


ZODIAC

ZODIAC The mark of a perfectionist





Visconti
ZODIAC
FINEST QUALITY SHIRTMAKERS

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

Mr. M. Y. Noorani

Chairman

Dr. S. Abid Hussain

(01.02.1994 to 21.06.2012)

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.
(Upto 17.06.2012)

From 18.06.2012

Nyloc House, 254, D-2,
Dr. Annie Besant Road,
Worli, Mumbai - 400 030.
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.
- Koramangala,
Bangalore - 560 095.
- Bommasandra,
Bangalore - 560 099.
- A-1, 181/1, GIDC, Umbergaon,
Valsad, Gujarat - 396 171
- C-2/7, GIDC Industrial Area, Umbergaon,
Valsad, Gujarat - 396 171
- Plot No. 411, GIDC, Umbergaon,
Valsad, Gujarat - 396 171
- Shed No. A/2/507, GIDC Industrial Area,
Umbergaon, Valsad, Gujarat - 396 171
- A to Z Industrial Premises Co-op. Soc. Ltd.,
Lower Parel, Mumbai - 400 013

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

- Zodiac Finsec and Holdings Ltd.
(erstwhile 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 of 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 Ltd., G.V.K. Taj Hotels & Resorts Ltd., GVK Power & Infrastructure Ltd., Wockhardt Ltd., Shree Cement Ltd., and the Chairman of Nagarjuna Oil Corporation Ltd..



Mr. M. L. Apte

Director

Mr. M. L. Apte, former Sheriff of Bombay is also the former President of Maharashtra Chamber of Commerce, Bombay Chamber of Commerce, Cricket Club of India, Indian Sugar Mills Association, Member of the Indian Cotton Mills Federation and former Chairman of the Textiles Committee. He is currently the Director of Apte Amalgamations Ltd., Grasim Industries Ltd., Tata Asset Management Ltd., Bajaj Hindustan Ltd., Standard Industries Ltd., The Bombay Burmah Trading Corporation Ltd., The Raja Bahadur International Limited and Kulkarni Power Tools Ltd.



Mr. S. M. Datta

Director

Mr. S. M. Datta is the former Chairman of Hindustan Lever Ltd. He is also the former President of Bombay Chamber of Commerce and Industry and is also the past President of Council of EU Chamber of Commerce. He is currently the Chairman of Castrol India Ltd., Philips Electronics India Ltd., Tata Trustee Co. Pvt. Ltd., IL & FS Investment Managers Ltd., Transport Corporation of India Ltd., Speciality Restaurants Ltd., Reach (Cargo Movers) Pvt. Ltd., and Director of Peerless Gen. Fin. and Inv. Co. Ltd., Peerless Hotels Ltd., Kansai Nerolac Paints Ltd., Atul Ltd., Bhuruka Power Corporation Ltd., Ambit Holdings Pvt. Ltd., Chandras Chemical Enterprises Pvt. Ltd., Rabo India Finance Pvt. Ltd. and Door Sabha Nigam Ltd.



Mr. Bernhard Steinruecke

Director

Mr. Bernhard Steinruecke is the Director General of Indo-German Chamber of Commerce. He was the Managing Partner on the Board of ABC Bank GmbH, Berlin and representative of the Indo-German Chamber of Commerce, Berlin, Germany. After acquiring an Honours degree in law from the University of Heidelberg, he became the Assistant Judge at the Supreme Court of Hamburg. He later on joined the Deutsche Bank AG and rose to become its Joint Chief Executive Officer, India. He is currently a Director of FAG Bearings India Ltd., Bosch Limited, HDFC ERGO General Insurance Company Limited and Apollo Munich Health Insurance Co. Ltd.



Dr. Heinrich-Dietrich Dieckmann

Director

Dr. Heinrich-Dietrich Dieckmann is a retired German diplomat whose entire career was focused mainly on international economic affairs. During his illustrious career he has served as the German Ambassador to India, German Ambassador to Japan, Director General for Economic Affairs and European Integration in the German Foreign Office, Head of the Economic Department of the German Mission to the United Nations in New York. He was the Foreign Office Representative in all negotiations with the Soviet Union and later on Russia, dealing with the economic aspects of German reunification, and one of the German Sherpas for the preparations of the G7 summits 1992, 1993 and 1994.

**Mr. Deepak Parekh**

Director

Mr. Deepak Parekh (Padma Bhushan, 2006) is a Fellow of the Institute of Chartered Accountants (England and Wales). He is the Chairman of HDFC Ltd., Infrastructure Development & Finance Co. Ltd., Glaxo Smithkline Pharmaceuticals Ltd., Siemens Ltd., HDFC Asset Management Co. Ltd., HDFC ERGO General Insurance Co.Ltd., HDFC Standard Life Insurance Co. Limited. He is a Director of Mahindra and Mahindra Ltd. and The Indian Hotels Co. Limited. He is an Alternate Director of Exide Industries Limited. He has been a member of several Committees set up by the Government of India, especially in the field of Finance and Capital Markets, the recent one being the Investment Commission Committee. Mr. Parekh has won several accolades and awards. He was the youngest recipient of the 'Corporate Award for Life Time Achievement', from the Economic Times. He was awarded the 'Businessman of the Year – 1996' by Business India, and the 'JRD Tata Corporate Leadership Award' from the All-India Management Association. He was the first recipient of the 'Qimpro Platinum Award' for Quality for his contributions to the services sector. He is the first international recipient of the Institute of Chartered Accountants in England and Wales Outstanding Achievements award 2010.

**Mr. Y. P. Trivedi**

Director

Mr. Y. P. Trivedi a member of 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 Sai Service Station Ltd. and Trivedi Consultants Pvt. Ltd., and also a Director of Reliance Industries Ltd., Birla Power Solutions Ltd., Metro Exporters Pvt. Ltd., Supreme Industries Ltd., Seksaria Biswan Sugar Factory Limited, New Consolidated Construction Co. Ltd., Emami Limited, Colosseum Sports and Recreation International. Mr. Trivedi has also served as a Director of Central Bank of India, Dena Bank and Central Bank Executors and Trustee Company Ltd.

**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 Ltd. and GE Capital Business Process Management Services Pvt. Ltd. He has vast knowledge and rich experience in banking. He is presently Chairman of Can Fin Homes Limited and Writer Relocasia, Hong Kong and Director of KSK Energy Ventures Ltd., KSK Power Venture Plc, P.N. Writer & Co. Pvt. Ltd., KSK Electricity Financing India Pvt. Ltd., Writer Lifestyle P.Ltd, Writer Safeguard P.Ltd., IDMC Limited, Kannada Prabha Publications Ltd., Wardha Power Company Limited and KSK Mahanadi Power Company Limited.

**Mr. A. Y. Noorani**

Vice-Chairman & Managing Director

Mr. A.Y. Noorani joined the House of Zodiac in 1968 and after successfully developing its export business and scaling up its overall operations, became Managing Director of the organisation in 1980. He completed the Advance Management Programme at Harvard Business School, Boston, and is responsible for overseeing the management of the organisation, corporate affairs and finance. Mr. Noorani is Past President of the Indo-German Chamber of Commerce and is presently on the Managing Committee of the Chamber and a member of the Indo-German Consultative Group. He 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 is responsible for setting up the company's state-of-the-art of 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 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].

CHAIRMAN'S STATEMENT – 2012



You would have read about the passing away of our respected Director, Dr. Abid Hussain. Some of you may have also read the emotional and moving eulogies by, among others, Jairam Ramesh and Deepak Nayyar.

Abid Saheb was one of the most gracious, gentle and kind souls one has encountered. The loss is not just for his family, for my family, and for Zodiac, but also for the entire nation. May I request you to kindly rise and observe a minute's silence as a mark of respect to his memory.

The export of India's clothing (cotton / manmade / wool / others) from April 2011 – February 2012 was ₹ 58,218 crores vs. ₹ 45,499 crores in the corresponding period in 2010-2011. In US Dollar terms, April 2011-February 2012 was USD 12.2 bn vs. USD 10 bn in the corresponding period last year.

Volatility in the forex market has been a major challenge for the industry, besides the difficulties posed by high cotton fabric prices which showed some respite only in the last quarter of the financial year. The Euro Zone crises continued to escalate through the period, and the demand situation in the U.S. showed an erratic pattern. This was further exacerbated by the Rupee plunging in value post September 2011 and appreciating post December 2011, (only to collapse again post April 2012). The popular perception that the decline in the value of the Rupee would mean windfall profits for the exporting community (including clothing) has to be taken with a pinch of salt. Serious players whose philosophy is that they are in business of clothing and not of Forex, are increasingly covering their exposures immediately on receipt of orders, which means that any depreciation in the Rupee does not impact their bottom line for several months.

Despite the volatility (of spikes and troughs in sales across different months during the year), the upward revision in prices necessitated by Excise (first full year impact), and cotton fabric prices continuing to be high during the first 9 months, the overall branded business showed a modest increase. Within this, the company's own retail business grew in healthy double digits, with like-to-like stores also showing growth.

Budgeted expenditure was based on the growth projected (and achieved during April-September 2011). Higher rentals for stores (with several new stores being in gestation), high prices of cotton fabric, and personnel costs impacted the margins.

The design-driven international business from India has been impacted adversely due to the extreme volatility of the Rupee from December 2011. With the economic malaise in the major markets, viz. the EU and the US, buyers tried to combat lower demand with lower prices, which led to a situation where some quantum of orders were not accepted.

The MTM of Forex, as prescribed in the Accounting Standard, cotton prices continuing to remain high, and personnel costs being amortised over a modest increase in sales, resulted in pressure on margins in this business.

During the financial year 2011-12, the company reported consolidated gross operational revenues of ₹ 38,540 lakhs, against ₹ 35,778 lakhs in the previous year. On a standalone basis, the operational revenue was ₹ 31,595 lakhs, against ₹ 29,526 lakhs the previous year. The consolidated net profit after tax for the year was ₹ 1,775 lakhs, against ₹ 3,319 lakhs in the previous year. The standalone net profit after tax was ₹ 1,098 lakhs for the year, compared to ₹ 2,330 lakhs in 2010-2011.

The Dubai subsidiary of the company has been able to perform better than it did in the previous year (Net Profit of ₹ 745 lakhs this year vs. ₹ 671 lakhs last year).

The anomalies presented by major provisions in direct and indirect taxation, such as TDS on commission paid for procuring export orders or alternatively getting a NOC from the Assessing Officer in advance that it need not be deducted, the addition of new services to the Service Tax regime, as well as the list of services where Service Tax is not required to be paid by the exporter in the first instance being pruned substantially, the lack of a coherent simplified procedure under Central Excise for exclusion of clothing exporters from having to comply with Excise formalities and no clear-cut guidelines on export of samples (for both of which a Policy was in place in the past and which has not been adopted when Excise was reintroduced in March 2011) are some of

the burning issues the industry faces, which need to be addressed post haste.

Domestic consumption in China is consistently rising. The workforce available to the clothing industry is shrinking appreciably. Consequently, a void is being created in China's production for export markets, which they are trying to fill with production from Bangladesh, Vietnam and Cambodia.

Notwithstanding the situation in the industry, the depreciation of the Rupee, the price of cotton retreating from its peaks, and the possibility of the FTA with the EU, there is potential for us to gain market share, although of a smaller pie in the EU and the US for the present. Besides, there is strong potential to build new markets. The Asian region (excluding the Middle East), is the second largest trading area after Europe. A large part of the intra-Asian trade has been captured by China. This presents an opportunity where India has great scope to increase its share. Aggressive efforts to build these and other new markets can yield rich dividends.

With cotton fabric prices having fallen (although not to the level prior to the flare up of prices) and with the depreciation of the Rupee, the design driven international business of the company, which saw its profitability under stress in 2011-12, could achieve better profitability, if the thrust in new markets offsets the crimped demand in the traditional markets due to their continuing economic woes.

Despite sharp swings, witnessed both during the last financial year as well as since, the middle and the long term potential for demand in India remains intact for the branded/own retail business. When there is consistency in the growth pattern, given the latent demand, the clothing industry would reach the inflection point – this is something which is palpable. The medium to long term outlook continues to hold promise. The negative sentiment will ebb with every step the Government takes to stimulate demand. Profitability of the business will move in tandem when this happens.

