ltd., at the addresses mentioned at (i) above.

For general correspondence write to:

Zodiac Clothing Company Limited

Apte Properties, 10/76, Off. Dr. E. Moses Road, Worli, Mumbai – 400 018 or mail to

Email: investordesk@zodiacmtc.com, cosecy@zodiacmtc.com

Shareholders holding shares in the electronic form should address their correspondence, except those relating to dividend, to their respective Depository Participants.

Note:

In terms of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the Board of Directors of the Company have formulated a formal ‘ Code of Conduct for Prevention of Insider Trading’ in the equity shares of the Company and the Corporate Disclosure Practices and the applicable provisions are being complied with.

In terms of Section 205 C of the Companies Act, 1956 read with the Investors Education & Protection Fund (Awareness and Protection of Investor) Rules, 2001, the Company has credited to Investors Education & Protection Fund pertaining to unclaimed amount of dividend for the financial year ended March 31, 2003.

q. CEO / CFO certification

As required by Clause 49 of the Listing Agreement, the CEO / CFO certificate is provided elsewhere in the Annual Report.

r. Auditors’ certificate on corporate governance

As required by Clause 49 of the Listing Agreement, the auditor’ certificate is given as an annexure to the Directors’ Report.

s. Mandatory / Non-Mandatory requirements:

During the financial year 2010-11, the Company has duly complied with all mandatory requirements of Clause 49 of the Listing Agreement. Save and except, the Compensation Committee, the Company will implement other non mandatory requirement as stated in Clause 49 of the Listing agreement at the appropriate time.

ANNEXURE TO CORPORATE GOVERNANCE

DETAILS OF OTHER DIRECTORSHIPS / COMMITTEE MEMBERSHIPS OF ALL DIRECTORS

1) BODIES CORPORATE OF WHICH MR. M.Y.NOORANI IS A CHAIRMAN/DIRECTOR

NAME OF THE COMPANY	BOARD POSITION HELD
Multiplex Collapsible Tubes Ltd.	Chairman
Elite Clothing Company Private Limited	Chairman
Zodiac Properties Limited	Director
Zodiac [UAE] LLC	Director
Zodiac Clothing Co. (UAE) LLC	Director

2) BODIES CORPORATE OF WHICH DR. S. ABID HUSSAIN IS A CHAIRMAN/ DIRECTOR

Nagarjuna Oil Corporation Limited	Chairman
G.V.K. Industries Limited	Director
G.V.K. Taj Hotels & Resorts Limited	Director
G.V.K Power & Infrastructure Limited	Director
Wockhardt Limited	Director
Shree Cement Limited	Director
<u>COMMITTEE MEMBERSHIPS</u>	
<u>AUDIT COMMITTEE</u>	
G.V.K. Industries Limited	Member
G.V.K. Taj Hotels & Resorts Limited	Member
Wockhardt Limited	Member
Shree Cement Limited	Member
<u>SHAREHOLDERS / INVESTOR GRIEVANCES COMMITTEE</u>	
Shree Cement Limited	Member

3) BODIES CORPORATE OF WHICH MR. M. L. APTE IS A CHAIRMAN / DIRECTOR

Apte Amalgamations Limited	Director
Grasim Industries Limited	Director
Tata Asset Management Limited	Director
Bajaj Hindustan Limited	Director
Standard Industries Limited	Director
The Bombay Burmah Trading Corporation Limited	Director
The Raja Bahadur International Limited	Director
Kulkarni Power Tools Limited	Director
<u>COMMITTEE MEMBERSHIP</u>	
<u>AUDIT COMMITTEE</u>	
Grasim Industries Limited	Member
The Bombay Burmah Trading Corporation Limited	Member
Standard Industries Limited	Member
<u>SHAREHOLDERS / INVESTOR GRIEVANCES COMMITTEE</u>	
The Bombay Burmah Trading Corporation Limited	Member

4) BODIES CORPORATE OF WHICH MR. S.M.DATTA IS A CHAIRMAN/DIRECTOR

Castrol India Limited	Chairman
Philips Electronics India Limited	Chairman
Tata Trustee Co. Limited	Chairman
IL & FS Investment Managers Limited	Chairman
BOC India Limited	Chairman
Transport Corporation of India Limited	Chairman
Speciality Restaurants Ltd.	Chairman
Reach (Cargo Movers) Private Limited.	Chairman
Peerless Gen. Fin. and Inv. Co. Limited	Director
Peerless Hotels Ltd.	Director
Kansai Nerolac Paints Limited	Director
Atul Limited	Director
Bhoruka Power Corporation Limited	Director
Ambit Holdings Pvt. Limited	Director
Chandra's Chemical Enterprises Private Limited	Director
Rabo India Finance Limited	Director
<u>COMMITTEE MEMBERSHIP</u>	
<u>AUDIT COMMITTEE</u>	
BOC India Limited	Chairman
Tata Trustee Co. Limited	Chairman
Transport Corporation of India Limited	Member
Peerless Gen. Fin. and Inv. Co. Limited	Member
Rabo India Finance Limited.	Member
<u>SHAREHOLDERS / INVESTOR GRIEVANCES COMMITTEE</u>	
Castrol India Limited	Chairman
IL & FS Investment Managers Limited	Member

5) BODIES CORPORATE OF WHICH MR. BERNHARD STEINRUECKE IS A CHAIRMAN / DIRECTOR

FAG Bearings (India) Ltd.	Director
Bosch Limited	Director
HDFC ERGO General Insurance Company Limited	Director
Apollo Munich Health Insurance Co. Ltd.	Director

6) BODIES CORPORATE OF WHICH MR. DEEPAK PAREKH IS A CHAIRMAN/ DIRECTOR

Housing Development Finance Corp. Ltd.	Chairman
Infrastructure Development & Finance Co. Ltd.	Chairman
GlaxoSmithKline Pharmaceuticals Ltd.	Chairman
HDFC Asset Management Co. Ltd.	Chairman
HDFC ERGO General Insurance Co. Ltd.	Chairman
HDFC Standard Life Insurance Co. Ltd.	Chairman
Siemens Ltd.	Chairman
Lafarge India Private Limited	Chairman
Hindustan Unilever Ltd.	Director
Mahindra & Mahindra Ltd.	Director
Hindustan Oil Exploration Corp. Ltd.	Director
Castrol India Limited	Director
The Indian Hotels Co. Ltd.	Director
Airport Authority of India	Director
Borax Morarji Ltd.	Alternate Director
Bharat Bijlee Ltd.	Alternate Director
Exide Industries Ltd.	Alternate Director
<u>COMMITTEE MEMBERSHIPS</u>	
<u>AUDIT COMMITTEE</u>	
GSK Pharmaceuticals Ltd.	Chairman
Mahindra & Mahindra Ltd.	Chairman
Castrol India Ltd.	Chairman
Hindustan Unilever Ltd.	Chairman
Siemens Ltd.	Member
The Indian Hotels Co. Ltd.	Member
<u>INVESTOR GRIEVANCE COMMITTEE</u>	
GSK Pharmaceuticals Ltd.	Member

7) BODIES CORPORATE OF WHICH MR. Y.P.TRIVEDI IS A CHAIRMAN/ DIRECTOR

Sai Service Station Ltd.	Chairman
Trivedi Consultants Pvt. Ltd.	Chairman
Reliance Industries Ltd.	Director
Birla Power Solutions Ltd.	Director
Supreme Industries Ltd.	Director
Metro Exporters Pvt. Ltd.	Director
Seksaria Biswan Sugar Factory Limited	Director
New Consolidated Construction Co. Ltd.	Director
Emami Limited	Director
<u>COMMITTEE MEMBERSHIPS</u>	
<u>AUDIT COMMITTEE</u>	
Reliance Industries Ltd.	Chairman
Birla Power Solution Ltd.	Chairman
Seksaria Biswan Sugar Factory Limited	Member
<u>SHAREHOLDERS / INVESTOR GRIEVANCE COMMITTEE</u>	
Reliance Industries Ltd.	Member

8) BODIES CORPORATE OF WHICH MR. S.R.IYER IS A CHAIRMAN/ DIRECTOR

IDMC Ltd.	Director
KSK Energy Ventures Ltd.	Director
KSK Power Ventur Plc. Isle of Man	Director
P. N. Writer and Company Pvt. Ltd.	Director
KSK Electricity Financing Pvt. Ltd.	Director
Writer Lifestyle P. Ltd.	Director
Writer Safeguard P. Ltd.	Director
Canfin Homes Ltd.	Director
Kannada Prabha Publications Ltd.	Director
<u>COMMITTEE MEMBERSHIPS</u>	
<u>AUDIT COMMITTEE</u>	
IDMC Ltd.	Chairman
KSK Energy Ventures Ltd.*	Chairman
KSK Power Ventur Plc. Isle of Man*	Chairman
P. N. Writer and Company Pvt. Ltd.	Chairman
KSK Electricity Financing Pvt. Ltd.	Chairman
Writer Lifestyle P. Ltd.	Chairman
Writer Safeguard P. Ltd.	Chairman

* Listed Companies

9) BODIES CORPORATE OF WHICH DR. HEINRICH D. DIECKMANN IS A CHAIRMAN/ DIRECTOR

NONE

10) BODIES CORPORATE OF WHICH MR. A.Y.NOORANI IS A CHAIRMAN/DIRECTOR

Multiplex Collapsible Tubes Ltd.	Director
Indian Oil Corporation Limited	Director
Elite Clothing Company Private Limited	Director
Techno Crest Private Limited	Director
Zodiac (UAE) LLC	Director
Zodiac Clothing Co. (U.A.E.) LLC	Director
Asia Tangible Investments Pte. Ltd.	Director
Euro Global Holdings Pte. Ltd.	Director
Zodiac Clothing Co. INC	Director
Zodiac Properties Limited	Director
<u>COMMITTEE MEMBERSHIPS</u>	
<u>SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE</u>	
Indian Oil Corporation Limited	Chairman

11) BODIES CORPORATE OF WHICH MR. S.Y.NOORANI IS A CHAIRMAN/DIRECTOR

Multiplex Collapsible Tubes Ltd.	Director
Elite Clothing Company Private Limited	Director
Zodiac (UAE) LLC	Director
Zodiac Metropolitan Clothing Gmbh	Director
Onward Limited Liability Company	Director
Zodiac Clothing Co. (U.A.E.) LLC	Director
Asia Tangible Investments Pte. Ltd.	Director
Euro Global Holdings Pte. Ltd.	Director
Zodiac Clothing Co. INC	Director
Zodiac Properties Limited	Director

CEO/CFO CERTIFICATION UNDER CLAUSE 49 OF LISTING AGREEMENT

We, A.Y. Noorani, Vice Chairman and Managing Director and Aneel Saraff, Vice-President (Accounts) to the best of our knowledge and belief, certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31st March 2011 of Zodiac Clothing Co. Ltd., and that to the best of our knowledge and information: -
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and information, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control system of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee: -
- (i) significant changes in internal control during the year,
 - (ii) significant changes in accounting policies during the year if any, and that the same have disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

We further declare that all Board members and senior management personnel have affirmed compliance with the Code of Conduct for the year ended 31st March 2011.

A.Y. NOORANI
Vice Chairman & Managing Director

ANEEL SARAFF
Vice-President (Accounts)

Place : Mumbai
Date : June 28, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

A. OVERVIEW

India's branded clothing business has made rapid strides during the year, with consumer demand turning positive quite early in the year. The bottom end of the pyramid in the men's wear segment was the biggest beneficiary; the premium end has also shown handsome gains, even after discounting the two price increases during the year— one for the extraordinary rise in the price of cotton fabric (stemming from the stupendous rise in the price of raw cotton) and from the partial pass through of the Excise Duty levied on garments (although this is only relevant from 1st March 2011). This encouraging news is to be viewed with some caution, because although on an annualized basis the gains have been impressive, consumer behaviour has been volatile with unusually high growth rates in some months and disappointing results in others.

Credible forecasts project branded clothing market achieving a CAGR of 11% - 14% until 2015 - 2020 and 12% - 13% from then until 2025, considerably faster than the accelerated growth hitherto. This will be driven primarily by higher spending with growth of the economy, increasing income levels, increasing penetration of organized retailing, growing urbanization, transitioning to readymade clothing from tailor made clothing and the spending pattern of the "demographic dividend".

Due to the unprecedented increase in and volatility of cotton prices, as well as due to Excise Duty on branded clothing becoming mandatory from 1st March, 2011, the prices of branded clothing have increased considerably. Despite this, volumes are anticipated to grow.

India's clothing export during the year (April 2010 – February 2011) was Rs.39,324 crore vs. Rs.39,731 crore (minus 1%) during the corresponding period last year. In USD terms, growth was approximately 3% (USD 8,622 million vs. USD 8,380 million). Cotton clothing exported was minus approximately 3% in Rupee terms, and plus 0.85% in USD terms. The impact of the rupee appreciation is glaringly visible, where despite the higher realization in USD terms, Rupees realized were negative.

Manmade fibre clothing export grew decently both in Rupee (12%) as well as USD (16%) terms. The benefits accruing from the reduction of taxes on manmade fibres amply demonstrates the role of cost disabilities in crimping India's potential.

Volatility existed across the months with the major growth accruing during the last few months of the year. This growth is encouraging, because it was achieved despite the constraints faced in terms of raw cotton/cotton fabric prices, the subdued scenario in the US and the EU (the two major markets for Indian clothing), the appreciation of the Rupee during the year and the Duty Drawback having been reduced and capped in Rupee terms at lower caps than before, the Market Focus Scheme being withdrawn for the US and withdrawal of the scrip for those manufacturers who avail of TUFs. Some growth is certainly ascribable to China (which has 30% market share in world trade in clothing),

consciously yielding market share.

Our competitor countries continue to get fullest co-operation from their Governments and grab market share. The incidence of tax (both State and Central) on inputs continues to be not fully reimbursed to the clothing export industry in India. Adding to the woes of the industry being only partially insulated from the incidence of Service Tax (where also actual disbursements continue to remain outstanding), the services covered under Service Tax are continuously being widened.

India's competitors, most notably Bangladesh and Vietnam (already the second largest clothing suppliers to the US after China) continue to aggressively gain market share in global trade in clothing. Cambodia is the new low-cost challenger.

Stemming from their single child policy/ageing population, the availability of skilled workers willing to work in manufacture of clothing is diminishing with wages rising fast, or even soaring, in the south-eastern part of China. Workers there are shifting to more sophisticated products to move up the value chain. Price differentials between Chinese and Indian fabric are narrowing. China's appreciating currency, as well as its reduction of cotton acreage, along with inflation at a rate considered high for China, have contributed to cost escalation. Commodity prices have been rising globally (to a large extent, because of Chinese demand). Besides, the Chinese clothing industry is also plagued with strikes and production delays.

With this, the era of low cost production in China seems to be drawing to a close with a reversing of the trend of China's inefficient use of labour when it was cheap. A new demand from within China for clothing (reinforced by the policy makers' need to stimulate domestic consumption) seems to be diverting production towards the internal market in China.

All this has resulted in prices for clothing so far this year rising approximately 15% on an average. China, which helped keep global inflation in check due to its competitiveness, is now itself outsourcing low-end clothing manufacture to countries like Cambodia and Vietnam!

The clothing industry from Eastern Europe has started fading more rapidly, creating a void, which is not so price-sensitive and which will need to be filled.

India's export of clothing at USD 8.6 billion is a meagre fraction of China's USD 120 billion. Even if India could, to start with, capture 10% of China's market share of 30% of the global market, i.e. 3% of market for India, our export of clothing would rise nearly 250%. What China yields is too large for any single country besides India to capture, because we are the only country, besides China, which has the entire textile chain.

The clothing industry can show great vitality in view of the opportunities emerging. The words "India has great potential, India has always had great potential, India will always have great potential" adequately describes the situation India's clothing industry faces.

The appreciation of the Rupee vis-à-vis comparison with the USD (from Rs.48/- plus in 2009-10 to under Rs.46/- in 2010-11) has eroded the competitiveness of the industry. On the interest rate front, cost of funds to the industry under the Packing Credit Scheme has become dearer by virtue of the interest subsidy allowed to banks for funding Packing Credit having been withdrawn. The exporting community is now only eligible to “normal” PLR related rates of interest. This, coming on the back of the ten interest rate hikes by RBI to stem inflation, is a double whammy.

The changes in the Market Focus Scheme have further aggravated the situation. Inflation, per se, has impacted the industry’s competitiveness as well, most notably in terms of personnel costs.

The consequential low profit margins in the industry are a disincentive for fresh investment.

The company’s branded business has grown in handsome double digits during the year and continues to show an impressive growth trajectory. The company’s own retail business (company-run, not franchised stores) also shows impressive growth. The company’s design driven international business, despite unit realization in USD terms rising 12% has ended lower, eroding the gains on the branded business considerably.

B. INDUSTRY STRUCTURE AND DEVELOPMENT

India continues to hold tremendous potential for robust growth in the export of clothing. Several times, in the past, this opportunity has been squandered by India. Now that the country’s export of clothing has gained some traction despite the cost disabilities referred to earlier, we must harvest this opportunity to achieve quantum growth. The proposed EU/India Bi-lateral/Free Trade Agreement is reported to be virtually settled on all but a few items (textiles and made-up clothing negotiations have been concluded). The few extraneous issues delaying finalisation are at advanced stages of finalisation and reliable sources indicate that an agreement would be finalized by autumn this year, before being put up to the European Parliament for ratification and, in all probability, be effective 1st January 2012 - India should not be found wanting due to cost disabilities to capture its rightful share of the market.

The Technology Upgradation Fund Scheme, introduced in 1999 to catalyze investments in all sub-sectors of textiles and jute industry by way of 5% interest reimbursement has been revived by the Textiles Ministry as ‘Restructured Technology Upgradation Fund Scheme’, from April 28, 2011 to March 31, 2012, with an overall cap of Rs.1972 crore

The Government of India has appointed a committee to compute the Duty Drawback to the clothing industry. One hopes this will result in adequately compensating the industry on taxes on inputs.

C. OPPORTUNITIES & THREATS

Opportunities:

The opportunities referred to above with regard to the EU (where China has 50% market share) is the biggest potential India has. Added to this, the evolving situation

in China makes the overall outlook extremely positive, should the clothing industry and the government act in tandem to harvest the opportunity.

After Excise Duty having been made mandatory, the industry was assured that there would be a clear line of demarcation between clothing manufacture for exports (by virtue of a simplified scheme) and branded goods, on which duty has to be paid and paperwork maintained for domestic consumption. There is some ambiguity in the interpretation of the simplified scheme, which has led to anguish in the industry, where exporting units are expected to comply with Excise formalities, which is clearly not the intent of the Government. This is leading to transaction costs, which further erode competitiveness of the industry.

Given the company’s significant presence in the EU market, the potential evolving holds promise. The company has, looking to the otherwise modest potential for growth in the US and the EU, started making efforts in other markets, which could show potential in the medium and long term.

The “Demographic Dividend”, projected consistently high growth in GDP, increase in income levels, the propensity to spend by the young emerging consumer, penetration of organized retailing and growing urbanization, will bring about an inflection point for branded clothing on the Indian market. The only question is when this will happen and when there would be consistency in the growth pattern.

The branded business continues to not only hold great promise, but it has also started delivering on this promise. The company’s leadership position in terms of product quality and fashion content in line with the best global standards and the planned rapid growth of the company-run stores (besides its strong linkages with independent retailers and national chains), have resulted in the consistent growth of the Zodiac, ZOD! and Z3 brands.

The long overdue next phase of liberalization, when rolled out, would also contribute to growth.

We continue to look forward to the opportunities ahead with great optimism.

Threats:

International Markets

The volatility as well as the huge increase in the price of raw cotton and consequently in cotton fabric, which is the fibre with the largest share in India’s export of clothing seems to be the biggest threat. Of the two, the volatility is the bigger challenge because although the pass through of cost to the customers (partially or fully) is possible, the nature of the business requires commitments to be made at least a quarter in advance leading to the industry being vulnerable to volatility vis-à-vis its suppliers, which cannot be passed through to its customers if commitments have already been made.

The appreciation of the Rupee vis-à-vis the USD and other currencies – while the long-term direction of the Rupee is certainly towards appreciation given the challenges faced by the country on various fronts, the Rupee is a lot stronger than it should be according to Forex experts. Continued overvaluation of the Rupee poses a threat.

Another major threat is whether inflation can be reined in quickly. Despite the RBI having used the lever of interest rate increase repeatedly, it does not seem to have made any significant dent in inflation, perhaps because of the inordinate rise in commodity prices globally.

Further, low availability of skilled manpower is a challenge, given the labour-intensive nature of the industry, which juggles hard to keep up with the constant and justified demand for raising wages for the workers in an inflationary situation, while continuing to remain globally competitive. Also, unlike other countries where manufacturing takes place in villages where cheap labour is available in plenty, the industry in India is concentrated in locations like Bangalore, Chennai, NCR, Ludhiana, Tirupur, and to some extent, even Mumbai.

Domestic Branded Market

The “Demographic Dividend” needs to be provided with good education, and/or vocational skills, more so in view of not insignificant parts of the country being under Naxalite influence. This is vital for the branded business in India to grow to its full potential.

Inflation, corruption, scams, rising interest rates, weak education and inadequate vocational training facilities and a slower pace of growth than projected in the budget could affect consumer demand. Besides, the growth of urbanisation/megacities, as well as a hesitant approach to FDI in retailing, could inhibit the penetration of organized retailing and, in turn, affect and inhibit consumer demand.

D. SEGMENT WISE/PRODUCT WISE PERFORMANCE

Segments have been identified in line with the Accounting Standard on Segment Reporting, taking into account the organization structure, as well as the differential risk and returns of these segments. The company operates mainly in the clothing and accessories segment and has no reportable business segment, which exceeds 10% of the total turnover.

The Geographical Segment is identified and given below:

Year Ended 31st March 2011

(Rupees in Lakhs)

	India	Rest of the World	Total
Segment Revenue	16,173	13,598	29,771
Carrying Cost of Segment Asset	23,253	1,139	24,392
Addition to Fixed Assets	1,787	—	1,787

E. OUTLOOK

The design driven international business of the Company saw profitability eroding significantly. With international prices of cotton having fallen considerably from its peak, this business could return to its normal profitability, barring unforeseen challenges.

India has emerged as the second largest exporter of cotton. Our country would enjoy the greatest benefit if the bulk of our domestic cotton were converted

into value added products. However, for this to work smoothly, the consuming industries should be competitive in their own right and must upgrade their competitive edge and scale of operations.

Traditionally, our clothing industry has had an edge in design, which gives them a natural advantage in the domestic as well as global market. However, as India grows and incomes rise, global brands will find it attractive to enter the Indian market, especially in the premium segment, some of whom will use domestic manufacturing facilities. Indian clothing manufacturers who are able to develop a brand in the domestic retail market will be further up the learning curve in their quest for international markets.

The branded market in India and the international markets are complementary to each other and would benefit from integrated facilities, both within India, as well as with South Asia, South-East Asia and Africa. The forces of globalisation need to be leveraged to unleash the opportunities.

The industry will have to sharpen its competitiveness despite inflation and the paucity of availability of labour (partly due to NREGA), in locations where the industry is concentrated. Besides, data showing declining percentage of women in the available workforce is an alarming trend, because a significant portion of the sewing operators of the industry are women. The industry needs to increase productivity, resulting in inclusive growth, develop the skills of both its production teams as well as its design teams and be able to deliver a consistently high level of quality.

The Government should be urged to partner the industry to gain market share by addressing the obstacles it faces in terms of cost disabilities through the different levers available to it, such as duty drawback, market focus scheme, making cost of funds available to the industry at international pricing, WTO-compatible tax benefit, encouragement of innovation by means of product development funds/R&D funds and fast tracking of bi-lateral/multi-lateral agreements under discussion with different markets.

The Company is looking forward to the branded business showing consistency in its growth in the future, rather than volatility it has faced in recent times.

The company could benefit considerably if the right conditions discussed above emerge.

F. RISKS AND CONCERNS

Revenues and expenses can vary significantly from period to period, especially in view of the economic environment and pricing pressures, especially from customers in the U.S and the EU. Besides, the subsidies available to the clothing industry in our competitor nations (China, Vietnam, Bangladesh and Cambodia, some of whom also have favourable bi-lateral/preferential treaties with the US and the EU) are a continuing risk.

Cotton prices having declined from peak levels during the year, are still substantially higher than their historic levels. A return to those levels seems unlikely, given the fact that cotton acreage in China has been reduced and in the US there is no scope for increase (perhaps it may even decrease with production of bio-fuels being

made so attractive). In India cotton acreage can increase marginally, and productivity gains, possibly, have already been saturated.

The strength of the rupee, medium to long term, is a reality we have to reckon with and despite which we have to compete successfully.

Achieving parity with international levels of productivity (compared to levels in China, Vietnam, Cambodia and Bangladesh) is a concern. Average labour productivity of India is lower than productivity in competitor countries. This is a double blow, because our cost of labour is not cheap.

G. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has a proper and adequate system of internal control to ensure that all assets are safeguarded and protected against any loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly. The company's internal control systems are supplemented by an extensive programme of internal audit conducted by an external auditor periodically and reviewed by the management together with the Audit Committee of the Board. The emphasis of internal control prevails across functions and processes, covering the entire gamut of activities including finance, supply chain, sales and distribution, marketing etc.

H. COMPANY'S FINANCIAL PERFORMANCE

	(Rupees in Lakhs)	
	2010-11	2009-10
Sales & other Income	30,858	28,650
Profit Before Taxation	3,078	3,280
Provision for Taxation		
Current Tax	621	1,140
Wealth Tax	4	4
Deferred Tax	123	7
Profit After Taxation	2,330	2,129
Short Provision for Taxation	—	24
Profit for the Year	2,330	2,105
Balance of Profit Brought Forward	8,339	7,146
Profit Available for Appropriation	10,669	9,251
Appropriations		
Transfer to General Reserve	235 *	225
Proposed Final Dividend	641 *	587
Tax on Proposed Final Dividend	104 *	100
Balance Carried Forward	9,689 *	8,339
Total	10,669 *	9,251

* subject to approval of the Members

Turnover & Profits:

Your Directors wish to inform you that during the financial year ended 31st March 2011, the revenue of the company increased 8% to Rs.30,858 lakhs vs. Rs.28,650 lakhs in the previous year. The net profit before tax stood at Rs.3,078 lakhs as against Rs.3,280 lakhs in the previous year. The net profit after tax for financial year ended 31st March, 2011, stood at Rs.2,330 lakhs as against Rs.2,105 lakhs in the previous financial year.

The interest cost is 0.18% of revenue which, when compared to most other companies among the listed entities, is significantly lower.

During the year:

- The Company has been in compliance with the 'Code of Conduct for Prevention of Insider Trading' formulated in terms of the provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time.
- The paid-up share capital of the company has increased from Rs.8,39,26,760/- to Rs.12,82,10,640/- as a result of allotment of 42,04,238, bonus shares and 2,24,150 shares issued under the ESOP Scheme.
- The Board has recommended a dividend (subject to approval of shareholders) of 50% for the year 2010-11 on the enhanced share capital, pursuant to the issue of bonus shares and shares issued under the ESOP Scheme.
- The Compensation Committee approved the Second Grant of 2,67,350 Stock Option to the eligible Directors / Employees at an exercise price of Rs.346.00 per option pursuant to Employee Stock Option Scheme 2006 of the Company.
- Zodiac Properties Limited, the SPV set up to acquire the property for the UK operations, has gainfully employed the residential floor by leasing that portion. We are studying the possibility and the feasibility of adding another floor to the property to increase the rental income. This will help amortise the costs faster, should it be possible and viable.
- As of 31st March 2011, the company had 84 stores. 17 new stores were opened and 7 were closed during the year, a net increase of 10 stores. 6 existing stores were refurbished. (All stores are company-owned, not franchised). The company's strategy of investing in growth of its own retail business is being pursued vigorously. The growth pattern, although inconsistent, continues to be most encouraging for the branded business as well as the Company's own retail store business.
- The Board constituted an Investment Committee, for directing the investment activities of the company, with a view to maximize returns to the company with minimal risk, and also to consider investing the funds of the company, as appropriate, through its subsidiaries. The Investment Committee comprises of the following Board members:
Mr. M.Y. Noorani
Mr. S.R. Iyer
Mr. S.M. Datta
Mr. A.Y. Noorani
Mr. S.Y. Noorani

ICRA (an associate of Moody's Investor Service) has yet again reaffirmed the Company's rating of A1+ for its short-term fund based/non fund based facilities, which have been maintained at Rs.51.5 crore. (Within the A1 category, which is ICRA's highest quality rating denoting lowest credit risk in the short term, certain instruments are assigned A1+ rating denoting their stronger credit quality).

I HUMAN RESOURCES DEVELOPMENT/ INDUSTRIAL RELATIONS

The role of Human Resources continues to remain vital and strategic to the Company. Employee recruitment and management is a key focus, and processes and policies are in place to attract and retain employees of a high calibre. The Company recognises the need for continuous growth and development of its employees to meet their objectives for a career path to equip them to meet growing organisational challenges.

During the year, Personnel Costs have grown both because of the increased salaries of quality people given the demand for them, as well as because of an increase in our headcount (both at the front end as well as of the back end) due to the expansion of Company-run stores.

Industrial relations have continued to be harmonious at all units throughout the year. Measures for safety of employees, welfare and development continue to receive top priority.

Under ESOP, the Second Grant of Stock Options was offered on January 20, 2011. The eligible Directors / Employees have the option to exercise their right of subscription for these shares in one or more tranches, within a period of 3 years from the date of vesting, commencing from January 20, 2012.

J. CAUTIONARY STATEMENT

Statements in this report on Management Discussion and Analysis describing the company's objectives, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the company's operation include global demand-supply conditions, finished goods prices, raw materials cost and availability, changes in government regulations and tax structure, economic developments within India and the countries with which the company has business contacts and other factors such as litigation and industrial relations in India, trade agreements, especially with the EU & the U.S.

The company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

COMPLIANCE CERTIFICATE

Auditors' Certificate to the Members of Zodiac Clothing Company Limited on Compliance of the Conditions of Corporate Governance for the Year Ended 31st March, 2011, Under Clause 49 of the Listing Agreements with Relevant Stock Exchanges.

1. We have examined the compliance of the conditions of Corporate Governance by Zodiac Clothing Company Limited ("the Company"), for the year ended 31st March, 2011, as stipulated in clause 49 of the listing agreements of the said Company with relevant stock exchanges in India (hereinafter referred to as clause 49).
2. The compliance of the conditions of corporate governance is the responsibility of the management. Our examination is limited to a review of procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, and the representation made by the management, we certify that the Company has complied with the

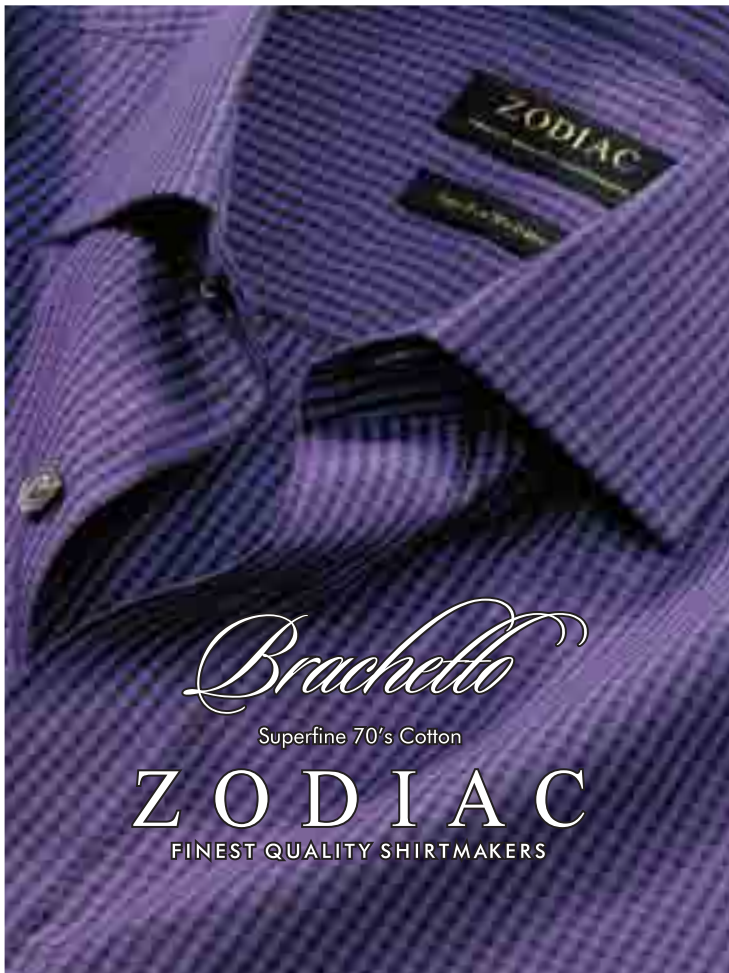
conditions of corporate governance as stipulated in Clause 49.