Given the scenario above, the company's focus continues to be on growing the company-run stores without diluting the thrust in the other channels for the branded business. Our position in terms of product quality and fashion content is at par with the best global benchmarks.

This year the company opened 28 new stores and closed down 9, a net increase of 19 stores, taking the total of company stores to 103 as of 31st March 2012.

The Company has shifted to its new corporate office at Nyloc House, 254, D-2, Dr. Annie Besant Road, Worli, Mumbai 400 030.

During the year, the company issued 6,410,532 bonus shares in the ratio of one share for every two shares held on the record date, i.e. 28th September 2011, which was duly approved in the last Annual General Meeting.

Of the 500,000 stock options granted to employees of the company and its subsidiaries/Directors of the company (other than Promoter Directors or their relatives), which has been duly approved by the shareholders at the Annual General Meeting held on 31st August, 2006, the company allotted 38,702 shares (including the bonus entitlement

thereon) on receipt of valid applications along with the necessary application money during the year. The paid-up share capital of the company as on 31st March 2012, increased from ₹ 128,210,640/- to ₹ 192,702,980/-

The Board had declared an interim dividend of ₹ 1/- during the year 2011-2012. Considering the profitability of the company during the year, as well as to be in line with best practices vis-à-vis dividend pay out ratio, your Directors are pleased to declare a final dividend of ₹ 2/- per equity share of the face value of ₹ 10/- on the enhanced paid-up capital of ₹ 192,702,980/-.

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 increased from ₹ 51.5 crores to ₹ 70 crores, for the financial year 2012-13. (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 set up to acquire the property for the UK operations, had gainfully employed the residential floor by leasing that portion. The authorities have not granted requisite permission for an additional floor to anybody in the area. The Company has, therefore awarded the work for restoration of the office floors. Since the property is located in close proximity to some of our customers in Central London, the office portion is proposed to be used for our UK operations, hopefully before the end of the calendar year.

The decision of the High-level Committee appointed by the Government to align the rate of Duty Drawback with the increase in Excise Duty and the impact of other changes in the Budget, is looked forward to with the hope that it would neutralize the additional costs suffered by the industry.

The industry also looks forward to the DGFT aligning the Special Focus Market Scheme with the new markets they have identified most recently.

All in all, the year has been most challenging due to volatility in forex markets, continuing economic stress in the EU / the US and spikes and troughs in demand in India.

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 turbulent times. We assure you we remain as committed as ever to the company's goals.

M.Y. Noorani
Chairman



Dr. Abid Hussain

1926

2012

"Hazaro saal Nargis apni baynoorie pay roatie hai, Badi mushkil se hota hai chaman me deedaar paida"

HIGHLIGHTS (STANDALONE)

₹ in lakhs

PARTICULARS	2011-12	2010-2011
Revenue from Operation	31,595	29,526
Less: Excise duty	787	66
Net revenue from operation	30,808	29,460
Other Income	825	565
Total Revenue	31,633	30,025
Less: Total expenses	29,405	27,082
Profit before finance cost, Depreciation and other exceptional items	2,228	2,943
Less: Finance cost	286	206
Profit before depreciation	1,942	2,737
Less: Depreciation	627	523
Profit before exceptional items	1,315	2,214
Add: Exceptional items	89	860
PROFIT BEFORE TAX FOR THE YEAR	1,404	3,074
Provision for Tax (net)	306	744
PROFIT AFTER TAX FOR THE YEAR	1,098	2,330
Add: Balance brought forward from the last year	9,689	8,339
Total amount available for appropriation	10,787	10,669
Appropriations:		
Interim Dividend	193	—
Proposed Dividend	385	641
Corporate Dividend Tax	63	104
General Reserve	110	235
Balance retained in Profit & Loss A/c.	10,036	9,689

DIRECTORS' REPORT TO THE MEMBERS

To,

The Members,

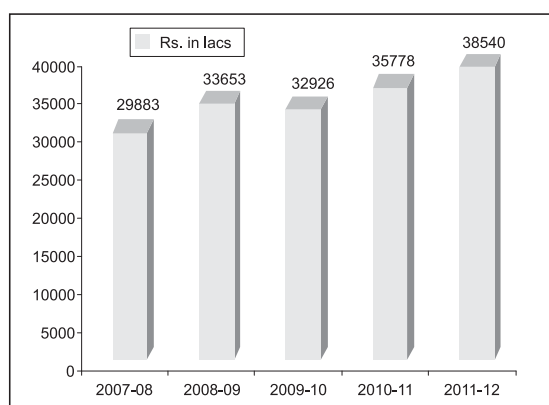
Zodiac Clothing Company Limited.

Your Directors hereby present the 28th Annual Report with the Audited Statements of Accounts for the Financial Year ended 31st March 2012.

1. BUSINESS:

Turnover & Profits – During the financial year ended 31st March 2012, the operational revenue of the company on a standalone basis increased 7% to ₹ 31,595 lakhs vs. ₹ 29,526 lakhs in the previous year. The Profit Before Tax was ₹ 1,404 lakhs vs ₹ 3,074 lakhs in the previous year, while the net Profit After Tax for the financial year ended 31st March 2012 was ₹ 1,098 lakhs vs. ₹ 2,330 lakhs in the previous year.

GROSS OPERATIONAL INCOME – CONSOLIDATED



2. RESULTS OF OPERATIONS:

FINANCIAL RESULTS:

	(₹ in Lakhs)			
	Standalone		Consolidated	
	2011-12	2010-11	2011-12	2010-11
Total Revenue from operations	31,595	29,526	38,540	35,778
PROFIT BEFORE TAXATION	1,404	3,074	2,203	4,178
<u>Provision for Taxation:</u>				
Current Tax	322	621	444	737
Deferred Tax	(16)	123	(16)	123
PROFIT AFTER TAXATION	1,098	2,330	1,775	3,318
Short Provision for Taxation	–	–	–	(1)
Profit for the Year	1,098	2,330	1,775	3,319
Balance of Profit Brought forward	9,689	8,339	14,613	12,351
Transfer from General Reserves	–	–	7	–
Profit Available for Appropriation	10,787	10,669	16,395	15,670

Despite the volatility due to spikes and troughs in sales, the upward revision in prices necessitated by Excise/ cotton fabric prices continuing to be high, the overall branded business showed a modest increase. Within this, the company's own retail business has grown in healthy double digits, with like-to-like stores also showing growth.

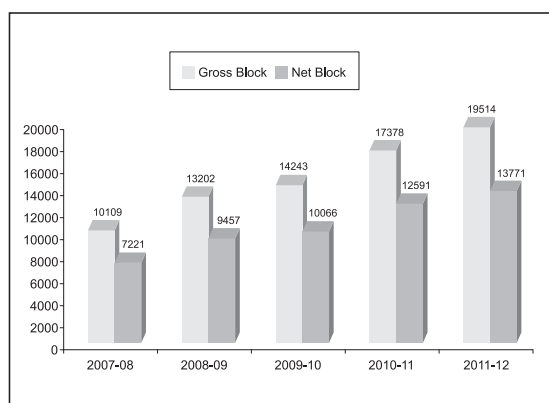
The budgeted expenditure was based on the growth projected due to which higher rentals for stores, (with several new stores being in gestation), high prices of cotton fabric and personnel costs impacted the margins.

The design-driven international business from India has grown marginally, given the adverse impact of the volatility of the Rupee, the mark to market of Forex (in accordance with the relevant Accounting Standards) and the demand situation, adversely affected the major markets, viz, the EU/ the UK and the USA. Buyers who tried to combat lower demand with lower prices, led to a situation where some quantum of orders were not accepted.

The MTM of Forex referred to above, cotton fabric prices continuing to remain high till the last quarter, personnel costs being amortized over a modest increase in sales resulted in pressure on margins.

As of 31st March 2012, the company had 103 stores, 28 new stores were opened and 9 were closed during the year, a net increase of 19 stores. 3 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 steadfastly. The growth pattern, although inconsistent across the extreme volatility during the year, continues to be most promising for the branded business as well as for the company-run retail stores in the medium to long term.

FIXED ASSETS – CONSOLIDATED



3. SUBSIDIARY COMPANIES:

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

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 2012 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:

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 increased from ₹ 51.5 crores to ₹ 70 crores, for the financial year 2012-13.

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 (on standalone) was incurred predominantly on the new company run Stores (₹ 893 lakhs), balancing machinery and equipment (₹ 342 lakhs), refurbishing of the Corporate Headquarters (₹ 521 lakhs), as well as on energy conservation (₹ 96 lakhs). Rental deposits (₹ 115 lakhs) are not booked as Capex.

During the year, the Capex aggregated ₹ 1,852 lakhs (as against ₹ 1,787 lakhs last year) on a standalone basis and ₹ 2,150 lakhs (as against ₹ 3,318 lakhs last year) on a consolidated basis.

8. LIQUIDITY:

The Debt Equity Ratio as on 31st March 2012 was 0.29 on a standalone basis and 0.24 on a consolidated basis.

The cash and bank balances/cash equivalents along with liquid investments (free reserves - on consolidated basis) were ₹ 2,209 lakhs in March 2012, as against ₹ 2,922 lakhs last year.

9. INCREASE IN SHARE CAPITAL:

During the year under review, the Authorized Capital has increased from ₹ 20,00,00,000/- (Rupees Twenty Crores only) divided into 2,00,00,000 (Two Crore) Equity Shares of ₹ 10/- (Rupees Ten) each to ₹ 30,00,00,000/- (Rupees Thirty Crores only) divided into 3,00,00,000 (Three Crores) Equity Shares of ₹ 10/- (Rupees Ten) each.

The paid-up share capital of the company has also increased from ₹ 12,82,10,640/- to ₹ 19,27,02,980/- as a result of allotment of 6,410,532 bonus shares and 38702 shares issued under the ESOP Scheme.

10. APPROPRIATIONS:

Dividends – Your Directors have recommended a final dividend on expanded capital (pursuant to allotment of Bonus Shares) at ₹ 2/- per Equity Share of ₹ 10/- each on 19,270,298 Equity Shares (previous year ₹ 5/- per Equity Share of ₹ 10/- each on 12,821,064 Equity Shares). The company had distributed an interim dividend of Re.1/- per equity share during the year. The total dividend (interim and final) amount (when approved by the shareholders) including dividend distribution tax would be ₹ 641 lakhs, (previous year ₹ 745 lakhs). Dividend (including dividend distribution tax) as a percentage of profit after tax is 58.37%

Transfer to Reserves: Your Directors propose to transfer ₹ 110 lakhs (10.01% of the net profit for the year) to the General Reserve. An amount of ₹ 10,037 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. To combat the economic situation globally, cost control measures are being pursued vigorously.

13. BRANDING:

The company's competitors continued their strategy of consistently discounting for the better part of the year. This resulted in the Zodiac, Z3 and ZOD! brands continuing to strengthen vis-à-vis the competition, since none of the three brands was discounted, and since the company continued to add value in terms of quality and fashion content. The Company's suits business is gaining ground by virtue of offering a product of truly international standards.

The introduction of Excise from March 2011 has now played out for a full financial year. It is reassuring that the consumer has absorbed the price revision due to both Excise and cotton prices.

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, the following steps have been commissioned:

- (i) We have consciously moved away from the standard "central processing unit"

model of computers to thin clients. The saving per machine is around 47 watts of electricity and this change has been effected over the entire organization.

- (ii) In tandem with this, the central servers have been upgraded to high-end servers, which automatically sense the computer traffic and adjust the clock speed accordingly. Consumption of electricity by the servers has fallen sharply.
- (iii) Automation of various production operations are being done on a continuous basis, which result in the number of operations dropping, resulting in significant drop in the number of machines being used and consequently reducing the dependency on energy.

The new corporate office is also energy efficient. The windows allow plenty of light in during the working hours. The light fixtures are connected to sensors, which control the intensity of lights coming on and off. Recognizing the fact that the maximum consumption in any building is lighting and air conditioning, we have installed motion sensors, which switch on and switch off the circuits depending on movement and occupancy. This reduces the load on the energy requirements.

(B) Pollution Control

- Besides our boilers being eco-friendly and energy-friendly, we have also installed heat recovery systems enabling the boiler to be 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 been further upgraded with more high-tech treatment equipment, which has made our company more eco-friendly.
- We have also installed sewage treatment plants, which keep the sewage treated and flowing in a loop via flushing only and have achieved a "zero discharge" of sewage. This has reduced water consumption.

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

(D) Foreign Exchange Earnings and Outgo:

Total Foreign Exchange Earned	₹ 14,002 lakhs
Total Foreign Exchange Outgo	₹ 5,205 lakhs

15. CORPORATE SOCIAL RESPONSIBILITY:

The company continues to lay emphasis on discharging its social responsibility in line with the policy renewed by the Board of Directors on 24th June 2009 for contribution 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, Mr. Y. P. Trivedi, Dr. Heinrich D. Dieckmann and Mr. M.Y. Noorani, 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 Mr. Y. P. Trivedi, Dr. Heinrich D. Dieckmann and Mr. M.Y. Noorani, 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.

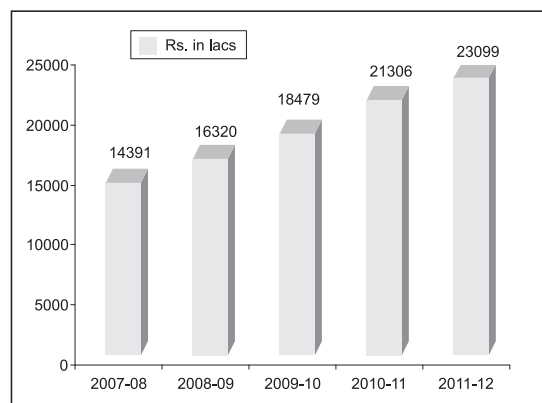
17. DIRECTORS' RESPONSIBILITY STATEMENT:

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 2012, 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 2012 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 had 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 ₹ 255.40 and ₹ 346.00 per equity share respectively (each option carried an entitlement of one equity share of face value of ₹ 10/- each). Both grants were duly approved by the Compensation Committee/Board of Directors.

During the year under review, the Company allotted 38,702 equity shares, including the bonus

entitlement thereon, (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 (India) Ltd. The Company has also received trading permission from The BSE Limited and National Stock Exchange of India Limited in respect of 38,702 equity shares allotted under ESOP. The particulars with regard to the stock options as on March 31, 2012 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 information on the company's website viz. www.zodiaconline.com.

24. DONATIONS:

During the financial year, the Company has contributed a sum of ₹ 83.15 lacs 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. COST AUDITOR:

Pursuant to the provisions under section 233B of the Companies Act, 1956, M/s N. Ritesh & Associates, Cost Accountants has been appointed as Cost Auditors of the Company for the financial year 2012-13.

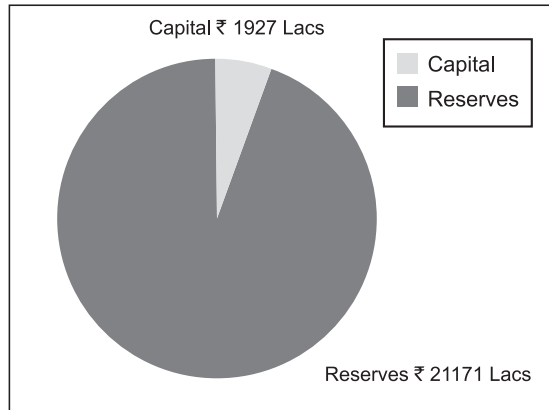
28. AUDIT COMMITTEE:

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 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.

29. 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, as amended forms part of this Report and have been annexed herewith.

**30. SOURCE OF SHAREHOLDERS' FUNDS
EMPLOYED FOR THE YEAR 2011 – 2012
CONSOLIDATED**



operation received from the customers, shareholders, the 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 vigorously pursuing the medium to long term goals of the company.

For and on behalf of the Board

31. ACKNOWLEDGEMENTS:

Your Directors would like to express their grateful appreciation for the assistance, support and co-

Place: Mumbai:

Dated: May 29, 2012

M. Y. NOORANI

Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Information as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employee) Rules, 1975 and forming part of Directors' Report for the year ended March 31, 2012.

Sr. No.	Name	Age	Designation	Remuneration (₹)	Nature of Duties	Qualification/ Experience	Date of joining	Last Employment
1.	Mr. Anees Yusuf Noorani	61 years	Vice-Chairman & Managing Director	65,50,000	Responsible for overseeing the management of the organisation, corporate affairs and finance.	AMP - Harvard Business School (Boston) / 43 years	14/06/1984	Zodiac Clothing Company Limited
2.	Mr. Salman Yusuf Noorani	48 years	Managing Director & President	65,50,000	Responsible for the design, manufacturing, sales and marketing functions.	B. Com/ 30 years	14/05/1993	Zodiac Clothing Company Limited

Notes:

- The nature of employment of the above Directors is contractual.
- Remuneration as shown above, is by way of Commission.
- Mr. Anees Yusuf Noorani and Mr. Salman Yusuf Noorani are sons of Mr. M.Y. Noorani, who is the Chairman (Non-executive) of the Company and hold 2.13% and 2.57% equity shares in the Company respectively.

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	462,975*	401,025*
b.	Pricing formula	The Options are granted at closing market price of the Company's equity shares quoted on BSE 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	462,975*	120308*
d.	Options exercised till date	292,902*	Nil
e.	The total number of shares arising as a result of exercise of option	292,902	Nil
f.	Option lapsed	50376*	Nil
g.	Variation of terms of option as at 31st March 2012	Not Applicable	
h.	Money realized by exercise of option	₹ 51,578,257	Nil
i.	Total number of options in force as on 31st March 2012	119697*	401025*
j.	Employee 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) 367,350* Options (ii) Nil (iii) Nil	(ii) 322,275* 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. 43(e) of the Financial Statements for the year ended March 31, 2012	₹ 5.69	
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 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 ₹ 19,532,139 (Previous Year ₹ 6,012,137) and consequently profit after tax would have been lower by ₹ 19,532,139 (Previous Year ₹ 6,012,137) and Basic and Diluted Earning per share would have been lower by ₹ 1.02 (Previous year ₹ 0.32) per share and ₹ 1.01 (Previous year ₹ 0.32) 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.	₹ 255.40	₹ 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 underlying share in the market at the time of option grant prior to option grant.	7.67% to 7.59% 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. ₹ 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. ₹ 346.00

* The Company declared Bonus of 1:2 on record date of September 28, 2012, consequently the options and its related information has been adjusted for the bonus effect.

For and on behalf of the Board

Mumbai
Dated : May 29, 2012

M. Y. NOORANI
Chairman

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2011-2012

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, 2012, 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 of and investors in the Company.

I. Company's Philosophy on Code of Corporate Governance

The Company's endeavor is to enhance the spirit of good governance, rather 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 2012, the Board of Directors of the Company comprises 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, 2012 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	8
Mr. Bernhard Steinruecke	Director	Independent & Non-Executive	4	Nil
Mr. Deepak Parekh	Director (Alternate to Dr. Heinrich Dietrich. Dieckmann)	Independent & Non-Executive	10 (Including Alternate Directorship)	5
Mr. Y.P. Trivedi	Director	Independent & Non-Executive	10	4
Mr. S.R. Iyer	Director	Independent & Non-Executive	12	8#
Dr. Heinrich D. Dieckmann	Director	Independent & Non-Executive	Nil	Nil
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 2012.

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	—	—
Dr. S. Abid Hussain	100000	—
Mr. M.L. Apte	260000	—
Mr. S.M. Datta	160000	—
Mr. Bernhard Steinruecke	60000	5738
Mr. Deepak Parekh	40000	—
*Mr. Y.P. Trivedi	220000	5738
Mr. S.R. Iyer	280000	—
Dr. Heinrich D. Dieckmann	—	—

*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 2012, 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. 38 of the financial statements for the year ended 31st March 2012. 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.

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 (₹)
1.	Mr. Y.P.Trivedi	5738	651270
2.	Mr. Bernhard Steinruecke	5738	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 Trading permission from BSE 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 13, 2011, June 28, 2011, August 10, 2011, November 10, 2011, February 14, 2012 and March 28, 2012.

The attendance record of each of the Directors at the Board Meetings during the year ended on 31st March, 2012 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	5	Yes
Mr. M.L. Apte	6	Yes
Mr. S.M. Datta	6	Yes
Mr. Bernhard Steinruecke	3	Yes
Mr. Deepak Parekh	2	No
Mr. Y.P. Trivedi	5	No
Mr. S.R. Iyer	6	Yes
Dr. Heinrich D. Dieckmann	–	No
Mr. A.Y. Noorani	5	Yes
Mr. S.Y. Noorani	5	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 had 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 the 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 : May 29, 2012

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 are also 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 August 10, 2011, 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 include:

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 it 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 Directors' 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 thereon.
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 and 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 2012, Seven Audit Committee meetings were held on May 13, 2011, June 28, 2011, August 10, 2011, August 27, 2011, November 10, 2011, December 14, 2011 and February 14, 2012. 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	7	7
Mr. M.L. Apte – Member	7	7
Mr. Y.P. Trivedi – Member	7	6

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 a 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 the formulation and the implementation of the 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 December 27, 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 ₹ 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 ₹ 255.40 per option on the said date. No meeting of the Compensation Committee was held during the year under review.

At the meeting of the Committee held on January 20, 2011, the Committee approved the Second Grant of 2,14,850 Stock options to employees of the Company and 30,000 Stock options were granted to eligible Directors of the Company at a price of ₹ 346.00 per option. The Board of Directors approved the grant of 22,500 Stock options to members of the Compensation Committee at a price of ₹ 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 ₹ 346.00 per share pursuant to the Employee Stock Option Scheme 2006 of the Company.

During the year under review, the Company allotted 38702 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 trading permission from BSE 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. S.M Datta

Mr. M.Y Noorani

Mr. A.Y Noorani

Mr. S.Y Noorani

VI. Investment Committee:

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

Mr. S.M Datta

Mr. S.R. Iyer

Mr. M.Y. Noorani

Mr. A.Y. Noorani

Mr. S.Y. Noorani

VII. Subsidiary Companies:

The Company has five subsidiary companies namely:

- (1) Zodiac Finsec and Holdings Limited (Formerly known as Multiplex Collapsible Tubes Limited)
- (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 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 is 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 a quarterly basis. Attention of the members is drawn to the disclosures of transactions with related parties set out in Note No. 38 of the Financial Statements for the year ended 31st March, 2012.

- 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 Note No.38 of the Financial Statements for the year ended 31st March 2012.

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 a case-to-case basis. However, during the financial year ending 31st March, 2012, 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 ₹ 255.40 per share in terms of ‘Zodiac Employees Stock Option Plan – 2006’.

During the financial year 2010-2011, further 7,500 Stock Options (Second Grant) each at a price of ₹ 346.00 per share in terms of ‘Zodiac Employees Stock Option Plan – 2006’ have been offered to the 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 31,2012:

Name of the Director	Designation	Commission	Contract Period
Mr. A.Y. Noorani	Vice-Chairman & Managing Director	₹ 65,50,000	April1, 2010 to February 28, 2014
Mr. S.Y. Noorani	Managing Director & President	₹ 65,50,000	April1, 2010 to February 28, 2014

The above Executive Directors are not entitled to 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, 2012 are as under:

SR. NO	NAME OF THE DIRECTOR	NO OF SHARES HELD
1.	Mr. M.Y. Noorani	16,91,448
2.	Mr. A.Y. Noorani	4,09,549
3.	Mr. S.Y. Noorani	4,95,797
4.	Dr. Abid Hussain	9,537
5.	Mr. S.R. Iyer	7,650
6.	Mr. S. M. Datta	30,000
7.	Mr. Y. P. Trivedi	15,975
8.	Mr. M. L. Apte	11,475
9.	Mr. Deepak Parekh	19,125
10.	Mr. Bernhard Steinruecke	11,475
	Total	27,02,031

IX. Shareholders:

i. Appointment/Re-appointment of Directors

1. Appointment

No new Directors were appointed during the year ended March 31, 2012.