4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No.117366W)

MUMBAI,
June 28, 2011

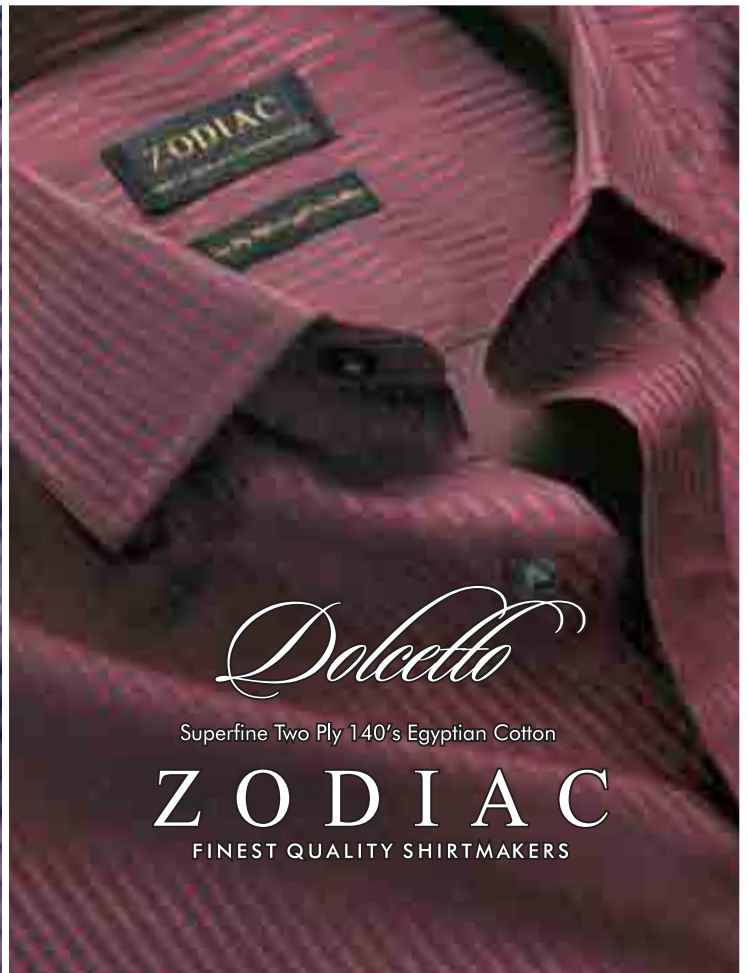
R. Laxminarayan
Partner
Membership No: 33023



Brachetto

Superfine 70's Cotton

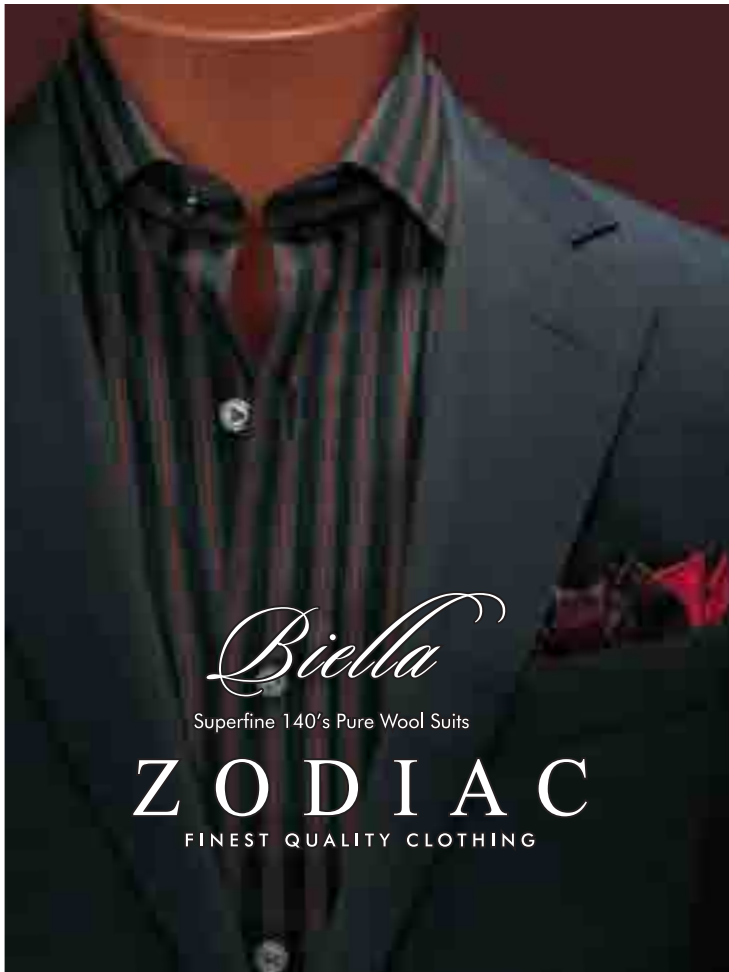
ZODIAC
FINEST QUALITY SHIRTMAKERS



Dolcetto

Superfine Two Ply 140's Egyptian Cotton

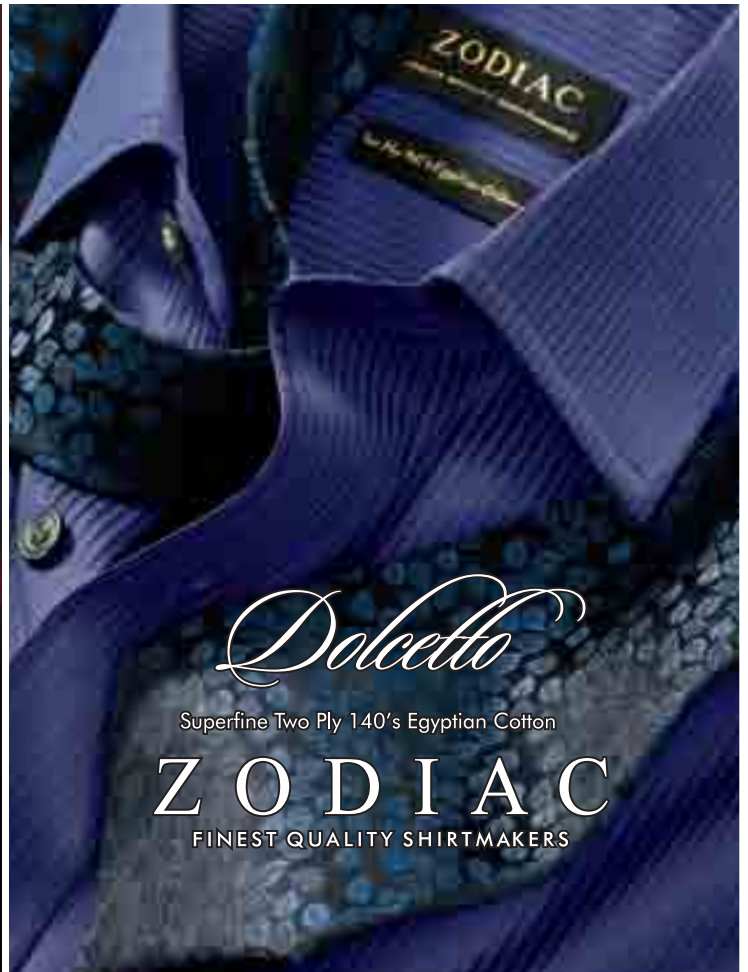
ZODIAC
FINEST QUALITY SHIRTMAKERS



Biella

Superfine 140's Pure Wool Suits

ZODIAC
FINEST QUALITY CLOTHING



Dolcetto

Superfine Two Ply 140's Egyptian Cotton

ZODIAC
FINEST QUALITY SHIRTMAKERS



100% Pure Silk Vicenza Ties



100% Pure Silk Vicenza Ties

13

13

ZODIAC
डोडियेक

सॉड!



AUDITORS' REPORT

TO THE MEMBERS OF ZODIAC CLOTHING COMPANY LIMITED

1. We have audited the attached Balance Sheet of Zodiac Clothing Company Limited ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by

this report are in agreement with the books of account;

- (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of written representations received from the directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117366W)

Mumbai,
Dated: June 28, 2011

R. Laxminarayan
Partner
Membership No: 33023

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date on the accounts of Zodiac Clothing Company Limited for the year ended 31st March, 2011)

- (i) Having regard to the nature of the Company's activities clauses (xiii), and (xiv) of paragraph 4 of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In respect of loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act 1956, according to the information and explanations given to us:
 - (a) The Company has granted an unsecured loan of Rs.27,650,000/- to a company during the year. At the year-end, the outstanding balance of such loans including those granted in earlier years aggregated Rs.199,649,758/- and the maximum amount involved during the year was Rs.221,317,656/- (excluding interest).
 - (b) The rate of interest and other terms and conditions of such loan are in our opinion, prima facie, not prejudicial to the interest of the Company.
 - (c) The receipts of principal amounts and interest have been regular/as per stipulations.
 - (d) With regard to the aforesaid loan, there are no overdue amounts.
 - (e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

In view of what has been stated above, clauses (iii)(f) and (iii)(g) of Para 4 of the Order are not applicable to the company.
 - (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in such internal control system.
 - (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register, maintained under the said Section have been so entered.
 - (b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.
 - (vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year and hence the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, are not applicable to the Company.
 - (viii) In our opinion, the internal audit function carried out during the year by the company's internal audit department and by a firm of Chartered Accountants appointed by the management has been commensurate with the size of the Company and nature of its business.
 - (ix) To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of Cost Accounting records under section 209(1)(d) of the Companies Act, 1956, for any of the products of the Company.
 - (x) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed dues, including

Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

- (b) There were no undisputed amounts payable in respect of Income tax, Wealth tax, Service Tax, Investor Education and Protection Fund, Sales tax, Custom duty, Excise duty and Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, and Cess which have not been deposited as on 31st March, 2011 on account of disputes are given below:

Name of the Statute	Nature of the Dues	Forum where dispute is pending	Amount in Rupees	Period to which the Amount relates
Income Tax Act, 1961	Income-tax	Income Tax Appellate Tribunal, Mumbai	782,443	A.Y. 2001-02
Income Tax Act, 1961	Income-tax	Income Tax Appellate Tribunal, Mumbai	1,513,342	A.Y. 2003-04
Income Tax Act, 1961	Income-tax	Commissioner of Income Tax Appeal, Mumbai	424,602	A.Y. 2007-08
The Kerala General Sales Tax Act, 1963	Sales Tax	Deputy Commissioner (Appeals) of Commercial Taxes-Ernakulam	190,369	F.Y. 2001-02
The Kerala General Sales Tax Act, 1963	Sales Tax	Deputy Commissioner (Appeals) of Commercial Taxes - Ernakulam	214,569	F.Y. 2002-03
The West Bengal Sales Tax Act, 1994	Sales Tax and Penalty	Assistant Commissioner of Commercial Taxes, Kolkata	689,936	F.Y. 2002-03
The West Bengal Sales Tax Act, 1994	Sales Tax and Penalty	Assistant Commissioner of Commercial Taxes, Kolkata	95,105	F.Y. 2003-04
The Central Sales Tax Act, 1956	Sales Tax, Interest and Penalty	Assistant Commissioner of Commercial Taxes, Kolkata	604,159	F.Y. 2002-03
The Central Sales Tax Act, 1956	Sales Tax, Interest and Penalty	Assistant Commissioner of Commercial Taxes, Kolkata	709,091	F.Y. 2003-04
The Bombay Sales Tax Act, 1959	Sales Tax	Joint Commissioner of Sales Tax Appeal (II), Mumbai	379,398	F.Y. 2002-03
The Bombay Sales Tax Act, 1959	Sales Tax	Joint Commissioner of Sales Tax Appeal (II), Mumbai	141,015	F.Y. 2002-03
The Central Sales Tax Act, 1956	Sales Tax	Joint Commissioner of Sales Tax Appeal (II), Mumbai	61,726	F.Y. 2002-03
Total			5,805,755	

(xi) The Company has no accumulated losses as at 31st March, 2011 and has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.

(xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.

To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not borrowed from any financial institution and has not issued any debentures.

(xiii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.

(xvi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.

(xvii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xviii) The Company has not borrowed any monies by way of issue of debentures. Hence, the requirement of reporting under clause (xix) of the order does not arise.

(xix) According to the information and explanations given to us, the Company has not raised any money by public issue during the year.

(xx) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117366W)

R. Laxminarayan
Partner
Mumbai,
Dated: June 28, 2011
Membership No: 33023

BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule No.	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees	As at 31st March, 2010 Rupees
I. SOURCES OF FUNDS :				
1. SHAREHOLDERS' FUNDS -				
(a) Capital	1	128,210,640	83,926,760	
(b) Reserves and Surplus	2	1,466,199,927	1,314,552,893	
		1,594,410,567		1,398,479,653
2. LOAN FUNDS :				
(a) Secured Loans	3	245,576,100	320,702,584	
(b) Unsecured Loans	4	114,641,144	—	
		360,217,244		320,702,584
3. DEFERRED TAX LIABILITY (Net)		30,941,330		18,677,870
TOTAL		1,985,569,141		1,737,860,107
II. APPLICATION OF FUNDS :				
1. FIXED ASSETS -	5			
(a) Gross Block		859,724,094	774,888,405	
(b) Less : Depreciation		315,665,193	269,486,122	
(c) Net Block		544,058,901	505,402,283	
(d) Capital Work-in-Progress		171,289,578	90,686,989	
		715,348,479		596,089,272
2. INVESTMENTS -	6	261,746,478		128,737,974
3. CURRENT ASSETS, LOANS AND ADVANCES -				
(a) Inventories	7	689,329,827	499,598,429	
(b) Sundry Debtors	8	212,494,328	221,445,770	
(c) Cash and Bank Balances	9	55,506,740	207,082,628	
(d) Loans and Advances	10	504,783,505	472,161,570	
		1,462,114,400	1,400,288,397	
LESS : CURRENT LIABILITIES AND PROVISIONS -				
(a) Liabilities	11	369,281,491	308,844,738	
(b) Provisions	12	84,358,725	78,410,798	
		453,640,216	387,255,536	
NET CURRENT ASSETS		1,008,474,184		1,013,032,861
TOTAL		1,985,569,141		1,737,860,107

Significant Accounting Policies And

Notes to Accounts

18

In terms of our report attached
FOR DELOITTE HASKINS & SELLS
Chartered Accountants

For and on behalf of the Board
M. Y. NOORANI
Chairman

R. Laxminarayan
Partner

A. Y. NOORANI
Vice Chairman & Managing Director

MUMBAI
Dated: June 28th, 2011

O. P. SINGH
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule No.	Current Year Rupees	Previous Year Rupees
INCOME			
Sales		2,815,397,271	2,658,964,220
Less: Excise Duty		6,606,653	—
		2,808,790,618	2,658,964,220
Other Income	13	277,003,872	206,064,277
Increase in Stocks	14	61,112,752	31,550,533
		3,146,907,242	2,896,579,030
EXPENDITURE			
Raw Materials Consumed		887,286,917	747,150,237
Purchase of Trading Materials		189,801,226	218,125,113
Operation and Other Expenses	15	1,192,148,967	1,108,128,020
Payments to and Provision for Employees	16	498,917,212	424,914,008
Finance Charges	17	17,901,264	23,943,582
Depreciation/Amortisation		52,335,573	46,024,238
Prior period expenses (net)		765,802	341,172
(Refer Note No. (B) 21 of Schedule No.18)		2,839,156,961	2,568,626,370
PROFIT BEFORE TAXATION		307,750,281	327,952,660
Provision for Taxation			
Current Tax	62,100,000		114,000,000
Wealth Tax	360,000		360,000
Deferred Tax Charge	12,263,460		728,768
		74,723,460	115,088,768
PROFIT AFTER TAXATION		233,026,821	212,863,892
Short Provision for Income Tax of earlier years		—	2,374,843
PROFIT FOR THE YEAR		233,026,821	210,489,049
Brought Forward from Previous Year		833,861,607	714,606,182
PROFIT FOR THE YEAR AVAILABLE FOR APPROPRIATION		1,066,888,428	925,095,231
APPROPRIATIONS			
Dividend for the previous year		—	465
Proposed Dividend	64,105,320		58,748,732
Corporate Dividend Tax thereon	10,401,088		9,984,427
Transfer To General Reserve	23,500,000		22,500,000
		98,006,408	91,233,624
Surplus carried to Balance Sheet		968,882,020	833,861,607
		1,066,888,428	925,095,231
Basic Earnings per Share (Face value Rs.10/- per share)		18.39	16.73
Diluted Earnings per Share (Face value Rs.10/- per share)		18.29	16.33
(Refer Note No. (B) 22 of Schedule No. 18)			
Significant Accounting Policies and Notes to Accounts			
	18		

In terms of our report attached
FOR DELOITTE HASKINS & SELLS
Chartered Accountants

For and on behalf of the Board
M. Y. NOORANI
Chairman

R. Laxminarayan
Partner

A . Y. NOORANI
Vice Chairman & Managing Director

MUMBAI
Dated: June 28th, 2011

O. P. SINGH
Company Secretary

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
SCHEDULE NO. 1		
SHARE CAPITAL :		
AUTHORISED -		
20,000,000 Equity Shares of Rs.10/- each	<u>200,000,000</u>	<u>200,000,000</u>
ISSUED AND SUBSCRIBED -		
12,821,064 (Previous Year 8,392,676) Equity Shares of Rs.10/- each fully paid up	128,210,640	83,926,760
Notes :		
1) Of the above,		
i) 1,156,313 Shares are allotted as fully paid-up pursuant to the scheme of amalgamation of Mayfair Limited with the Company;		
ii) 8,385,551 (Previous Year Rs.4,181,313) Shares are allotted as fully paid-up by way of bonus shares by capitalisation of share premium account; and capital reserve account		
iii) 254,200 (Previous Year 30,050) Shares are allotted as fully paid-up on exercise of Employee stock options under Zodiac Clothing Company Limited Employee Stock Option Plan 2006		
2) Particulars of options on unissued share capital (Refer Note No. (B) 23 of Schedule 18)		
TOTAL	<u>128,210,640</u>	<u>83,926,760</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
SCHEDULE NO. 2		
RESERVES AND SURPLUS:		
Amalgamation Reserve Account		
As per last Balance Sheet	816,433	816,433
State Cash Subsidy		
As per last Balance Sheet	1,584,350	1,584,350
Capital Reserve		
As per last Balance Sheet	17,629,958	29,958
Add: Share warrants forfeited during the year	—	17,600,000
	<u>17,629,958</u>	<u>17,629,958</u>
Less: Applied during the year for issue of bonus shares	<u>17,629,958</u>	—
	—	17,629,958
Share Premium Account		
As per last Balance Sheet	275,818,727	274,309,517
Add : Received on issue of Shares on exercise of ESOP under Zodiac Clothing Company Limited Employee Stock Option Plan 2006	<u>37,268,880</u>	<u>1,509,210</u>
	313,087,607	275,818,727
Less: Applied during the year for issue of bonus shares	<u>24,412,422</u>	—
	288,675,185	275,818,727
General Reserve Account		
As per last Balance Sheet	185,275,602	162,775,602
Add: Transfer from Profit and Loss account	<u>23,500,000</u>	<u>22,500,000</u>
	208,775,602	185,275,602
Hedging Reserve Account		
Unrecognised losses on cash flow hedges - net (Refer Note No. (B) 20 of Schedule No 18)	(2,533,663)	(433,784)
Surplus in Profit & Loss Account	<u>968,882,020</u>	<u>833,861,607</u>
TOTAL	<u>1,466,199,927</u>	<u>1,314,552,893</u>
SCHEDULE NO. 3		
SECURED LOANS :		
Loans and Advances from Banks:		
Working Capital Facilities *	237,048,571	304,736,821
Term Loan **		
[includes repayable within one year Rs.3,257,500/- (Previous Year Rs.7,402,739/-)]	8,477,500	15,880,239
Interest accrued and due on above	50,029	85,524
[* Secured by hypothecation of Raw materials, Finished Goods & Semi-finished Goods, Packing Materials & other Accessories, Stores and Spares, Book Debts, other receivables and claims, both present and future. **Secured by hypothecation of Specified Machineries acquired by using the term loan proceeds]		
TOTAL	<u>245,576,100</u>	<u>320,702,584</u>
SCHEDULE NO. 4		
UNSECURED LOANS :		
Working Capital Facilities From Banks	114,641,144	—
TOTAL	<u>114,641,144</u>	<u>—</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

SCHEDULES 5

FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)			DEPRECIATION/ AMORTISATION			NET BLOCK	
	As at April 1, 2010	Additions	Deductions/ Adjustments	As at March 31, 2011	For the year	Deductions/ Adjustments	As at March 31, 2011	As at March 31, 2010
INTANGIBLE ASSETS - ACQUIRED								
Goodwill	15,699,501	–	–	15,693,839	1,887	–	15,695,726	5,662
Software	7,245,374	1,859,464	–	3,310,625	1,363,759	–	4,674,384	3,934,749
TANGIBLE ASSETS								
Free Hold Land	42,549,771	–	–	42,549,771	–	–	–	42,549,771
Lease Hold Land	1,805,590	–	–	369,372	19,748	–	389,120	1,436,218
Building	71,901,085	1,488,058	–	73,389,143	2,081,465	–	24,790,249	48,598,894
Lease hold Improvement	96,153,268	31,474,613	9,252,135	39,542,699	14,288,307	4,064,202	49,766,804	56,610,569
Furniture & Fixtures	151,475,845	27,884,724	–	179,360,569	10,145,056	–	48,362,631	113,258,270
Machinery	261,070,721	20,686,953	–	281,757,674	14,692,092	–	101,647,359	174,115,454
Vehicles	33,861,503	5,425,282	3,668,770	35,618,015	3,381,494	2,066,074	10,883,091	24,293,832
Computer	34,305,319	2,588,830	–	36,894,149	2,829,093	–	29,272,916	7,861,496
Office Equipment/ Electrical Installation	58,820,428	6,695,897	347,227	65,169,098	3,558,239	51,793	30,182,913	32,143,961
TOTAL	774,888,405	98,103,821	13,268,132	859,724,094	52,361,140	6,182,069	315,665,193	544,058,901
Previous Year	710,536,647	68,654,159	4,302,401	774,888,405	46,087,278	1,285,856	269,486,122	505,402,283
Capital Work in Progress								
							171,289,578	90,686,989
Total							715,348,479	596,089,272

Note:

1. Depreciation for the year includes prior year depreciation of Rs.25,567 (Previous Year Rs.63,040/-).
2. Machinery costing Rs.72,003,595/- are hypothecated against Term Loan sanctioned.
3. Building includes Flats of the Gross Book Value of Rs.4,645,100/- (Previous Year Rs.6,967,650/-) given on operating lease.

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

		As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
SCHEDULE NO. 6			
INVESTMENTS:			
(I) LONG TERM INVESTMENTS			
(Non-Trade, Fully Paid, at cost)			
(A) SHARES OF OTHER COMPANIES :			
(Quoted)			
1,713,750 Equity Shares of Rs.5/- each			
(Previous year			
1,006,875 Equity Shares of Rs.10 each)			
of Shoppers Stop Ltd.	86,815,750	102,013,750	
66 Equity Shares of Rs.10/- each			
of Aditya Birla Nuvo Ltd.	84,609	84,609	
830 Equity Shares of Rs.1/- each			
of Hindalco Industries Ltd.	43,202	43,202	
108 Equity Shares of Rs.1/- each (Previous Year)	5,203	5,203	
54 equity shares of Rs.2/- each) of			
Coramandel Fertilizer Ltd.			
7 Equity Shares of Rs.10/- each	210	210	
of Exide Industries Ltd.			
		86,948,974	102,146,974
(B) SHARES OF SUBSIDIARY COMPANIES (Unquoted)			
2,000,000 Equity Shares of Rs.10/- each of			
Multiplex Collapsible Tubes Limited			
(Also a company under the same management)	20,000,000	20,000,000	
250 Equity Shares of CHF 1,000/- each of			
Zodiac Clothing Company S.A., Switzerland.	6,591,000	6,591,000	
		26,591,000	26,591,000
SUB TOTAL (I)		113,539,974	128,737,974
(II) CURRENT INVESTMENTS			
(Non-Trade, Unquoted, Fully Paid,			
at Cost or fair value whichever is lower)			
3,866,826.50 (Previous Year:Nil) Units of Rs.10/-	40,000,000	—	
each of BNP Paribas Bond Fund Inst Growth			
4,502,008.81 (Previous Year : Nil) Units of Rs.10/-	48,026,980	—	
each of JP Morgan India Short Term Income			
Fund-Growth Plan			
20,000 (Previous Year : Nil) Units of Rs.1000/-	20,000,000	—	
each of Pramerica Short Term Income			
Fund- Growth Option			
9,139 (Previous Year : Nil) Units of Rs.1000/-	9,524	—	
each of Pramerica Short Term Bond			
Fund-Growth Option			
21,011,70 (Previous Year: Nil) Units of Rs.1000/-			
each of Templeton India Short Term Income			
Retail Plan-Growth	40,170,000	—	
SUB TOTAL (II)		148,206,504	—
TOTAL		261,746,478	128,737,974
Notes			
1) Aggregate Value of Quoted Investments	Book Value	86,948,974	102,146,974
	Market Value	591,674,613	401,216,884
2) Aggregate Value of Unquoted Investments	Book Value	174,797,504	26,591,000

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
SCHEDULE NO. 7		
INVENTORIES :		
(At Cost or Net Realisable Value whichever is lower)		
Stores and Spare parts	6,946,241	5,987,521
Raw Materials	248,397,967	155,966,799
Packing Materials & Accessories	65,031,558	42,315,156
Finished Goods	301,411,456	253,360,652
Work-in-Progress	37,310,142	24,248,194
Materials in Transit	30,232,463	17,720,107
TOTAL	689,329,827	499,598,429

SCHEDULE NO. 8

SUNDRY DEBTORS: (Unsecured)

(a) Debts outstanding for a period exceeding six months:

Considered Good	5,980,484	5,992,920
Considered Doubtful	13,373,546	15,933,028
	19,354,030	21,925,948
Less: Provision For Doubtful Debts	13,373,546	15,933,028
	5,980,484	5,992,920

(b) Other Debts:

Considered Good	206,513,844	215,452,850
-----------------	-------------	-------------

TOTAL	212,494,328	221,445,770
--------------	--------------------	--------------------

Debtors include:

Due from a Firm in which some of the Directors of the Company are Partners:

Mashal Enterprises	207,119	—
--------------------	---------	---

SCHEDULE NO. 9

CASH AND BANK BALANCES :

Cash on hand	1,132,780	1,391,582
Remittances in Transit	7,416,971	6,704,444
Bank Balances		
With Scheduled Banks :		
On Current Accounts	4,959,722	35,371,250
On Unpaid Dividend Accounts	1,175,007	986,118
On Fixed Deposit	40,822,260	162,629,234
TOTAL	55,506,740	207,082,628

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

	Rupees	As at 31st March, 2011 Rupees	Rupees	As at 31st March, 2010 Rupees
SCHEDULE NO. 10				
LOANS AND ADVANCES :				
(Unsecured, Considered good unless otherwise specified)				
Loans and Advances to a Subsidiary		200,840,040		221,317,656
Advance Payment of Income-tax etc. (Net of provision for income tax Rs.62,460,000/-)		86,726,926		64,036,071
Previous Year: Rs.114,360,000/-)				
Deposit With Various Government and other Authorities		11,356,118		10,951,146
Advances recoverable in cash or in kind or for value to be received:				
Unsecured - considered good	205,860,421		175,856,697	
Unsecured - considered doubtful	2,179,013		1,629,013	
	208,039,434		177,485,710	
Less : Provision for Doubtful Advances	2,179,013		1,629,013	
		205,860,421		175,856,697
TOTAL		504,783,505		472,161,570

Loans and Advances include :

i) Due from Firms in which some of the Directors of the Company are Partners:

Metropolitan Trading Co.	16,929,120	16,929,120
Munraz Enterprises	1,500,000	1,500,000

ii) Due from a Company under the same management:

	Maximum Balance	Maximum Balance
Multiplex Collapsible Tubes Limited	221,317,656	200,840,040
		257,581,761
		221,317,656

SCHEDULE NO. 11

CURRENT LIABILITIES :

Advances and Deposits from Customers	10,589,524	7,262,963
Sundry Creditors:		
(i) Total outstanding dues of Micro enterprises and small Enterprises. (Refer Note No.(B) 3 of Schedule 18)	3,164,487	—
(ii) Total Outstanding dues of Creditors other than Micro enterprises and small Enterprises	235,740,642	160,800,196
Dues to Subsidiaries	—	2,265,215
Unclaimed Dividend*	1,163,986	901,411
Book Overdraft with Bank	21,257,260	—
Other Liabilities	97,257,969	137,409,470
Interest Accrued but not due on loans	107,623	205,483
TOTAL	369,281,491	308,844,738

* There is no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund

SCHEDULE NO. 12

PROVISIONS :

Proposed Dividend	64,105,320	58,748,732
Corporate Dividend Tax	10,401,088	9,984,348
For Leave Liability	9,852,317	9,677,718
TOTAL	84,358,725	78,410,798

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Current Year Rupees	Previous Year Rupees
SCHEDULE NO. 13		
OTHER INCOME :		
Export Benefits and Entitlements	87,715,178	85,724,998
Exchange Fluctuation Gain (Net)	3,525,659	1,418,787
Commission Income [T.D.S Rs.12,751/- (Previous Year: Rs.11,368/-)]	157,674	130,811
Interest on ICDs, Fixed Deposits etc. [T.D.S. Rs.2,946,405/- (Previous Year: Rs.5,520,589/-)] and received from a subsidiary Rs.19,051,835/- (Previous Year Rs.24,557,833/-)	25,617,870	37,561,375
Dividends - Current Investments	23,093	178
Dividends - Long Term Investments	1,512,564	1,994
Profit on Sale of Long Term Investments - Non Trade	85,999,464	—
Profit on Sale of Current Investments	2,114,498	—
Rent [T.D.S Rs.91,600/- (Previous Year: Rs.184,888/-)]	916,000	1,067,150
Royalty Received [T.D.S Rs.1,504,306/- (Previous Year: Rs.1,670,167/-)]	14,146,995	16,809,759
Recovery of Freight & Insurance on sales	32,164,032	46,541,791
Sundry Receipts	5,293,800	6,224,674
Excess provision for expenses written back	9,481,290	6,706,742
Sundry Credit Balances Written Back	8,335,755	3,876,018
TOTAL	277,003,872	206,064,277

SCHEDULE NO. 14

INCREASE IN STOCKS :

Opening Stock		
Finished Goods	253,360,652	223,395,934
Work-in-Progress	24,248,194	22,662,379
	277,608,846	246,058,313
Closing Stock		
Finished Goods	301,411,456	253,360,652
Work-in-Progress	37,310,142	24,248,194
	338,721,598	277,608,846
TOTAL	61,112,752	31,550,533

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Rupees	Current Year Rupees	Rupees	Previous Year Rupees
SCHEDULE NO. 15				
OPERATION AND OTHER EXPENSES :				
Consumption of Packing Materials & Accessories		207,917,672		220,502,193
Consumption of Stores and Spare parts		11,057,519		7,540,721
Consumables For Printing/Embroidery/Washing		32,496,583		39,162,716
Excise Duty On Finished Goods (Refer Note No (B) 26 of Schedule 18)		4,059,662		—
Power, Fuel and Oil		23,194,547		20,279,299
Labour Charges		56,936,337		80,677,374
Repairs to Buildings		3,488,427		1,861,763
Repairs to Machinery		7,089,111		5,056,807
Repairs to Others		9,487,557		8,207,885
Retail Store maintenance expenses		26,504,953		21,650,790
Insurance		8,089,555		6,139,142
Rates and Taxes		8,410,938		7,666,832
Security Charges		7,411,573		5,909,586
Rent		220,418,873		193,544,934
Printing & Stationery		6,258,771		6,171,025
Bad and doubtful debts written off		3,506,598		309,924
Provision for doubtful debts		947,116		1,455,538
Provision for doubtful Advances		550,000		1,147,791
Travelling & Conveyance Expenses		36,385,521		28,812,031
Postage, Telegrams and Telephones		17,223,551		15,804,890
Advertisement and Sales Promotion Expenses		185,838,779		156,966,203
Miscellaneous Expenses		6,370,192		4,172,962
Electricity		24,611,481		24,083,680
Donation		10,724,059		12,716,730
Trade Mark Fees		17,941,916		14,627,971
Loss On Sale Of Fixed Assets		993,856		—
Commission, Discount and Rebates		106,744,567		103,786,788
Freight Outward		97,449,383		98,696,281
Legal and Professional Charges		18,689,552		15,715,296
Assets Discarded Written off		5,367,780		3,016,543
Directors' Sitting fees		1,100,000		900,000
Commission to Managing Directors		22,500,000		
Sundry Balances written off		741,702		309,137
Auditors' Remuneration :- *				
(including service tax where applicable)				
Audit Fees	1,425,000		900,000	
In other capacity for Certification	30,000		200,000	
Reimbursement of expenses	35,971		21,888	
Service Tax	149,865		113,300	
*Excludes payment of Rs.3.31 lacs (Previous Year Rs.3.31 lacs (including service tax)) for Taxation matters to an affiliated firm covered by a networking arrangement which is registered with the Institute of Chartered Accountants of India.		1,640,836		1,235,188
TOTAL		1,192,148,967		1,108,128,020

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Current Year Rupees	Previous Year Rupees
SCHEDULE NO. 16		
PAYMENTS TO AND PROVISION FOR EMPLOYEES :		
Salaries, Wages and Bonus	439,292,038	371,525,430
Contribution to Provident and other funds	50,936,520	46,033,789
Labour and Staff Welfare Expenses	8,688,654	7,354,789
TOTAL	498,917,212	424,914,008

SCHEDULE NO. 17

FINANCE CHARGES :

Interest		
– on working capital facilities from banks"	4,559,197	10,874,661
– on term loans from banks	503,623	777,085
– on others	–	232,996
Bank Charges	12,838,444	12,058,840
TOTAL	17,901,264	23,943,582

SCHEDULE 18

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011

A) SIGNIFICANT ACCOUNTING POLICIES:

a) BASIS OF ACCOUNTING

The Accounts are prepared on accrual basis under the historical cost convention and to comply in all material aspects with the applicable accounting principles in India, the accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with generally accepted accounting principles in India requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reported period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

b) REVENUE RECOGNITION

Sales are recognised when goods are supplied to customers and are recorded net of sales tax/ value added tax, trade discounts, Rebate and Returns but includes excise duty. Dividend income on investments is accounted when the right to receive the dividend is established.