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 Mr. Y.P. Trivedi, Dr. Heinrich D. Dieckmann and Mr. M.Y. Noorani. A brief profile of the Directors is Annexed to the Notice of 28th Annual General Meeting. The details of Directorship / Committee Membership of the said three Directors are given hereunder for the kind perusal of the shareholders:

1. Mr. Y. P. Trivedi:

The details of Directorships of Mr. Y. P. Trivedi are as follows:

NAME OF THE COMPANY	BOARD POSITION HELD
Trivedi Consultants Pvt. Ltd.	Chairman
Sai Service Station Limited	Chairman
Reliance Industries Limited	Director
Emami Limited	Director
Birla Power Solutions Limited	Director
Supreme Industries Limited	Director
New Consolidated Construction Co.Ltd	Director
Seksaria Biswan Sugar Factory Limited	Director
Metro Exporters Private Limited	Director
Colosseum Sports & Recreation International	Director

COMMITTEE MEMBERSHIP

Sr. No.	Name of the Company	Name of Committee	Designation
1.	Reliance Industries Ltd.	Audit Committee	Chairman
		Corporate Grievances Committee	Chairman
		Retail Business Committee & Committee of Independent Directors	Chairman
		Shareholders/Grievances Committee	Member
		Remuneration Committee	Member
2.	Birla Power Solutions Limited	Audit Committee	Chairman
3.	Seksaria Biswan Sugar Factory Limited	Audit Committee	Member
		Remuneration Committee	Member

2. Dr. Heinrich Dietrich Dieckmann:

Dr. Heinrich-Dietrich Dieckmann is a retired German diplomat whose entire career was focused mainly on international economic affairs. During his illustrious career, he has served as the German Ambassador to India, German Ambassador to Japan, Director General for Economic Affairs and European Integration in the German Foreign Office, Head of the Economic Department of the German Mission to the United Nations in New York. He was the Foreign Office Representative in all negotiations with the Soviet Union and later on Russia, dealing with the economic aspects of German unification.

Dr. Heinrich Dieckmann holds no directorship and committee membership in other companies.

Dr. Heinrich Dieckmann does not hold any shares in the company.

3. Mr. M.Y. Noorani

The details of Directorships of Mr. M.Y.Noorani are as follows:

NAME OF THE COMPANY	POSITION HELD
Zodiac Finsec and Holdings Limited	Chairman
Elite Clothing Company Private Limited	Chairman
Zodiac Properties Limited	Director
Zodiac (UAE) LLC	Director
Zodiac Clothing Company(UAE) LLC	Director

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 is related to each other in terms of relationships.

ii. Means of Communication:

The results of the company [quarterly / annual] are published mostly in The 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 analysts / 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 analysts.

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 shareholders' 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 2011-12 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 one complaints were received from shareholders during the financial year ended March 31, 2012, 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 2012.

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
2008 -2009	Wednesday, August 26, 2009	3.30 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
2010-2011	Wednesday August 10, 2011	3.30 p.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:

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.

27th Annual General Meeting held on 10th August 2011: At this meeting, one Special Resolution was proposed, seconded and passed with three-fourth majority on show of hands. This resolution related to: Re-appointment and continuing to hold an office or place of profit in the company by Mr.Awais A.Noorani with effect from 1st February 2012 as a Vice-President-International Sales & Sourcing subject to the approval of the Central Government.

Extra-Ordinary General Meeting held on 17th September 2011: At this meeting, two Special Resolutions were proposed, seconded and passed with three-fourth majority on show of hands. These resolutions related to Amendment in the Articles of Association with respect to: 1) Increase in Authorised Share Capital 2) Inserting new articles with respect to the following: a) a resolution by the members of the Company at any general meeting be deemed to include a resolution passed by postal ballot b) Provision to give Notices and other documents of General Meeting of the Company by e-mail c) Participation in General Meeting(s) of the Members through electronic Mode d) Participation in Meeting(s) of Directors through electronic mode e) Replacing the existing article with a new one with respect to quorum for the meetings to include a director attending the meetings in person or attending through any type of electronic mode like video conferencing.

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 29, 2012	2.30 p.m.	Nehru Center, Hall of Culture, Dr. Annie Besant Road, Worli, Mumbai 400 018.

b. Financial Calendar 2012-2013 (tentative) Schedule of the Board Meetings:

First Quarter ending 30 th June 2012	: Before 15 th August 2012
Second Quarter ending 30 th September 2012	: Before 15 th November 2012
Third Quarter ending 31 st December 2012	: Before 15 th February 2013
Fourth Quarter ending 31 st March 2013	: Before end of May 2013

c. Dates of Book Closure:

Monday, August 20, 2012 to Wednesday, August 29, 2012 (both days inclusive)

d. Dividend payment date:

Dividend when sanctioned by shareholders will be paid on or after 4th September 2012.

e. Pursuant to Clause 5A of the Listing Agreement, three reminder letters have been sent to those shareholders who have not yet claimed their shares during the year 2011-2012.**f. Listing on Stock Exchanges:**

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

BSE Limited

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.

National Stock Exchange of India Ltd.,

Exchange Plaza, Bandra – Kurla Complex, Bandra (E), Mumbai – 400 051.

Note:

Listing Fees have been paid to the aforesaid Stock Exchanges for the year 2012-2013.

g. Stock Code/Symbol

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

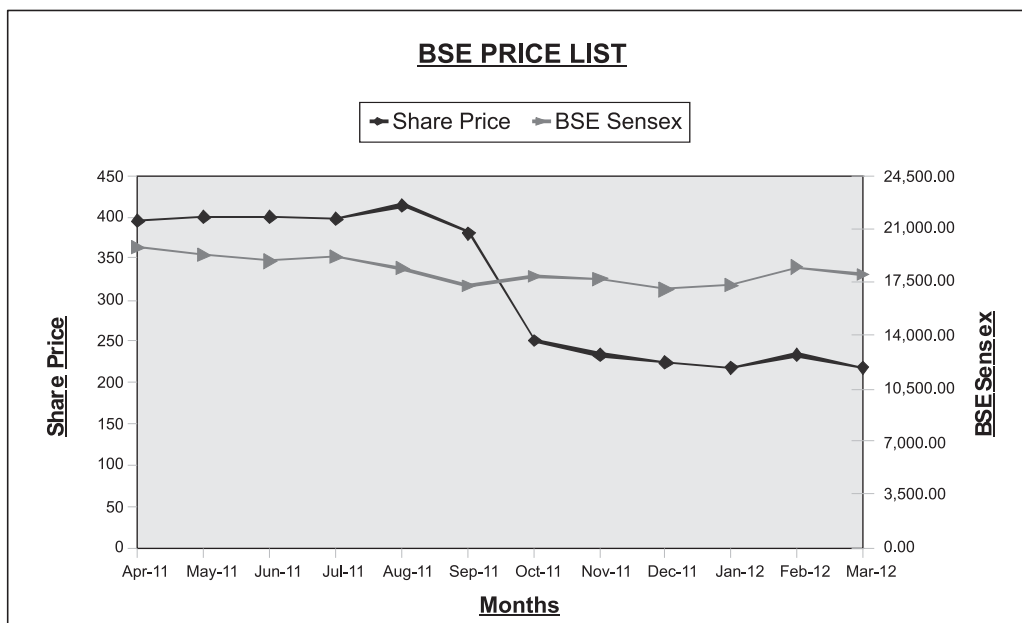
h. Market Price:

The monthly high & low quotations of the Company's shares traded on BSE Limited and National Stock Exchange of India Limited during the financial year 2011-2012 are as under:

	BSE Limited		National Stock Exchange of India Limited	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2011	395.65	353.20	395.00	355.00
May 2011	400.00	344.40	401.00	350.15
June 2011	399.80	350.00	399.70	351.20
July 2011	398.00	355.00	397.80	341.45
August 2011	414.40	308.50	414.90	314.00
September 2011	380.15	225.00	379.00	230.00
October 2011	250.50	203.20	264.70	205.50
November 2011	233.45	191.60	227.95	203.00
December 2011	227.00	180.50	227.00	194.95
January 2012	217.85	194.95	219.90	198.00
February 2012	233.60	190.00	233.40	189.10
March 2012	217.90	191.00	216.45	190.10

Performance in comparison to broad based indices:

ZODIAC vs BSE SENSEX



i. Registrar and Share Transfer Agents.

Karvy Computershare Pvt. Ltd.

Hyderabad Office

Plot No.17-24, Vittalrao Nagar,
Madhapur, Hyderabad 500 081, India

Tel.No. 040-44655000

Fax No.: 040-23420814 • Email: dward.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.

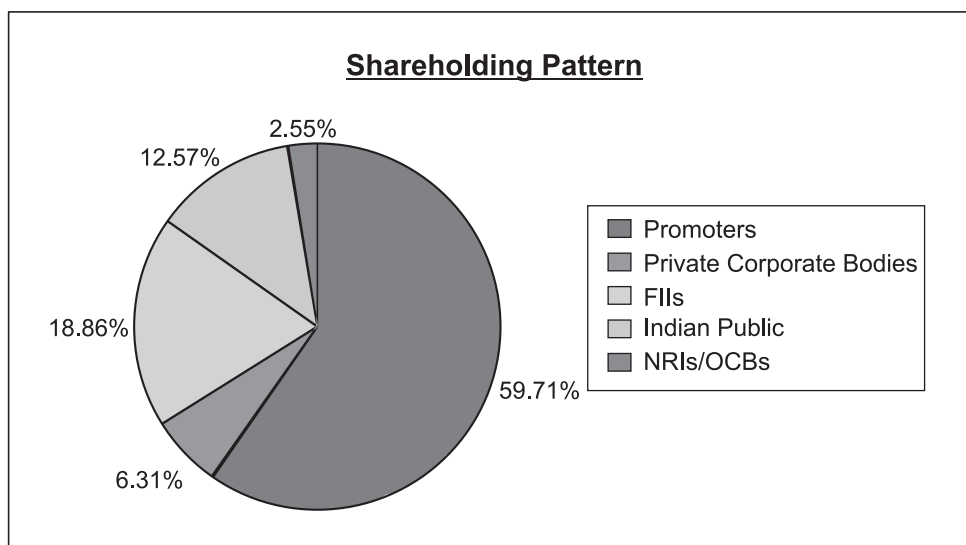
k. Distribution of shareholding as on March 31, 2012

Category	Cases	% of Cases	Amount (₹)	% Amount
upto 1 – 5000	3,256	87.46	44,75,750.00	2.32
5001 – 10000	168	4.51	12,97,470.00	0.67
10001 – 20000	111	2.98	15,52,330.00	0.81
20001 – 30000	45	1.21	10,83,170.00	0.56
30001 – 40000	22	0.59	7,55,850.00	0.39
40001 – 50000	27	0.73	12,09,190.00	0.63
50001 – 100000	31	0.83	22,68,930.00	1.18
100001 & ABOVE	63	1.69	18,00,60,290.00	93.44
Total:	3,723	100.00	19,27,02,980.00	100.00

Shareholding Pattern as on March 31, 2012

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	8	2597226	2597226	13.48	13.48	—	—
	(b) Central Government/ State Government(s)	—	—	—	—	—	—	—
	(c) Bodies Corporate	2	2317734	2317734	12.03	12.03	—	—
	(d) Financial Institutions/ Banks	—	—	—	—	—	—	—
	(e) Any Other (specify)	—	—	—	—	—	—	—
	Sub-Total (A)(1)	10	4914960	4914960	25.51	25.51	—	—
	(2) Foreign							
	(a) Individuals (Non-Resident Individuals/ Foreign Individuals)	2	281325	281325	1.46	1.46	—	—
	(b) Bodies Corporate	2	6309764	6309764	32.74	32.74	—	—
	(c) Institutions	—	—	—	—	—	—	—
	(d) Any Other (specify)	—	—	—	—	—	—	—
	Sub-Total (A)(2)	4	6591089	6591089	34.20	—	—	—
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	14	11506049	11506049	59.71	59.71	—	—
(B)	Public shareholding							
	(1) Institutions							
	(a) Mutual Funds/ UTI	4	436416	436416	2.26	2.26	—	—
	(b) Financial Institutions/ Banks	1	112	112	0.00	0.00	—	—
	(c) Central Government/ State Government(s)	—	—	—	—	—	—	—
	(d) Venture Capital Funds	—	—	—	—	—	—	—
	(e) Insurance Companies	—	—	—	—	—	—	—
	(f) Foreign Institutional Investors	7	3634694	3634694	18.86	18.86	—	—
	(g) Foreign Venture Capital Investors	—	—	—	—	—	—	—
	(h) Any Other (specify)	—	—	—	—	—	—	—
	Sub-Total (B)(1)	12	4071222	4071222	21.13	21.13	—	—
	(2) Non-institutions							
	(a) Bodies Corporate	161	1215154	1208554	6.31	6.31	—	—
	Individuals –							
	i. Individual shareholders holding nominal share capital up to ₹ 1 lakh.	3413	1115796	994451	5.79	5.79	—	—
	ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh.	33	869957	820322	4.51	4.51	—	—
	(c) Any Other (specify)							
	Non Resident Indians	73	490760	489410	2.55	2.55	—	—
	Trust	3	204	204	0.00	0.00	—	—
	Clearing Members	14	1156	1156	0.01	0.01	—	—
	Sub-Total (B)(2)	3697	3693027	3514097	19.16	19.16	—	—
	Total Public Shareholding (B)= (B)(1)+(B)(2)	3709	7764249	7585319	40.29	40.29	—	—
	TOTAL (A)+(B)	3723	19270298	19091368	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)	3723	19270298	19091368	100.00	100.00	—	—

Shareholding pattern as on March 31, 2012



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 99.07% of total equity shares of the company are held in dematerialized form with NSDL & CDSL as on March 31, 2012.

m. Liquidity

Zodiac Clothing Co. Ltd. Equity Shares are actively traded on the Stock Exchanges i.e., The BSE 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,
Visweshwaraiah Industrial Area, Whitefield Road,
Mahadevapura Post, Bangalore - 560 048.
3. No. 107 & 108, 4th 'C' Cross, 5th Block,
Koramangala Industrial Layout,
Bangalore - 560 095
4. No.9B, 2nd Phase, Bommasandra Industrial Area,
Hebbagudi Village, Anekal Taluka, Bangalore - 560 099

(II) Gujarat: –

1. A-1, 181/1, GIDC, Umbergaon, Valsad, Gujarat - 396 171
2. C-2/7, GIDC Industrial Area, Umbergaon, Valsad,
Gujarat - 396 171
3. Plot No. 411, Phase III, GIDC, Umbergaon, Valsad,
Gujarat - 396 171
4. Shed No. A/2/507, 3rd Phase, GIDC Industrial Area,
Umbergaon, Valsad, Gujarat - 396 171

(III) Mumbai: –

1. A to Z Industrial Premises Co-op. Society Ltd.,
G.K. Marg, Lower Parel, Mumbai - 400 013

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 205C 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, 2004.

q. CEO / CFO certification

As required by Clause 49 of the Listing Agreement, the CEO / CFO certificate is provided on page no. 40.

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 2011-12, 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 requirements 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
Zodiac Finsec and Holdings Limited	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

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
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

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
<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

NAME OF THE COMPANY	BOARD POSITION HELD
Castrol India Limited	Chairman
Philips Electronics India Limited	Chairman
Tata Trustee Co. Limited	Chairman
IL & FS Investment Managers 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
Chandras Chemical Enterprises Private Limited	Director
Rabo India Finance Limited	Director
Door Sabha Nigam Ltd.	Director
<u>COMMITTEE MEMBERSHIP</u>	
<u>AUDIT COMMITTEE</u>	
Bhoruka Power Corp. Ltd.	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
Castrol India 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

NAME OF THE COMPANY	BOARD POSITION HELD
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

NAME OF THE COMPANY	BOARD POSITION HELD
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
Mahindra & Mahindra Ltd.	Director
The Indian Hotels Co. Ltd.	Director
Exide Industries Ltd.	Alternate Director
<u>COMMITTEE MEMBERSHIPS</u>	
<u>AUDIT COMMITTEE</u>	
GSK Pharmaceuticals Ltd.	Chairman
Mahindra & Mahindra Ltd.	Chairman
Siemens Ltd.	Member
The Indian Hotels Co. Ltd.	Member
<u>SHAREHOLDERS / INVESTOR GRIEVANCE COMMITTEE</u>	
GSK Pharmaceuticals Ltd.	Chairman

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

NAME OF THE COMPANY	BOARD POSITION HELD
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
Colosseum Sports & Recreation International	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

NAME OF THE COMPANY	BOARD POSITION HELD
Can Fin Homes Limited	Chairman
Writer Relocasia, Hong Kong	Chairman
KSK Energy Ventures Ltd.	Director
KSK Power Ventur Plc.	Director
P. N. Writer and Company Pvt. Ltd.	Director
KSK Electricity Financing India Pvt. Ltd.	Director
Writer Lifestyle P. Ltd.	Director
Writer Safeguard P. Ltd.	Director
IDMC Limited	Director
Kannada Prabha Publications Ltd.	Director
Wardha Power Company Limited	Director
KSK Mahanadi Power Company Limited	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 India Pvt. Ltd.	Chairman
Writer Lifestyle P. Ltd.	Chairman
Writer Safeguard P. Ltd.	Chairman
Writer Relocasia Hongkong	Chairman
* Listed companies	

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

NONE

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

NAME OF THE COMPANY	BOARD POSITION HELD
Zodiac Finsec and Holdings Limited	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

NAME OF THE COMPANY	BOARD POSITION HELD
Zodiac Finsec and Holdings Limited	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 2012 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 been 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 2012.

A.Y. NOORANI
Vice-Chairman & Managing Director

ANEEL SARAFF
Vice-President (Accounts)

Place : Mumbai
Date : May 29, 2012

MANAGEMENT DISCUSSION AND ANALYSIS

A. OVERVIEW:

The demand situation for the branded clothing industry in India started on a very positive note. The first half of the year showed extremely healthy double-digit growth. With the onset of the festive season commencing with Onam in Kerala, Durga Puja in the East and Dassera nationwide showing strong growth, Diwali sale was almost certain to be a blockbuster. However, the demand situation for Diwali took a somersault and was far below expectations. The huge inventory levels in the clothing chain brought forward from the previous financial year were somewhat lower than the levels during 2011-12. However, they were still inordinately high, which made almost all brands in our segment continue to discount heavily from the beginning of the year – this was also (in the case of most brands) partly because of the pass through of the impact of cotton prices/Excise Duty not having been fully absorbed by the consumer. Post Diwali, this discounting gained further momentum due to the business model of most brands.

The demand situation during the second half was highly erratic and one saw, alternatively, sporadic spikes and troughs, where, in one month there would be handsome double-digit growth, the next would be flat and the third would be negative.

The pattern of growth of players varied for the full year, with the players offering discounts/soft terms like consignment basis/stock correction, being sharply higher than those who did not.

The situation for the premium segment, in which the company is an important player, is that it has grown in double digits propelled by discounting (almost all players – Zodiac being the notable exception – discounted virtually round the year).

Projections for the branded clothing market by serious institutions indicate that the business should reach ₹ 1,855 bn by 2016, CAGR of 7% vs. CAGR of 6.4% from 2006 – 2011. The projections indicate the increase would be driven primarily by volumes - realisations would increase only marginally.

The extreme volatility witnessed during the second half of 2011-12 suggests that the consumer in this segment has been suffering from lack of the “feel good” factor, largely due to the economic and political situation, both in India as well as globally, especially the extreme turbulence in the Euro Zone, whose reverberations have been felt worldwide.

Volatility in the forex markets, besides the challenges posed by cotton fabric prices (raw cotton prices declined

March – April 2012 onwards, but the pass through of the cotton price decline to fabrics supplied to the industry became really visible only in the last quarter of the financial year) have impacted the industry margins. The Euro Zone crises continued to escalate through the period, and the demand situation in the U.S. also showed an erratic pattern, both of which crimped demand. This was further exacerbated by the Rupee plunging in value post September 2011 and appreciating post December 2011, (only to collapse again post April 2012). The popular perception that the decline in the value of the Rupee would mean windfall profits for the exporting community (including clothing) has to be taken with a pinch of salt; the volatility has in fact, posed fresh challenges. Serious players whose philosophy is that they are in the business of clothing and not forex, are increasingly covering their exposures immediately on receipt of orders, which means that any depreciation in the Rupee thereafter does not impact their bottom line for several months. In the short term, they have to take a hit on their Profit & Loss account due to the MTM required under the prescribed Accounting Standard.

Meanwhile, because of the Rupee depreciation, importers from the two major markets started looking for sharper pricing, which meant that the exporters would end up receiving not very much more in Rupee terms. (This also meant a large chunk of orders could not be accepted by companies not willing to compromise margins). Given this, when the Rupee changes direction, especially as it did post December 2011, and starts appreciating, the exporters are often left between the devil and the deep blue sea for the next round of orders, where they have had to commit on the basis of a weaker Rupee, but are confronted with a stronger Rupee when they actually need to cover their exposure.

With the consumer demand in the two major markets having contracted, the industry has had, necessarily, to look to grow in other markets, which really is a blessing in disguise.

The exports of India's clothing (cotton / manmade / wool / others) from April 2011 – February 2012 was ₹ 58,218 crores vs. ₹ 45,499 crores in the corresponding period in 2010-2011. In terms of U.S.Dollars, April 2011- February 2012 was USD 12.2 bn. vs. approximately USD 10 bn in the previous year.

The Government policy of encouraging the development of new markets through the Special Focus Market Scheme, will play an important role in the thrust into new markets.

Our competitor countries, despite facing the same demand/pricing situation and cotton price handicap, had

the benefit of not suffering from the political uncertainty, and consequent policy paralysis that India has, have been better placed to protect their market share. The volatility in their local currencies has been lower than that of the Rupee.

China's labour has increasingly been diverted to products which are higher up the value chain. The Chinese are reportedly trying to counter this for labour-intensive products like clothing by pushing development in the less developed regions of China, where there is still availability of suitable labour. The situation vis-a-vis China's own production for export being a smaller threat for the sourcing of clothing as they have been, has presented some opportunity, although China has diversified not insignificant portions of their export production base to countries like Vietnam, Cambodia, Bangladesh, etc.

Matters have not been made any easier by delaying of the announcement of the EXIM Policy until early-June 2012. This means that the clothing export industry did not know the vital factors affecting them such as the continuation or otherwise of the two Focus Market Schemes, viz., the Special Focus Market Scheme and the Market-linked Focus Product Scrip.

The all industry Duty Drawback rates which had to be aligned to the changes in Excise/Service Tax post the Budget presented mid-April 2012, are also to be announced. The Service Tax regime has undergone a radical change and the rationalization for non-payment of Service Tax by exporters in the first instance effected in the hitherto existing procedure was almost totally undone, with a promise that this would be revisited in due course.

A CBDT circular which had clarified that the remittance of commission paid to non-residents for export of goods from India would not require tax to be deducted at source was withdrawn abruptly, giving rise to a huge amount of needless appeals/litigation despite decisions at various levels of the judiciary in favour of assesseees. An exporter is now required to deduct TDS on commission paid to an agent or get a NOC from the Assessing Officer in advance that it need not be deducted. This TDS would not be absorbed by the agent, who is not dependent for supply of clothing only on India, and can easily switch to other countries as a source of supply.

The reality that India cannot export its taxes has not percolated to all levels of Government, although the levels at which the industry interacts appreciates that this is impossible. However, these levels are not able to have these recurring problems addressed, and change the mindset of the forces which try to sneak in provisions that would require exporters to export India's taxes. The result is that every time there is a need for greater

revenue, some such provision is created which then takes huge amounts of time and a herculean effort to reverse.

B. INDUSTRY STRUCTURE AND DEVELOPMENT:

The tremendous potential for robust growth in the export of clothing from India seems to have passed India by yet again – to be fair, the major markets for Indian clothing, viz the USA and the EU including the UK, continue to suffer from economic malaise, with the crisis in Europe deepening. This requires India to pursue new markets with extreme focus. To be able to do this, the Government has to address the issue of “export of India's taxes” forthwith. The anomalies presented by major provisions in direct and indirect taxation, such as TDS on commission paid for procuring export orders, lack of clarity on which of the new services included in Service Tax not being applicable/being refundable through enhanced Duty Drawback to exporters, as well as the list of services where Service Tax is not required to be paid by the exporter in the first instance having been pruned substantially, the lack of a coherent, simplified procedure under Central Excise for exclusion of clothing exporters from having to comply with Excise formalities, and no clear-cut guidelines on export samples (for which a Policy was in place in the past and which has not been adopted when Excise was reintroduced in March 2011) need to be addressed. Another issue is Cost Audit being made mandatory to all companies which are engaged in production of various products where the aggregate turnover exceeds ₹ 100 crores during the three preceding financial years, or where the company's equity is listed on any stock exchange requiring cost accounting records to be audited by a Cost Auditor, effective 1st April, 2012. This order supercedes an earlier order to merely appoint a Cost Auditor for Cost Compliance Report. This is something that would provide the international buyer all the data he would require to negotiate and beat down prices on Indian clothing, besides adding to cost. The industry has requested the Government to consider increasing the turnover criteria, as well as to exclude listed companies so as to give relief to exporters who are listed on the stock exchanges and have an aggregate turnover of over ₹ 100 crores in the preceding 3 years. These are some burning issues the industry faces, which need to be resolved post haste.