Revenue in respect of Insurance/other claims, interest etc. is recognised only when it is reasonably certain that the ultimate collection will be made.

c) EXPORT BENEFITS

Export benefits under various schemes of Government of India are accounted on accrual basis on the basis of exports made and the value of imports made/ to be made there against.

d) FIXED ASSETS

Fixed Assets are recorded at Cost of acquisition. They are stated at historical costs including incidental expenses.

e) DEPRECIATION/AMORTISATION

i) On Tangible Assets:

Depreciation has been calculated on straight-line basis in accordance with the

provisions of section 205(2)(b) of the Companies Act, 1956 at the rates and in the manner specified in schedule XIV of the said act.

Cost of Leasehold Land is amortised over the period of lease.

Cost of Leasehold improvements is amortised over the primary period of lease. However, in cases where the company as a lessee has the right of renewal of lease and it is intended to renew for further periods, then the cost of such leasehold improvements is amortised over such extended period, not exceeding 10 years.

ii) On Intangible Assets:

a) Goodwill

At the time of acquisition of the business, the difference between the cost of investments and the fair value of assets as at the date of acquisition is accounted for as goodwill. Goodwill is amortised over a period of 10 years.

Goodwill on amalgamation in the nature of merger is amortised over a period of 5 years.

b) Computer software is amortised on straight line basis over a period of 6 years.

f) IMPAIRMENT OF ASSETS

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. An impairment loss is charged to the Profit & Loss in the year in which an asset is identified as impaired. The impaired loss recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable value.

g) **INVESTMENTS**

Investments are classified into long-term investments and current investments. Investments, which are intended to be held for more than one year, are classified as long-term investments and investments, which are intended to be held for less than one year, are classified as current investments. Long-term investments are accounted at cost and a provision for diminution is made to recognize a decline other than temporary in the value of long term investments. Current investments are valued at cost or fair value whichever is lower.

Investments include investments in shares of a company registered outside India. They are stated at cost by converting at the rate of exchange prevalent at the time of acquisition thereof.

Any profit or loss on sale of investments is determined on the basis of the average cost of acquisition.

h) **TRANSACTIONS IN FOREIGN CURRENCY**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies are restated at the exchange rate prevailing on the balance sheet date. Exchange differences arising on settlement of the transaction and on account of restatement of monetary items are dealt with in the Profit and Loss Account.

Forward exchange contracts entered into to hedge the foreign currency risk and outstanding as on balance sheet date are translated at year end exchange rates. The premium or discount arising at the inception of such forward exchange contracts are amortised as income or expense over the life of the contract.

Gains/Losses on settlement of transactions arising on cancellation/renewal of forward exchange contracts are recognized as income or expense.

i) **HEDGE ACCOUNTING**

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain

firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments: Recognition and Measurement" (AS-30).

The use of hedging instruments is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates.

Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders' funds and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the profit and loss account for the period.

j) **INVENTORIES**

- a) Raw materials are valued at cost or net realisable value whichever is lower. The cost includes purchase price as well as incidental expenses. The cost formulae used are First In First Out, Weighted average cost or Specific identification method, as applicable and found appropriate.
- b) Work -in - progress is valued at cost calculated on the basis of absorption costing or net realisable value whichever is lower.
- c) Finished goods are valued at cost or net realisable value whichever is lower. Cost

is determined on the basis of absorption costing.

- d) Packing materials and accessories are valued at First in First Out cost or net realisable value whichever is lower.
- e) Stores and spare parts are valued at First in First Out cost or net realisable value whichever is lower.

k) EMPLOYEE BENEFITS

- a) The contribution to Provident Fund as required under the statute is made to the Government Provident Fund and is debited to profit and loss account.
- b) Gratuity liability is a defined benefit obligation. The Company has taken Group gratuity- cum-life assurance (cash accumulation) Scheme offered by Life Insurance Corporation of India (LIC) . Annual contributions are made on the basis of intimation received from LIC. The company accounts for liability for future gratuity benefits based on actuarial valuation carried out as at the end of each financial year. Actuarial gains and losses are recognized in full in profit and loss account for the period in which they occur.
- c) Benefits in the form of vesting and non-vesting compensated absences are accounted as per actuarial valuation carried out as at the year end.

l) TAXES ON INCOME

Income Taxes are accounted for in accordance with Accounting Standard (AS 22) – Accounting for Taxes on Income, notified under the Companies (Accounting Standard) Rules, 2006. Income Tax comprises both current and deferred tax.

Current tax is measured at the amount expected to be paid to/recovered from the revenue authorities, using applicable tax rates and laws.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted

tax rates and tax regulations as of the Balance Sheet date.

Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty of its realization, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realisation.

m) BORROWING COST

Interest and other costs in connection with the borrowing of the funds to the extent related/ attributed to the acquisition/construction of qualifying fixed assets are capitalised up to the date when such assets are ready for its intended use and all other borrowing costs are recognised as an expense in the period in which they are incurred.

n) LEASES

Assets taken / given on lease by which all significant risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payment/receipts under operating leases are recognized as expense/income on straight line basis over the lease term.

o) PROVISIONS AND CONTINGENCIES

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

B) NOTES FORMING PART OF THE ACCOUNTS:

1) Contingent Liabilities:

- a) Guarantee issued by the Bank and counter guaranteed by the Company: Rs.4,632,913/- (Previous year: Rs.6,621,567/).

- b) Foreign letters of Credits opened by Bank and counter guaranteed by the Company: Rs.29,269,060/- (Previous year: Rs.13,073,806/-).
- c) Foreign bills/Letters of Credit discounted with Bank: Rs.4,980,791/- (Previous year Rs.26,689,108/-)
- d) Disputed demand not provided for in respect of: -

	Current year Rupees	Previous Year Rupees
1) Income Tax (amount paid under protest Rs.21,779,336/-) (Previous Year Rs.26,078,952/-)	36,204,231	27,484,073
2) Sales Tax (amount paid under protest Rs.6,401,831/-) (Previous Year Rs.6,416,870/-)	10,441,872	10,441,872
3) Apparel Export Promotion Council for non fulfillment of export obligation against duty free imports	2,980,050	2,980,050

e) Claims against the Company not acknowledged as debts: Rs.1,066,310/- (Previous year Rs.1,066,310/-)

f) Labour disputes not acknowledged as debts: Amount not ascertainable.

Note: In respect of items mentioned above, till the matters are finally decided, the financial effect cannot be ascertained.

- 2) Estimated amount of contracts remaining to be executed on capital account and not provided for: Rs.31,636,946/- (Previous Year Rs.20,608,069/-)
- 3) Micro, Small and Medium enterprises have been identified by the company on the basis of the information available. Total outstanding dues of Micro, Small and Medium enterprises, which are outstanding for more than the stipulated period are given below.

	Current year Rupees	Previous Year Rupees
(a) Dues Remaining unpaid as on 31st March – Principal	3,164,487	–
Interest	–	–
(b) Interest paid in terms of section 16 of the Act	–	–
(c) Amount of interest due and payable for the period of delay on payments made beyond the appointed day during the year	–	–
(d) Amount of interest accrued and remaining unpaid as on 31st March	–	–
(e) Further interest due and payable even in the succeeding years until such date when the interest due as above are actually paid to the small enterprises		

4) Managerial Remuneration :

- a) Managerial Remuneration Under Section 198 of the Companies Act, 1956 paid/payable to the Vice Chairman & Managing Director and The Managing Director & President.

Particulars	Current Year Rupees	Previous Year Rupees
Commission	22,500,000	–

Notes:

- The Board of Directors has decided to pay commission @ 5% of its net profits as computed under section 349 of the Companies Act, 1956 for the year ended 31st March, 2011 to each of these Managing Directors.
- Accordingly, provision for commission of Rs.22,500,000/- (Previous year Rs. Nil) has been made in the books which is within the permissible limits under the Companies Act, 1956.

4) b) Computation of net profit under section 349 of the Companies Act, 1956 is as under:

Particulars	Current Year Rupees	Previous Year Rupees
Profit before Taxation	307,750,281	—
Add : (a) Managerial Remuneration	22,500,000	—
(b) Provisions for doubtful debts and advances	1,497,116	—
(c) Directors Sitting Fees	1,100,000	—
(A)	332,847,397	—
Less : (a) Profit on redemption/sale of mutual funds and other current investments (net)	2,114,498	—
(b) Profit on sale of long term Investments	85,999,464	—
(c) Write back of provision for doubtful debts and advances (net)	3,506,598	—
(B)	91,620,560	—
(A-B)	241,226,837	—
Commission @ 5% to each of the Directors limited by the Board in the aggregate to	22,500,000	—

- 5) The amount of premium on forward exchange contracts to be recognised in the profit and loss account in the next financial year is Rs.2,781,563/- (Previous Year Rs.1,665,087/-)

6) **Investments**

The Company has purchased and sold the following units of Mutual funds :

	Current Year		Previous Year	
	Units	Purchase Amount (Rs.)	Units	Purchase Amount (Rs.)
HDFC Mutual Fund-Cash Management Treasury	1,021,484.91	21,200,000	—	—
J P Morgan India Short Term Income Fund	4,505,717.41	46,699,000	—	—
J P Morgan India Liquid Fund	3,783,856.72	48,015,628	—	—
Pramerica Ultra Short Term Bond Fund	67,226.08	68,144,477	—	—
HDFC Cash Management Fund Treasury Advantage Plan Dividend Reinvested	2,793,509.79	28,023,093	84,733	850,000

7) **Operating Leases:**

A) **Premises taken on Lease**

- The Company has taken various offices/shops under operating lease or leave and licence agreements. These are non-cancellable during a lock in period which ranges between 11 months to 3 years under leave and licence agreements and are renewable by mutual consent on mutually agreeable terms.
- Lease Payments recognized in the statement of Profit & Loss Account under Rent in Schedule 15 is Rs.220,418,873/- (Previous Year Rs.193,544,934/-).
- The future minimum lease payments under non-cancellable operating lease :
 - not later than one year is Rs.18,977,662/- (Previous Year Rs.41,648,201/-);
 - later than one year and not later than five years is Rs.1,896,510/- (Previous Year Rs.6,702,612/-) and
 - Later than five years Nil (Previous Year Rs. Nil)

B) **Premises Given On Lease**

- The Company has given its premises under operating lease on leave and licence basis. These are cancellable lease and the period ranges between 11 months to 3 years under leave and licence agreements and renewable by mutual consent on mutually agreed terms.

- b) Lease rentals recognized in the statement of Profit & Loss Account under Rent in Schedule 13 is Rs.916,000/- (Previous Year Rs.1,067,150/-)
- c) Premises given on licence basis:
Gross Carrying amount Rs.4,645,100/- (Previous Year Rs.6,967,650/-)
Accumulated Depreciation Rs.605,934/- (Previous Year Rs.795,330/-)
Depreciation for the year Rs.75,716/- (Previous Year Rs.113,574/-)

8) Particulars regarding Manufacturing Activities:

Capacities, Production, Turnover and Stocks

Class of Goods	Unit	Licenced Capacity	Installed Capacity	Opening Stock	Production*	Turnover	Closing Stock
				Qty (Unit)	Value (Rs.)	Qty (Unit)	Value (Rs.)
Garment & Accessories	Pcs	N. A.	6,182,000	650,249	203,346,050	4,232,649	4,256,374
Previous Year	Pcs	N.A.	6,182,000	612,091	185,140,618	4,277,474	4,239,316

* Includes 802,541 Pcs (Previous Year 821,408 Pcs) manufactured by outside parties on behalf of the Company.

9) Particulars of Raw Material Consumption:

(Previous year's figures are in brackets)

Class of Goods	Unit	Quantity	Value (Rs.)
a) Yarn	Kgs	14,043 (19,544)	5,729,824 (6,396,728)
b) Fabric	Meter	6,101,214 (6,012,664)	881,557,093 (740,753,509)
TOTAL			887,286,917 (747,150,237)

10) Particulars of Trading Activities:

(Previous year's figures are in brackets)

Class of Goods	Unit	Opening Stock	Purchases	Sales	Closing Stock
		Qty (Unit)	Value (Rs.)	Qty (Unit)	Value (Rs.)
Garments	Pcs	376,361 (274,844)	50,014,602 (38,255,316)	652,923 (945,388)	111,810,266 (82,344,472)
Accessories		Nil (Nil)	Nil (Nil)	N.A. (N.A.)	33,192,650 (32,521,188)
Fabrics	Meter	Nil (Nil)	Nil (Nil)	426,327 (1,081,218)	44,798,310 (103,259,453)

(*) Net of sale of leftover fabrics 58,914 meters for Rs.4,305,765/- (Previous Year 76,148 meters for Rs3,333,785/-).

11) CIF Value of Imports:

	Current Year Rupees	Previous Year Rupees
(i) Raw Materials (includes accessories)	381,257,985	319,960,950
(ii) Stores & Spares	4,314,313	239,862
(iii) Capital Goods	2,320,664	2,485,013
(iv) Traded Goods	55,162,837	46,642,228

12) Value of Raw Materials Consumption:

	Current Year		Previous Year	
	Rupees	%	Rupees	%
Imported	309,538,061	34.89	270,771,866	36.24
Indigenous	577,748,856	65.11	476,378,371	63.76
Total	887,286,917	100	747,150,237	100

13) Value of Stores & Spares Consumption:

	Current Year		Previous Year	
	Rupees	%	Rupees	%
Imported	3,144,949	28.44	801,266	10.63
Indigenous	7,912,570	71.56	6,739,455	89.37
Total	11,057,519	100	7,540,721	100

14) Expenditure in Foreign Currencies:

	Current Year Rupees	Previous Year Rupees
Sales Promotion	23,945	77,616
Interest on Loans/Bank charges	4,401,675	7,694,851
Travelling Expenses	4,187,553	3,579,080
Rebate, Discount & Commission	62,930,809	61,861,493
Membership & subscription	183,364	171,079
Forward Contract Roll over charges	1,304,745	3,035,140
Books & Periodicals	6,201	—
Testing Charges	192,456	16,876
Repair & Maintenance	182,863	276,895
Legal & Professional Charges	985,761	265,462

15) Remittance in Foreign Currencies on Account of Dividend:

(Previous year's figures are in brackets)

a)	No. of Non-Resident Shareholders	No. of Shares held by them	Net Amount of Dividend (Rs.)
Dividend for the year ended 31.03.2010	4 (3)	3,178,423 (2,805,540)	22,248,961 (18,236,010)

- b) Except for the above Shareholders, the Company has not made any remittance in foreign currency on account of dividend during the year and does not have information as to the extent to which remittance in foreign currency on account of dividend have been made by or on behalf of non-resident shareholders.

c) The particulars of Non-resident Shareholders and the amount of dividend paid to them are as under:

(Previous year's figures are in brackets)

	No. of Non-Resident Shareholders including those under (a) above	No. of Shares held by them	Net Amount of Dividend (Rs.)
Dividend for the year ended 31.03.2010	65 (71)	3,446,579 (3,497,462)	24,126,053 (22,733,504)

16) Earnings in Foreign Currencies:

	Current Year Rupees	Previous Year Rupees
Exports of Goods on FOB basis	1,310,008,701	1,421,419,192
Royalty Income	14,146,995	16,809,759
Others (Freight & Insurance Receipt)	32,164,032	46,541,791

17) Deferred Tax:

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
Deferred Tax Liability on account of:		
Depreciation	40,485,573	40,573,759
	<u>40,485,573</u>	<u>40,573,759</u>
Deferred Tax Assets on account of:		
(i) Employee benefits disallowed u/s 43B	1,301,631	12,637,095
(ii) Provision for Retirement Benefit	3,196,584	3,289,456
(iii) Provision for Doubtful Debts & Advances	5,046,028	5,969,338
	<u>9,544,243</u>	<u>21,895,889</u>
Deferred Tax Liabilities (Net)	30,941,330	18,677,870

The Net Deferred tax charge of Rs.12,263,460/- (Previous year Rs.728,768/-) for the year has been recognized in the Profit and Loss Account.

The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantially enacted by the Balance Sheet date.

18) Related Party Disclosures:

Related party disclosures as required by (AS-18) "Related Party Disclosures" are given below:

I) Relationships:

a) Subsidiary Companies (including sub-subsidiaries):

Multiplex Collapsible Tubes Limited.

Zodiac Clothing Company S. A.

Zodiac Clothing Co. (U.A.E.) LLC.

Zodiac Clothing Company INC

Zodiac Properties Ltd.

b) Key Management Personnel:

Mr. M. Y. Noorani

Mr. A. Y. Noorani

Mr. S. Y. Noorani

c) Other Related Parties:

i. The enterprises where control of key management personnel and/or their relatives exist and with whom the transactions have taken place :

Zodiac Private Limited

Miraj Marketing Company Private Limited

Zodiac Metropolitan Clothing Gmbh

Asia Tangible Investments Pte. Ltd.

Metropolitan Trading Company

Montage Corporation

Munraz Enterprises

Mariambai & Haji Noor Mohamad Noorani Foundation Trust

Mustang Manufacturing Company

Mashal Enterprises

Elite Clothing Co. Pvt. Ltd.

Euro Global Holdings Pte. Ltd.

Onward LLC

Miraj Marketing Company LLP

ii. Relatives of key management personnel with whom the transactions have taken place :

Mr. Awais A. Noorani

Mr. Musaed A. Noorani

Mrs. Muna A. Noorani

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

II) The following transactions were carried out with the related parties in the ordinary course of business.

(Previous year's figures are in brackets)

	Subsidiaries Rupees	Key Management Personnel Rupees	Other Related Parties Rupees	Total Rupees
Sale of Goods				
Mashal Enterprises	– (-)	– (-)	7,191,422 (6,526,311)	7,191,422 (6,526,311)
Zodiac Clothing Co. (U.A.E.) LLC	91,255,382 (161,602,493)	– (-)	– (-)	91,255,382 (161,602,493)
Zodiac Metropolitan Clothing Gmbh	– (-)	– (-)	194,022,205 (155,151,676)	194,022,205 (155,151,676)
Onward LLC	– (-)	– (-)	136,068,984 (42,878,336)	136,068,984 (42,878,336)
Zodiac Clothing Co. INC	– (9,750,203)	– (-)	– (-)	– (9,750,203)
Interest Income Received				
Multiplex Collapsible Tubes Ltd.	19,051,835 (24,557,833)	– (-)	– (-)	19,051,835 (24,557,833)
Royalty Income Received				
Zodiac Clothing Co. (U.A.E.) LLC	14,146,995 (16,809,759)	– (-)	– (-)	14,146,995 (16,809,759)

	Subsidiaries Rupees	Key Management Personnel Rupees	Other Related Parties Rupees	Total Rupees
Trade Mark fees paid				
Metropolitan Trading Company	– (-)	– (-)	17,941,916 (14,627,971)	17,941,916 (14,627,971)
Service Charges Paid				
Rent Accrued				
Metropolitan Trading Company	– (-)	– (-)	20,364,456 (20,364,444)	20,364,456 (20,364,444)
Mustang Manufacturing Company	– (-)	– (-)	207,600 (207,600)	207,600 (207,600)
Munraz Enterprises	– (-)	– (-)	388,800 (388,800)	388,800 (388,800)
Montage Corporation	– (-)	– (-)	57,816 (57,696)	57,816 (57,696)
Miraj Marketing Company Pvt. Ltd.	– (-)	– (-)	236,250 (315,000)	236,250 (315,000)
Miraj Marketing Company LLP	– (-)	– (-)	78,750 (-)	78,750 (-)
Mr.A.Y.Noorani	– (-)	421,584 (421,584)	– (-)	421,584 (421,584)
Mr.S.Y.Noorani	– (-)	421,584 (421,584)	– (-)	421,584 (421,584)
Mr.M.Y.Noorani	– (-)	133,056 (133,056)	– (-)	133,056 (133,056)
Multiplex Collapsible Tubes Ltd.	53,149,824 (51,941,870)	– (-)	– (-)	53,149,824 (51,941,870)
Salary Paid				
Mr.Awais A.Noorani	– (-)	– (-)	4,568,621 (4,496,117)	4,568,621 (4,496,117)
Expenses Recovered				
Mashal Enterprises	– (-)	– (-)	457,157 (504,817)	457,157 (504,817)
Multiplex Collapsible Tubes Ltd.	288,939 (6,099,100)	– (-)	– (-)	288,939 (6,099,100)
Mustang Manufacturing Company	– (-)	– (-)	13,551 (-)	13,551 (-)
Metropolitan Trading Company	– (-)	– (-)	422,413 (205,427)	422,413 (205,427)
Zodiac Clothing Co. (U.A.E.) LLC	6,151,170 (696,896)	– (-)	– (-)	6,151,170 (696,896)
Zodiac Private Limited	– (-)	– (-)	– (17,500)	– (17,500)
Other Income Received				
Zodiac Clothing Co. (U.A.E.) LLC	2,464,953 (4,264,771)	– (-)	– (-)	2,464,953 (4,264,771)

	Subsidiaries Rupees	Key Management Personnel Rupees	Other Related Parties Rupees	Total Rupees
Zodiac Metropolitan Clothing Gmbh	– (-)	– (-)	7,970,656 (6,423,687)	7,970,656 (6,423,687)
Onward LLC	– (-)	– (-)	287,697 (57,380)	287,697 (57,380)
Zodiac Clothing Co. INC	– (965,288)	– (-)	– (-)	– (965,288)
Expenses Reimbursed				
Metropolitan Trading Company	– (-)	– (-)	48,075 (84,119)	48,075 (84,119)
Mashal Enterprises	– (-)	– (-)	33,597 (93,269)	33,597 (93,269)
Munraz Enterprises	– (-)	– (-)	354,744 (252,664)	354,744 (252,664)
Zodiac Clothing Co. (U.A.E.) LLC	115,735 (-)	– (-)	– (-)	115,735 (-)
Zodiac Metropolitan Clothing Gmbh	– (-)	– (-)	– (363,413)	– (363,413)
Multiplex Collapsible Tubes Ltd.	1,286,801 (1,104,065)	– (-)	– (-)	1,286,801 (1,104,065)
Zodiac Clothing Co. INC	– (1,083,865)	– (-)	– (-)	– (1,083,865)
Loans/Advances Repaid by				
Multiplex Collapsible Tubes Ltd.	49,317,898 (36,264,105)	– (-)	– (-)	49,317,898 (36,264,105)
Loans/Advances Given to				
Multiplex Collapsible Tubes Ltd.	27,650,000 (-)	– (-)	– (-)	27,650,000 (-)
Dividend Given				
Zodiac Private Limited	– (-)	– (-)	7,147,728 (6,637,176)	7,147,728 (6,637,176)
Miraj Marketing Company Pvt. Ltd.	– (-)	– (-)	63,000 (58,500)	63,000 (58,500)
Metropolitan Trading Company	– (-)	– (-)	4,124,120 (3,829,540)	4,124,120 (3,829,540)
Asia Tangible Investments Pte. Ltd.	– (-)	– (-)	9,815,190 (9,114,105)	9,815,190 (9,114,105)
Euro Global Holdings Pte. Ltd.	– (-)	– (-)	9,815,190 (9,114,105)	9,815,190 (9,114,105)
Mr. M.Y. Noorani	– (-)	3,511,998 (2,876,679)	– (-)	3,511,998 (2,876,679)
Mr. A.Y. Noorani	– (-)	59,080 (70,330)	– (-)	59,080 (70,330)

	Subsidiaries Rupees	Key Management Personnel Rupees	Other Related Parties Rupees	Total Rupees
Mr. S.Y. Noorani	– (-)	327,642 (304,239)	– (-)	327,642 (304,239)
Mr. Musaed A. Noorani	– (-)	– (-)	– (21,840)	– (21,840)
Mrs. Muna A. Noorani	– (-)	– (-)	– (242,853)	– (242,853)
Donation given				
Mariambai & Haji Noor	–	–	200,000	200,000
Mohamed Noorani Foundation Trust	(-)	(-)	(3,225,000)	(3,225,000)
Commission Paid				
Zodiac Metropolitan Clothing Gmbh	– (-)	– (-)	11,033,766 (24,293,857)	11,033,766 (24,293,857)
Mr. A.Y. Noorani	– (-)	11,250,000 (-)	– (-)	11,250,000 (-)
Mr. S.Y. Noorani	– (-)	11,250,000 (-)	– (-)	11,250,000 (-)
Outstanding amount receivable				
Multiplex Collapsible Tubes Ltd.- Loans and Advances	200,840,040 (221,317,656)	– (-)	– (-)	200,840,040 (221,317,656)
Munraz Enterpries	– (-)	– (-)	1,500,000 (1,500,000)	1,500,000 (1,500,000)
Mashal Enterprises	– (-)	– (-)	207,119 (-)	207,119 (-)
Zodiac Metroplitan Clothing Gmbh	– (-)	– (-)	16,140,632 (3,560,292)	16,140,632 (3,560,292)
Onward LLC	–	–	– (1,004,824)	– (1,004,824)
Zodiac Clothing Co. (U.A.E.) LLC	5,902,400 (18,748,372)	– (-)	– (-)	5,902,400 (18,748,372)
Metropolitan Trading Company	– (-)	– (-)	16,929,120 (16,929,120)	16,929,120 (16,929,120)
Mustang Manufacturing Company	– (-)	– (-)	13,551 (-)	13,551 (-)
Outstanding amount payable				
Multiplex Collapsible Tubes Ltd. – Loans and Advances	– (1,181,350)	– (-)	– (-)	– (1,181,350)
Onward LLC	–	–	590,860 (-)	590,860 (-)
Zodiac Clothing Co. INC	– (1,083,865)	– (-)	– (-)	– (1,083,865)
Metropolitan Trading Company	– (-)	– (-)	1,545,459 (-)	1,545,459 (-)
Zodiac Metropolitan Clothing Gmbh	– (-)	– (-)	5,343,831 (11,141,154)	5,343,831 (11,141,154)

19) Segment Information:**Business Segment**

The Company is exclusively engaged in the business of Clothing and clothing accessories. This in the context of Accounting Standard (AS 17) "Segment Reporting", notified under the Companies (Accounting Standard) Rules, 2006, constitutes one single primary segment.

Geographical Segment is identified as secondary segment and details are as given below:

Particulars	Current Year (Rs.)			Previous Year (Rs.)		
	India	Rest of the World	Total	India	Rest of the World	Total
Segment Revenue	1,617,288,267	1,359,845,387	2,977,133,654	1,338,185,445	1,486,189,529	2,824,374,974
Carrying Cost of Segment Asset	2,325,316,000	113,893,355	2,439,209,355	1,975,155,255	149,960,387	2,125,115,642
Addition to Fixed Asset	178,706,410	—	178,706,410	68,654,159	—	68,654,159

20) Derivative Financial Instruments

a) The Company, in accordance with its risk management policies and procedures, enters into foreign currency forward contracts to manage its exposure in foreign exchange rates. The counter party is a bank. These contracts are for a period between one day and thirty eight months.

(i) The following are outstanding Foreign Exchange Forward contracts, which have been designated as Cash Flow Hedges, as on March 31, 2011

Sr No	Currency	Buy/Sell	Cross Currency	Amount in foreign currency	
				Current Year	Previous Year
1.	USD	SELL	INR	3,251,000	10,879,000
2.	GBP	SELL	USD	—	193,000
3.	GBP	SELL	INR	439,000	165,000
4.	EURO	SELL	INR	459,000	270,000
5.	EURO	SELL	USD	—	100,000
6.	CHF	SELL	INR	90,000	90,000
7.	JPY	BUY	INR	42,558,307	169,865,294
8.	USD	BUY	INR	1,515,012	—
9.	USD	BUY	GBP	60,000	—
10.	USD	BUY	EURO	280,000	—

(ii) Net loss on derivative instruments of Rs.2,533,663/- (Previous Year Rs.433,784/-) recognised in Hedging Reserve as of March 31, 2011 is expected to be reclassified to the profit and loss account as and when the same will mature.

(iii) Exchange Gain of Rs.3,525,659/- (Previous Year Rs.1,418,787/-) on foreign exchange forward contracts has been recognized in the Profit and Loss Account for the year ended March 31, 2011.

b) (i) No derivative instruments are acquired for speculation purposes.

(ii) Foreign currency exposures that are not hedged by derivative instruments or otherwise are Rs.290,006,699/- (Previous Year Rs.180,803,685/-) as given below:

Particulars	Current Year		Previous Year	
	Foreign Currency	Rupees	Foreign Currency	Rupees
Packing Credit Loan	USD 54,15,491	241,801,677	USD 3,326,747	150,169,506
	GBP 90,992	6,544,970	GBP 140,572	9,563,482
	CHF 22,088	1,088,252	CHF 90,043	3,804,316
	EUR 196,970	12,456,367	EUR 46,140	2,794,247
Creditors for Goods and expenses	USD 567,992	25,360,856	USD 316,409	14,282,697
	EURO 40,302	2,548,673	EURO 1,807	109,438
	GBP 2,863	205,904	GBP 1,176	79,999

21) Prior Year Adjustments included in the Profit and Loss Account are as under:

Particulars	Current Year (Rupees)	Previous Year (Rupees)
Expenses		
Rent	—	30,350
Purchases	695,031	—
Sales Promotion	21,349	—
Salary & Wages	—	3,000
Freight	—	152,350
Repairs & Maintainance	—	801
Depreciation	25,567	63,040
Commission & Discount	21,242	84,094
Misc. Expenses	2,613	7,537
TOTAL	765,802	341,172

22) Earnings Per Share:

Particulars	As at 31.03.2011	As at 31.03.2010
(a) Face value per share (Rs.)	10	10
(b) Weighted Average No. of Shares		
(i) For basic EPS	12,672,265	8,387,288
(ii) For Diluted EPS	12,739,957	8,591,650
(c) Net Profit for the year attributable to equity shareholders (Rs.)	233,026,821	210,489,049
(d) Basic Earnings Per Share (Rs.) (c/b(i))	18.39	16.73
(d) Diluted Earnings Per Share (c/b(ii)) (Rs.) (c/b)	18.29	16.33

Note

Weighted average number of shares outstanding during the year- for Diluted EPS:

Particulars	Current Year Numbers	Previous Year Numbers
Weighted average number of shares outstanding during the year – for calculating basic EPS (numbers)	12,672,265	8,387,288
Add: Potential equity shares that could arise on conversion of share warrants	—	126,575
Add: Potential equity shares that could arise on Exercise of Employee Stock Option	67,692	77,787
	12,739,957	8,591,650

- 23) Under the Zodiac Clothing Company Limited Employees Stock Option Plan 2006 the Company had granted 668,900 (adjusted for bonus issue) (Previous Year 291,000) options to its eligible employees in two Grants upto the year ended March 31, 2011 the details are as follows:

(a) Employees Stock Option Scheme:

Particulars	Grant I	Grant II
Nos. of Options Granted (After considering impact of Bonus issued on 24/08/10)	401,550	267,350
Method of Accounting	Intrinsic Value	Intrinsic Value
Vesting Plan	Graded Vesting	Graded Vesting
1st year	30%	30%
2nd year	30%	30%
3rd year	40%	40%
Exercise Period	3 Years from the date of Vesting	3 Years from the date of Vesting
Grant Date	27.12.06	20.01.11
Grant Price (Rs. per share)	255.40	346
Market Price on the date of Grant of Option (Rs.)	255.40	346
Discount on Average Price	Nil	Nil

(b) Movement of Options Granted:

Particulars	Grant I	Grant II
Outstanding at the beginning of the year	347,450	Nil
Granted during the year	Nil	267,350
Exercised during the year	224,150	Nil
Cancelled/Lapsed during the year	450	Nil
Forfeited during the year	Nil	Nil
Outstanding at the end of the year	122,850	267,350

The weighted average price for options granted during the year was Rs.346 per share

(c) Employees Stock Option Scheme:

Particulars	Grant I	Grant II
Exercisable at the beginning of the year	347,450	Nil
Vested during the year	Nil	Nil
Exercised during the year	224,150	Nil
Options exercisable at the end of the year	122,850	Nil

- (d) The Company has followed the intrinsic value-based method of accounting for stock options granted based on Guidance Note on Accounting for Employees Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 Issued by Securities And Exchange Board of India (SEBI). As the exercise price of the option granted is based on the market price as on the date of the Grant, the intrinsic value of the option is Nil.
- (e) Fair value of Options calculated by external valuer using Black Scholes Model is Rs.102.68 (For Grant 1) and Rs.150.44 (For Grant 2) which is lower than the exercise price and hence these options are considered to be anti-dilutive in nature and the effect of this is ignored in calculating diluted earnings per share in accordance with Accounting Standard 20 viz. Earnings Per Share notified under the Companies (Accounting Standard) Rules, 2006

(d) Fair Valuation:

The fair value of options used to compute proforma net income and earnings per equity share have been done by an independent firm of Valuers on the date of grant using the Black Scholes Model.

The Key assumptions in the Black-Scholes Model for calculating fair value as on the date of grant are:

	Grant1	Grant 2
1 Risk Free Rate	Year 1 - 7.67 % Year 2 - 7.62 % Year 3 - 7.59 %	Year 1 - 8.10 % Year 2 - 8.10 % Year 3 - 8.10 %
2 Option Life	Year 1 - 2.5yrs Year 2 - 3.5yrs Year 3 - 4.5yrs	Year 1 - 2.5yrs Year 2 - 3.5yrs Year 3 - 4.5yrs
3 Expected Volatility	Year 1 - 45.22 % Year 2 - 50.51 % Year 3 - 51.13 %	Year 1 - 50.58 % Year 2 - 61.45 % Year 3 - 56.05 %
4 Expected Dividend Yield	2.49%	1.96%
5 The weighted average fair value of the option, as on the date of grant, works out to	Rs.102.68	Rs.150.44

Had the compensation cost for the stock options granted under ESOS 2006 been determined, based on fair-value approach, the Company's net profit and earnings per share would have been as per the proforma amounts indicated below :

Particulars	2010-11	2009-10
Net Profit After Tax (As Reported)	233,026,821	210,489,049
Add: Compensation Expenses under ESOS included in the Net Profit	Nil	Nil
Less: Compensation Expenses under ESOS as per Fair Value	6,012,137	Nil
Net Profit After Tax (Fair value basis)	227,014,684	210,489,049
Basic Earning Per Share (Reported) - Rs. / Share	18.39	16.73
Basic Earning Per Share (Fair value basis)- Rs. / Share	17.91	16.73
Diluted Earning Per Share (Reported) - Rs. / Share	18.29	16.33
Diluted Earning Per Share (Fair value basis) - Rs. / Share	17.81	16.33

24) Disclosure as per Clause 32 of the Listing Agreement:

Loans and advances in the nature of Loans given to Subsidiaries, Associates and others:

Name of the Company	Relationship	Amount outstanding as on 31.03.2011 (Rs.)	Maximum amount outstanding during the year (Rs.)	Investment in shares of the Company (No. of Shares)
Multiplex Collapsible Tubes Ltd.	Wholly owned Subsidiary	200,840,040	221,317,656	Nil

Note: (a) Loans and Advances to employees and investment by such employees in the shares of the company, if any are excluded from the above disclosure.

(b) In respect of the above loans there is no repayment schedule and they are repayable on demand.

(c) In respect of the loan of Rs.21,560,000/- (Previous Year Rs. Nil), no interest is charged.

However, the provisions of Section 372A of the Companies Act, 1956 are not applicable to loans covered under (c) above in view of the loanee being wholly owned subsidiary of the Company.

25) (I) Disclosure in respect of gratuity liability

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below:	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
Change in obligations		
Present value of funded benefit obligations as at 1st April, 2010	43,804,287	38,007,187
Current Service Cost	7,208,569	5,999,702
Interest Cost	3,504,343	3,268,080
Benefit Paid	4,656,667	(3,676,223)
Actuarial (gain)/loss on obligations	919,525	205,542
Present value of unfunded benefit obligations as at March 31, 2011	54,710,275	43,804,287
Reconciliation of present value of the fair value of the plan assets		
Fair value of plan assets as at 1st April, 2010	58,368,293	33,485,119
Expected Return on plan assets	4,669,463	4,345,985
Contributions	3,000,000	24,430,219
Benefits Paid	4,656,667	(3,676,223)
Actuarial gain/(loss) on plan assets	949,368	(216,807)
Fair value of plan assets as at March 31, 2011	62,330,457	58,368,293
Total Actuarial gain/(loss) recognized	29,843	(422,349)
Amount Recognised in Balance Sheet		
Present value of obligation	54,710,275	43,804,287
Fair value of plan assets	62,330,457	58,368,293
Liability/ (assets)	(7,620,182)	(14,564,006)
Liability/ (assets) recognized in the Balance Sheet	(7,620,182)	(14,564,006)
Expenses Recognised in Profit and Loss Account		
Current Service Cost	7,208,569	5,999,702
Interest Cost	3,504,343	3,268,080
Expected Return on plan assets	(4,669,463)	(4,345,985)
Net Actuarial (gain)/loss recognised in the current year	(29,843)	422,349
Past Service Cost	Nil	Nil
Expenses Recognised in the statement of Profit & Loss	(9,943,824)	5,344,146
Actuarial assumptions used		
Discount rate	8.25%	8.00%
Expected Return on plan assets	8.25%	8.00%
Mortality	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Future Salary increase	5.00%	5.00%
Attrition	2%	1%
Retirement	60 yrs	60 yrs

Category of Assets	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
Insurer Managed Funds	62,330,457	58,368,293

Notes:

- Premium is paid to LIC under Group Gratuity Scheme of LIC.
- The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

- iii. The details of experience adjustments on account of Plan Liability and Plan Asset as required by Para 120 (n) (ii) of AS-15 are as under:

Particulars	2010-11 Rupees	2009-10 Rupees	2008-2009 Rupees
Plan Assets	949,368	216,807	408,244
Plan Liabilities	492,152	1,755,002	4,209,940

However, details of experience adjustment for the prior years are not readily available in valuation reports and hence not furnished.

- iv. Contributions expected to be paid to the plan during the annual period beginning after the Balance Sheet date: Rs.9,943,824/- (Previous Year Rs.10,566,908/-)
- v. The expected return on plan assets is determined considering several applicable factors mainly the composition of plan assets held, assessed risks of asset management and historical result of the return on plan asset.

(II) Disclosure in respect of leave encashment liability:

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for leave encashment is given below:	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
Change in obligations		
Present value of unfunded benefit obligations as at 1 st April, 2010	9,677,718	8,385,154
Current Service Cost	3,331,961	1,478,163
Interest Cost	774,217	652,162
Benefit Paid	(3,270,932)	(4,189,199)
Actuarial (gain)/loss on obligations	(660,648)	2,058,873
Present value of unfunded benefit obligations as at March 31, 2011	9,852,317	9,677,718
Amount Recognised in Balance Sheet		
Present value of obligation	9,852,317	9,677,718
Fair value of plan assets	NIL	NIL
Liability/(assets) recognized in the Balance Sheet	9,852,317	9,677,718
Expenses Recognized in Profit and Loss Account		
Current Service Cost	3,331,961	1,478,163
Interest Cost	774,217	652,162
Expected Return on plan assets	Nil	Nil
Net Actuarial (gain)/loss recognised in the current year	(660,648)	2,058,873
Expenses Recognised in the statement of Profit & Loss	3,445,531	4,189,199
Actuarial assumptions used		
Discount rate	8.25%	8.00%
Expected Return on plan assets	0%	0%
Mortality	LIC (1994-96)Ultimate	LIC (1994-96)Ultimate
Future Salary increase	5%	5%
Attrition	2%	1%
Retirement	60 yrs	60 yrs

26) Excise duty recovered on sales is included in 'Sales'. Excise duty in respect of Finished Goods lying in stocks is shown separately as an item of expense and included in valuation of finished goods produced.

27) Previous year's figures have been regrouped and reclassified wherever necessary to Confirm to figures of the current year.

SCHEDULE 18 (Contd.)**28. Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956.****BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**Registration No.

					3	3	1	4	3
--	--	--	--	--	---	---	---	---	---

 State Code

	1	1
--	---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

1	1
---	---

Date Month YearCIN NO

U	1	7	1	0	0	M	H	1	9	8	4	P	L	C	3	3	1	4	3
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

II. Capital raised during the year (Amount in Rs. thousands)

Public issue

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus issue

				4	2	0	4	2
--	--	--	--	---	---	---	---	---

Private Placement

				3	9	5	1	0
--	--	--	--	---	---	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)

Total Liabilities

			1	9	8	5	5	6	9
--	--	--	---	---	---	---	---	---	---

Total Assets

			1	9	8	5	5	6	9
--	--	--	---	---	---	---	---	---	---

Sources of Funds

Paid - Up Capital

			1	2	8	2	1	1
--	--	--	---	---	---	---	---	---

Reserves & Surplus

			1	4	6	6	2	0	0
--	--	--	---	---	---	---	---	---	---

Share Warrants

						N	I	L
--	--	--	--	--	--	---	---	---

Unsecured Loans

			1	1	4	6	4	1
--	--	--	---	---	---	---	---	---

Secured Loans

			2	4	5	5	7	6
--	--	--	---	---	---	---	---	---

Deferred Tax Liability (Net)

				3	0	9	4	1
--	--	--	--	---	---	---	---	---

Application of Funds

Net Fixed Assets

			7	1	5	3	4	8
--	--	--	---	---	---	---	---	---

Investments

			2	6	1	7	4	6
--	--	--	---	---	---	---	---	---

Net Current Assets

			1	0	0	8	4	7	4
--	--	--	---	---	---	---	---	---	---

Miscellaneous Expenditure

						N	I	L
--	--	--	--	--	--	---	---	---

Accumulated Losses

						N	I	L
--	--	--	--	--	--	---	---	---

IV. Performance of Company (Amount in Rs. thousands)

Turnover (Net Revenue)

			2	8	0	8	7	9	1
--	--	--	---	---	---	---	---	---	---

Total Expenditure

			2	8	3	9	1	5	7
--	--	--	---	---	---	---	---	---	---

+ -

Profit Before Tax

				3	0	7	7	5	0
--	--	--	--	---	---	---	---	---	---

+ -

Profit After Tax

				2	3	3	0	2	6
--	--	--	--	---	---	---	---	---	---

✓

✓

(Please tick appropriate box + for profit, - for loss)

Earnings Per Share in Rs.

		1	8	.	3	9
--	--	---	---	---	---	---

Earnings Per Share in Rs.

		1	8	.	2	9
--	--	---	---	---	---	---

Dividend rate %

			5	0
--	--	--	---	---

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)Item Code No.

6	2	0	5	2	0	0	0
---	---	---	---	---	---	---	---

(ITC Code)

Product Description

M	E	N	S	H	I	R	T		1	0	0	%		C	O	T	T	O	N			
---	---	---	---	---	---	---	---	--	---	---	---	---	--	---	---	---	---	---	---	--	--	--

Item Code No.

6	2	0	5	3	0	0	0
---	---	---	---	---	---	---	---

(ITC Code)

Product Description

M	E	N	S	H	I	R	T		P	O	L	Y	S	T	E	R		C	O	T	T	O	N
---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---

Item Code No.

6	2	0	5	9	0	0	0
---	---	---	---	---	---	---	---

(ITC Code)

Product Description

O	T	H	E	R			T	E	X	T	I	L	E		M	A	T	E	R	I	A	L		
---	---	---	---	---	--	--	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	--	--

Signatures to Schedules 1 to 18
For and on behalf of the Board
M. Y. NOORANI
ChairmanA. Y. NOORANI
Vice Chairman & Managing DirectorO. P. SINGH
Company Secretary

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2011

	Rupees	Current Year Rupees	Rupees	Previous Year Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before Taxation and Extraordinary items		307,750,281		327,952,660
Adjustments for:				
Depreciation and amortization	52,361,140		46,087,278	
Provision for Doubtful Debts	947,116		1,455,538	
Provision for Doubtful Advances	550,000		1,147,791	
Assets Discarded/ Written off	5,367,780		3,016,543	
Exchange Gain/Loss on revaluation	(2,906,568)		(1,041,344)	
Loss/(Profit) on Sale of Fixed assets(Net)	993,856		—	
Profit on Sale of Investments	(2,114,498)		—	
Profit on Sale of Long Term Investments	(85,999,464)		—	
Dividend Income from Investments	(1,535,657)		(2,172)	
Interest Paid on Loans	5,062,820		11,884,741	
Interest received on Loans	(25,617,870)		(37,561,375)	
		(52,891,345)		24,987,000
Operating Profit before working capital changes		254,858,936		352,939,660
Adjustments for:				
Increase in Sundry Debtors and other receivables	(22,734,013)		(39,336,598)	
Decrease/ (Increase) in Inventories	(189,731,398)		(31,351,027)	
Increase in Sundry Creditors and Provisions	57,998,985		(14,590,765)	
		(154,466,426)		(85,278,390)
Cash from operations		100,392,510		267,661,270
Direct taxes paid (Net)		(85,150,855)		(118,113,361)
Net cash from operating activities		15,241,655		149,547,909
B. CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Investments		(360,288,701)		(850,178)
Sale of Investments		315,394,159		850,178
Dividend Received		1,535,657		2,172
Advances and Loans to Subsidiaries(Net)		20,477,616		37,625,862
Interest received on Loans		25,617,870		37,561,375
Purchase of fixed assets		(178,706,407)		(125,378,806)
Proceeds from sale of fixed assets		724,427		—
Net cash used in investing activities		(175,245,379)		(50,189,397)
C. CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short term loans		1,394,031,923		1,790,653,193
Repayment of short term loans		(1,344,104,717)		(1,711,335,840)
Proceeds of Term Loan		—		8,700,000
Repayment of Term Loan		(7,402,739)		(10,902,141)
Issue of Shares at premium on vesting of ESOPS		39,510,380		1,570,710
Fixed deposit with Banks having Original maturity over 3 months		117,980,332		(92,044,846)
Interest Paid on Term Loans		(5,062,820)		(11,884,742)
Dividends paid (including Dividend Distribution Tax)		(68,733,080)		(63,777,349)
Net cash Generated From/ (Used in) financing activities		126,219,279		(89,021,015)
Net (Decrease) /Increase in cash and cash equivalents (A+B+C)		(33,784,445)		10,337,497
Cash and cash equivalents as at the commencement of the year		48,469,208		38,131,711
Cash and cash equivalents as at the end of the year		14,684,763		48,469,208
Deposit with Original Maturity Over 3 months		39,646,970		157,627,302
Restricted Cash (Unclaimed Dividend Accounts)		1,175,007		986,118
Cash and cash equivalents as at the end of the year as per Schedule 9		55,506,740		207,082,628

Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard (AS-3) "Cash Flow Statements" notified under the Companies (Accounting Standard) Rules, 2006
- Figures relating to previous year have been recast where necessary to conform the figures of the current year

As per our attached report of even date
FOR DELOITTE HASKINS & SELLS
Chartered Accountants

R. Laxminarayan
Partner

MUMBAI
Dated: June 28th, 2011

For and on behalf of the Board
M. Y. NOORANI
Chairman

A. Y. NOORANI
Vice Chairman & Managing Director

O. P. SINGH
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary Company	Multiplex Collapsible Tubes Ltd.	Zodiac Clothing Co. S.A.	Zodiac Clothing Co. (UAE) LLC	Zodiac Clothing Co. INC	Zodiac Properties Ltd.
Financial year ending	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011
Shares of the subsidiary held by the company on the above date					
(a) Number and Face value	2,000,000 Eq. Shares of Rs.10/- each fully paid up	250 Shares of SFR 1000/- each fully paid up	300 Shares of AED 1000/- each fully paid up	10000 Shares of USD 1/- each fully paid up	10 Shares of AED 1,000/- each fully paid up
(b) Extent of holding	100%	100%	100%	100%	100%
Net aggregate amount of profit/(Loss) of the subsidiary for the above financial year so far as they concern members of the company :	—	—	—	—	—
(a) dealt within the accounts of the company for the year ended 31st March, 2011	—	—	—	—	—
(b) not dealt within the accounts of the company for the year ended 31st March, 2011	Rs.38,531,639	CHF 2,571	AED 5,484,797	(USD6,586)	(GBP 85,908)
Net aggregate amount of profit for previous Financial years of the subsidiary, since it became subsidiary so far as they concern members of the company					
(a) dealt within the accounts of the company for the year ended 31 st March 2011	NIL	NIL	NIL	NIL	NIL
(b) not dealt within the accounts of the company for the year ended 31st March, 2011	Rs.105,974,432	CHF297,322	AED 31,873,807	USD14,546	(GBP 97,322)

M.Y. NOORANI
Chairman

A.Y. NOORANI
Vice-Chairman & Managing Director

MUMBAI
Dated : June 28th, 2011

O. P. SINGH
Company Secretary



Navy Pin Stripe
Super 160's wool

Black Pin Stripe
Super 160's wool

Silver Grey
Super 130's wool



Grey Filafil
Super 130's wool

Navy Solid
Super 140's wool

MULTIPLEX COLLAPSIBLE TUBES LTD.

18TH ANNUAL REPORT 2010-2011

B O A R D O F D I R E C T O R S

Mr. M. Y. Noorani

Chairman

Mr. A. Y. Noorani

Mr. S. Y. Noorani

COMPANY SECRETARY :

Mr. E.S.D. Rao

SOLICITORS :

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

BANKERS :

Dena Bank,
Worli Branch
Dr. Annie Besant Road
Worli, Mumbai - 400 018.

REGISTERED OFFICE :

Apte Properties
10/76, Off Dr. E. Moses Road,
Worli, Mumbai - 400 018

AUDITORS :

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

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 18th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2011.

<u>FINANCIAL RESULTS :</u>		
	(Rupees in Lakhs)	
Financial year	Financial year 2010-2011	2009-2010
Turnover & Other Income	774.30	754.30
Profit/Loss before Taxation	501.87	435.36
Income Tax & Deferred Tax	116.52	97.05
Profit/Loss after Taxation	385.35	338.31
(Short)/Excess provision of Income Tax of earlier year	(0.03)	5.93
Profit/loss for the year	385.32	344.24
Brought forward from previous year	751.49	476.10
Appropriation		
Transfer to Special Reserve U/s 451C of RBI Act	77.06	68.85
Carried forward to Balance sheet	1059.75	751.49

TURNOVER & PROFITS:

During the financial year ended 31st March 2011, the Gross income of the company increased to Rs.774.30 lacs as compared to Rs.754.30 lacs in the previous year owing to renting of its premises to Zodiac Clothing Company Limited.

DIVIDEND:

In order to conserve the resources, your directors do not recommend any dividend for the year ended 31st March 2011.

DIRECTORS:

Mr. M.Y. Noorani retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable Indian accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors have prepared the accounts for the financial year ended 31st March, 2011 on a 'going concern' basis.

FIXED DEPOSIT:

Your company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956.

AUDITORS:

The company's Auditors M/s. Rege & Thakker, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting of the company and being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES:

There are no employees drawing remuneration within the monetary ceiling prescribed under Section 217[2A] of the Companies Act, 1956, as amended up to date.

INFORMATION UNDER SECTION 217 (1)(e) OF COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES 1988 :

The information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the report of the Board of Directors) Rules 1988 is given below:

A. CONSERVATION OF ENERGY:

The operations of the company are not energy intensive.

B. TECHNOLOGY ABSORPTION, ADAPTATIONS & INNOVATION:

Not Applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Total Foreign Exchange earned (FOB Value)	Rs.	Nil
Total Foreign Exchange outgo	Rs.	Nil

The Board takes this opportunity to record their appreciation to the support given by various departments of the government during the year under review.

For and on behalf of the Board

M.Y. NOORANI
Chairman

Place : Mumbai
Date : 6th June, 2011

AUDITORS' REPORT

TO THE MEMBERS OF MULTIPLEX COLLAPSIBLE TUBES LIMITED

1. We have audited the attached Balance Sheet of MULTIPLEX COLLAPSIBLE TUBES LIMITED, as at 31st March, 2011 and also Profit and Loss account for the year ended on that date annexed thereto and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we give in the Annexure hereto a statement on the matters specified in the paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance sheet and Profit and Loss account and Cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance sheet and Profit and Loss account and cash flow statement dealt with by this report comply with the accounting standards referred in section 211 (3C) of the Companies Act, 1956;
 - (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Indian Companies Act, 1956;
5. In our opinion and to the best of our information and according to the explanations given to us, the said account give the information required by the companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance sheet, of the state of affairs of the company as at 31st March, 2011; and
 - ii. In the case of the Profit and Loss account, of the profit for the year ended on that date; and
 - iii. In the case of the Cash flow statement, of the cash flows for the year ended on that date.

For Rege & Thakkar
Chartered Accountants
Firm No. 113263W

Y. L. Rege
(Partner)
Place : Mumbai
Date : 6th June, 2011
Membership No: 43330

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date on the accounts for the year ended 31st March 2011 of Multiplex Collapsible Tubes Limited.

i. In respect of fixed assets:

- a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
- b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been noticed on such verification.
- c. During the year, the Company has not disposed off substantial part of its fixed assets.

ii. In respect of inventories:

- a. The inventories of the Company comprise of shares of companies, which are kept in dematerialized form with the Depositories and have been verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
- b. The procedures of physical verification of inventories are not required since the Inventories comprise of shares, all of which are in dematerialized form.
- c. The Company is maintaining proper records of inventories of shares.

iii. In respect of loans, secured or unsecured, granted or taken by the Company to/from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, according to information and explanations given to us:

- a) Company has taken unsecured loans from the Companies, listed in the register maintained under section 301 of the Companies Act, 1956 as below:
 - i) Loans taken aggregating to Rs.276.50 lacs and repaid Rs.493.18 lacs during the year from Holding Company.
 - ii) Loans taken aggregating to Rs.4.85 lacs and repaid Rs.15.20 lacs during the year from the Enterprises where control of key management personnel and/or their relatives exists.

The Company has not granted any loan/s to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

- b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, are not, prima facie, prejudicial to the interest of the Company

c) In respect of loans taken:

- (i) Loans from Holding Company: the interest is outstanding and the Company has provided for the same in its books of accounts.
- (ii) Loans from the Enterprises where control of key management personnel and/or their relatives exist: the Company has paid Interest due regularly. The principal amount of loan is payable on call.

iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services.

v. In respect of transaction entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.

- a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- b. According to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements (excluding the loans reported in the para (iii) above) in excess of Rs.5 lacs in respect of any party during the year, which have been made at prices which are reasonable having regard to the prevailing market price at relevant time.

vi. According to the information and explanations given to us, the Company has not accepted any deposit from the public.

vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii. According to the information and explanations given to us the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for any products of the Company.

ix. In respect of statutory dues:

- a. According to the records of the Company, undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues have been generally regularly deposited with the appropriate authorities.
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2011 for a period of more than six months from the date of becoming payable.
- c. According to the records of the Company and the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax and Cess, which have not been deposited on account of any dispute. Details of disputed due is as under: -

Name of the statute	Nature of Dues	Amount in Rs.	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Assessment Dues	Rs.83,210/- (Amount paid under protest)	A.Y. 2003-04	Commissioner of Income Tax Appeals, Mumbai
Income Tax Act, 1961	Assessment Dues	Rs.13,30,872/-	A.Y. 2006-07	Commissioner of Income Tax Appeals, Mumbai
Income Tax Act, 1961	Assessment Dues	51,07,726/- (Amount paid under protest Rs.43,07,676/-)	A.Y. 2007-08	Income Tax Appellate Tribunal, Mumbai

x. The Company does not have accumulated losses as at 31st March, 2011 and has not incurred any cash losses during the financial year covered by our audit.

xi. As informed to us the Company has not taken any loan from financial institution or bank or debenture

holders and hence this clause is not applicable to the company.

xii. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.

xiii. As informed to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

xiv. The Company has maintained proper records of transactions and contracts in respect of trading in shares, securities, units of mutual funds and other investments and timely entries have been made therein. All shares, units of mutual funds and other investments have been held by the Company in its own name.

xv. As informed to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.

xvi. As informed to us, the Company has not applied for any term loan/s for the purpose for which loan/s obtained during the period covered by the report.

xvii. According to the information and explanation given to us and on an overall examination of the Balance Sheet of the company, funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.

xviii. The Company has not made any preferential allotment of shares during the year

xix. The Company has not borrowed any monies through issue of debentures. Hence the reporting under clause (xix) of the Order is not applicable.

xx. As informed to us, clause 4(xx) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

xxi. According to the information and explanation given to us, no material fraud on or by the company was noticed or reported during the year.

For Rege & Thakkar
Chartered Accountants
Firm No. 113263W

Y. L. Rege
(Partner)

Place : Mumbai
Date : 6th June, 2011

Membership No.: 43330

BALANCE SHEET AS AT 31st MARCH, 2011

	Schedule No.	Rupees	As at 31 st March, 2011 Rupees	As at 31 st March, 2010 Rupees
I. SOURCES OF FUNDS				
1 Shareholders' Funds :				
Capital	1	20,000,000	20,000,000	
Reserves and Surplus	2	134,341,760	95,810,121	
		<u>154,341,760</u>		115,810,121
2 Loan Funds :				
Unsecured Loans :	3	200,928,072		224,058,407
3 Deferred Tax Liability (net) : (Refer Note no. 10 in Schedule '15')		20,025		23,617
Total :		<u>355,289,857</u>		<u>339,892,145</u>
II. APPLICATION OF FUNDS				
1 Fixed Assets :	4			
Gross Block		372,864,364	372,864,364	
Less : Depreciation		<u>28,647,025</u>	<u>22,505,516</u>	
Net Block			344,217,339	350,358,848
2 Investments :	5		28,025,627	—
3 Current Assets, Loans and Advances :				
Inventories	6	605,881	528,850	
Cash and Bank Balances	7	83,247	44,992	
Loans and Advances	8	9,011,412	15,945,529	
		<u>9,700,540</u>	<u>16,519,371</u>	
Less : Current Liabilities and Provisions :				
Liabilities	9	26,653,649	26,986,074	
			<u>(16,953,109)</u>	<u>(10,466,703)</u>
Total :		<u>355,289,857</u>		<u>339,892,145</u>
Significant Accounting Policies and Notes to the Accounts	15			

As per our report of even date

For and on behalf of the Board

For Rege & Thakkar
Chartered Accountants

Y. L. Rege
Partner

M. Y. NOORANI
(Chairman)

MUMBAI,
Dated : 6th June, 2011

E S D Rao
(Company Secretary)

A. Y. NOORANI
(Managing Director)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

	Schedule No.	Current Year Rupees	Previous Year Rupees
INCOME			
Other Income	10	77,353,080	75,327,180
Increase/(Decrease) in stock	11	<u>77,031</u>	<u>103,035</u>
		77,430,111	75,430,215
EXPENDITURE			
Purchase of shares		132,750	—
Operation and other Expenses	12	1,776,245	1,025,446
Payment to and Provision for Employees	13	60,060	60,060
Finance Charges	14	19,132,500	24,685,728
Depreciation		6,141,509	6,077,112
Prior Period Expenses		<u>—</u>	<u>45,990</u>
		27,243,064	31,894,336
Profit/(Loss) before Taxation		50,187,047	43,535,879
Current Taxation		11,656,000	9,708,400
Deferred Tax Liability/(Assets)		<u>(3,592)</u>	<u>(3,107)</u>
(Ref.Note No.10 in Schedule '15')		11,652,408	9,705,293
Profit/(Loss) after Taxation		38,534,639	33,830,586
Add/(Less) : Tax adjustments for earlier years (net)		<u>(3,000)</u>	<u>593,592</u>
Profit for the Year		38,531,639	34,424,178
Add : Brought forward from previous year		<u>75,149,121</u>	<u>47,609,943</u>
Profit/(Loss) for the year available for Appropriation		113,680,760	82,034,121
Special Reserve u/s.45-IC of RBI Act,1934		7,706,328	6,885,000
Surplus carried to the Balance Sheet		<u>105,974,432</u>	<u>75,149,121</u>
		113,680,760	82,034,121
Basic & Diluted Earning Per Share (in Rs.) (Refer Note No.:13 in Schedule '15')		19.27	17.21
Significant Accounting Policies and Notes to the Accounts	15		

As per our report of even date

For and on behalf of the Board

For Rege & Thakkar
Chartered Accountants

Y. L. Rege
Partner

M. Y. NOORANI
(Chairman)

MUMBAI,
Dated : 6th June, 2011

E S D Rao
(Company Secretary)

A. Y. NOORANI
(Managing Director)

SCHEDULE ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT 31st MARCH, 2011

		As at 31 st March, 2011		As at 31 st March, 2010
	Rupees	Rupees	Rupees	Rupees

SCHEDULE - 1

SHARE CAPITAL:

i. Authorised				
20,00,000 Equity shares of Rs.10/- each		20,000,000		20,000,000
ii. Issued subscribed and paid up.				
20,00,000 equity shares of Rs.10/- each fully paid-up		20,000,000		20,000,000

SCHEDULE - 2

RESERVE AND SURPLUS:

i. Special Reserve u/s. 45-IC of the RBI Act, 1934				
As per Last Balance Sheet	20,661,000		13,776,000	
Add: Transferred from Profit & Loss A/c.	<u>7,706,328</u>		<u>6,885,000</u>	
		28,367,328		20,661,000
ii. Surplus in Profit and Loss Account		105,974,432		75,149,121
		<u>134,341,760</u>		<u>95,810,121</u>

SCHEDULE - 3

UNSECURED LOANS:

Loans from Companies under the same Management

Zodiac Clothing Company Ltd.	199,649,758		221,317,656
Zodiac Private Ltd.	—		215,000
Miraj Marketing Company Pvt. Ltd.	—		820,000
Interest accrued and due on above	1,278,314		1,705,751
	<u>200,928,072</u>		<u>224,058,407</u>

SCHEDULE 4

FIXED ASSETS :

(Amount in Rupees)											
Description	Rate	GROSS BLOCK				DEPRECIATION			NET BLOCK		
		As at 01.04.2010	Additions/ (Deduction)	Adjust- ments	As at 31.03.2011	As at 01.04.2010	For the year	Adjust- ments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
Building (Office)	1.63%	371,323,524	-	-	371,323,524	22,185,320	6,052,573	-	28,237,893	343,085,631	349,138,204
Vehicles	9.50%	100,000	-	-	100,000	28,500	9,500	-	38,000	62,000	71,500
Electrical Fittings	4.75%	350,930	-	-	350,930	61,290	16,669	-	77,959	272,971	289,640
Air-Conditioner	4.75%	393,942	-	-	393,942	70,079	18,712	-	88,791	305,151	323,863
Furniture & Fixtures	6.33%	695,968	-	-	695,968	160,327	44,055	-	204,382	491,586	535,641
TOTAL		372,864,364	-	-	372,864,364	22,505,516	6,141,509	-	28,647,025	344,217,339	350,358,848
PREVIOUS YEAR		366,834,364	6,030,000	-	372,864,364	16,428,404	6,077,112	-	22,505,516	350,358,848	350,405,960

SCHEDULE ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT 31st MARCH, 2011

	Rupees	As at 31 st March, 2011 Rupees	Rupees	As at 31 st March, 2010 Rupees
SCHEDULE - 5				
INVESTMENTS :				
[Long term, Non-Trade, At cost]				
Faering Capital India Evolving Fund		15,000,000		—
[15,000 units @ Rs.1000 each, P. Yr. Nil]				
Tata Capital Growth Fund I		7,837,519		—
[76,15,791 units @ Re.1 each, P. Yr. Nil]				
Tata Capital Health Care Fund I		5,188,108		—
[50,00,000 units @ Re.1 each, P. Yr. Nil]				
		<u>28,025,627</u>		<u>—</u>

SCHEDULE - 6

INVENTORIES :

(as taken, Valued & Certified by a Director)

Stock of Securities

(At lower of Cost or Fair Value)

(Face value of the shares is Rs.10/-
unless otherwise stated.)