The bi-lateral FTA with the EU is now projected to be signed in November 2012 and be operational from April 2013 – we hope these projections are fulfilled, unlike in the past, because the effort to grow this market should commence before the EU emerges from its present low ebb. To recapture the market share lost to countries like Bangladesh, an extremely focused combined effort of the industry and Government acting as a team is vital.

The High-level Committee appointed by the Government to reconcile the rate of Duty Drawback with the increase

of Excise Duty and the impact of other changes in the Budget, is looked forward to with the hope that it would neutralize the additional costs suffered by the industry.

While on the subject, the industry also looks forward to the DGFT aligning the Special Focus Market Scheme, with the new markets they have identified after the Policy was announced.

The Technology Up-gradation Fund Scheme (TUFS) also needs to be compatible with today's needs of the market/industry, since investment in state-of-the-art weaving/processing facilities, as well investments to reduce production costs on successive stages after spinning, is not attracting adequate investment as yet.

Foreign investment in single brand retail has been liberalized. One has seen a flurry of applications in recent weeks from international companies, including from the clothing industry, who want to build a presence in our markets. This increased activity in the marketplace will serve to increase the size of the market, and we look at it as a positive.

The Government steps to rekindle the demand and eliminate the negative sentiment are looked forward to with keen anticipation.

C. OPPORTUNITIES AND THREATS:

Domestic consumption in China is consistently rising. The workforce available to the clothing industry is shrinking appreciably. Consequently, a void is being created in China's production for export markets, which they are trying to fill with production from Bangladesh, Vietnam and Cambodia. This presents an opportunity for India, since, besides China, only India has the entire clothing chain i.e. from raw material, (e.g. raw cotton) to finished clothing.

The perception that labour available in India is abundant has changed drastically after NREGA (National Rural Employment Guarantee Act) has diluted the availability of labour, which continues to suffer from productivity being far below not only that of our competing countries, but also the productivity achieved by Indian labour working in the industry overseas, in an environment of enlightened laws.

Notwithstanding the situation in the two major markets, given the depreciation of the Rupee, and the situation in the industry described above, reduction in the prices of raw cotton (not all of which has been passed through to fabric), the huge appetite of both the US and the EU to export to India requiring a quid pro quo to facilitate trade in both directions, leading to a potential FTA with the EU, present an opportunity for India to gain market share, albeit of a smaller (market) pie for the present.

There is strong potential for India to build new markets – it needs to be noted that the Asian region (excluding

the Middle East) is the second largest regional trading area after Europe, where a large part of the intra-Asian trade continues to be harvested by China. This has a potential to change, and therefore, India has great scope to increase its share. Aggressive efforts to build new markets can yield rich dividends.

With the portfolio of Finance being held directly by the Prime Minister, one looks forward to strong measures to resurrect demand by quick roll-out of reforms and further liberalisation across the board.

The cost disabilities (referred to above) emanating from the Budget 2012-13, have further eroded the competitiveness of the industry and this needs to be addressed immediately.

The depreciation of the Rupee, contrary to popular perception, when it is accompanied by the kind of volatility we have seen since September 2011, is in fact, a threat as well, because this invites pricing pressures from customers for sharper pricing.

Inflation, which continues to remain stubbornly high, is another threat which is not receding yet.

Heavy concentration within the international business segment, that too on just two markets, is a continuing threat to this segment.

Reports of Naxalbari activities growing in Tamil Nadu, which traditionally has had tranquil industrial relations, is a matter of concern.

The underlying demand situation in India continues to show tremendous promise, despite the erratic and sharp swings during the last financial year. When this situation stabilises and there is consistency in the growth pattern, given the latent demand, the clothing industry in India would have reached the inflection point. It is not a matter of whether this will happen, only when it will happen.

Given the scenario above, the company's leadership position in its Branded business is being maintained with its focus on growing the company-run stores, without diluting the thrust in other channels, i.e. independent retailers and national chains. The emphasis continues to be to add value in terms of quality and fashion content.

Long term brand building measures, as well as the quest for viable new locations for company-run stores, continues with full vigour.

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 invests surplus funds in the investment segment.

The Geographical Segment is identified and given below:

Year Ended 31st March 2012

	(₹/Lakhs)		
	India	Rest of the World	Total
Segment Revenue	17,593	14,002	31,595
Carrying Cost of Segment Asset	24,666	1,161	25,827
Addition to Fixed Assets	1,852	–	1,852

E. OUTLOOK:

Despite the prices of cotton having come down from April/May 2011, the impact became visible in the pricing of fabric only in the last quarter of the financial year. However, prices of raw cotton, and consequently fabric, are still higher than they were before cotton prices flared up in the second half of the calendar year 2010. Besides, fabric prices have not yet declined pro-rata to the decline in prices of raw cotton.

With inflation continuing to be high, costs have been higher despite the steps taken to contain them. Besides, sharp depreciation of the Rupee, while being a positive in the long term, has affected the industry by virtue of the extreme volatility.

The depreciating Rupee has also invited pressure from international customers for sharper pricing, which they need to combat the dampened demand situation due to the continuing economic crises in their markets (the EU and the US). Thus, some quantum of business cannot be accepted due to margin pressure.

The weaving sector continues to drag its feet on investments in upgradation and modernisation and is therefore, not competitive vis-a-vis its international counterparts. Fabric from international sources cost more in Rupee terms, but exporters of clothing enjoy the benefit of a natural hedge since they are exporting and realising forex at the lower levels of the Rupee, albeit with some delay.

The inherent advantages India has, can, if harmonised properly, produce a really winning combination between spinning, weaving and manufacturing of clothing (in which direction efforts are being made) since only India has the entire textile chain, apart from China. Since China cannot directly harvest this opportunity fully presently for reasons discussed, this could be a window of opportunity for India, given its other benefits in terms

of design, being a functioning democracy, etc. However, the need to improve labour productivity continues to be a priority towards achieving this.

The industry looks forward to proactive participation from the Government in various areas such as expediting the FTA with the EU (which would blunt the impact of Bangladesh to a large extent), quick reconciliation of the duty drawback to the impact of the budget, the Special Focus Market Scheme being aligned to the markets identified recently by the DGFT at the earliest, so as to be able to build new markets which hold out promise.

In the branded business, reaching the inflection point, which can happen only after consistent growth for a reasonable period, is something which is palpable. The medium and long term outlook continues to hold promise. The negative sentiment will ebb with every step the government takes to stimulate demand.

The strategy for the company in all its three businesses, i.e. the design-driven international business, the branded business and the company-owned retail business, is based on the medium to long term outlook and not on the short term outlook.

F. RISKS & 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 US 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 bilateral/preferential treaties with the US and the EU are a continuing risk.

Prices of cotton fabrics produced in India can go down only when investments are made in modernisation and upgradation.

We hope to see the volatility witnessed from December 2011 stabilise soon. The level of labour productivity has to match that of our competing countries, especially since inflation is continuously driving wages up.

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 those 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:

	(₹ in Lakhs)	
	2011-12	2010-11
Total Operational Revenue	31,595	29,526
Profit Before Taxation	1,404	3,074
<u>Provision for Taxation:</u>		
Current Tax	322	621
Deferred Tax	(16)	123
Profit After Taxation	1,098	2,330
Short Provision for Taxation	—	—
Profit for the Year	1,098	2,330
Balance of Profit Brought Forward	9,689	8,339
Profit Available for Appropriation	10,787	10,669
<u>Appropriations:</u>		
Transfer to General Reserve	110	235
Proposed Final Dividend & Interim Dividend	578*	641
Tax on Proposed Final Dividend	62	104
Balance Carried Forward	10,037	9,689
Total	10,787	10,669

* including Interim Dividend.

Turnover & Profits:

Your Directors wish to inform you that during the financial year ended 31st March 2012, the operational revenue of the company increased 7% to ₹ 31,595 lakhs vs. ₹ 29,526 lakhs in the previous year. The net profit before tax stood at ₹ 1404 lakhs as against ₹ 3074 lakhs in the previous year. The net profit after tax for financial year ended 31st March 2012, stood at ₹ 1098 lakhs as against ₹ 2330 lakhs in the previous financial year.

The interest cost is 0.24% 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 ₹ 12,82,10,640/- to ₹ 19,27,02,980/-

as a result of allotment of 64,10,532, bonus shares and 38,702 shares issued under the ESOP Scheme.

- The Board had distributed an interim dividend of 10% for the year 2011-2012 and has recommended a final dividend (subject to approval of shareholders) of 20% for the year 2011-12 on the enhanced share capital, pursuant to the issue of bonus shares and shares issued under the ESOP Scheme.
- Zodiac Properties Limited, the SPV set up to acquire the property for the UK operations, continues to gainfully employ the residential floor by leasing it. As the authorities have not granted requisite permission for an additional floor in the area to anybody, the Company has now awarded a contract for restoration of the office floors. Since the property is located in close proximity to some of our customers in Central London, the office portion is proposed to be used for our U.K. operations, hopefully before the end of the calendar year.
- As of 31st March 2012, the company had 103 stores. 28 new stores were opened (margins were impacted due to several stores being in gestation) and 9 were closed during the year, a net increase of 19 stores. 3 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 promising for the branded business including the company-run retail business.

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 increased from ₹ 51.5 crores to ₹ 70 crores, for the financial year 2012-13. (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 caliber. The Company recognizes the need for continuous growth and development of its employees to meet their objectives for a career path to equip them to meet growing organizational 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.

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, 2012, 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 2012, 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 representations made by the management, we certify that the Company has complied, in all

material respects, 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,
May 29, 2012

Rajesh K. Hiranandani
Partner
(Membership No : 36920)



Roreto

ZODIAC

FINEST QUALITY SHIRTMAKERS



Super 140's
ZODIAC



Wool Silk
ZODIAC





Visconti

ZODIAC

FINEST QUALITY SHIRTMAKERS

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, 2012, the Statement of Profit and Loss 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 Statement of Profit and Loss 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 Statement of Profit and Loss 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, 2012;
 - (b) in the case of the Statement of Profit and Loss, 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, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 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: May 29, 2012

Rajesh K. Hiranandani
Partner
Membership No: 36920

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, 2012)

(i) Having regard to the nature of the Company's business/activities/result, clauses (vi), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) 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 in respect of fixed assets verified during the year.

(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 had granted an unsecured loan in earlier years to a company. At the year-end, the outstanding balance of such loans is ₹ 177,139,758/- and the maximum amount involved during the year was ₹ 199,649,758/- (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 ₹ 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) 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.

(viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(ix) 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 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 in arrears as at 31st March, 2012 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income tax, Sales tax, Service tax, Custom duty, Wealth tax, Excise duty and Cess which have not been deposited as on 31st March, 2012 on account of disputes are given below:

Name the of Statute	Nature of the Dues	Forum where dispute is pending	Amount (in ₹)	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	Commissioner of Income Tax Appeal, Mumbai	1,513,342	A.Y. 2003-04
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax Appeal, Mumbai	47,379,296	A.Y. 2005-06
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (TDS), Mumbai	159,653	A.Y. 2006-07
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax Appeal, Mumbai	17,403,631	A.Y. 2006-07
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax Appeal, Mumbai	424,604	A.Y. 2007-08
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (TDS), Mumbai	70,269	A.Y. 2007-08
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (TDS), Mumbai	265,686	A.Y. 2008-09
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

Name the of Statute	Nature of the Dues	Forum where dispute is pending	Amount (in ₹)	Period to which the Amount relates
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 and Penalty	Assistant Commissioner of Commercial Taxes, Kolkata	709,091	F.Y. 2003-04
The Bombay Sales Tax Act, 1959	Sales Tax, Interest and Penalty	Joint Commissioner of sales Tax Appeal (II) Mumbai	1,138,300	F.Y. 2002-03
The Bombay Sales Tax Act, 1959	Sales Tax, Interest and Penalty	Joint Commissioner of sales Tax Appeal (II) Mumbai	309,712	F.Y. 2002-03
The Central Sales Tax Act, 1956	Sales Tax, Interest and Penalty	Joint Commissioner of sales Tax Appeal (II) Mumbai	88,800	F.Y. 2002-03

- (x) The Company has no accumulated losses as at 31st March, 2012 and has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) 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. The Company has not borrowed from any financial institution and has not issued any debentures.
- (xii) 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.
- (xiii) 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.
- (xiv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

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

Rajesh K. Hiranandani
Mumbai,
Dated: May 29, 2012
Partner
Membership No : 36920

BALANCE SHEET AS AT 31ST MARCH, 2012

Particulars	Note No.	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
A. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share capital	2	192,702,980	128,210,640
(b) Reserves and surplus	3	1,452,390,914	1,466,199,927
		1,645,093,894	1,594,410,567
2. Non-current liabilities			
(a) Long-term borrowings	4	2,900,000	5,220,000
(b) Deferred tax liabilities (net)	37	29,334,031	30,941,330
(c) Long-term provisions	5	8,620,635	5,764,243
		40,854,666	41,925,573
3. Current liabilities			
(a) Short-term borrowings	6	466,450,003	351,689,715
(b) Trade payables	7	243,242,624	229,192,025
(c) Other current liabilities	8	119,097,983	118,596,996
(d) Short-term provisions	9	68,008,827	103,754,482
		896,799,437	803,233,218
TOTAL		2,582,747,997	2,439,569,358
B. ASSETS			
1. Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10A	623,084,880	539,624,672
(ii) Intangible assets	10B	12,723,252	4,434,229
(iii) Capital work-in-progress	10C	192,488,542	160,189,219
(iv) Intangible assets under development	10D	6,096,974	11,100,358
		834,393,648	715,348,478
(b) Non-current investments	11	113,539,974	113,539,974
(c) Long-term loans and advances	12	253,524,078	231,858,704
		367,064,052	345,398,678
TOTAL		1,201,457,700	1,060,747,156
2. Current assets			
(a) Current investments	13	71,520,368	148,206,504
(b) Inventories	14	704,333,631	689,329,828
(c) Trade receivables	15	184,607,439	212,494,327
(d) Cash and cash equivalents	16	86,976,335	54,614,956
(e) Short-term loans and advances	17	333,363,357	273,110,136
(f) Other current assets	18	489,167	1,066,451
		1,381,290,297	1,378,822,202
TOTAL		2,582,747,997	2,439,569,358
See accompanying notes forming part of the financial statements	1-47		

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

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

Rajesh K Hiranandani
Partner

A. Y. NOORANI
Vice Chairman & Managing Director

Place : Mumbai
Dated: 29th May, 2012

OMPRAKASH SINGH
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

Particulars	Note No.	For the year ended 31 st March, 2012 ₹	For the year ended 31 st March, 2011 ₹
1. Revenue from operations (gross)	19	3,159,501,113	2,952,620,034
Less: Excise duty		78,741,913	6,606,653
Revenue from operations (net)		3,080,759,200	2,946,013,381
2. Other income	20	82,515,491	56,503,025
TOTAL REVENUE (1+2)		3,163,274,691	3,002,516,406
3. Expenses			
(a) Cost of materials consumed	21A	1,175,693,257	1,095,204,589
(b) Purchases of stock-in-trade	21B	199,341,061	189,801,226
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	21C	(82,745,446)	(61,112,752)
(d) Employee benefits expense	22	544,095,746	498,917,212
(e) Finance costs	23	28,593,896	20,622,644
(f) Depreciation and amortisation expenses	10	62,749,114	52,335,573
(g) Other expenses	24	1,104,049,869	985,357,098
TOTAL EXPENSES		3,031,777,497	2,781,125,590
4. Profit before exceptional items and tax		131,497,194	221,390,816
5. Exceptional items	25	8,936,321	85,999,464
6. Profit before tax		140,433,515	307,390,280
7. Tax expense:			
(a) Current tax expense		32,200,000	62,100,000
(b) Deferred tax	37	(1,607,299)	12,263,460
8. Profit for the Year from continuing operations		109,840,814	233,026,820
9. Earnings per share (of ₹ 10/- each):			
(a) Basic	42	5.71	12.26
(b) Diluted	42	5.69	12.19
See accompanying notes forming part of the financial statements	1-47		

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

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

Rajesh K Hiranandani
Partner

A. Y. NOORANI
Vice Chairman & Managing Director

Place : Mumbai
Dated: 29th May, 2012

OMPRAKASH SINGH
Company Secretary

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2012

	₹	Current Year ₹	₹	Previous Year ₹
A. Cash flows from operating activities				
Profit before Taxation and Extraordinary items		140,433,515		307,390,280
Adjustments for:				
Depreciation and amortization	62,749,114		52,361,140	
Provision for Doubtful Debts and Advances	212,074		1,497,116	
Provision for Doubtful Debts written back	(1,202,712)		–	
Provision for Wealth Tax	350,000		360,000	
Assets Discarded Written off	3,737,194		5,367,780	
Exchange Loss/(Gain on revaluation)	11,566,320		(2,906,568)	
Profit on Sale of Leasehold Land	(8,936,321)		–	
Loss/(Profit) on Sale of Fixed assets(Net)	–		993,856	
Profit on Sale of Current Investments	(12,588,108)		(2,114,498)	
Profit on Sale Non Current Investments	–		(85,999,464)	
Dividend Income from Investments	(39,325,639)		(1,535,657)	
Interest Expense	6,458,622		5,062,820	
Interest Income	(18,385,969)		(25,617,870)	
		<u>4,634,575</u>		<u>(52,531,345)</u>
Operating Profit before working capital changes		145,068,090		254,858,935
Adjustments for:				
Trade and other receivables	(58,733,164)		(23,625,799)	
Inventories	(15,003,803)		(189,731,398)	
Trade and other Payables	10,523,954		57,998,988	
		<u>(63,213,013)</u>		<u>(155,358,209)</u>
Cash from operations		81,855,077		99,500,726
Direct taxes paid (Net)		(48,661,925)		(85,150,855)
Net cash generated from operating activities		33,193,152		14,349,871
B. Cash Flows from investing activities				
Purchases of Current Investments		(584,502,959)		(360,288,701)
Sale of Current Investments		673,777,203		315,394,159
Dividend Received		39,325,639		1,535,657
Advances and Loans to Subsidiaries(Net)		22,735,229		20,477,616
Interest Income		18,385,969		25,617,870
Purchase of fixed assets (including of Capital Advances)		(185,171,611)		(178,706,407)
Proceeds from sale of fixed assets		10,000,000		724,427
Net cash used in investing activities		(5,450,530)		(175,245,379)
C. Cash flows from financing activities				
Proceeds from short term borrowing		1,425,137,981		1,394,031,923
Repayment of short term borrowing		(1,322,451,085)		(1,344,104,717)
Repayment of long term borrowing		(2,320,000)		(7,402,739)
Issue of Shares at premium on exercising of Esops		4,392,880		39,510,380
Fixed deposit with Banks having Original maturity over 3 months		23,962,000		118,865,302
Interest Paid on Loans		(6,458,622)		(5,062,820)
Interim dividend paid		(19,270,298)		–
Dividends paid (including Dividend Distribution Tax)		(74,506,408)		(68,733,080)
Net cash Generated from financing activities		28,486,448		127,104,249
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)		56,229,070		(33,791,259)
Cash and cash equivalents as at the commencement of the year		14,677,947		48,469,208
Cash and cash equivalents as at the end of the year		70,907,017		14,677,949
Deposit with Original Maturity Over 3 months		14,800,000		38,762,000
Restricted Cash (Unclaimed Dividend Accounts)		1,269,318		1,175,007
Cash and cash equivalents as at the end of the year as per Note 16		86,976,335		54,614,956

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 and on behalf of the Board

FOR DELOITTE HASKINS & SELLS
Chartered Accountants

M. Y. NOORANI
Chairman

Rajesh K Hiranandani
Partner

A. Y. NOORANI
Vice Chairman & Managing Director

MUMBAI
Dated: May 29th, 2012

O. P. SINGH
Company Secretary

NOTES FORMING PART OF FINANCIAL STATEMENTS

1) 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 Statement of Profit and 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 non-current investments and current investments. Investments, which are intended to be held for more than one year, are classified as non-current investments and investments, which are intended to be held for less than one year, are classified as current investments. Non-current 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 Statement of Profit and Loss.

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 Statement of Profit and Loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Profit and Loss 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 Statement of Profit and Loss 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 Statement of Profit and Loss.
- 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 Statement of Profit and Loss 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	As at 31 st March, 2012		As at 31 st March, 2011	
	Number of shares	₹	Number of shares	₹
NOTE 2 : SHARE CAPITAL				
(a) Authorised				
Equity shares of ₹ 10/- each	30,000,000	300,000,000	20,000,000	200,000,000
(b) Issued, Subscribed and fully paid up				
Equity shares of ₹ 10/- each	19,270,298	192,702,980	12,821,064	128,210,640
TOTAL	19,270,298	192,702,980	12,821,064	128,210,640

Notes:

- (i) Rights, preferences and restrictions attached to equity shares :

The company has only one class of shares referred to as equity shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian Rupees. The dividend recommended by the Board of Directors is subject to the approval of the shareholders at the ensuing annual general meeting, except in the case of Interim dividend. In the event of the liquidation of the company the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts in the proportion of equity shares held.

- (ii) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Bonus	ESOP	Closing Balance
<u>Equity shares</u>				
Year ended 31 st March, 2012				
– Number of shares	12,821,064	6,410,532	38,702	19,270,298
– Amount (₹)	128,210,640	64,105,320	387,020	192,702,980
Year ended 31 st March, 2011				
– Number of shares	8,392,676	4,204,238	224,150	12,821,064
– Amount (₹)	83,926,760	42,042,380	2,241,500	128,210,640

- (iii) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31 st March, 2012		As at 31 st March, 2011	
	Number of shares held	% of holding	Number of shares held	% of holding
Equity shares with voting rights:				
Asia Tangible Investments Pte. Ltd.	3,154,882	16.37	2,103,255	16.40
Euro Global Holdings Pte. Ltd.	3,154,882	16.37	2,103,255	16.40
Miraj Marketing Company LLP	2,307,609	11.97	–	–
Zodiac Private Limited *	–	–	1,531,656	11.95
India Capital Fund Limited	1,840,873	9.55	1,227,249	9.57
Mohammed Yusuf Noorani **	1,691,448	8.78	1,245,774	9.72

* Zodiac Private Ltd. has merged with Miraj Marketing Pvt. Ltd. w.e.f. 23.12.2010 and Miraj Marketing Pvt. Ltd. has converted to LLP w.e.f. 24.01.2011.

** Out of 1,691,448 shares held by Mr. M.Y. Noorani (previous year 1,245,774), Following shares are held by him

(a) as Partner for and on behalf of Metropolitan Trading Company	244,170	488,340
(b) as Trustee for and on behalf of Yusuf Noorani Family Trust	18,990	12,660
(c) as Trustee for and on behalf of Anees Yusuf Noorani Family Benefit Trust	8,334	5,556

- (iv) As at 31st March, 2012, 520,722 shares (As at 31st March, 2011, 390,200 shares) were reserved for issuance towards outstanding employee stock options granted (Refer Note 43).