	Nos	Amt in Rupees	Nos	Amt in Rupees
Quoted :				
Spentex Industries Ltd. (Formerly Indo Rama Tex. Ltd.)	54	883	54	602
Karur Vysya Bank Ltd.	3,542	241,318	2,530	241,318
Man Industries Ltd. (Fv Rs.5)	4,000	52,980	4,000	52,980
Man Alluminium Ltd.	250	7,950	250	7,950
Indraprastha Medical Ltd.	5,000	170,000	5,000	226,000
		<u>473,131</u>		<u>528,850</u>
Unquoted :				
Karur Vysya bank Ltd. – Rights	1,497	132,750		—
[Partly paid-up, 1497 shares of F.V. Rs.10 each, P.Yr. Nil]				
		<u>605,881</u>		<u>528,850</u>

SCHEDULE - 7

CASH AND BANK BALANCES :

Cash on Hand	29	—
Balance With Scheduled banks in Current accounts	83,218	44,992
	<u>83,247</u>	<u>44,992</u>

	Rupees	As at 31 st March, 2011 Rupees	Rupees	As at 31 st March, 2010 Rupees
SCHEDULE - 8				
LOANS AND ADVANCES :				
Loans and Advances :				
(Unsecured, considered good unless otherwise stated)				
(Advances recoverable in Cash or Kind or for value to be received)				
Loans		69,170		44,490
Dues recoverable from holding company (net)		88,032		2,887,101
Advance I-Tax (including TDS and FBT)		8,740,956		12,740,102
Prepaid Expenses		22,043		33,426
	i.	8,920,201		15,705,119
Sundry Deposits	ii.	91,211		240,410
Total (i+ii)		9,011,412		15,945,529

SCHEDULE - 9

CURRENT LIABILITIES :

Sundry Creditors

a	total outstanding dues of micro enterprises and small enterprises	—		—
b	total outstanding dues of creditors other than micro enterprises and small enterprises	140,112	112,927	
			140,112	112,927
Other Liabilities				
	Outstanding Liabilities for Expenses	148,015	77,017	
	Statutory Dues Payable	146,757	577,365	
	Security Deposit	26,218,765	26,218,765	
		26,513,537		26,873,147
		26,653,649		26,986,074

SCHEDULE - 10

OTHER INCOME :

Dividend	45,610	43,860
Rent	76,623,301	74,761,065
Interest on I-Tax Refund	647,007	520,008
Interest received on investments	14,707	—
Miscellaneous Income	22,455	—
Excess Prov of Prof fees written back	—	2,247
	77,353,080	75,327,180

	Rupees	As at 31 st March, 2011 Rupees	Rupees	As at 31 st March, 2010 Rupees
SCHEDULE - 11				
INCREASE/(DECREASE) IN STOCK :				
Opening Stock – Shares		528,850		425,815
Less : Closing Stock – Shares		605,881		528,850
		<u>77,031</u>		<u>103,035</u>

SCHEDULE - 12

OPERATION AND OTHER EXPENSES :

Repair and Maintenance				
Repairs to Building		166,907		220,189
Insurance Charges		2,550		1,758
Rates & Taxes		54,046		54,046
Security Charges		150,985		131,198
Postage and Telephone expenses		4,308		1,238
Miscellaneous Expenses		192,659		189,006
Electricity Charges		353,029		328,170
Donation		300,000		–
Legal & Professional Fees		369,472		70,899
Preliminary Expenses W.off		–		6,882
Sundry Balance W.off		149,199		–
Auditor's Remuneration				
– Audit Fees	30,000		20,000	
– Service Tax	<u>3,090</u>	<u>33,090</u>	<u>2,060</u>	<u>22,060</u>
		<u>1,776,245</u>		<u>1,025,446</u>

SCHEDULE - 13

PAYMENT TO AND PROVISION FOR EMPLOYEES

Salary		60,060		60,060
		<u>60,060</u>		<u>60,060</u>

SCHEDULE - 14

FINANCIAL CHARGES :

Interest Paid to associated companies				
Zodiac Clothing Company Ltd.	19,051,835		24,557,833	
Others	<u>76,006</u>	<u>19,127,841</u>	<u>123,744</u>	<u>24,681,577</u>
Bank Charges		4,659		4,151
		<u>19,132,500</u>		<u>24,685,728</u>

SCHEDULE –15

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2011.

A) SIGNIFICANT ACCOUNTING POLICIES:

a) BASIS OF ACCOUNTING

The Accounts are prepared on accrual basis under the historical cost convention and to comply in all material aspects with the applicable accounting principles in India, the accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with generally accepted accounting principles in India requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reported period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

b) REVENUE RECOGNITION

Sales are recognized when shares are sold and are recorded inclusive of service tax. Dividend income on long term investments and current investments are accounted on receipt basis.

Income from Lease

Lease transactions entered into on or after April 1, 2001:

Assets given on license basis, where the lessees do not retain significant portions of the risks and rewards incidental to the ownership, are classified as operating leases.

Lease rentals in respect of premises given on lease are recognized as income on accrual basis.

Revenue / Income and Cost / Expenditure are generally accounted on accrual basis as and when they are earned / incurred.

c) FIXED ASSETS

Fixed Assets are recorded at Cost of acquisition. They are stated at historical costs

including incidental expenses. Cost comprising of cost of acquisition and other attributable cost.

d) DEPRECIATION/AMORTISATION

On Tangible Assets: Depreciation has been calculated on straight-line basis in accordance with the provisions of section 205(2)(b) of the Companies Act, 1956 at the rates and in the manner specified in schedule XIV of the said act.

e) INVESTMENTS

Investments are classified into Long – Term Investments and Current Investments. Investments, which are intended to be held for more than one year, are classified as Long Term Investments and Investments, which are intended to be held for less than one year, are classified as Current Investments. Long Term Investments are accounted at cost and a provision for diminution is made to recognize a decline other than temporary in the value of Long Term Investments. Current Investments are valued at cost or fair value whichever is lower.

Investments include investments in shares of Companies registered outside India. They are stated at cost by converting at the rate of exchange prevalent at the time of acquisition thereof. Any profit or loss on sale of investments is determined on the basis of average cost of acquisition.

f) INVENTORIES

Inventories of shares and securities are valued at cost or fair value whichever is lower.

g) TAXES ON INCOME

Income Taxes are accounted for in accordance with Accounting Standard (AS 22) – Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India. Income Tax comprises both current and deferred tax.

Current tax is measured at the amount expected to be paid to/recovered from the revenue authorities, using applicable tax rates and laws.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as of the Balance Sheet date.

Deferred tax assets arising from timing differences are recognised to the extent that it is more likely that future taxable profits will be available against which the asset can be utilised.

h) BORROWING COST

Interest and other costs in connection with the borrowing of the funds to the extent related/attributed to the acquisition/construction of qualifying fixed assets are capitalised up to the date when such assets are ready for its intended use and all other borrowing costs are recognised as an expense in the period in which they are incurred.

B) NOTES FORMING PART OF THE ACCOUNTS: -

1. Contingent Liabilities: -

- a) Disputed demand not provided for in respect of: -

	Current year Rupees	Previous year Rupees
Income Tax (A.Y. 2003-04) (amount paid under protest Rs.83,210/- P.Y. Rs.83,210/-)	11,489/-	83,210/-
Income Tax (A.Y. 2006-07) (amount paid under protest Rs.Nil, P.Y. Rs.Nil)	13,30,872/-	Nil
Income Tax (A.Y. 2007-08) (amount paid under protest Rs.51,07,726/-, P.Y. Rs.23,53,857/-)	51,07,726/-	47,06,990/-

b) Capital Commitment :

	Current year Rupees	Previous year Rupees
Fearing Capital India Evolving Fund (amount paid Rs.1,50,00,000/-, P.Y. Rs. Nil)	8,50,00,000/-	Nil
Tata Capital Growth Fund I (amount paid Rs.76,15,791/-, P.Y. Rs. Nil)	1,23,84,209/-	Nil
Tata Capital Healthcare Fund I (amount paid Rs.50,00,000/-, P.Y. Rs. Nil)	1,50,00,000/-	Nil

2. Operating Leases :-

- a) The Company has given its premises under operating lease or leave and licence basis. These are non cancelable during a lock in period which range between 9 month to 3 years under leave and licence agreements and renewable by mutual consent on mutually agreed terms.
- b) Lease rentals recognized in the statement of Profit & Loss Account under Rent in Schedule 10 is Rs.7,66,23,301/- (Previous Year 7,47,61,065/-)
- c) The future minimum Lease rentals under non-cancelable operating leases:
not later than one year is Rs.70,67,775/-
(Previous Year Rs.2,86,02,300/-)
Later than one year and not later than 5 years
Rs.Nil (Previous Year Rs.71,50,575/-)
- d) Premises given on licence basis:-
Gross Carrying amount Rs.37,13,23,523/-
(Previous Year 37,13,23,523/-)
Accumulated Depreciation Rs.2,82,37,893/-
(Previous Year 2,21,85,320/-)
Depreciation for the year Rs.60,52,573/-
(Previous Year 59,88,175/-)

3. Sundry Creditors

There are no dues payable to any Micro, Small and Medium Enterprises. The disclosure is based on the information available with the Company regarding the status of suppliers under the "Micro, Small and Medium Enterprises Development Act, 2006."

INFORMATION PURSUANT TO THE PROVISIONS OF THE PARAGRAPH 3 & 4 OF THE PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

4) PARTICULARS REGARDING TRADING ACTIVITIES

Class of Goods	Units	Opening Stock		Purchase		Add/(Ded) of Bonus, Scheme,etc	Turnover		Closing Stock	
		Qty.	Value	Qty.	Value	Qty	Qty.	Value	Qty.	Value
Shares	Nos	11,834	528,850 *	1,497	132,750	—	—	—	13,331	605,881
	Nos	(11,834)	(425,814)	—	—	—	—	—	(11,834)	(528,850)

*[Note : partly paid up shares of Right issue of Karur Vysya Bank Ltd.]

5) C I F Value of Imports :

i) Capital Goods	NIL	NIL
ii) Other Goods	NIL	NIL
6) Expenditure in Foreign Currency	NIL	NIL
7) Remittance in Foreign Currency	NIL	NIL
8) Earnings in Foreign Currency	NIL	NIL
9) Exports of goods FOB Value	NIL	NIL

10) Deferred Tax

	As at 31.03.11	As at 01.04.10	For the period
a) Deferred Tax Assets / Liability			
Deferred Tax Liability on account of Depreciation	20,025	23,617	(3,592)
	20,025	23,617	(3,592)
Deferred Tax Assets on account of :			
i) Employees benefits disallowed u/s 43B of I.Tax Act	0	—	0
ii) Unabsorbed Loss	0	—	0
	0	—	0
Deferred Tax Asset (Net)	20,025	23,617	(3,592)

b) The deferred tax of Rs.3592/- (P.Y. Rs.3,107/-) has been recognised in the Profit and Loss Account.

c) The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantially enacted by the Balance Sheet date.

11) Related Party disclosures:

i) Relationships :

a) Holding Company

Zodiac Clothing Co. Ltd.

b) The enterprises where control of key management personnel and/or their relative exist and with whom the transactions have taken place.

Elite Clothing Co. Pvt. Ltd.

Mashal Enterprises

Montage Corporation

Milano Apparel Pvt. Ltd.

Miraj Marketing Company Pvt. Ltd.
Mustang Manufacturing Co.
Munraz Enterprises
Zodiac Pvt. Ltd.

c) Key Management Personnel:

Mr. M.Y. Noorani
Mr. A.Y. Noorani
Mr. S.Y. Noorani

Note : Related party relationship is as identified by the Company and relied upon by the Auditors.

ii) Transactions carried out with related parties referred in 1 above, in ordinary course of business.

(Previous year's figures are in brackets)

Nature of Transactions	Holding Company (in Rupees)	Key Management Personnel (in Rupees)	Other Related Parties (in Rupees)	Total (in Rupees)
Rent Income from				
Zodiac Clothing Co. Ltd.	48,186,600	—	—	48,186,600
	(47,091,450)	—	—	(47,091,450)
Expenses				
Interest paid to				
Zodiac Clothing Co. Ltd.	19,051,835	—	—	19,051,835
	(24,557,833)	—	—	(24,557,833)
Miraj Marketing Company Pvt. Ltd.	—	—	76,006	76,006
			(85,082)	(85,082)
Zodiac Private Ltd.	—	—	10,304	10,304
	—	—	(38,662)	(38,662)
Expenses recovered from				
Zodiac Clothing Co. Ltd.	1,286,801	—	—	1,286,801
	(920,597)	—	—	(920,597)
Munraz Enterprises	—	—	3,000	3,000
	—	—	(3,000)	(3,000)
Mustang Manufacturing Co.	—	—	3,000	3,000
	—	—	(3,000)	(3,000)
Milano Apparels Pvt. Ltd.	—	—	3,000	3,000
	—	—	(3,000)	(3,000)
Zodiac Private Ltd.	—	—	15,000	15,000
	—	—	(15,000)	(15,000)
Miraj Marketing Pvt. Ltd.	—	—	12,000	12,000
	—	—	(12,000)	(12,000)
Elite Clothing Co. Pvt. Ltd.	—	—	6,000	6,000
	—	—	(6,000)	(6,000)
Montage Corporation	—	—	3,000	3,000
	—	—	(3,000)	(3,000)
Mashal Enterprises	—	—	6,000	6,000
	—	—	(6,000)	(6,000)
Expenses reimbursed to				
Zodiac Clothing Co. Ltd.	288,357	—	—	288,357
	(6,099,100)	—	—	(6,099,100)

Nature of Transactions	Holding Company (in Rupees)	Key Management Personnel (in Rupees)	Other Related Parties (in Rupees)	Total (in Rupees)
Finance				
Loans & Advances taken from				
Zodiac Clothing Co. Ltd.	27,650,000	—	—	27,650,000
	—	—	—	—
Miraj Marketing Company Pvt. Ltd.			485,000 (130,000)	485,000 (130,000)
Zodiac Private Ltd.	—	—	—	—
	—	—	(555,000)	(555,000)
Loans & Advances repaid to				
Zodiac Clothing Co. Ltd.	49,317,898 (36,264,105)	— —	— —	49,317,898 (36,264,105)
Miraj Marketing Company Pvt. Ltd.			1,305,000 (48,500)	1,305,000 (48,500)
Zodiac Private Ltd.	—	—	215,000	215,000
	—	—	(340,000)	(340,000)
Outstandings amount payable to				
Zodiac Clothing Co. Ltd. (Net)	200,840,040 (220,136,306)	— —	— —	200,840,040 (220,136,306)
Miraj Marketing Company Pvt. Ltd.			— (820,000)	— (820,000)
Zodiac Private Ltd.			— (215,000)	— (215,000)

12. Prior Year Adjustments included in the Profit and Loss Account are as under-

Particulars	Current Year	Previous Year
a) Income	—	—
b) Expenses		
Legal & Professional Fees	—	41,800
Electricity Charges	—	3,721
Miscellaneous Expenses	—	469
Insurance Charges	—	—
Total :	—	45,990

13. Earning Per Share

Particulars	As on 31.03.2011	As on 31.03.2010
a) Face Value Per Shares (Rs.)	10	10
b) No. of Shares	2,000,000	2,000,000
c) Net Profit for the year attributable to the Equity Shareholders (Rs.)	38,531,639	34,424,178
d) Basic and Diluted Earnings Per Share (Rs.)	19.27	17.21

14. Previous Year's figures have been regrouped wherever necessary.

The Statement of Significant Accounting policies & the notes numbered 1 to 15 above form an integral part of the accounts for the year ended 31st March, 2011.

As per our attached report of even date

For and on behalf of the Board

For Rege & Thakkar
Chartered Accountants

(Y. L. Rege)
Partner

M.Y. NOORANI
Chairman

Mumbai
Date : 6th June, 2011

E.S.D. Rao
Company Secretary

A.Y. NOORANI
Director

SCHEDULE-15 (Continued)**15. ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS ON 31.03.2011****I. REGISTRATION DETAILS**

Registration No.	71999
State Code	11
Balance Sheet Date	31.03.2011

II. CAPITAL RAISED DURING THE YEAR

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL

III. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS**SOURCES OF FUNDS**

Paid Up Capital	20,000,000
Reserves & Surplus	134,341,760
Secured Loans	—
Unsecured Loans	200,928,072
Deferred Tax Liability	20,025
Total Liabilities	355,289,857

APPLICATION OF FUNDS

Net Fixed Assets	344,217,339
Investments	28,025,627
Deferred Tax Assets (Net)	—
Net Current Assets	(16,953,109)
Miscellaneous Expenditure	—
Accumulated Losses	—
Total Assets	355,289,857

IV. PERFORMANCE OF COMPANY

Turnover (include other income)	77,430,111
Total Expenditure	27,243,064
Profit/Loss Before Tax	50,187,047
Profit/Loss After Tax	38,531,639
Earning per Share	19.27
Dividend Rate	—

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

Item Code No. (ITC Code)	Product Description
	N.A.

Signature to Schedule 1 to 15

For and on behalf of the Board

M. Y. NOORANI
ChairmanMUMBAI,
Dated : 6th June, 2011E S D Rao
Company SecretaryA. Y. NOORANI
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

	Current Year 31.03.2011 Rs.	Previous Year 31.03.2010 Rs.
(A) CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS	50,187,047	43,535,879
Adjustment for :		
Net Prior Year Adjustments	(3,000)	593,592
Depreciation	6,141,509	6,077,112
Preliminary expenses written off	—	6,882
Dividend on investment	—	(43,860)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	56,325,556	50,169,604
Adjustment for:		
Trade and Other receivables	2,934,971	(1,205,593)
Inventories	(77,031)	(103,036)
Trade Payable & Other Liabilities	(332,425)	3,467,182
Tax paid	(7,656,853)	(8,391,681)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>51,194,217</u>	<u>43,936,476</u>
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	—	(6,030,000)
Purchase of investments	(28,025,627)	—
Dividend on investments	—	43,860
NET CASH USED IN INVESTING ACTIVITIES	<u>(28,025,627)</u>	<u>(5,986,140)</u>

	Current Year 31.03.2011 Rs.	Previous Year 31.03.2010 Rs.
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of Long Term Borrowing	25,150,000	—
Proceeds of Short Term Borrowings	2,985,000	685,000
Repayment of Short Term Borrowings	(51,265,335)	(38,596,793)
Interest on borrowing	—	—
NET CASH USED FROM FINANCIAL ACTIVITIES	(23,130,335)	(37,911,793)
NET INCREASE/(DECREASE) AS DISCLOSED ABOVE (A+B+C)	38,255	38,544
CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE YEAR	44,992	6,448
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	83,247	44,992

Notes :

- Figures in brackets indicate cash outgo.
- Previous year's figures have been regrouped and recasted wherever necessary to confirm to current year's classification.

For and on behalf of the Board

M. Y. NOORANI
Chairman

MUMBAI,
Dated : 6th June, 2011

E S D Rao
Company Secretary

A. Y. NOORANI
Director

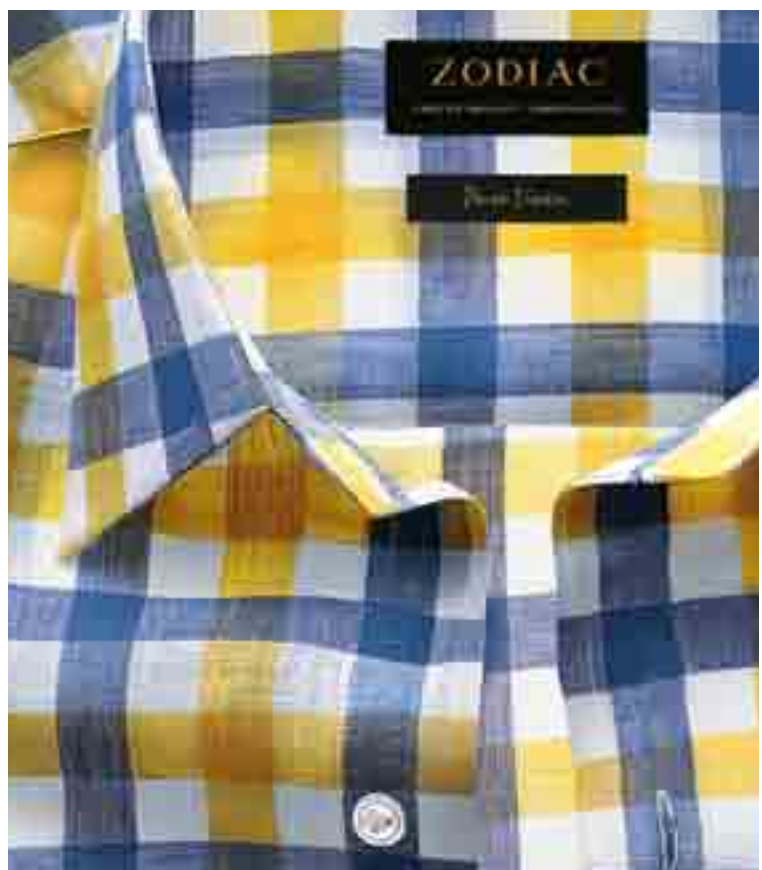
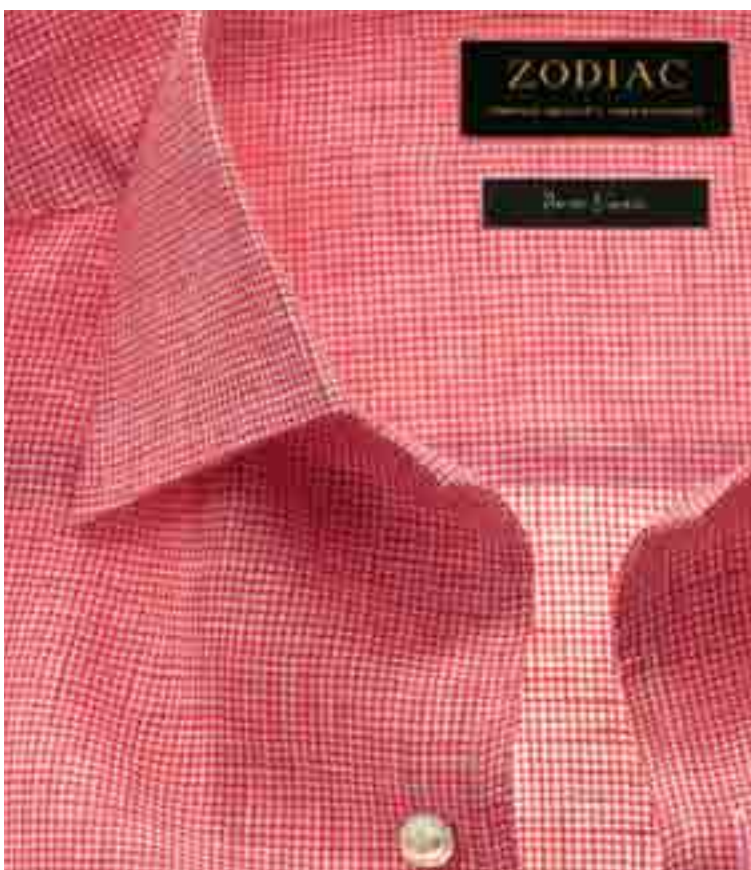
AUDITORS' REPORT

We have verified the above Cash Flow Statement of Multiplex Collapsible Tubes Ltd derived from audited annual financial statements for the year ended 31st March, 2011 and found the same to be drawn in accordance therewith.

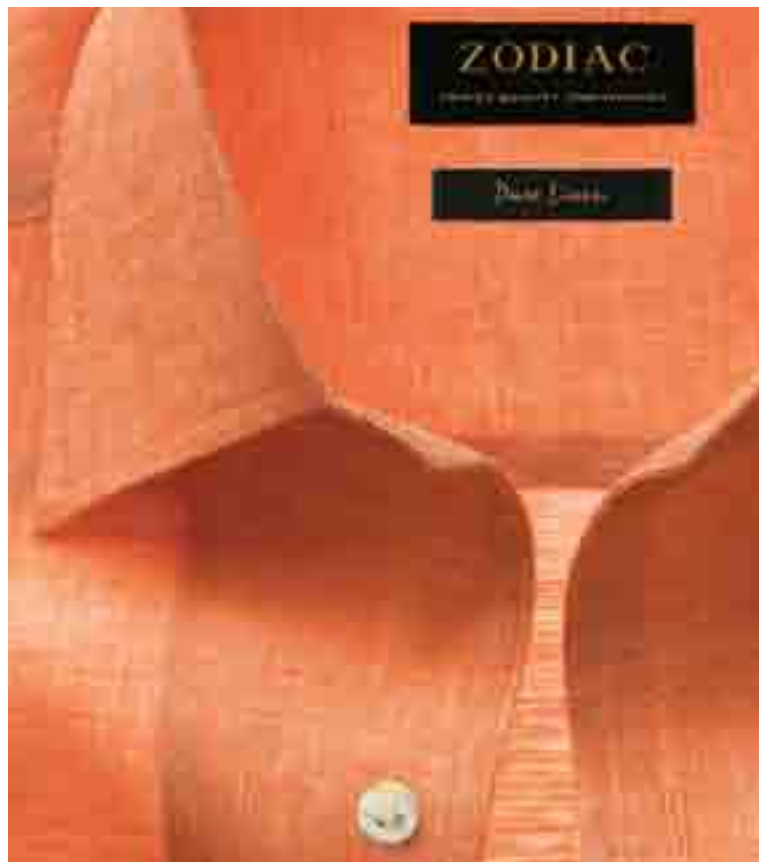
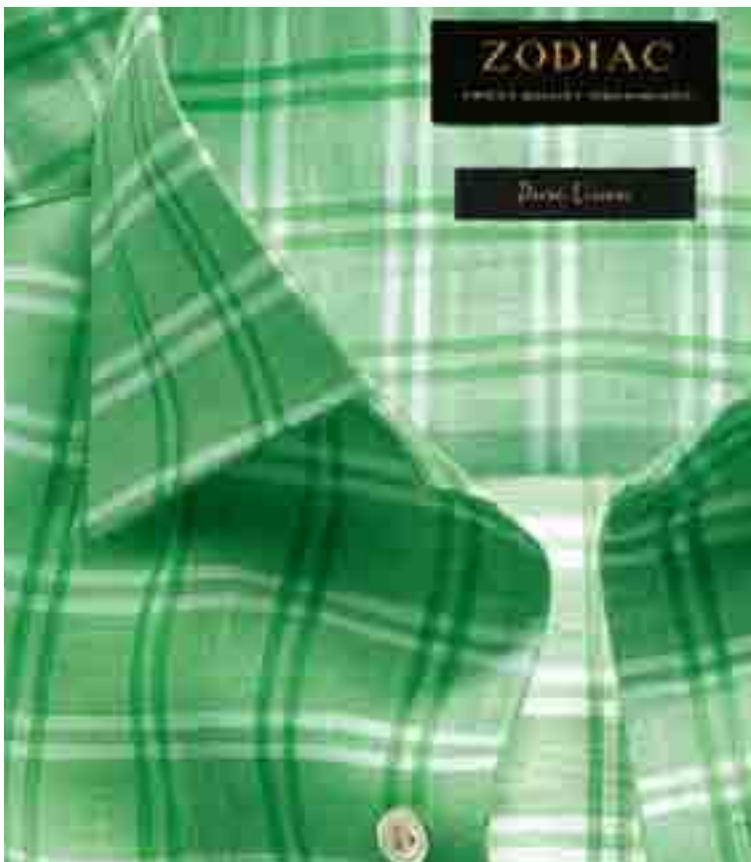
FOR REGE & THAKKAR
Chartered Accountants

Mumbai
Date : 6th June, 2011

Y. L. REGE
Partner



Positano Linen
Z O D I A C
FINEST QUALITY SHIRTMAKERS





RELAXED LOOK. SUPERSOFT FEEL.



BY ZODIAC CLOTHING COMPANY LTD.



ZOD!

CLUBWEAR

ARE YOU GAME?

ZODIAC CLOTHING COMPANY S.A.

15TH ANNUAL REPORT 2010-2011

BOARD OF DIRECTORS

Mr. George Berthoud

Mr. Francis Sermet

REGISTERED OFFICE

Promenade Noire 1,
Neuchatel,
Switzerland.

AUDITORS

KPMG Fides Peat
Rue du Seyon 1
CH-2000, Neuchatel
Switzerland.

BANKERS

UBS AG
Neuchatel
Switzerland.

BUSINESS REPORT

The Balance Sheet for the year ending 31st March, 2011 shows CHF 630,359 (622,711) on both the sides. The Profit and Loss statement shows a profit of CHF 2,571 (7,734) for the period from April 1, 2010 to March 31, 2011.

The Board proposes to reelect for one year Mr. Francis Sermet, Vice President of the Board, with individual signature and Mr. George Berthoud, as President of the Board, with individual signature, and reelect KPMG Fides Peat, Neuchatel, as auditors for a new term. This proposal is taken by circulation letter.

For and on behalf of the Board

Neuchatel

Date: 20 June, 2011

George Berthoud

Director

Francis Sermet

Director

REPORT OF THE STATUTORY AUDITOR ON THE LIMITED STATUTORY EXAMINATION TO THE GENERAL MEETING OF SHAREHOLDERS OF

ZODIAC CLOTHING COMPANY SA, Neuchâtel

As statutory auditors, we have examined the financial statements (balance sheet, income statement and notes) of ZODIAC CLOTHING COMPANY SA for the year ended 31st March 2011.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as

well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements and the proposed appropriation of available earnings do not comply with Swiss law and the company's articles of incorporation.

KPMG SA

Alain Guillaume
Licensed Audit Expert
Auditor in Charge

Patrick Wegmann
Licensed Audit Expert

Neuchâtel, 20 June, 2011

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

BALANCE SHEET AS OF 31 MARCH 2011

	March 31, 2011 CHF	March 31, 2010 CHF
ASSETS		
CURRENT ASSETS		
Cash and banks	56,978	38,281
Accounts receivable from affiliated companies	475,246	462,559
Other current assets	96	83
Prepaid expenses	—	23,749
	<u>532,320</u>	<u>524,672</u>
FIXED ASSETS		
<i>Financial fixed assets:</i>		
— Investment	98,039	98,039
	<u>630,359</u>	<u>622,711</u>
	<u><u>630,359</u></u>	<u><u>622,711</u></u>
 LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable to affiliated companies	1,219	—
Other current liabilities	4,858	—
Accrued expenses	14,160	15,160
	<u>20,237</u>	<u>15,160</u>
SHAREHOLDER'S EQUITY		
Share capital	250,000	250,000
General reserve	62,800	62,800
Available earnings:		
— Retained earnings brought forward	294,751	287,017
— Net profit for the year	2,571	7,734
	<u>610,122</u>	<u>607,551</u>
	<u><u>630,359</u></u>	<u><u>622,711</u></u>

INCOME STATEMENT

	March 31, 2011 CHF	March 31, 2010 CHF
INCOME		
Management fees	24,000	340,000
Financial income	10,540	11,111
	<u>34,540</u>	<u>351,111</u>
EXPENSES		
Personnel expenses	–	(307,846)
Administrative expenses	(30,935)	(34,553)
Financial expenses	(307)	(520)
Exchange loss, net	(564)	(353)
	<u>(31,806)</u>	<u>(343,272)</u>
Profit before taxes	2,734	7,839
Current taxes	(163)	(105)
NET PROFIT FOR THE YEAR	<u><u>2,571</u></u>	<u><u>7,734</u></u>

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 MARCH 2011

1. Company affiliation and activity :

The company, which is registered in Neuchâtel (Switzerland), is a wholly owned subsidiary of Zodiac Clothing Company Ltd. incorporated in Mumbai (India). The Company's activity is to provide management services to the group.

2. Significant investments

<i>Company, domicile purpose</i>	<i>percentage held directly and indirectly</i>		<i>Share capital</i>
	%		
Zodiac Clothing Company (UAE) LLC, Dubai Manufacturing of ready wear garments and accessories	100	AED	300,000

The shareholders of the Company are Mrs. Muna Mahmood Mohd. Mahmoud (51%) and ZODIAC CLOTHING COMPANY SA (Switzerland) (49%). As per the mutual agreement between the shareholders Mrs. Muna Mahmood Mohd. Mahmoud is holding 51% shares for and on behalf of ZODIAC CLOTHING COMPANY SA (Switzerland) who is the beneficial owner.

3. Risk assessment

The Company's risk assessment was conducted and formally approved by the Board of Directors.

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

	March 31, 2011 CHF	March 31 2010 CHF
Retained earnings brought forward	294,751	287,017
Net profit for the year	2,571	7,734
Available earnings	<u>297,322</u>	<u>294,751</u>
The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings:		
To be carried forward	<u>297,322</u>	<u>294,751</u>
	<u>297,322</u>	<u>294,751</u>

ZODIAC CLOTHING COMPANY U.A.E. LLC

7th ANNUAL REPORT

BOARD OF DIRECTORS:

Mr. A.Y. Noorani

Mrs. Muna Mahmood

Mr. S. Y. Noorani

Mr. M.Y. Noorani

Mr. Udayan Bose

Mr. Abdullah Sharafi

AUDITORS:

KSI Shah & Associates

Chartered Accountants,

Dubai - U.A.E.

BANKERS

The Royal Bank of Scotland,
Alliance Insurance Building,
Khalid Bin Waleed Road,
P.O. Box No.2567
Dubai - U.A.E

Emirates NBD
Baniyas Road, Deira
P.O. Box No.777,
Dubai - U.A.E

REGISTERED OFFICE:

P.O. Box 50545

Dubai, U.A.E.

ZODIAC CLOTHING COMPANY U.A.E. LLC

DIRECTORS' REPORT

We have pleasure in presenting to you the 7th Annual Report together with the audited accounts of the company for the period 1st April 2010 to 31st March 2011.

Financial results

	For the year ended 31.03.2011 [AED]	For the year ended 31.03.2010 [AED]
Sales	56,914,153	48,513,848
Cost of sales	(45,606,044)	(39,242,398)
Gross Profit	11,308,109	9,271,450
Other income	411,126	134,638
Expenses	(7,039,195)	(8,362,184)
Profit from ordinary activities	4,680,040	1,043,904
Foreign currency exchange gain/(Loss)	76,905	(120,306)
Interest income	766,700	583,714
Interest paid to related parties	(25,153)	(38,016)
Interest paid to bank	(13,695)	(4,872)
Net profit for the year	5,484,797	1,464,424

The accompanying notes 1 to 24 form an integral part of these financial statements.

The company is a subsidiary of Zodiac Clothing Company S.A., Neuchatel, Switzerland.

The Board does not propose any dividend on the share capital of the company for the period under review in order to conserve the resources of the company.

The Board would like to place on record its sincere appreciation for the wholehearted support and contribution made by its customers, suppliers and employees, towards the conduct of efficient and effective operations of the company.

For Zodiac Clothing Company (UAE) LLC

Place : Dubai
Date : 11th June, 2011

A.Y. Noorani
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

ZODIAC CLOTHING COMPANY (U.A.E.) LLC

Report on the Financial Statements

We have audited the accompanying financial statements of **ZODIAC CLOTHING COMPANY (U.A.E.) LLC**, which comprises the statement of financial position as of 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentations of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstance.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of **ZODIAC CLOTHING COMPANY (U.A.E.) LLC** as of 31 March 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters:

We further confirm that we have obtained all information and explanations necessary for our audit, that proper books of account have been kept by the company and an inventory was duly carried out. To the best of our knowledge and belief no violations of the U.A.E. Commercial Companies Law No. 8 of 1984 (as amended) or the articles of association of the company have occurred during the year, which would have had a material effect on the business of the company or on its financial position.

Place : Dubai

Date : 11th June, 2011

KSI Shah & Associates

Chartered Accountants

BALANCE SHEET, AS AT 31st MARCH 2011

	Notes	March 31, 2011 AED	March 31, 2010 AED
ASSETS			
Non-current assets			
Property, plant and equipment	4, 16	2,943,170	2,751,411
Intangible asset	5	1,710,909	2,152,864
Investments in subsidiaries	6, 3c	46,720	46,720
Due from a subsidiary	16	3,793,351	2,815,225
		8,494,150	7,766,220
Current assets			
Inventories	7	3,608,043	4,536,176
Trade and other receivables	8, 16	13,447,533	12,669,674
Prepayments		1,197,014	1,354,683
Due from related parties	16	6,511,238	7,958,114
Cash and bank balances	9	7,347,509	5,077,796
		32,111,337	31,596,443
Total assets		40,605,487	39,362,663
EQUITY AND LIABILITIES			
Equity funds			
Share capital	10	300,000	300,000
Statutory reserve	11	150,000	150,000
Accumulated profits		31,873,807	26,389,010
Cumulative changes in fair values	18	47,186	866,138
Total equity funds		32,370,993	27,705,148
Non-current liability			
Staff end of service gratuity		866,233	868,954
Current liabilities			
Trade and other payables	12, 16	6,850,102	9,073,948
Due to related parties	16	459,098	1,714,613
Due to a subsidiary	16	59,061	—
		7,368,261	10,788,561
Total equity and liabilities		40,605,487	39,362,663

The accompanying notes 1 to 24 form an integral part of these financial statements.

The Independent Auditors' Report is set forth on page 1.

Approved by the shareholders on 11th June 2011.

INCOME STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

	Notes	March 31, 2011 AED	March 31, 2010 AED
Sales		56,914,153	48,513,848
Cost of sales	13, 16	(45,606,044)	(39,242,398)
Gross profit		11,308,109	9,271,450
Other income	14	411,126	134,638
Expenses	15, 16	(7,039,195)	(8,362,184)
Profit from ordinary activities		4,680,040	1,043,904
Foreign currency exchange gain/(loss)	3j	76,905	(120,306)
Interest income	16	766,700	583,714
Interest paid to related parties	16	(25,153)	(38,016)
Interest paid to bank		(13,695)	(4,872)
Net profit for the year		5,484,797	1,464,424

The accompanying notes 1 to 24 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st MARCH 2011

	Share Capital	Statutory Reserve	Accumulated Profits	Cumulative changes in fair value	Total
	AED	AED	AED	AED	AED
As at 31 March 2009	300,000	150,000	24,924,586	(50,227)	25,324,359
Net profit for year	—	—	1,464,424	—	1,464,424
Changes during the year in cash flow hedges (net)	—	—	—	916,365	916,365
As at 31 March 2010	300,000	150,000	26,389,010	866,138	27,705,148
Net profit for year	—	—	5,484,797	—	5,484,797
Changes during the year in cash flow hedges (net)	—	—	—	(818,952)	(818,952)
As at 31 March 2011	300,000	150,000	31,873,807	47,186	32,370,993

The accompanying notes 1 to 24 form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

	Notes	March 31, 2011 AED	March 31, 2010 AED
<u>Cash flows from operating activities</u>			
Net profit for the year		5,484,797	1,464,424
Adjustment for:			
Depreciation		480,350	429,290
Amortization of goodwill		441,955	441,955
Interest income		(766,700)	(583,714)
Loss on sale of property, plant and equipment		17,185	–
Finance cost		38,848	42,888
Provision for staff end of service gratuity		235,674	247,188
Operating profit before working capital changes		5,932,109	2,042,031
Changes in inventories		928,133	21,568
Changes in trade and other receivables		(1,596,811)	(1,879,709)
Changes in due from/due to related parties (net)		191,361	(1,230,242)
Changes in prepayments		157,669	85,726
Changes in trade and other payables		(2,223,846)	(870,491)
Cash flow from/(used in) operations		3,388,615	(18,31,117)
Finance charges paid		(38,848)	(42,888)
Gratuity paid		(238,395)	(141,075)
Net cash from/(used in) operating activities		3,111,372	(2,015,080)
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment		(717,418)	(77,512)
Proceeds from sale of property, plant and equipment		28,124	–
Investments in subsidiaries		(919,065)	(2,861,945)
Payment for capital work in progress		–	(382,346)
Changes in margin and fixed deposit accounts		(876,717)	4,788,155
Interest received		766,700	583,714
Net cash from/(used in) investing activities		(1,718,376)	2,050,066
<u>Cash flows from financing activities</u>			
Proceeds from/(payment of) bank borrowings		–	(1,541,691)
Net cash (used in)/cancelled from financing activities		–	(1,541,691)
Net (decrease)/increase in cash and cash equivalents		1,392,996	(1,506,705)
Cash and cash equivalents at beginning of year		706,672	2,213,377
Cash and cash equivalents at end of year	17	2,099,668	706,672

The accompanying notes 1 to 24 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2011**

1. Legal status and business activity

- a) **ZODIAC CLOTHING COMPANY (U.A.E.) LLC** is a limited liability company registered in the Emirate of Dubai, having Industrial license no. 301266 in accordance with the provision of the U.A.E. Commercial Companies Law No. 8 of 1984, as amended. The company also has a retail shop in Dubai International Financial Centre (DIFC) registered vide Commercial License no. CL0301 in accordance with the provision of the DIFC.
- b) The company is registered to carry out manufacturing of ready-made garments and retail and wholesale trade of ready-made garments.
- c) The shareholders of the company are Mrs. Muna Mahmood Mohd. Mahmoud (51%) and M/s. Zodiac Clothing Company S.A. (Switzerland) (49%). As per the mutual agreement between the shareholders Mrs. Muna Mahmood Mohd. Mahmoud is holding 51% shares for and on behalf of Zodiac Clothing Company S.A. (Switzerland) who is beneficial owner.
- d) These financial statements do not include the financial statements of its subsidiary companies. The consolidated financial statements for the group will be prepared by the ultimate holding company Zodiac Clothing Company Limited, India.

2. Events occurring after the reporting date

The company has closed its retail operations at a shop in Dubai International Financial Centre (DIFC) on 9 April 2011.

3. Significant accounting policies, judgements, estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, may differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities at 31 March 2011 within the next financial period are discussed below.

Carrying values of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Doubtful debt provisions

The company sells goods to a large number of businesses, mainly on credit terms. The company knows that certain debts due to the company will not be paid through the default of small number of customers. Estimates are used in determining the level of debts that company believes will not be paid. These estimates reflect such factors as the age of the debts, particular industry issues, past experience of payment. The company has also insured large part of their receivables with an internationally known credit risk insurance company.

Impairment of goodwill

The company determines whether goodwill is impaired on at least an annual basis. This requires an estimate of fair value less costs to sell the cash generating units to which goodwill is allocated. The carrying amount of goodwill at 31 March 2011 was AED 1,710,909/- which the company does not consider as impaired.

Significant accounting policies

The financial statements are prepared under the historical cost convention modified to include the measurement at fair values of derivative financial instruments, and in accordance with International Financial Reporting Standards. The significant accounting policies adopted are as follows:

a) Depreciation of property, plant and equipment:

The cost of property, plant and equipment is depreciated by equal annual instalments over their estimated useful lives as under:

Factory building	10 years
Plant and machinery	8 years
Furniture and office equipment	10 years
Vehicles	5 years

Depreciation on additions is calculated on a pro-rata basis from the month of additions and on deletion up to the month of deletion of the asset.

b) Intangible asset:

Intangible asset represents goodwill for the excess of the purchase price over the fair value

of tangible and identifiable intangible assets and liabilities of business acquired. Goodwill paid will be amortised over a period of ten years on pro rata basis.

c) Investment in subsidiaries:

Subsidiary companies are those companies in which the company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the financial and operating policies.

Investment in subsidiaries is stated at cost.

Income from investment in subsidiaries is accounted only to the extent of receipt of distribution of accumulated net profits of subsidiary. Distributions received in excess of such profits are considered as a recovery of investments and are recorded as a reduction of the cost of investments.

d) Inventories:

Raw materials are stated at cost including direct expenses using weighted average method. Work in progress is valued at cost, by reference to the stage of completion. Finished goods are valued at the lower of cost and net realisable value. Cost comprises of material cost, labour and attributable overheads. Net realisable value is based on estimated selling price less any estimated cost to completion and disposals.

e) Trade and other receivables:

Provision is made for doubtful debts. Bad debts are written off when there is no possibility of recovery.

f) Staff end of service gratuity:

Provision is made for end-of-service gratuity payable to the staff at the reporting date in accordance with the U. A. E. labour laws and is disclosed as non current liabilities. Provisions made for the estimated liability for annual leave and airfares are disclosed as current liabilities.

g) Trade and other payables:

Liabilities are recognized for amounts to be paid for goods or services received whether invoiced by the supplier or not.

h) Revenue recognition:

Sales represents net amount invoiced for goods delivered during the year.

Interest income is accounted on accrual basis and other income is accounted on accrual basis.

i) Impairment:

The carrying amounts of the assets, except for inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognised in the income statement.

j) Foreign currency transactions:

Transactions in foreign currencies are converted into U.A.E. Dirhams at the approximate rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into U.A.E. Dirhams at the rate of exchange ruling at the reporting date. Resulting gain or loss is taken to the income statement.

k) Derivative financial instruments:

The company uses forward foreign exchange contracts to hedge its risk associated primarily with foreign currency fluctuation relating to exports & other receivables. These are recognised at fair value and any resultant gain or loss is recognised in the statement of changes in equity. The fair values of forward exchange contracts are included in "other receivables" in case of favourable contracts and "other payables" in case of unfavourable contracts.

l) Fair values:

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchanges rates with the same maturity.

m) Cash and cash equivalents:

Cash and cash equivalents for the purpose of the statement of cash flows comprise cash, bank balances in current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

n) Dividend:

Dividend is paid out of accumulated profits, when declared.

Notes to the Financial Statements
for the year ended 31st March 2011

4. Property, plant and equipment

	<i>Capital work in progress @ AED</i>	<i>Factory building AED</i>	<i>Plant & machinery AED</i>	<i>Furniture & office equipment AED</i>	<i>Vehicles AED</i>	<i>Interiors at DIFC Shop AED</i>	<i>Total AED</i>
Cost							
As at 01.04.2010	382,346	3,580,495	4,415,608	783,663	217,800	1,360,125	10,740,037
Additions	300	185,000	449,761	48,883	—	—	717,418
Purchased from a related party *	—	—	33,474				
Transfer on completion	(311,609)	—	311,609	—	—	—	—
Disposals	—	—	(34,150)	—	(113,000)	—	(147,150)
Written off	—	—	—	—	(75,000)	—	(75,000)
As at 31.03.2011	71,037	3,765,495	5,176,302	832,546	29,800	1,360,125	11,235,305
Depreciation							
As at 01.04.2010	—	3,519,778	3,482,480	603,310	179,225	203,833	7,988,626
Charge for the year	—	31,259	256,948	44,830	11,300	136,013	480,350
Relating to disposals	—	—	(16,116)	—	(85,725)	—	(101,841)
Written off	—	—	—	—	(75,000)	—	(75,000)
As at 31.03.2011	—	3,551,037	3,723,312	648,140	29,800	339,846	8,292,135
Net book value							
As at 31.03.2011	71,037	214,458	1,452,990	184,406	—	1,020,279	2,943,170
As at 31.03.2010	382,346	60,717	933,128	180,353	38,575	1,156,292	2,751,411

@ Represents work in progress for operator interface.

* refer note 16.

Shop closed on 9th April 2011.

*In the opinion of management, there was no impairment in respect of any of the property, plant and equipment items.
Hence fair values of the property, plant and equipment at 31 March 2011 are the same as their net book values*

	2011 AED	2010 AED
5. Intangible assets		
Amount paid for acquiring business	4,419,548	4,419,548
Amortisation:		
Opening balance	2,266,684	1,824,729
For the year	441,955	441,955
Closing balance	2,708,639	2,266,684
Net book amount	1,710,909	2,152,864
6. Investment in subsidiaries		
Zodiac Clothing Company Inc. U.S.A. (100% shareholding)	36,720	36,720
Zodiac Properties Limited, R.A.K., U.A.E (100% shareholding)	10,000	10,000
	46,720	46,720

	2011	2010
	AED	AED
7. Inventories		
Raw materials and accessories	1,571,315	2,061,397
Semi-finished inventories	939,298	1,108,293
Finished and trading inventories	339,940	509,910
	2,850,553	3,679,600
Goods in transit	757,490	856,576
	3,608,043	4,536,176
8. Trade and other receivables		
Trade receivables (refer note 16) @	12,123,789	10,551,718
Provision for doubtful debts	(295,996)	(249,208)
	11,827,793	10,302,510
Advance to suppliers	108,882	51,668
Deposits	643,412	563,420
Other receivables *	867,446	1,752,076
	13,447,533	12,669,674

@ Amount received subsequently AED 3,072,534/- as of 9 May 2011.

* Includes AED 47,186/- (previous year AED 866,138/-) towards changes in fair value for outstanding forex contracts (refer note 18).

9. Cash and bank balances

Cash on hand	19,676	34,239
Bank balance in:		
Current accounts	2,079,992	672,433
Margin accounts	103,900	65,011
Fixed deposits*	5,143,941	4,306,113
	7,347,509	5,077,796

* Includes AED 2,007,930/- under lien against facilities availed (refer note 23).

10. Share capital

300 Shares of AED 1,000 each	300,000	300,000
------------------------------	----------------	----------------

11. Statutory reserve

Statutory reserve is created by allocating 10% of the net profit of the company as required by Article 255 of the UAE Commercial Companies Law No. 8 of 1984, as amended concerning Commercial Companies in the UAE. The company discontinued such annual transfers as this reserve totals 50% of the paid up share capital. The reserve is not available for distribution except as provided in the Federal Law.

	2011 AED	2010 AED
12. Trade and other payables		
Trade and other payables (refer note 16)	687,702	488,794
Provision for leave salaries and air passage	1,000,874	1,054,519
Advance from customers	226,893	—
Other payables	3,417,575	4,210,786
Accruals *	1,517,058	3,319,849
	6,850,102	9,073,948

* Includes AED 1,016,746/- (previous year AED 2,588,343/-) amount payable to related parties on account of commission and management fees (refer note 16).

13. Cost of sales		
Opening work in progress	1,108,293	973,606
Material consumed (refer note 16)	32,073,031	23,369,915
Wages and benefits	6,612,839	6,830,518
Other direct expenses	6,288,785	8,747,479
Depreciation (refer note 15)	292,424	228,146
Closing work in progress	(939,298)	(1,108,293)
(Accretion)/decretion of finished goods	169,970	201,027
	45,606,044	39,242,398

14. Other Income		
Customs refund receivable	351,564	104,091
Prior period income	18,893	—
Credit balance written off	18,024	27,992
Sale of scrap	22,645	2,555
	411,126	134,638

15. Expenses		
Salaries and other benefits	828,213	831,211
Rent	358,500	289,015
Other administrative expenses (refer note 16)	4,933,111	6,309,675
Bank charges	289,490	289,184
Depreciation (per below)	187,926	201,144
Amortisation of goodwill	441,955	441,955
	7,039,195	8,362,184

Depreciation

Total depreciation (refer note 4)	480,350	429,290
Less: taken to cost to sales (refer note 13)	(292,424)	(228,146)
	187,926	201,144

16. Related party transactions

For the purpose of this financial statement, parties are considered to be related to the company, if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making party financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related party may be individuals or other entities.

The nature of significant related party transactions and the amounts involved are as under:

	2011 AED	2010 AED
Sale of shirts (<i>at market price</i>)	11,938,511	11,247,829
Purchase of raw material	6,970,523	11,485,941
Purchase of property, plant and equipments	33,474	9,422
Purchase of trading, other goods, and goods in transit	11,422,842	4,593,062
Commission expenses	875,169	1,521,833
Royalty expenses	1,138,908	1,306,105
Other administrative expenses charged back (<i>net</i>)	1,387,732	1,048,789
Management fees	89,904	1,181,505
Interest income	747,369	515,684
Interest paid	25,153	38,016
Export claim	49,208	3,970

At the reporting date balances with related parties were as follows:

	2011 AED	2010 AED
Included under non current assets:		
Investments in subsidiaries	46,720	46,720
Due from a subsidiary	3,793,351	2,815,225
Included under current assets:		
Trade receivables	6,674,873	4,090,609
Due from related parties	6,511,238	7,958,114
Included under current liabilities:		
Due to related parties	459,098	1,714,613
Due to a subsidiary	59,061	—
Accruals (<i>refer note 12</i>)	1,016,764	2,588,343

The company also receives funds from and provides funds to related parties as and when required as working capital facilities at an agreed rate of interest.

	2011 AED	2010 AED
17. Cash and cash equivalents		
Cash on hand	19,676	34,239
Bank balance:		
Current accounts	2,079,992	672,433
	2,099,668	706,672

18. Derivative financial instruments

The company has foreign exchange contracts outstanding as at 31 March 2011 designated as hedges of expected future sales. The terms of the foreign exchange contracts have been negotiated to match the terms of the commitments. As at 31 March 2011, net unrealized gains of AED 47,186/- (*previous year net unrealised gains of AED 866,138/-*) are included in statement of changes in equity in respect of these contracts.

19. Number of employees

The average numbers of employees during the year were 565 (*previous year 510*).

20. Financial instruments: Credit, interest rate, liquidity risk and exchange rate risk exposures

Credit risk

Financial assets, which potentially expose the company to concentrations of credit risk, comprise principally of bank balances, trade and other receivables and due from related parties.

The company's bank balance in current, call, margin and fixed deposits accounts are placed with high credit quality financial institutions.

As at 31 March 2011, the company's maximum and significant exposure to credit risk from trade receivables other than related parties situated outside U.A.E. amounts to AED 7,985,615/- (*previous year AED 2,340,833/-*) due from three customers outside UAE and within U.A.E amounts to AED 1,731,423/- from two customers (*previous year AED 2,328,071/-*).

There is no significant concentration of credit risk from trade receivables outside the industry in which the company operates.

Interest rate risk

Bank borrowings are at floating rates at levels, which are generally obtained in the U.A.E. Interest received from and paid to related parties are at fixed rate of interest. The fixed deposits with banks are at a fixed interest rate.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet financial obligations as they fall due. The liquidity requirements are monitored on a regular basis by the shareholders and the management who ensure that sufficient funds are made available to the company to meet any future commitments.

The following are the contractual maturities of the company's financial liabilities.

	Carrying amount	Total	Less than 12 Month	More than 12 month
	AED	AED	AED	AED
Trade and others payables	6,850,102	6,850,102	6,850,102	—
Due to related parties	459,098	459,098	459,098	—
Due to a subsidiary	59,061	59,061	59,061	—
Staff end of services gratuity	866,233	866,233	—	866,233
	<u>8,234,494</u>	<u>8,234,494</u>	<u>7,368,261</u>	<u>866,233</u>

Exchange rate risk

Except for the following amounts there are no significant exchange rate risks as substantially all financial assets and financial liabilities are determined in U.A.E. Dirhams or US Dollars to which the Dirham is fixed:

	2011 Equivalent AED	2010 Equivalent AED
Foreign currency financial assets:		
Great Britain Pounds	13,357,506	10,852,119
Euro	3,751,765	3,514,785
Swiss Francs	131,079	598,126
Foreign currency financial liabilities:		
Great Britain Pounds	—	13,095
Euro	10,360	10,508
Swiss Francs	—	1,597,170
Hong Kong Dollars	98,906	66,165

As part of its exchange risk management, the company enters into forward foreign exchange contracts to hedge its exposure to exchange rate movements (refer note 18).

21. Financial instruments: Fair values

The fair values of the company's financial assets, comprising of trade and other receivables, due from related parties, and bank balances and financial liabilities, comprising of trade and other payables, bank borrowings and due to related parties approximate their carrying values. Derivatives consist of forward foreign exchange contracts outstanding on the reporting date whose fair values are not materially different from their carrying values.

22. Lease commitments

The company has entered into a lease contract with Dubai International Financial Centre for three years commencing from April 2008 to April 2011, with annual rent of AED 267,590/ for the first year and AED 334,488/- for remaining two years, payable in three annual installments (*refer note 2*). The lease commitments are as follows:

	2011 AED	2010 AED
Not later than one year	—	111,496

23. Contingent liabilities

Banker's letters of guarantees	2,058,930	2,019,930
Performance/Maintenance bond	15,000	15,000
Banker's letters of credit	3,671	—
Shipping guarantees	49,921	3,000

24. Comparative figures

Previous year's figures have been regrouped/reclassified wherever necessary to conform to the presentation adopted in the current year.

ZODIAC CLOTHING COMPANY INC. USA

3rd ANNUAL REPORT

BOARD OF DIRECTORS:

Mr. A.Y. Noorani

Mr. S. Y. Noorani

AUDITORS:

KSI Shah & Associates

Chartered Accountants,

Dubai

SECRETARY:

Ms. Rekha Nanda

BANKERS:

CITIBANK, NA

REGISTERED OFFICE:

C/o, 160, Greentree Drive,

Suite 101,

Dover, DE 19904

DIRECTORS' REPORT

We are happy to present the 3rd Annual Report of the Company for the year ended 31st March 2011.

Zodiac Clothing Company Inc USA has been incorporated on 19th August 2008 in the State of Delaware as wholly owned subsidiary of Zodiac Clothing Company (UAE) LLC. The company is established to carry out trading in Men's Garment. During the Financial Year 2010-11 company started its operations as per its object clause.

During the Financial Year 2010-2011, the company made a Loss of 6,586 compared to Profit of 24,300 in the previous year 2009-2010.

FOR ZODIAC CLOTHING COMPANY INC

Place : Dubai

A.Y. NOORANI

Date : 11th June, 2011

Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF ZODIAC CLOTHING COMPANY INC.

Report on the Financial Statements

We have audited the accompanying financial statements of **ZODIAC CLOTHING COMPANY INC.**, which comprises of the statement of financial position as of 31 March 2011, the statement of comprehensive income, statement of changes in equity, statement of cash flows and a summary of significant accounting policies and explanatory notes.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentations of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstance.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves

performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of **ZODIAC CLOTHING COMPANY INC.** as of 31 March 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Place : Dubai

Date : 11th June, 2011

KSI SHAH & ASSOCIATES

Chartered Accountants

BALANCE SHEET 31 MARCH 2011

	Notes	2011 US \$	2010 US \$
ASSETS			
Current assets			
Other receivable		2,420	2,420
Prepaid taxes		4,940	—
Due from a related party	3	18,383	24,011
Cash and cash equivalents	4	8,001	14,700
		33,744	41,131
Total assets		33,744	41,131
EQUITY AND LIABILITIES			
Share capital	5	10,000	10,000
Accumulated profits		14,546	21,132
Equity funds		24,546	31,132
Shareholder's current account		2,299	2,299
Total equity funds		26,845	33,431
Current liabilities			
Accruals		6,899	6,000
Provision for corporate tax		—	1,700
		6,899	7,700
Total equity and liabilities		33,744	41,131

The accompanying notes 1 to 9 form an integral part of these financial statements.

The Independent Auditors' Report is set forth on page 1.

Approved by the shareholder on 11th June 2011.

For ZODIAC CLOTHING COMPANY INC.

DIRECTOR

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 US \$	2010 US \$
Sales		–	293,478
Cost of sales		–	(255,969)
Gross profit		–	37,509
Other administrative expenses		(7,629)	(8,209)
Net (loss)/profit before tax		(7,629)	29,300
Provision for corporate tax		–	5,000
Reversal of excess provision for corporate tax		1,043	–
Net (loss)/profit for the year		(6,586)	24,300

The accompanying notes 1 to 9 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Share capital US \$	Accumulated profits US \$	Shareholder's current account US \$	Total US \$
As at 31 March 2009	–	(3,168)	3,168	–
Introduced during the year	10,000	–	–	10,000
Withdrawn during the year (net)	–	–	(869)	(869)
Net profit for the year	–	24,300	–	24,300
As at 31 March 2010	10,000	21,132	2,299	33,431
Net loss for the year	–	(6,586)	–	(6,586)
As at 31 March 2011	10,000	14,546	2,299	26,845

The accompanying notes 1 to 9 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 US \$	2010 US \$
<u>Cash flows from operating activities</u>			
Operating (loss)/profit before working capital changes		(6,586)	24,300
Changes in other receivables and prepayments		(4,940)	(2,420)
Changes in due from/due to related parties (net)		5,628	(24,011)
Changes in trade and other payables		(801)	7,700
Net cash from/(used in) operating activities		(6,699)	5,569
<u>Cash flows from financing activities</u>			
Share capital introduced		–	10,000
Funds withdrawn by a shareholder (net)		–	(869)
Net cash from financing activities		–	9,131
Net (decrease)/increase in cash and cash equivalents		(6,699)	14,700
Cash and cash equivalents at the beginning of year		14,700	–
Cash and cash equivalents at the end of year	4	8,001	14,700

The accompanying notes 1 to 9 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2011

1. Legal status and business activity

- (a) **ZODIAC CLOTHING COMPANY INC.** is a Corporation registered in the state of Delaware, United States of America.
- (b) The company is established to carry out trading in men's garments. During the year, the company has not carried out any commercial activity.
- (c) These financial statements have been prepared in the United States Dollars, which is the company's functional and presentation currency and values are rounded off to nearest unit.

2. Significant accounting policies

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The significant accounting policies adopted are as follows:

(a) Other receivable:

Provision is made for doubtful debts. Bad debts are written off when there is no possibility of recovery.

(b) Other payables:

Liabilities are recognized for amounts to be paid for goods or services received whether invoiced by the supplier or not.

(c) Sales:

Sales represents net amount invoiced for goods delivered during the year.

(d) Income tax:

Taxation is provided in accordance with the relevant fiscal regulation of the country in which the company operates.

(e) Foreign currency transactions:

Transactions in foreign currencies are converted into US Dollar at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into US Dollar at the rate of exchange ruling at the reporting date.

Resulting exchange gains/losses are taken to the income statement.

(f) Cash and cash equivalents:

Cash and cash equivalents for the purpose of the cash flow statement comprise cash, bank balance in current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

3. Related party transactions

For the purpose of this financial statement, parties are considered to be related to the company, if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making party financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related party may be individuals or other entities.

The nature of significant related party transactions and the amounts involved are as under:

	2011	2010
	US \$	US \$
Purchase of readymade garments	–	205,416

At the reporting date, balances with related parties were as follows:

	2011	2010
	US \$	US \$

Included in current assets:

Due from a related party	18,383	24,011
Zodiac Clothing Company (UAE) LLC		

4. Cash and cash equivalents

Bank balance:

Current account	8,001	14,700
-----------------	-------	--------

5. Share capital

Authorized subscribed, issued and paid up shares

10,000 @ US \$ 1/-*	10,000	10,000
---------------------	--------	--------

* Held by Zodiac Clothing Company (U.A.E.) LLC, Dubai.

6. Financial instruments: Credit, interest rate, liquidity risk and exchange rate risk exposures

Credit risk

Financial assets, which potentially expose the company to concentrations of credit risk comprise principally of bank account, other receivables and due from a related party.

The company's bank balance in current account is placed with high credit quality financial institutions.

There is no significant concentration of credit risk other than related party balance.

Interest rate risk

In absence of bank borrowings, there is no interest rate risk.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet financial obligations as they fall due. The liquidity requirements are monitored on a regular basis by the shareholders and the

management who ensure that sufficient funds are made available to the company to meet any future commitments.

Exchange rate risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in US Dollars.

7. Financial instruments: Fair values

The fair values of the company's financial assets and financial liabilities approximate to their carrying values.

8. Contingent Liability

There was no contingent liability of significant amount outstanding at the reporting date.

9. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary to conform to the presentation adopted in the current year.

ZODIAC PROPERTIES LIMITED

2nd ANNUAL REPORT

BOARD OF DIRECTORS:

Mr. M.Y. Noorani

Mr. A.Y. Noorani

Mr. S. Y. Noorani

Mr. P.R. Shah

AUDITORS:

KSI Shah & Associates

Chartered Accountants,

Dubai

BANKERS:

HSBC Private Bank (UK) Limited

REGISTERED AGENTS OFFICE:

1003, Khalid Al Attar Tower

P.O. Box 71241

Dubai, U.A.E.

DIRECTORS' REPORT

We are happy to present the 2nd Annual Report of the Company for the year ended 31st March 2011.

Zodiac Properties Limited has been incorporated on 22nd November 2009 at Ras Al Khaimah Free Trade Zone under the perception and the seal of the Ras Al Khaimah Free Trade Zone Authority as an International Company. The company is established to carry out real estate business out side UAE.

During the year 2010-11, the company made a Loss of 85,908 compared to Loss 11,414 in the previous year 2009-2010.

For Zodiac Properties Limited

Place : Dubai
Date : 11th June, 2011

A.Y. Noorani
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF ZODIAC PROPERTIES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **ZODIAC PROPERTIES LIMITED**, which comprises of the statement of financial position as of 31 March 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentations of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstance.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves

performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of **ZODIAC PROPERTIES LIMITED** as of 31 March 2011 in accordance with International Financial Reporting Standards.

Place : Dubai

Date : 11th June, 2011

K S I SHAH & ASSOCIATES

Chartered Accountants

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011

	Notes	2011 GBP	2010 GBP
ASSETS			
Non-current assets			
Investment property	3	1,994,201	—
		1,994,201	—
Current assets			
Other receivables	4	18,902	194,955
Prepayments		386	—
Cash and cash equivalents	5	323	300,985
		19,611	495,940
Total assets		2,013,812	495,940
EQUITY AND LIABILITIES			
Equity	6	1,808	1,808
Accumulated losses		(97,322)	(11,414)
Equity funds		(95,514)	(9,606)
Shareholder's current account		672,828	502,021
Total equity funds		577,314	492,415
Non-current liabilities	7, 9	1,064,778	—
Current liabilities			
Accruals		1,220	3,525
Bank borrowing	7	370,500	—
		371,720	3,525
Total equity and liabilities		2,013,812	495,940

The accompanying notes 1 to 13 form an integral part of these financial statements.

The Independent Auditors' Report is set forth on page 1.

Approved by the shareholder on 11th June 2011.

For ZODIAC PROPERTIES LIMITED

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 GBP	2010 GBP
Rental income		12,350	—
Expenses	8	(37,877)	(11,414)
Loss from operations		(25,527)	(11,414)
Bank interest income		335	—
Interest cost on bank borrowings		(37,589)	—
Interest paid to related party and shareholder	9	(23,127)	—
Loss for the year		(85,908)	(11,414)

The accompanying notes 1 to 13 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Share capital GBP	Accumulated profits/ (losses) GBP	Shareholder's current account GBP	Total GBP
Share capital introduced	1,808	—	—	1,808
Net loss for the year	—	(11,414)	—	(11,414)
Introduced during the year (net)	—	—	502,021	502,021
As at 31 March 2010	1,808	(11,414)	502,021	492,415
Net loss for the year	—	(85,908)	—	(85,908)
Introduced during the year (net)	—	—	170,807	170,807
As at 31 March 2011	1,808	(97,322)	672,828	577,314

The accompanying notes 1 to 13 form an integral part of these combined financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 GBP	2010 GBP
<u>Cash flows from operating activities</u>			
Net (loss) for the year		(85,908)	(11,414)
Adjustment for:			
Depreciation on investment property		24,681	–
Interest paid to related party and shareholder		23,127	–
Finance charges		37,589	–
Operating (loss) before working capital changes		(511)	(11,414)
Changes in due to related parties		292,903	–
Changes in other receivables and prepayments		(19,288)	–
Changes in other payables		(2,305)	3,525
Cash generated from operations		270,799	(7,889)
Finance charges paid		(37,589)	–
Interest paid to related party and shareholder		(23,127)	–
Net cash from operating activities		210,083	(7,889)
<u>Cash flows from investing activities</u>			
Changes in investment property		(1,823,927)	(194,955)
Net cash (used in) in investing activities		(1,823,927)	(194,955)
<u>Cash flows from financing activities</u>			
Share capital introduced		–	1,808
Proceeds from bank borrowings (net)		1,142,375	–
Funds introduced by a shareholder (net)		170,807	502,021
Net cash from financing activities		1,313,182	503,829
Net changes in cash and cash equivalents		(300,662)	300,985
Cash and cash equivalents at beginning of the year		300,985	–
Cash and cash equivalents at end of the year	5	323	300,985

The accompanying notes 1 to 13 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2011

1. Legal status and business activity

- (a) **ZODIAC PROPERTIES LIMITED** an International Company registered with Ras Al Khaimah Free Trade Zone, U.A.E. on 22nd November 2009 vide registration number 2206.
- (b) The company is established to carry out investments in shares and properties.
- (c) These financial statements have been prepared in the Great Britain Pounds, which is the company's functional and presentation currency and values are rounded off to nearest unit.

2. Significant accounting policies, judgements and key assumptions

Significant accounting estimates and judgments:

The company makes judgments and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgments and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The judgments and key sources of estimation uncertainty that have a significant effect on the amounts recognized in the financial statements are discussed below.

Impairment:

At each reporting date, management conducts an assessment of investment property and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and if this is below its carrying amount, a provision is made.

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The significant accounting policies adopted are as follows:

(a) Investment property

Investment property held for the purpose of generating rental income or capital appreciation or both, are classified as investment property and are stated at cost.

Investments properties are initially measured at cost, which include stamp duty, land tax and other related costs.

If an investment property becomes company occupied, it is reclassified as fixed asset.

The investment property will be depreciated on a straight line basis over the period of 61 years.

(b) Other receivables:

Provision is made for doubtful debts. Bad debts are written off when there is no possibility of recovery.

(c) Other payables:

Liabilities are recognized for amounts to be paid for goods or services received whether invoiced by the supplier or not.

(d) Revenue recognition:

Rental income is recognized on accrual basis. Interest income is recognized on accrual basis.

(e) Foreign currency transactions:

Transactions in foreign currencies are converted into Great Britain Pound at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into Great Britain Pound at the rate of exchange ruling at the reporting date. Resulting exchange gains/losses are taken to the income statement.

(f) Cash and cash equivalents:

Cash and cash equivalents for the purpose of the cash flow statement comprise cash, bank balance in current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

3. Investment property

Investment property on rental: ^

Cost of investment property on rental	1,009,441	—
---------------------------------------	-----------	---

Owned property

Commercial property *	1,009,441	—
	<u>2,018,882</u>	<u>—</u>
Depreciation on property	(24,681)	—
	<u>1,994,201</u>	<u>—</u>

Under mortgage (refer note 7).

^ Represents residential property, 11A, Montagu Mews North, Montagu Place, London which is given on yearly rental.

* Represents commercial property, 11, Montagu Mews North, Montagu Place, London.

In the opinion of management, there was no impairment in respect of investment property. Hence carrying value of the investment property at 31 March 2011 approximates its book value.

	2011 GBP	2010 GBP
4. Other receivables		
Rent receivable	500	—
Advance for investment property	—	194,955
Other receivables	18,402	—
	18,902	194,955
5. Cash and cash equivalents		
Bank balance		
In current account with HSBC Bank (UK) Limited	323	300,985
6. Share capital		
Authorized subscribed, issued and paid up shares 10 of AED 1,000/- each (converted 1GBP @ AED 5.53)*	1,808	1,808
<i>* Held by Zodiac Clothing Company (U.A.E.) LLC, Dubai.</i>		
7. Non current liabilities		
Term loan for investment property*	1,142,375	—
Payable within 12 months	(370,500)	—
	771,875	—
Due to related parties (refer note 9)	292,903	—
	1,064,778	—
<i>* Term Loan is secured against following</i>		
<i>➤ First Legal charge over the property (refer Note 3)</i>		
8. Expenses		
Legal and professional charges	6,116	1,830
Other administrative expenses	6,723	9,525
Bank charges	357	59
Depreciation on property (refer note 3)	24,681	—
	37,877	11,414
9. Related party transactions		
For the purpose of this financial statement, parties are considered to be related to the company, if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making party financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related party may be individuals or other entities.		
The nature of significant related party transactions and the amounts involved are as under:		
	2011 GBP	2010 GBP
Interest on loan to related party and shareholder	23,127	—
At the reporting date balances with related parties were as follows:		
Under non-current liabilities		
Due to related parties*		
Zodiac Clothing Co. SA	287,071	—
Zodiac Metropolitan GMBH UK	5,832	—
<i>* The company also receives funds from related parties as and when required to meet working capital requirements at fixed rate of interest charge @ 3% p.a.</i>		
10. Financial instruments: Credit, interest rate, liquidity risk and exchange rate risk exposures		
Credit risk		
Financial assets, which potentially expose the company to concentrations of credit risk comprise principally of other receivables and bank accounts.		
The company's bank balance in current account is placed with high credit quality financial institutions.		
Interest rate risk		
The bank borrowings and due to related parties are at fixed rate of interest.		
Liquidity risk:		
Liquidity risk is the risk that the company will be able to meet financial obligations as they fall due. The liquidity requirements are monitored on a regular basis by the directors and the management who ensure that sufficient funds are made available to the company to meet any future commitments.		
Exchange rate risk		
There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in GBP.		
11. Financial instruments: Fair values		
The fair values of the company's financial assets and financial liabilities approximate to their carrying values.		
12. Capital commitments		
There are no capital commitments of significant amount as at the reporting date (previous year GBP 1,710,000/-).		
13. Comparative figures		
Previous year's figures have been regrouped/reclassified wherever necessary to conform to the presentation adopted in the current year.		

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ZODIAC CLOTHING COMPANY LIMITED

1. We have audited the attached Consolidated Balance Sheet of Zodiac Clothing Company Limited ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31st March, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of any of the subsidiaries, whose financial statements reflect total assets of Rs.10,166 lakhs as at 31st March, 2011, total revenues of Rs. 8,029 lakhs and net cash flows amounting to Rs. 181- lakhs for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiaries and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2011;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

FOR DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No.117366W)

MUMBAI,
June 28, 2011

R. Laxminarayan
Partner
Membership No: 33023

ZODIAC CLOTHING COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule No.	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
I. SOURCES OF FUNDS:			
1. SHAREHOLDERS' FUNDS —			
(a) Capital	1	128,210,640	83,926,760
(b) Reserves and Surplus	2	2,002,450,780	1,763,980,756
		2,130,661,420	1,847,907,516
2. LOAN FUNDS :			
(a) Secured Loans	3	327,745,877	320,702,584
(b) Unsecured Loans	4	115,060,686	1,035,000
		442,806,563	321,737,584
3. DEFERRED TAX LIABILITY (Net)		30,961,355	18,701,487
TOTAL		2,604,429,338	2,188,346,587
II. APPLICATION OF FUNDS :			
1. FIXED ASSETS -	5		
(a) Gross Block		1,565,675,187	1,328,970,486
(b) Less : Depreciation		478,707,344	417,755,586
(c) Net Block		1,086,967,843	911,214,900
(d) Capital Work-in-Progress		172,145,964	95,375,813
		1,259,113,807	1,006,590,713
2. INVESTMENTS -	6	263,181,105	102,146,974
3. CURRENT ASSETS, LOANS AND ADVANCES -			
(a) Inventories	7	733,313,129	555,339,498
(b) Sundry Debtors	8	349,157,727	329,040,145
(c) Cash and Bank Balances	9	147,321,393	292,158,678
(d) Loans and Advances	10	426,981,566	420,945,961
		1,656,773,815	1,597,484,282
LESS: CURRENT LIABILITIES AND PROVISIONS -	0		
(a) Liabilities	11	473,299,299	421,713,794
(b) Provisions	12	101,340,090	96,161,588
		574,639,389	517,875,382
NET CURRENT ASSETS		1,082,134,426	1,079,608,900
TOTAL		2,604,429,338	2,188,346,587

Significant Accounting Policies And
Notes to Accounts

18

In terms of our report attached
FOR DELOITTE HASKINS & SELLS
Chartered Accountants

For and on behalf of the Board
M. Y. NOORANI
Chairman

R. Laxminarayan
Partner

A. Y. NOORANI
Vice Chairman & Managing Director

MUMBAI
Dated: June 28, 2011

O. P. SINGH
Company Secretary

ZODIAC CLOTHING COMPANY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule No.	Current Year Rupees	Previous Year Rupees
INCOME			
Sales		3,424,605,682	3,132,564,708
Less: Excise Duty		6,606,653	—
		<u>3,417,999,029</u>	<u>3,132,564,708</u>
Other Income	13	285,176,178	198,444,141
Increase in Stocks	14	56,759,180	27,668,111
		<u>3,759,934,387</u>	<u>3,358,676,960</u>
EXPENDITURE			
Raw Materials Consumed		1,056,195,152	861,868,046
Purchase of Trading Materials		330,431,320	270,286,673
Purchase of Shares		132,750	—
Operation and Other Expenses	15	1,248,518,297	1,187,120,505
Payments to and Provision for Employees	16	609,677,806	558,938,788
Finance Charges	17	24,673,908	27,947,863
Depreciation/Amortisation		71,576,011	63,430,123
Prior period expenses (net)		533,318	387,162
(Refer Note No. (B) 21 of Schedule No.18)		<u>3,341,738,562</u>	<u>2,969,979,160</u>
PROFIT BEFORE TAXATION		418,195,825	388,697,800
Provision for Taxation			
Current Tax		73,763,355	123,951,850
Wealth Tax		360,000	360,000
Deferred Tax charge		12,259,868	725,661
		<u>86,383,223</u>	<u>125,037,511</u>
PROFIT AFTER TAXATION		331,812,602	263,660,289
Short/(Excess) Provision for Income Tax of earlier year		(44,536)	1,781,252
PROFIT FOR THE YEAR		331,857,138	261,879,037
Brought Forward from Previous Year		1,235,114,063	1,071,353,650
PROFIT FOR THE YEAR AVAILABLE FOR APPROPRIATION		<u>1,566,971,201</u>	<u>1,333,232,687</u>
APPROPRIATIONS			
Dividend for the previous year		—	465
Proposed Dividend		64,105,320	58,748,732
Corporate Dividend Tax thereon		10,401,088	9,984,427
Transfer to General Reserve		23,500,000	22,500,000
Transfer to Special Reserve u/s 45 1C of RBI Act		7,706,328	6,885,000
		<u>105,712,736</u>	<u>98,118,624</u>
Surplus carried to Balance Sheet		1,461,258,465	1,235,114,063
		<u>1,566,971,201</u>	<u>1,333,232,687</u>
Basic Earnings per Share (Face value Rs.10/- per share)		26.18	20.82
Diluted Earnings per Share (Face value Rs.10/- per share)		26.04	20.32
(Refer Note No. (D) 9 of Schedule No. 18)			
Significant Accounting Policies and Notes to Accounts	18		

In terms of our report attached
FOR DELOITTE HASKINS & SELLS
Chartered Accountants

For and on behalf of the Board
M. Y. NOORANI
Chairman

R. Laxminarayan
Partner

A. Y. NOORANI
Vice Chairman & Managing Director

MUMBAI
Dated: June 28, 2011

O. P. SINGH
Company Secretary

ZODIAC CLOTHING COMPANY LIMITED
SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
SCHEDULE NO. 1		
SHARE CAPITAL :		
AUTHORISED -		
20,000,000 Equity Shares of Rs.10/- each	200,000,000	200,000,000
ISSUED AND SUBSCRIBED -		
12,821,064 (Previous Year 8,392,676) Equity Shares of Rs.10/- each fully paid up	128,210,640	83,926,760
Notes:		
1) Of the above,		
i) 1,156,313 Shares are allotted as fully paid-up pursuant to the scheme of amalgamation of Mayfair Limited with the Company;		
ii) 8,385,551 (Previous Year Rs.4,181,313) Shares are allotted as fully paid-up by way of bonus shares by capitalisation of share premium account; and capital reserve account		
iii) 254,200 (Previous Year 30,050) Shares are allotted as fully paid-up on exercise of Employee stock options under Zodiac Clothing Company Limited Employee Stock Option Plan 2006		
2) Particulars of options on unissued share capital (Refer note no. (D) 10 of Schedule 18)		
TOTAL	128,210,640	83,926,760

SCHEDULE NO. 2

RESERVES AND SURPLUS :

Amalgamation Reserve Account -

As per last Balance Sheet	816,433	816,433
---------------------------	---------	---------

State Cash Subsidy -

As per last Balance Sheet	1,584,350	1,584,350
---------------------------	-----------	-----------

Capital Reserve -

As per last Balance Sheet	17,629,958	29,958
Add: Share warrants forfeited during the year	—	17,600,000
	17,629,958	17,629,958
Less: Applied during the year for Issue of bonus	17,629,958	—
	—	17,629,958

Foreign Currency Translation Reserve -

As per last Balance Sheet	12,805,095	62,784,216
Add: Exchange differences on conversion of non-integral foreign subsidiaries	(1,954,468)	(49,979,121)
	10,850,627	12,805,095

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
SCHEDULE NO. 2 (Contd...)		
Statutory Reserve -		
As per last Balance Sheet	1,798,014	1,798,014
Share Premium Account -		
As per last Balance Sheet	275,818,727	274,309,517
Add: Received on issue of Shares on exercise of ESOP under Zodiac Clothing Company Limited Employee Stock Option Plan 2006	37,268,880	1,509,210
	313,087,607	275,818,727
Less: Applied during the year for Issue of bonus Shares	24,412,422	—
	288,675,185	275,818,727
General Reserve Account -		
As per last Balance Sheet	187,565,190	165,065,190
Add: Transfer from Profit and Loss account	23,500,000	22,500,000
	211,065,190	187,565,190
Special Reserve(u/s 45 1c of the RBI ACT 1934) -		
As per last Balance Sheet	20,661,000	13,814,000
Add: Transfer from Profit and Loss account	7,706,328	6,847,000
	28,367,328	20,661,000
Hedging Reserve Account		
Unrecognised losses on cash flow hedges - net	(1,964,812)	10,187,926
Surplus in Profit & Loss Account -	1,461,258,465	1,235,114,063
TOTAL	2,002,450,780	1,763,980,756

SCHEDULE NO. 3

SECURED LOANS :

Loans and Advances from Banks:

Working capital facilities *	237,048,571	304,736,821
Term Loan **	90,647,277	15,880,239
Interest accrued and due on above	50,029	85,524

[* Secured by hypothecation of Raw materials, Finished Goods & Semi-finished Goods, Packing Materials & other Accessories, Stores and Spares, Book Debts, other receivables and claims, both present and future and fixed deposits

** Secured by hypothecation of Specified Machineries AND Properties acquired by using the term loan proceeds]

TOTAL	327,745,877	320,702,584
--------------	--------------------	--------------------

SCHEDULE NO. 4

UNSECURED LOANS :

Working Capital Facilities From Banks	114,641,144	—
From Others	419,542	1,035,000
	115,060,686	1,035,000

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

**SCHEDULES NO. 5
FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK				Rupees
	As at April 1, 2010	Additions	Deductions	Adjustment	Currency Alignment	As at March 31, 2011	As at April 1, 2010	For the year April 1, 2010	Deductions	Adjustment	Currency Alignment	As at March 31, 2011	As at March 31, 2010
INTANGIBLE ASSETS – Acquired													
GOODWILL	69,897,742	—	—	—	(918,382)	68,979,360	43,490,865	5,440,408	—	—	(581,550)	48,349,723	20,629,637
Software	7,245,374	1,859,464	—	—	—	9,104,838	3,310,625	1,363,758	—	—	—	4,674,383	4,430,455
TANGIBLE ASSETS													
Freehold Land	42,549,771	—	—	—	—	42,549,771	—	—	—	—	—	—	42,549,771
Leasehold Land	1,805,590	—	—	—	—	1,805,590	369,372	19,748	—	—	—	389,120	1,416,470
Building	487,133,296	146,863,829	—	—	1,326,503	635,323,628	88,058,186	10,268,098	—	—	(713,350)	97,612,934	537,710,694
Lease hold Improvement	96,153,269	31,474,613	9,252,135	—	—	118,375,747	39,542,699	14,288,307	4,064,202	—	—	49,766,804	68,608,943
Furniture & Fixtures	161,782,107	28,486,259	—	—	(175,071)	190,093,295	45,776,475	10,740,771	—	—	(136,580)	56,380,666	133,712,629
Machinery	315,220,648	30,467,985	420,236	—	(1,107,813)	344,160,584	129,661,963	17,853,991	198,317	—	(783,891)	146,533,746	197,626,838
Vehicles	36,632,449	5,425,282	5,982,223	—	1,760	36,077,268	11,794,061	3,530,047	4,043,892	—	128	11,280,344	24,796,924
Computer	34,305,319	2,588,830	—	—	—	36,894,149	26,443,823	2,829,093	—	—	—	29,272,916	7,621,233
Office Equipmt./Electr. Installation	76,244,921	6,695,897	347,227	—	(282,634)	82,310,957	29,307,517	5,267,357	51,793	—	(76,373)	34,446,708	47,864,249
Total A	1,328,970,486	253,862,159	16,001,821	—	(1,155,637)	1,565,675,187	417,755,586	71,601,578	8,358,204	—	(2,291,616)	478,707,344	1,086,967,843
Previous Year	1,286,224,737	75,692,045	4,302,401	—	(28,643,895)	1,328,970,486	374,441,905	63,493,161	1,285,856	—	(18,893,624)	417,755,586	911,214,900
Capital Work in Progress												172,145,964	95,375,813
												Total	1,259,113,807
													1,006,590,713

Note:

1. Depreciation for the year includes prior year depreciation of Rs.25,567/- (Previous Year Rs.63,040/-)
2. Machinery costing Rs.72,003,595/- are hypothecated against Term Loan sanctioned
3. In case of Zodiac Clothing Co. (UAE) LLC a subsidiary, Factory building is constructed on annually renewable leasehold land.
4. Building includes Flats of the Gross Book Value of Rs.4,645,100/- (Previous Year Rs.6,967,650/-) given on operating lease.

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31st March, 2011		As at 31st March, 2010	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE NO. 6				
INVESTMENTS -				
(I) LONG TERM INVESTMENTS				
(Non-Trade, Fully Paid, at cost)				
(A) SHARES OF OTHER COMPANIES :				
(Quoted)				
1,713,750 Equity Shares of Rs.5/- each (Previous year				
1,006,875 Equity Shares of Rs.10 each)				
of Shoppers Stop Ltd.	86,815,750		102,013,750	
66 Equity Shares of Rs.10/- each of				
Aditya Birla Nuvo Ltd.	84,609		84,609	
830 Equity Shares of Rs.1/- each				
of Hindalco Industries Ltd.	43,202		43,202	
108 Equity Shares of Rs.1/- each (Previous Year	5,203		5,203	
54 equity share of Rs.2/- each) of Coramandel Fertilizer Ltd.				
7 Equity Shares of Rs.10/- each of Exide Industries Ltd.	210		210	
		86,948,974		102,146,974
(B) INVESTMENT IN VENTURE CAPITAL FUNDS				
Faering Capital India Evolving Fund	15,000,000			
{15000 units @ Rs.1000 each, (Previous year Nil)}				
Tata Capital Growth Fund 1 [Venture Capital Fund]	7,837,519			
{76,15,791 units@ Rs.1 each, (Previous year Nil)}				
Tata Capital Health Care Fund 1	5,188,108	28,025,627		
{50,00,000 units@ Rs.1 each, (Previous year Nil)}				
SUB TOTAL (I)		114,974,601		102,146,974
(II) CURRENT INVESTMENTS				
(Non-Trade, Unquoted, Fully Paid, at Cost or fair value whichever is lower)				
3,866,826.50 (Previous Year: Nil) Units of Rs.10/-	40,000,000		—	
each of BNP Paribas Bond Fund Inst Growth				
4,502,008.80(Previous Year: Nil) Units of Rs.10/-	48,026,980		—	
each of JP Morgan India Short Term Income				
Fund - Growth Plan				
20,000 (Previous Year : Nil) Units of Rs.1000/- each	20,000,000		—	
of Pramerica Short Term Income Fund- Growth Option				
9.14 (Previous Year : Nil) Units of Rs.1000/- each	9,524			
of Pramerica Short Term Bond Fund-Growth Option				
21,011.699 (Previous Year: Nil) Units of Rs.1000/-	40,170,000		—	
each of Templeton India Short Term Income				
Retail Plan - Growth				
SUB TOTAL (II)		148,206,504		—
TOTAL		263,181,105		102,146,974

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
SCHEDULE NO. 7		
INVENTORIES :		
(At Cost or Net Realisable Value whichever is lower except stock of shares)		
Stores and Spare parts	7,283,385	10,279,099
Raw Materials	256,684,050	166,022,322
Packing Materials & Accessories	75,688,464	57,452,091
Finished Goods	305,172,459	255,107,534
Work-in-Progress	48,633,849	37,839,524
Materials in Transit	39,245,041	28,110,078
Stock of Shares (At lower of cost and fair value)	605,881	528,850
TOTAL	733,313,129	555,339,498

SCHEDULE NO. 8

SUNDRY DEBTORS : (Unsecured)

(a) Debts outstanding for a period exceeding six months :-		
Considered Good	7,063,164	9,275,658
Considered Doubtful	16,941,926	19,288,256
	<u>24,005,090</u>	<u>28,563,914</u>
Less: Provision For Doubtful Debts	16,941,926	19,288,256
	<u>7,063,164</u>	<u>9,275,658</u>
(b) Other Debts :-		
Considered Good	342,094,563	319,764,487
TOTAL	349,157,727	329,040,145

SCHEDULE N. 9

CASH AND BANK BALANCES :

Cash on hand	1,370,013	1,811,465
Remittances in Transit	7,416,971	6,704,444
Bank Balances		
With Scheduled Banks :		
On Current Accounts	5,042,940	35,416,242
On Unpaid Dividend Accounts	1,175,007	986,118
On Fixed Deposit	40,822,260	162,629,234
With Other Banks :		
On Current Accounts	28,228,855	31,006,770
On Margin Accounts	1,252,566	797,249
On Fixed Deposit *	62,012,781	52,807,156
TOTAL	147,321,393	292,158,678

* includes Fixed deposit Amounting to Rs.24,205,596/- (Previous Year Rs.24,623,848/-) under lien against Secured Loan obtained by the Subsidiary i.e. Zodiac Clothing Co. (UAE) LLC.

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
SCHEDULE NO. 10		
LOANS AND ADVANCES :		
(Unsecured, Considered good unless otherwise specified)		
Advance Payment of Income-tax etc. (Net of provision for income tax Rs.74,123,335/- Previous Year: Rs.124,311,850/-)	95,688,587	76,776,174
Deposit With Various Government and other Authorities	11,447,329	11,195,087
Advances recoverable in cash or in kind or for value to be received:		
Unsecured - considered good	319,845,650	332,974,700
Unsecured - considered doubtful	2,179,013	1,629,013
	322,024,663	334,603,713
Less : Provision for Doubtful Advances	2,179,013	1,629,013
	319,845,650	332,974,700
TOTAL	426,981,566	420,945,961

SCHEDULE NO. 11

CURRENT LIABILITIES :

Advances and Deposits from Customers	13,324,829	7,262,963
Sundry Creditors	247,808,431	167,335,395
Unclaimed Dividends	1,163,986	901,411
Book Overdraft with Bank	21,257,260	—
Other Liabilities	189,637,170	246,008,542
Interest Accrued but not due on loans	107,623	205,483
TOTAL	473,299,299	421,713,794

SCHEDULE NO. 12

PROVISIONS :

Taxation	—	76,738
Proposed Dividend	64,105,320	58,748,732
Corporate Dividend Tax	10,401,088	9,984,348
For Leave Liability	16,390,810	16,695,526
For Gratuity	10,442,872	10,656,244
TOTAL	101,340,090	96,161,588

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Current Year Rupees	Previous Year Rupees
SCHEDULE NO. 13		
OTHER INCOME :		
Export Benefits and Entitlements	87,715,178	85,724,998
Exchange Fluctuation Gain (Net)	4,446,576	—
Commission Income	157,674	130,811
Interest on ICDs, Fixed Deposits etc.	15,489,861	20,598,100
Dividends - Long Term Investments - Non Trade	1,558,174	45,854
Dividends - Current Investments	23,093	178
Profit on Sale of Long Term Investments - Non Trade	85,999,464	—
Profit on Sale of Current Investments	2,114,498	—
Rent	30,228,074	28,736,765
Recovery of Freight & Insurance on sales	33,809,828	45,480,544
Sundry Receipts	5,816,714	7,141,884
Excess provision for expenses written back	9,481,290	6,708,989
Sundry credit balances written back	8,335,754	3,876,018
TOTAL	285,176,178	198,444,141

SCHEDULE NO. 14

INCREASE IN STOCKS :

Opening Stock		
Finished Goods	259,284,635	233,063,711
Work-in-Progress	37,839,524	36,495,373
Stock of Shares	528,850	425,814
	<u>297,653,009</u>	<u>269,984,898</u>
Closing Stock		
Finished Goods	305,172,459	259,284,635
Work-in-Progress	48,633,849	37,839,524
Stock of Shares	605,881	528,850
	<u>354,412,189</u>	<u>297,653,009</u>
TOTAL	56,759,180	27,668,111

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Current Year Rupees	Previous Year Rupees
SCHEDULE NO. 15		
OPERATION AND OTHER EXPENSES :		
Consumption of Packing Materials & Accessories	222,409,320	235,793,183
Consumption of Stores and Spare parts	11,785,580	8,193,717
Consumables For Printing/Embroidery/Washing	32,496,583	39,162,716
Excise Duty On Finished Goods (Refer Note No. (B) 26 of Schedule 18)	4,059,662	–
Power, Fuel and Oil	29,322,847	26,562,243
Labour Charges	57,906,425	84,906,980
Repairs to Buildings	3,655,334	1,997,457
Repairs to Machinery	7,169,097	5,180,166
Repairs to Others	13,435,492	14,031,956
Retail Store maintenance expenses	26,504,953	21,650,790
Insurance	9,427,410	7,677,525
Rates and Taxes	8,512,687	7,720,878
Security Charges	7,562,558	6,040,784
Rent	186,173,874	160,286,850
Printing & Stationery	6,738,797	6,580,332
Bad and doubtful debts written off	3,506,598	309,924
Provision for doubtful debts	1,522,858	3,457,397
Provision for doubtful advances	550,000	1,147,791
Travelling & Conveyance Expenses	39,429,637	31,624,312
Postage, Telegrams and Telephones	20,217,806	18,967,241
Advertisement and Sales Promotion Expenses	191,244,277	159,687,022
Miscellaneous Expenses	10,383,719	7,609,709
Electricity	25,060,303	24,411,850
Donation	11,028,489	12,721,411
Trade Mark Fees	17,941,916	14,627,971
Preliminary expenses written off	–	6,882
Loss On Sale Of Fixed Assets	993,856	–
Commission, Discount and Rebates	131,760,894	134,942,214
Freight Outward	110,737,734	112,058,965
Legal and Professional Charges	24,318,239	22,781,978
Assets Discarded Written off	5,367,780	3,016,543
Directors' Sitting fees	1,658,227	1,366,291
Commission to Managing Directors	22,500,000	–
Sundry Balances written off	890,901	722,554
Exchange Fluctuation Loss (Net)	–	9,800,598
Auditors' Remuneration	2,244,444	2,074,275
TOTAL	1,248,518,297	1,187,120,505
SCHEDULE NO. 16		
PAYMENTS TO AND PROVISION FOR EMPLOYEES :		
Salaries, Wages and Bonus	518,454,206	465,979,590
Contribution to Provident and Other Funds	53,836,623	54,797,461
Labour and Staff Welfare Expenses	37,386,977	38,161,737
TOTAL	609,677,806	558,938,788
SCHEDULE NO. 17		
FINANCE CHARGES :		
Interest		
– on working capital facilities from banks	4,727,722	10,938,012
– on term loans from banks	3,167,946	777,085
– others	329,531	356,740
Bank Charges	16,448,709	15,876,026
TOTAL	24,673,908	27,947,863

SCHEDULE NO. 18

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

(A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements relate to Zodiac Clothing Co. Ltd. ("the company") and its subsidiaries which together constitute the Zodiac group. The consolidated financial statements have been prepared on the following basis.

- a) The accounts of the Indian Subsidiary have been prepared in compliance with the Accounting Standards referred to in Section 211(3C) and other requirements of the Companies Act, 1956 and those of the foreign subsidiaries have been prepared in compliance with the local laws and applicable Accounting Standards.

- b) Subsidiaries:

The Consolidated Financial Statements present the Consolidated Accounts of Zodiac Clothing Company Limited, with its following Subsidiaries:

Name of the Subsidiary	Country of incorporation	Percentage of shareholding
a) Multiplex Collapsible Tubes Ltd.	India	100%
b) Zodiac Clothing Co. S.A.	Switzerland	100%
c) Zodiac Clothing Co. (UAE) LLC	UAE	100%*
d) Zodiac Clothing Company Inc	U.S.A	100%
e) Zodiac Properties Ltd.	R.A.K. (UAE)	100%

Note:

- * The shareholders of the company are Mrs Muna Mahmood Mohd. Mahmoud (51%) and M/s Zodiac Clothing Co. S.A. (49%). As per the mutual agreement between the shareholders, Mrs. Muna Mahmood Mohd. Mahmoud is holding 51% shares for and on behalf of M/s Zodiac Clothing Co. S.A. who is the beneficial owner.

(B) PRINCIPLES OF CONSOLIDATION

- a) The Financial statements of the company and its subsidiaries are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, incomes and expenses, after eliminating material intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements" notified under the Companies (Accounting Standards) Rules, 2006.
- b) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and appropriate adjustments are made to the financial statements of the subsidiaries when

they are used in preparing the consolidated financial statements that are presented in the same manner as the Company's separate financial statements.

- c) The difference between the cost of investment in the subsidiaries over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.

(C) SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING

The Accounts are prepared on the accrual basis under the historical cost convention and to comply in all material aspects with the applicable accounting principles in India, the accounting standards issued by the Institute of Chartered Accountants of India and the

relevant provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with generally accepted accounting principles in India requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reported period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

b) REVENUE RECOGNITION

Sales are recognised when goods are supplied to customers and are recorded net of sales tax/value added tax . Dividend income on investments is accounted when the right to receive the dividend is established.

Revenue in respect of Insurance/other claims, interest etc. is recognised only when it is reasonably certain that the ultimate collection will be made.

c) EXPORT BENEFITS

Export benefits under various schemes of Government of India are accounted on accrual basis on the basis of exports made and the value of imports made/to be made there against.

d) FIXED ASSETS

Fixed Assets are recorded at Cost of acquisition. They are stated at historical costs including incidental expenses.

e) DEPRECIATION/AMORTISATION

i) On Tangible Assets:

Depreciation has been calculated on straight-line basis in accordance with the provisions of section 205(2)(b) of the Companies Act, 1956 at the rates that are equal to or higher

than those prescribed under Schedule XIV to the companies Act, 1956 based on the management's estimate of useful lives of the assets. The estimated useful lives that are different from those prescribed under schedule XIV in respect of one of the subsidiaries are as follows:

Factory Building	10 Years
Plant and Machinery	8 Years
Furniture and Office Equipment	10 Years
Vehicles	5 Years

Cost of Leasehold Land is amortised over the period of lease.

Cost of Leasehold improvements is amortised over the primary period of lease. However, in cases where the company as a lessee has the right of renewal and it is intended to renew for further periods, then the cost of such leasehold improvements is amortised over such extended period, not exceeding 10 years.

ii) On Intangible Assets:

a) Goodwill

At the time of acquisition of the business, the difference between the cost of investments and the fair value of assets as at the date of acquisition is accounted for as goodwill. Goodwill is amortised over a period of 10 years.

Goodwill on amalgamation in the nature of merger is amortised over a period of 5 years.

b) Computer software is amortised on straight-line basis over a period of 6 years.

f) INVESTMENTS

Investments are classified into long-term investments and current investments. Investments, which are intended to be held for more than one year are classified as long-term investments and investments which are intended to be held for less than one year, are classified as current investments. Long

term Investments are accounted at cost and a provision for diminution is made to recognize a decline other than temporary in the value of a long-term investment. Current investments are valued at cost or fair value whichever is lower.

Any profit or loss on sale of investments is determined on the basis of the average cost of acquisition.

g) TRANSACTIONS IN FOREIGN CURRENCY

i) Foreign Subsidiaries (Non integral operation)

In case of foreign subsidiaries Income and Expenses are converted at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. All resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the subsidiaries.

ii) Other Transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies are restated at the exchange rate prevailing on the balance sheet date. Exchange differences arising on settlement of the transaction and on account of restatement of monetary items are dealt with in the Profit and Loss Account.

Forward exchange contracts entered into to hedge the foreign currency risk and outstanding as on balance sheet date are translated at year end exchange rates. The premium or discount arising at the inception of such forward exchange contracts are amortised as income or expense over the life of the contract.

Gains/Losses on settlement of transactions arising on cancellation/renewal of forward

exchange contracts are recognized as income or expense.

h) HEDGE ACCOUNTING

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 “Financial Instruments: Recognition and Measurement” (AS-30).

The use of hedging instruments is governed by the Company’s policies approved by the board of directors, which provides written principles on the use of such financial derivatives consistent with the Company’s risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates.

Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders’ funds and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders’ funds is transferred to the profit and loss account for the period.

i) INVENTORIES

a) Raw materials are valued at cost or net realisable value whichever is lower. The cost includes purchase price as well as incidental expenses. The cost formulae used are First In First Out, weighted average cost or Specific identification method, as applicable and found appropriate.

- b) Work - in - progress is valued at cost calculated on the basis of absorption costing or net realisable value whichever is lower.
- c) Finished goods are valued at cost or net realisable value whichever is lower. Cost is determined on the basis of absorption costing.
- d) Packing materials and accessories are valued at First in First out cost or net realisable value whichever is lower.
- e) Stores and spare parts are valued at First in First out cost or net realisable value whichever is lower.
- f) Stock of shares is valued at the lower of cost computed on First in First out basis and fair value.

j) EMPLOYEE BENEFITS

- a) The contribution to Provident Fund as required under the statute is made to the Government Provident Fund and is debited to profit and loss account
- b) Gratuity liability is a defined benefit obligation. The Company has taken Group gratuity- cum-life assurance (cash accumulation) Scheme offered by Life Insurance Corporation of India (LIC). Annual contributions are made on the basis of intimation received from LIC. The company accounts for liability for future gratuity benefits based on actuarial valuation carried out as at the end of each financial year. Actuarial gains and losses are recognized in full in profit and loss account for the period in which they occur.
- c) Benefits in the form of vesting and non-vesting compensated absences are accounted as per actuarial valuation carried out as at the year end.
- d) In case of a Foreign Subsidiary, provision for retirement benefits is made on actual basis in accordance with the applicable local labour laws.

k) TAXES ON INCOME

Income Taxes are accounted for in accordance with Accounting Standard (AS 22) – Accounting for Taxes on Income, notified under the Companies (Accounting Standard) Rules, 2006. Income Tax comprises both current and deferred tax.

Current tax is measured at the amount expected to be paid to/recovered from the revenue authorities, using applicable tax rates and laws.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as of the Balance Sheet date.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty of its realization, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realisation.

l) BORROWING COST

Interest and other costs in connection with the borrowing of the funds to the extent related/ attributed to the acquisition/construction of qualifying fixed assets are capitalized up to the date when such assets are ready for its intended use and all other borrowing costs are recognised as an expense in the period in which they are incurred.

m) LEASES

Assets acquired on leases, where significant portions of the risks and rewards incidental to ownership are retained by the lessors, are classified as operating leases. Lease rentals are charged to the Profit & Loss Account on straight line basis.

n) PROVISIONS AND CONTINGENCIES

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed

(D) NOTES FORMING PART OF THE ACCOUNTS:

1. Contingent Liabilities:

- a) Guarantee issued by the Bank and counter guaranteed by the Company: Rs.30,236,999/- (Previous year Rs.31,613,314/-)
- b) Foreign letters of Credits opened by Bank and counter guaranteed by the Company: Rs.29,313,316/- (previous year Rs.13,073,805/-)
- c) Foreign bills/Letters of Credit discounted with Bank Rs.4,980,791/- (Previous year Rs.26,689,108/-)

- d) Disputed demand not provided for in respect of: -

	Current year Rupees	Previous Year Rupees
1) Income Tax (amount paid under protest Rs.26,170,222/-) (Previous Year Rs.28,516,019/-)	41,854,268	32,274,273
2) Sales Tax (amount paid under protest Rs.6,401,831/-) (Previous Year Rs.6,416,870/-)	10,441,872	10,441,872
3) Apparel Export Promotion Council for non fulfillment of export obligation	2,980,050	2,980,050

- e) Claims against the Company not acknowledged as debts Rs.1,066,310/-.

- f) Labour disputes not acknowledged as debts: Amount not ascertainable.

Note: In respect of items mentioned above, till the matters are finally decided, the financial effect cannot be ascertained.

- g) Contingent liability in respect of committed contribution in Venture Capital Funds amounting to Rs.112,384,209/- (Previous Year Rs. Nil)

- 2. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.31,636,946/- (Previous year Rs.136,944,157/-)
- 3. The amount of premium on forward exchange contracts to be recognised in the profit and loss account in the next financial year is Rs.2,781,563/- (Previous Year Rs.1,665,087/-)

4. Managerial Remuneration:

- a) Managerial Remuneration Under Section 198 of the Companies Act, 1956, paid/payable to the Vice Chairman & Managing Director and The Managing Director & President.

Particulars	Current Year Rupees	Previous Year Rupees
Commission	22,500,000	—

Notes:

- 1. The Board of Directors has decided to pay commission @ 5% of its net profits as computed under section 349 of the Companies Act, 1956 for the year ended 31st March, 2011 to each of these Managing Directors.
- 2. Accordingly, provision for commission of Rs.225 lacs (Previous year Rs.Nil) has been made in the books which is within the permissible limits under the Companies Act, 1956.

b) Computation of net profit under section 349 of the Companies Act, 1956 is as under:

Particulars	Current Year Rupees	Previous Year Rupees
Profit before Taxation	307,750,280	—
Add : (a) Managerial Remuneration	22,500,000	—
(b) Provisions for doubtful debts and advances	1,497,116	—
(c) Directors Sitting Fees	1,100,000	—
(A)	332,847,396	—
Less : (a) Profit on redemption/sale of mutual funds and other current investments (net)	2,114,498	—
(b) Profit on sale of long term Investments	85,999,464	—
(c) Write back of provision for doubtful debts and advances (net)	3,506,598	—
(B)	91,620,560	—
(A-B)	241,226,836	—
Commission @ 5% to each of the Directors limited by the Board in the aggregate to	22,500,000	—

5. Operating Leases:

A) Premises Taken On Lease

- The Company has taken various offices/shops under operating lease or leave and license agreements. These are non cancelable during a lock in period which ranges between 9 months to 3 years under leave and license agreements and are renewable by mutual consent on mutually agreeable terms.
- Lease Payments recognized in the statement of Profit & Loss Account under Rent in Schedule 15 is Rs.186,173,874/- (Previous Year: Rs.160,286,850/-).
- The future minimum lease payments under non-cancelable operating lease :
 - not later than one year is Rs.18,977,662/- (Previous Year: Rs.43,015,515/-); and
 - Later than one year and not later than five years is Rs.1,896,510/- (Previous Year: Rs.6,702,612/-).
 - Later than five years Nil (Previous Year : Nil)

B) Premises Given On Lease

- The Company has given its premises under operating lease on leave and licence basis. These are cancelable lease and the period ranges between 11 months to 2 years under leave and licence agreements and renewable by mutual consent on mutually agreed terms.
- Lease rentals recognized in the statement of Profit & Loss Account under Rent in Schedule 13 is Rs.30,228,074/- (Previous Year Rs.28,736,765/-)
- The future minimum Lease rentals under non-cancelable operating leases:
 - Not later than one year is Rs.7,067,775/- (Previous Year Rs.28,602,300/-)
 - Later than one year and not later than 5 year Rs. Nil (Previous Year Rs.7,150,575/-)
 - Later than 5 years Nil (Previous Year Rs. Nil)
- Premises given on licence basis:

Gross Carrying amount Rs.375,968,623/- (Previous Year Rs.378,291,173/-)

Accumulated Depreciation Rs.28,843,827/- (Previous Year Rs.22,980,650/-)

Depreciation for the year Rs.6,128,289/- (Previous Year 6,101,749/-)

6. Deferred Tax:

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
Deferred Tax Liability on account of:		
Depreciation	40,505,598	40,597,376
	<u>40,505,598</u>	<u>40,597,376</u>
Deferred Tax Assets on account of:		
(i) Employee benefits disallowed u/s 43B	1,301,630	12,637,095
(ii) Provision for Retirement Benefit	3,196,584	3,289,456
(iii) Provision for Doubtful Debts & Advances	5,046,029	5,969,338
(iv) Disallowances Sec 40(a)	—	—
	<u>9,544,243</u>	<u>21,895,889</u>
Deferred Tax Liabilities (Net)	30,961,355	18,701,487

7. Related Party Disclosures:

Related party disclosures as required by (AS-18) “Related Party Disclosures” are given below:

I) Relationships:**(a) Key Management Personnel:**

Mr. M. Y. Noorani

Mr. A. Y. Noorani

Mr. S. Y. Noorani

(b) Other Related Parties:

- i. The enterprises where control of key management personnel and/or their relatives exist and with whom the transactions have taken place :

Zodiac Private Limited

Miraj Marketing Company Pvt. Limited

Zodiac UAE LLC

Zodiac Metropolitan Clothing Gmbh

Asia Tangible Investments Pte. Ltd.

Metropolitan Trading Company

Montage Corporation

Munraz Enterprises

Mariambai & Haji Noor Mohamad Noorani Foundation Trust

Mustang Manufacturing Company

Mashal Enterprises

Elite Clothing Co. Pvt. Ltd.

Euro Global Holding Pte. Ltd.

Milano Apparel Pvt. Ltd.

Onward LLC

- ii. Relatives of key management personnel with whom the transactions have taken place:

Mr. Awais A. Noorani

Mr. Musaed A. Noorani

Mrs. Muna A. Noorani

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

II) The following transactions were carried out with the related parties in the ordinary course of business.

(Previous year figures are in brackets)

	Key Management Personnel Rupees	Other Related Parties Rupees	Total Rupees
Sale of Goods			
Onward LLC	– (-)	136,068,984 (42,878,336)	136,068,984 (42,878,336)
Mashal Enterprises	– (-)	7,191,422 (6,526,311)	7,191,422 (6,526,311)
Zodiac Metropolitan Clothing Gmbh	– (-)	340,932,741 (301,406,865)	340,932,741 (301,406,865)
Purchases of Goods and Materials Accrued			
Zodiac Metropolitan Clothing Gmbh	– (-)	3,500,387 (589,690)	3,500,387 (589,690)
Onward LLC	– (-)	136,805,491 (53,135,836)	136,805,491 (53,135,836)
Interest Income			
Zodiac Metropolitan Clothing Gmbh	– (-)	7,997,384 (6,705,423)	7,997,384 (6,705,423)
Interest Paid			
Zodiac Private Limited	– (-)	10,304 (38,662)	10,304 (38,662)
Onward LLC		253,559 (-)	253,559 (-)
Miraj Marketing Company Pvt. Ltd.	– (-)	76,006 (85,082)	76,006 (85,082)
Export Claim Paid			
Zodiac Metropolitan Clothing Gmbh	– (-)	605,540 (51,627)	605,540 (51,627)
Trade Mark fees Accrued			
Metropolitan Trading Company	– (-)	17,941,918 (14,627,971)	17,941,918 (14,627,971)
Rent Accrued			
Metropolitan Trading Company	– (-)	20,364,456 (20,364,444)	20,364,456 (20,364,444)
Mustang Manufacturing Company	– (-)	207,600 (207,600)	207,600 (207,600)
Munraz Enterprises	– (-)	388,800 (388,800)	388,800 (388,800)
Montage Corporation	– (-)	57,816 (57,696)	57,816 (57,696)
Miraj Marketing Company Pvt. Ltd.	– (-)	236,250 (315,000)	236,250 (315,000)
Miraj Marketing Company LLP		78,750 (-)	78,750 (-)

	Key Management Personnel Rupees	Other Related Parties Rupees	Total Rupees
Mr. A.Y. Noorani	421,584 (421,584)	– (-)	421,584 (421,584)
Mr. S.Y. Noorani	421,584 (421,584)	– (-)	421,584 (421,584)
Mr. M.Y. Noorani	133,056 (133,056)	– (-)	133,056 (133,056)
Salary Paid			
Mr. Awais A. Noorani	– (-)	4,568,621 (4,496,117)	4,568,621 (4,496,117)
Mr. A.Y. Noorani	(-) (6,064,475)	– –	(-) (6,064,475)
Mr. S.Y. Noorani	(-) (6,064,475)	– (-)	(-) (6,064,475)
Expenses Recovered			
Mashal Enterprises	– (-)	463,157 (510,817)	463,157 (510,817)
Munraz Enterprises	– (-)	3,000 (3,000)	3,000 (3,000)
Metropolitan Trading Company	– (-)	422,413 (205,427)	422,413 (205,427)
Miraj Marketing Co. Ltd.	– (-)	12,000 (12,000)	12,000 (12,000)
Milano Apparels Pvt. Ltd.	– (-)	3,000 (3,000)	3,000 (3,000)
Mustang Manufacturing Company	– (-)	16,551 (3,000)	16,551 (3,000)
Montage Corporation	– (-)	3,000 (3,000)	3,000 (3,000)
Zodiac Private Ltd.	– (-)	15,000 (32,500)	15,000 (32,500)
Elite Clothing Co. Pvt. Ltd.	– (-)	6,000 (6000)	6,000 (6000)
Onward LLC	– (-)	2,103,532 (3,713,587)	2,103,532 (3,713,587)
Other Income Received			
Zodiac Metropolitan Clothing Gmbh	– (-)	11,659,164 (10,300,560)	11,659,164 (10,300,560)
Onward LLC	– (-)	287,697 (57,380)	287,697 (57,380)
Expenses Reimbursed			
Metropolitan Trading Company	– (-)	48,075 (84,119)	48,075 (84,119)
Mashal Enterprises	– (-)	33,597 (93,269)	33,597 (93,269)

	Key Management Personnel Rupees	Other Related Parties Rupees	Total Rupees
Munraz Enterprises	– (-)	354,744 (252,664)	354,744 (252,664)
Zodiac Metropolitan Clothing Gmbh	– (-)	419,511 (363,413)	419,511 (363,413)
Onward LLC	– (-)	10,099,334 (1,774,645)	10,099,334 (1,774,645)
Zodiac UAE LLC		607,084 (-)	607,084 (-)
Loans Repaid by			
Zodiac Metropolitan Clothing Gmbh	– (-)	194,850,956 (118,575,731)	194,850,956 (118,575,731)
Loan Paid to			
Zodiac Metropolitan Clothing Gmbh	– (-)	186,416,563 (148,562,562)	186,416,563 (148,562,562)
Loans Taken From			
Zodiac Private Limited	– (-)	(-) (555,000)	(-) (555,000)
Miraj Marketing Pvt. Ltd.	– (-)	485,000 (130,000)	485,000 (130,000)
Loan Repaid to			
Miraj Marketing Pvt. Ltd.	– (-)	1,305,000 (48,500)	1,305,000 (48,500)
Zodiac Private Limited	– (-)	215,000 (340,000)	215,000 (340,000)
Dividend Paid			
Zodiac Private Limited	– (-)	7,147,728 (6,637,176)	7,147,728 (6,637,176)
Miraj Marketing Company Pvt. Ltd.	– (-)	63,000 (58,500)	63,000 (58,500)
Metropolitan Trading Company	– (-)	4,124,120 (3,829,540)	4,124,120 (3,829,540)
Asia Tangible Investments Pte.Ltd.	– (-)	9,815,190 (9,114,105)	9,815,190 (9,114,105)
Euro Global Holding Pte. Ltd.	– (-)	9,815,190 (9,114,105)	9,815,190 (9,114,105)
Mr. M. Y. Noorani	3,511,998 (2,876,679)	– (-)	3,511,998 (2,876,679)
Mr. A. Y. Noorani	59,080 (70,330)	– (-)	59,080 (70,330)
Mr. S. Y. Noorani	327,642 (304,239)	– (-)	327,642 (304,239)
Mr. Musaed A. Noorani	– (-)	(-) (21,840)	(-) (21,840)
Mrs. Muna A. Noorani	– (-)	(-) (242,853)	(-) (242,853)

	Key Management Personnel Rupees	Other Related Parties Rupees	Total Rupees
Donation Paid			
Mariambai & Haji Noor Mohamed Noorani Foundation Trust	– (-)	200,000 (3,225,000)	200,000 (3,225,000)
Commission Accrued			
Zodiac Metropolitan Clothing Gmbh	– (-)	21,803,248 (44,082,211)	21,803,248 (44,082,211)
Mr. A.Y. Noorani	11,250,000 (-)		11,250,000 (-)
Mr. S.Y. Noorani	11,250,000 (-)		11,250,000 (-)
Outstanding amount receivable			
Metropolitan Trading Company	– (-)	16,929,000 (16,929,120)	16,929,000 (16,929,120)
Munraz Enterpries	– (-)	1,500,000 (1,500,000)	1,500,000 (1,500,000)
Mashal Enterprises	– (-)	207,119 (-)	207,119 (-)
Zodiac Metroplitan Clothing Gmbh	– (-)	155,560,434 (125,824,659)	155,560,434 (125,824,659)
Onward LLC	– (-)	4,239,813 (1,004,824)	4,239,813 (1,004,824)
Zodiac UAE LLC	– (-)	2,839,504 (13,234,172)	2,839,504 (13,234,172)
Mustang Manufacturing Company	(-)	13,551 (-)	13,551 (-)
Outstanding amount payable			
Zodiac Private Ltd.	– (-)	(-) (215,000)	(-) (215,000)
Miraj Marketing Co. Pvt. Ltd.	– (-)	(-) (820,000)	(-) (820,000)
Onward LLC	– (-)	590,860 (2,323,777)	590,860 (2,323,777)
Mr. A. Y. Noorani	118,216 (-)	– (-)	118,216 (-)
Mr. S. Y. Noorani	118,216 (-)	– (-)	118,216 (-)
Metropolitan Trading Company		1,545,459 (211,262)	1,545,459 (211,262)
Zodiac Metroplitan Clothing Gmbh	– (-)	5,763,342 (11,141,154)	5,763,342 (11,141,154)

8. Business Segment:

The Company is exclusively engaged in the business of Clothing and clothing accessories. This in the context of Accounting Standard (AS 17) “Segment Reporting”, notified under the Companies (Accounting Standard) Rules, 2006 constitute one single primary segment.

Geographical Segment is identified as secondary segment and given below:

Particulars	Current year (Rupees)			Previous Year (Rupees)		
	India	Rest of the World	Total	India	Rest of the World	Total
Segment Revenue	1,646,622,796	1,957,973,974	3,604,596,770	1,376,960,076	1,940,897,426	3,317,857,502
Carrying Cost of Segment Asset	2,486,339,249	692,729,476	3,179,068,725	2,171,502,545	534,719,424	2,706,221,969
Addition to Fixed Asset	178,706,410	151,925,900	330,632,310	274,684,159	1,007,886	75,692,045

9. Prior Year Adjustments included in the Profit and Loss Account are as under:

Particulars	Current Year (Rs.)	Previous Year (Rs.)
a) Income		
Custom Duty Refund	232,484	—
TOTAL (A)	232,484	—
b) Expenses		
Purchases	695,031	—
Postage	2,613	—
Freight	—	152,350
Sales Promotion	21,349	—
Depreciation	25,567	63,040
Commission & Discount	21,242	84,093
Misc Expenses	—	87,679
TOTAL (B)	765,802	387,162
TOTAL (B-A)	533,318	387,162

10. Earnings Per Share:

Particulars	As at 31.03.2011	As at 31.03.2010
(a) Face value per share (Rs.)	10	10
(b) Weighted Average No. of Shares		
(i) For Basic EPS	127,672,265	8,387,288
(ii) For Diluted EPS	12,739,957	8,591,650
(c) Net Profit for the year attributable to equity shareholders (Rs.)	331,857,138	261,879,037
(d) Basic Earnings Per Share (Rs.) (c/b(i))	26.18	20.82
(e) Diluted Earnings Per Share Rs. (c/b(ii))	26.04	20.32

11. Under the Zodiac Clothing Company Limited Employees Stock Option Plan 2006 the Company had granted 668,900 (adjusted for bonus issue) (Previous Year 291,000) options to its eligible employees in two Grants upto the year ended March 31, 2011, the details are as follows:

(a) Employees Stock Option Scheme:

Particulars	Grant I	Grant II
Nos. of Options Granted (After considering impact of Bonus issued on 24/08/10)	401,550	267,350
Method of Accounting	Intrinsic Value	Intrinsic Value
Vesting Plan	Graded Vesting	Graded Vesting
1st year	30%	30%
2nd year	30%	30%
3rd year	40%	40%
Exercise Period	3 Years from the date of Vesting	3 Years from the date of Vesting
Grant Date	27.12.06	20.01.11
Grant Price (Rs. per share)	255.40	346
Market Price on the date of Grant of Option (Rs.)	255.40	346
Discount on Average Price	Nil	Nil

(b) Movement of Options Granted:

Particulars	Grant I	Grant II
Outstanding at the beginning of the year	347,450	Nil
Granted during the year	Nil	267,350
Exercised during the year	224,150	Nil
Cancelled/Lapsed during the year	450	Nil
Forfeited during the year	Nil	Nil
Outstanding at the end of the year	122,850	267,350

The weighted average price for options granted during the year was Rs.346 per share.

(c) Employees Stock Option Scheme:

Particulars	Grant I	Grant II
Exercisable at the beginning of the year	347,450	Nil
Vested during the year	Nil	Nil
Exercised during the year	224,150	Nil
Options exercisable at the end of the year	122,850	Nil

(d) The Company has followed the intrinsic value-based method of accounting for stock options granted based on Guidance Note on Accounting for Employees Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 Issued by Securities And Exchange Board of India (SEBI). As the exercise price of the option granted is based on the market price as on the date of the Grant, the intrinsic value of the option is Nil.

(e) Fair value of Options calculated by external valuer using Black Scholes Model is Rs.102.68, (for Grant 1) and Rs.150.44 (For Grant 2) which is lower than the exercise price and hence these options are considered to be anti-dilutive in nature and the effect of this is ignored in calculating diluted earnings per share in accordance with Accounting Standard 20 viz. Earnings Per share notified under the Companies (Accounting Standard) Rules, 2006

(d) Fair Valuation:

The fair value of options used to compute proforma net income and earnings per equity share have been done by an independent firm of Valuers on the date of grant using the Black Scholes Model.

The Key assumptions in the Black-Scholes Model for calculating fair value as on the date of grant are:

	Grant1	Grant 2
1 Risk Free Rate	Year 1 - 7.67 % Year 2 - 7.62 % Year 3 - 7.59 %	Year 1 - 8.10 % Year 2 - 8.10 % Year 3 - 8.10 %
2 Option Life	Year 1 - 2.5yrs Year 2 - 3.5yrs Year 3 - 4.5yrs	Year 1 - 2.5yrs Year 2 - 3.5yrs Year 3 - 4.5yrs
3 Expected Volatility	Year 1 - 45.22 % Year 2 - 50.51 % Year 3 - 51.13 %	Year 1 - 50.58 % Year 2 - 61.45 % Year 3 - 56.05 %
4 Expected Dividend Yield	2.49%	1.96%
5 The weighted average fair value of the option, as on the date of grant, works out to	Rs.102.68	Rs.150.44

Had the compensation cost for the stock options granted under ESOS 2006 been determined, based on fair-value approach, the Company's net profit and earnings per share would have been as per the proforma amounts indicated below:

Particulars	2010-11	2009-10
Net Profit after Tax (As Reported)	331,857,138	261,879,037
Add: Compensation Expenses under ESOS included in the Net Profit	Nil	Nil
Less: Compensation Expenses under ESOS as per Fair Value	6,012,137	Nil
Net Profit after Tax (Fair value basis)	325,845,001	261,879,037
Basic Earning Per Share (Reported) - Rs./Share	26.18	20.82
Basic Earning Per Share (Fair value basis)- Rs./Share	25.71	20.82
Diluted Earning Per Share (Reported) - Rs./Share	26.04	20.32
Diluted Earning Per Share (Fair value basis) - Rs./Share	25.57	20.82

12. Derivative Financial Instruments

- (a) The Company, in accordance with its risk management policies and procedures, enters into foreign currency forward contracts to manage its exposure in foreign exchange rates. The counter party is a bank. These contracts are for a period between one day and thirty eight months.
- (i) The following are outstanding Foreign Exchange Forward contracts, which have been designated as Cash Flow Hedges, as on March 31, 2011.

Sr. No.	Currency	Buy/Sell	Cross Currency	Amount in foreign currency	
				Current Year	Previous Year
1	USD	SELL	INR	3,251,000	10,879,000
2	GBP	SELL	USD	—	193,000
3	GBP	SELL	INR	439,000	165,000
4	EURO	BUY	USD	—	100,000
5	EURO	SELL	INR	459,000	270,000
6	USD	BUY	GBP	60,000	—
7	EURO	SELL	CHF	149,000	63,000
8	EURO	SELL	USD	1,206,000	1,202,000
9	GBP	SELL	USD	1,845,000	3,021,000
10	CHF	SELL	INR	90,000	90,000
11	JPY	BUY	INR	42,558,307	169,865,294
12	USD	BUY	EURO	280,000	—
13	USD	BUY	INR	1,515,012	—

- (ii) Net (Gain)/Loss on derivative instruments of Rs.(1,964,812/-) (Previous Year Rs.10,187,926/-) recognised in Hedging Reserve as of March 31, 2011, is expected to be reclassified to the profit and loss account as and when the same will mature.
- (iii) Exchange Gain/Lloss) of Rs.4,446,576/- (Previous Year (Rs. 9,800,598/-)) on foreign exchange forward contracts have been recognized in the Profit and Loss Account for the year ended March 31, 2011.
- b) (i) No derivative instruments are acquired for speculation purposes.
- (ii) Foreign currency exposure that are not hedged by derivative instruments or otherwise are Rs.290,412,230/- (Previous Year Rs.202,052,857/-) as given below:

Particulars	Current Year		Previous Year	
	Foreign Currency	Rupees	Foreign Currency	Rupees
Packing Credit Loan	USD 54,15,491	241,801,677	USD 3,326,747	150,169,506
	GBP 90,992	6,544,970	GBP 140,572	9,563,482
	CHF 22,088	1,088,252	CHF 90,043	3,804,316
	EUR 196,970	12,456,367	EUR 46,140	2,794,247
Creditors for Goods and expenses	USD 567,992	25,360,856	USD 316,409	14,282,697
	EURO 42,397	2,681,231	EURO 3,933	246,073
	GBP 2,863	205,907	GBP 3,541	250,279
	HKD 46,831	272,970	HKD 28,328	174,304
	—	—	CHF 462,559	20,767,953

13. (I) Disclosure in respect of gratuity liability

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below:	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
Change in obligations		
Present value of funded benefit obligations as at 1st April, 2010	43,804,287	38,007,187
Current Service Cost	7,208,569	5,999,702
Interest Cost	3,504,343	3,268,080
Benefit Paid	4,656,667	(3,676,223)
Actuarial (gain)/loss on obligations	919,525	205,542
Present value of unfunded benefit obligations as at March 31, 2011	54,710,275	43,804,287
Reconciliation of present value of the fair value of the plan assets		
Fair value of plan assets as at 1st April, 2010	58,368,293	33,485,119
Expected Return on plan assets	4,669,463	4,345,985
Contributions	3,000,000	24,430,219
Benefits Paid	4,656,667	(3,676,223)
Actuarial gain/(loss) on plan assets	949,368	(216,807)
Fair value of plan assets as at March 31, 2011	62,330,457	58,368,293
Total Actuarial gain/(loss) recognized	29,843	(422,349)
Amount Recognised in Balance Sheet		
Present value of obligation	54,710,275	43,804,287
Fair value of plan assets	62,330,457	58,368,293
Liability/ (assets)	(7,620,182)	(14,564,006)
Liability/ (assets) recognized in the Balance Sheet	(7,620,182)	(14,564,006)

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below:	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
Expenses Recognised in Profit and Loss Account		
Current Service Cost	7,208,569	5,999,702
Interest Cost	3,504,343	3,268,080
Expected Return on plan assets	(4,669,463)	(4,345,985)
Net Actuarial (gain)/loss recognised in the current year	(29843)	422,349
Past Service Cost	Nil	Nil
Expenses Recognised in the statement of Profit & Loss	(9,943,824)	5,344,146
Actuarial assumptions used		
Discount rate	8.25%	8.00%
Expected Return on plan assets	8.25%	8.00%
Mortality	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Future Salary increase	5.00%	5.00%
Attrition	2%	1%
Retirement	60 yrs	60 yrs
Category of Assets		
Insurer Managed Funds	62,330,457	58,368,293

Notes:

- Premium is paid to LIC under Group Gratuity Scheme of LIC.
- The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- The details of experience adjustments on account of Plan Liability and Plan Asset as required by Para 120 (n) (ii) of AS-15 are as under:

Particulars	2010-11 Rupees	2009-10 Rupees	2008-2009 Rupees
Plan Assets	949,368	216,807	408,244
Plan Liabilities	492,152	1,755,002	4,209,940

However, details of experience adjustment for the prior years are not readily available in valuation reports and hence not furnished.

- Contributions expected to be paid to the plan during the annual period beginning after the Balance Sheet date: Rs.9,943,824/-(Previous Year Rs.10,566,908/-)
- The expected return on plan assets is determined considering several applicable factors mainly the composition of plan assets held, assessed risks of asset management and historical result of the return on plan asset.

(II) Disclosure in respect of leave encashment liability:

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for leave encashment is given below:	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
Change in obligations		
Present value of unfounded benefit obligations as at 1st April, 2010	9,677,718	8,385,154
Current Service Cost	3,331,961	1,478,163
Interest Cost	774,217	652,162
Benefit Paid	(3,270,932)	(4,189,199)
Actuarial (gain)/loss on obligations	(660,648)	2,058,873
Present value of unfounded benefit obligations as at March 31, 2011	9,852,317	9,677,718
Amount Recognised in Balance Sheet		
Present value of obligation	9,852,317	9,677,718
Fair value of plan assets	NIL	NIL
Liability/(assets) recognized in the Balance Sheet	9,852,317	9,677,718
Expenses Recognized in Profit and Loss Account		
Current Service Cost	3,331,961	1,478,163
Interest Cost	774,217	652,162
Expected Return on plan assets	Nil	Nil
Net Actuarial (gain)/loss recognised in the current year	(660,648)	2,058,873
Expenses Recognised in the statement of Profit & Loss	3,445,531	4,189,199
Actuarial assumptions used		
Discount rate	8.25%	8.00%
Expected Return on plan assets	Not Applicable	Not Applicable
Mortality	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Future Salary increase	5%	5%
Attrition	2%	1%
Retirement	60 yrs	60 yrs

14) Excise duty recovered on sales is included in 'Sales'. Excise duty in respect of Finished Goods lying in stocks is shown separately as an item of expense and included in valuation of finished goods produced.

15) Previous year's figures have been regrouped and reclassified wherever necessary to conform to figures of the current year.

**CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR
THE YEAR ENDED 31ST MARCH, 2011**

	Current Year Rupees	Previous Year Rupees
A. Cash flows from operating activities		
Profit before Taxation and Extraordinary items	418,195,825	388,697,800
Adjustments for:		
Depreciation and amortization	71,601,578	63,493,163
Preliminary and Amalgamation expenses w/off	—	6,882
Provision for Doubtful Debts and Advances	2,072,858	4,605,188
(Profit)/Loss on Sale of Fixed assets(Net)	993,856	—
(Profit)/Loss on Sale of Investments(Net)	(2,114,498)	—
Profit on Sale of Long Term Investments - Non Trade	(85,999,464)	—
Assets discarded written off	5,367,780	3,016,543
Unrealised exchange Gain/Loss on Revaluation of Assets and Liabilities	(589,616)	2,331,673
Dividend Income from Investments	(1,581,267)	(46,032)
Interest paid on Loan	8,225,200	12,071,836
Interest earned On ICD etc	(15,489,861)	(20,598,100)
	(17,513,434)	64,881,153
Operating Profit before working capital changes	400,682,391	453,578,953
Adjustments for:		
Decrease/(Increase) in Sundry Debtors and other receivables	(4,936,988)	(79,718,611)
Increase in Inventories	(177,973,631)	(21,909,856)
Increase in Sundry Creditors and Provisions	31,928,955	(28,558,780)
	(150,981,664)	(130,187,247)
Cash from operations	249,700,727	323,391,706
Currency Alignent on conversion of accounts of non integral foreign subsidiaries	(1,954,468)	(50,017,121)
Direct taxes paid (Net)	(93,067,969)	(126,154,901)
Net cash from operating activities	154,678,290	147,219,684
B. Cash Flows from investing activities		
Purchases of Investments	(388,314,328)	(850,178)
Sale of Investments	315,394,159	850,178
Dividend Received	1,581,267	46,032
Interest Received	15,489,861	20,598,100
Purchase of fixed assets	(331,768,289)	(127,355,244)
Proceeds from sale of fixed assets	1,281,981	—
Net cash used in investing activities	(386,335,349)	(106,711,112)

	Current Year Rupees	Previous Year Rupees
C. Cash flows from financing activities		
Proceeds from short term loans	1,394,031,921	1,790,653,193
Repayment of short term loans	(1,344,104,717)	(1,733,235,668)
Proceeds of Term Loan	88,832,192	8,700,000
Repayment of Term Loan	(14,065,153)	(10,902,142)
Proceeds from Unsecured Loan from others	904,542	825,181
Repayment of Unsecured loans from others	(1,520,000)	(1,111,113)
Issue of Shares at premium on vesting of ESOPS	39,510,380	1,570,710
Fixed deposit with Banks having Original maturity over 3 months	129,316,010	(77,273,883)
Interest paid on Loan	(8,225,200)	(12,071,836)
Dividends paid	(68,733,080)	(63,777,349)
Net cash Generated From/(Used in) financing activities	215,946,895	(96,622,907)
Net Decrease in cash and cash equivalents (A+B+C)	(15,710,164)	(56,114,335)
Cash and cash equivalents as at the commencement of the year	109,901,975	166,016,310
Cash and cash equivalents as at the end of the year	94,191,811	109,901,975
Deposit with Original Maturity over 3 months	51,954,575	181,270,585
Restricted Cash (Unclaimed Dividend Accounts)	1,175,007	986,118
Cash and cash equivalents as at the end of the year as per Schedule 9	147,321,393	292,158,678

Notes:

1. The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard (AS-3) "Cash Flow Statements" notified under the Companies (Accounting Standard) Rules, 2006
2. Figures relating to previous year have been recast where necessary to conform the figures of the current year.

As per our attached report of even date
FOR DELOITTE HASKINS & SELLS
Chartered Accountants

R. Laxminarayan
Partner

MUMBAI
Dated: June 28th, 2011

For and on behalf of the Board
M.Y. NOORANI
Chairman

A.Y. NOORANI
Vice Chairman & Managing Director

O. P. SINGH
Company Secretary



100% Pure Silk Pochettes

Leather Accessories