- (v) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:

Particulars	Aggregate number of shares	
	As at 31 st March, 2012	As at 31 st March, 2011
<u>Equity shares</u>		
Fully paid up by way of bonus shares	10,614,770	8,385,551

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
NOTE 3 : RESERVES AND SURPLUS		
(a) Capital Reserve		
Opening balance	—	17,629,958
Add : Additions during the year	—	—
Less : Applied during the year for issue of bonus shares	—	17,629,958
Closing balance	—	—
(b) Securities Premium Account		
Opening balance	288,675,185	275,818,727
Add : Received on issue of Shares on exercise of ESOP under Zodiac Clothing Company Limited Employee Stock Option Plan 2006	4,005,860	37,268,880
	292,681,045	313,087,607
Less : Applied during the year for issue of bonus shares	64,105,320	24,412,422
Closing balance	228,575,725	288,675,185
(c) General Reserve		
Opening balance	208,775,602	185,275,602
Add : Transferred from surplus in Statement of Profit and Loss	11,000,000	23,500,000
Closing balance	219,775,602	208,775,602
(d) Hedging Reserve		
Unrecognised Losses on cash flow hedges (net)		
Opening balance	(2,533,663)	(433,784)
Add / (Less) : Amount reversed on settlement of hedged contract	2,533,663	433,784
	—	—
Add / (Less) : Loss on mark to market of hedging instruments designated and effective as hedges of future cash flows	(2,020,887)	(2,533,663)
Closing balance	(2,020,887)	(2,533,663)
(e) State Cash Subsidy		
As per last Balance Sheet	1,584,350	1,584,350
(f) Amalgamation Reserve Account		
As per last Balance Sheet	816,433	816,433
(g) Surplus in Statement of Profit and Loss		
Opening balance	968,882,020	833,861,607
Add : Profit for the year	109,840,814	233,026,821
	1,078,722,834	1,066,888,428
Less : Transferred to General Reserve	11,000,000	23,500,000
Interim dividend (₹ 1/- per Share) (Previous Year ₹ Nil per Share)	19,270,298	—
Dividends proposed to be distributed to equity shareholders (₹ 2/- per Share) (Previous Year ₹ 5/- per Share)	38,540,596	64,105,320
Tax on dividend	6,252,249	10,401,088
Closing balance	1,003,659,691	968,882,020
TOTAL	1,452,390,914	1,466,199,927

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
NOTE 4 : LONG-TERM BORROWINGS		
Secured Term Loan From Bank	2,900,000	5,220,000
TOTAL	2,900,000	5,220,000

(i) Details of terms of repayment and security provided for the secured long-term borrowings:

Particulars	Terms of repayment and security	As at 31 st March, 2012 Secured ₹	As at 31 st March, 2011 Secured ₹
Citi Bank	Secured by way of hypothecation of machinery.	2,900,000	5,220,000
	Repayment of the balance outstanding loan in 9 equal quarterly instalment amounting to ₹ 580,000 from 1 st June, 2012.		
TOTAL		2,900,000	5,220,000

(ii) For the current maturities of long-term borrowings, refer items (a) in Note 8 Other current liabilities.

NOTE 5 : LONG-TERM PROVISIONS

Provision for employee benefits:

– Provision for compensated absences	8,620,635	5,764,243
TOTAL	8,620,635	5,764,243

NOTE 6 : SHORT-TERM BORROWINGS

Working Capital Loans:

From banks		
– Secured	214,272,444	237,048,571
– Unsecured	252,177,559	114,641,144
TOTAL	466,450,003	351,689,715

Note:

Details of security for the secured short-term borrowings:

Particulars	Nature of security	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
Citi Bank	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.	214,272,444	237,048,571

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
NOTE 7 : TRADE PAYABLES		
Trade Payables:		
Other than Acceptances	240,224,565	226,027,538
Dues of Micro and small enterprises (Refer Note 28)	3,018,059	3,164,487
TOTAL	243,242,624	229,192,025
NOTE 8 : OTHER CURRENT LIABILITIES		
(a) Current maturities of long-term borrowings*	2,320,000	3,257,500
(b) Interest accrued but not due on borrowings	397,092	107,623
(c) Interest accrued and due on borrowings	385,881	50,029
(d) Unpaid dividends	1,269,318	1,163,986
(e) Other payables		
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	19,959,272	18,725,040
(ii) Payables on purchase of fixed assets	31,318,960	14,741,246
(iii) Trade / security deposits received	196,782	196,782
(iv) Advances from customers	11,445,895	10,589,524
(v) Book overdraft from bank	8,805,179	21,257,260
(vi) Provision for bonus	40,968,178	39,351,269
(vii) Others	2,031,426	9,156,737
TOTAL	119,097,983	118,596,996
* Refer Note (i) in Note 4 - Long-term borrowings for details of security.		
NOTE 9 : SHORT-TERM PROVISIONS		
(a) Provision for employee benefits:		
(i) Provision for incentives	8,400,000	2,300,000
(ii) Provision for compensated absences	1,365,982	4,088,074
	9,765,982	6,388,074
(b) Provisions – Others:		
(i) Provision for Wealth Tax	350,000	360,000
(ii) Provision for Proposed Equity Dividend	38,540,596	64,105,320
(iii) Provision for Tax on Proposed Dividends	6,252,249	10,401,088
(iv) Provision for Commission to Managing Directors	13,100,000	22,500,000
	58,242,845	97,366,408
TOTAL	68,008,827	103,754,482

NOTES FORMING PART OF BALANCE SHEET AS AT MARCH, 2012

NOTE 10: FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION/AMORTISATION			NET BLOCK	
	As at April 1, 2011	Additions	Deductions/ Adjustments	As at March 31, 2012	As at April 1, 2011	for the year March 31, 2012	Deduction	As at March 31, 2012	As at March 31, 2011
A. TANGIBLE ASSETS									
Free Hold Land	42,549,771	–	–	42,549,771	–	–	–	42,549,771	42,549,771
Lease Hold Land	1,805,590	–	1,329,650	475,940	389,120	19,748	265,971	333,043	1,416,470
Building	73,389,143	1,703,968	–	75,093,111	24,790,249	2,133,376	–	26,923,625	48,598,894
Plant and Equipments	292,579,099	26,098,765	–	318,677,864	105,644,239	16,086,257	–	121,730,496	186,934,860
Furniture & Fixtures	183,865,480	54,414,586	–	238,280,066	51,642,294	13,657,794	–	65,300,088	172,979,978
Vehicles	35,618,015	–	5,461	35,612,554	10,883,091	3,276,071	5,461	14,153,701	24,734,924
Office Equipments	11,810,844	5,455,136	–	17,265,980	7,332,078	685,327	–	8,017,405	9,248,575
Lease hold Improvement	118,375,746	44,494,671	7,713,368	155,157,049	49,766,804	18,107,869	4,064,801	63,809,872	68,608,942
Computer	36,894,149	6,830,771	–	43,724,920	29,272,916	3,218,383	–	32,491,299	11,233,621
Electrical Installation	38,031,918	8,718,766	119,685	46,630,999	15,574,292	2,270,756	31,057	17,813,991	22,457,626
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
Previous Year	751,943,530	96,244,357	13,268,132	834,919,755	250,481,658	50,995,494	6,182,069	295,295,083	539,624,672
B. INTANGIBLE ASSETS (Acquired)									
Goodwill	15,699,501	–	–	15,699,501	15,695,726	1,887	–	15,697,613	3,775
Software	9,104,838	11,582,556	–	20,687,394	4,674,384	3,291,646	–	7,966,030	4,430,454
TOTAL	24,804,339	11,582,556	–	36,386,895	20,370,110	3,293,533	–	23,663,643	4,434,229
Previous Year	22,944,875	1,859,464	–	24,804,339	19,004,464	1,365,646	–	20,370,110	3,940,411
C. CAPITAL WORK IN PROGRESS	–	–	–	–	–	–	–	192,488,542	160,189,219
D. INTANGIBLE ASSETS UNDER DEVELOPMENT	11,100,358	3,435,918	8,439,302	6,096,974	–	–	–	6,096,974	11,100,358
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
Previous Year	751,943,530	96,244,357	13,268,132	834,919,755	250,481,658	50,995,494	6,182,069	295,295,083	539,624,672
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TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,168,164	973,468,254	295,295,083	59,455,581	4,367,290	350,383,374	539,624,672
TOTAL	834,919,755	147,716,663	9,16						

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
NOTE 11 : NON-CURRENT INVESTMENTS		
Non Current Investments (At cost unless otherwise stated)		
A) Trade (Unquoted):		
In equity shares of subsidiaries		
250 Equity Shares of CHF 1,000/- each fully paid up of Zodiac Clothing Company S.A., Switzerland.	6,591,000	6,591,000
TOTAL - TRADE (A)	6,591,000	6,591,000
B) Other Investments		
(i) In equity instruments of subsidiaries (Unquoted)		
2,000,000 Equity Shares of ₹ 10/- each fully paid up of Zodiac Finsec and Holdings Limited (Formerly Multiplex Collapsible Tubes Limited)	20,000,000	20,000,000
(ii) In equity instruments of other entities (Quoted)		
1,713,750 Equity Shares of ₹ 5/- each fully paid up of Shoppers Stop Ltd.	86,815,750	86,815,750
66 Equity Shares of ₹ 10/- each fully paid up of Aditya Birla Nuvo Ltd	84,609	84,609
830 Equity Shares of ₹ 1/- each fully paid up of Hindalco Industries Ltd.	43,202	43,202
108 Equity Shares of ₹ 1/- each fully paid up of Coramandel International Ltd.	5,203	5,203
7 Equity Shares of ₹ 10/- each fully paid up of Exide Industries Ltd	210	210
TOTAL - OTHER INVESTMENTS (B)	106,948,974	106,948,974
TOTAL (A+B)	113,539,974	113,539,974
Aggregate Value of Quoted Investments	86,948,974	86,948,974
Aggregate Market Value of Listed and Quoted Investments	667,106,736	591,674,613
Aggregate Value of Unquoted Investments	26,591,000	26,591,000

NOTE 12 : LONG-TERM LOANS AND ADVANCES

Unsecured, Considered Good, Unless Otherwise Stated

(a) Capital advances	1,261,986	2,685,532
(b) Security deposits (Refer Note below)	135,594,186	123,912,968
(c) Balances with government authorities		
(i) Sales Tax Deposits	7,669,887	6,987,537
(ii) Custom duty receivable	2,595,465	8,351,711
(iii) Service Tax credit receivable	2,519,732	2,519,732
(d) Prepaid expenses	333,971	314,298
(e) Advance Income Tax (Net of Provision)	103,548,851	87,086,926
TOTAL	253,524,078	231,858,704

Note : Long-term Loans and Advances Include Amounts Due From:

Particulars	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
Firms in which Directors are partners		
Metropolitan Trading Company	16,929,120	16,929,120
Munraz Enterprises	1,500,000	1,500,000

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
NOTE 13 : CURRENT INVESTMENTS (AT LOWER OF COST AND FAIR VALUE)		
In units of Mutual Funds (Unquoted):		
Nil (PreviousYear:3,866,826.50) Units of ₹ 10/- each of BNP Paribas Bond Fund Inst Growth	—	40,000,000
Nil (Previous Year : 4,502,008.81) Units of ₹ 10/- each of JP Morgan India Short Term Income Fund- Growth Plan	—	48,026,980
1,673.89 (Previous Year : 20,000) Units of ₹ 1000/- each of Pramerica Short Term Income Fund- Growth Option	1,800,000	20,000,000
42,173.18 (Previous Year : 9,139) Units of ₹ 1000/- each of Pramerica Short Term Bond Fund- Growth Option	48,200,000	9,524
Nil (PreviousYear: 21,011.70) Units of ₹ 1000/- each of Templeton India Short Term Income Retail Plan- Growth	—	40,170,000
920,606.86 (PreviousYear: Nil) Units of ₹ 10/- each of Templeton Floating Rate Income Fund Institutional Option- Growth	15,000,000	—
645,140.26 (PreviousYear: Nil) Units of ₹ 10/- each of IDFC Ultra Short Term Fund Monthly Dividend	6,520,368	—
TOTAL	71,520,368	148,206,504
Aggregate amount of unquoted investments	71,520,368	148,206,504

NOTE 14 : INVENTORIES (At lower of cost and net realisable value)

(a) Raw materials	191,235,297	248,397,967
Goods-in-transit	21,515,290	28,570,394
	212,750,587	276,968,361
(b) Work-in-progress	29,248,461	37,310,142
(c) Finished goods (other than those acquired for trading)	297,582,804	245,278,197
(d) Stock-in-trade (acquired for trading)	94,635,779	56,133,259
(e) Stores and spares	3,985,904	4,280,903
(f) Accessories and Packing Material	56,921,996	65,031,558
Goods-in-transit	5,731,469	1,662,068
	62,653,465	66,693,626
(g) Chemicals &Furnace oil etc	3,476,631	2,665,340
TOTAL	704,333,631	689,329,828

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
NOTE 15 : TRADE RECEIVABLES		
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Unsecured, considered good	8,493,976	5,320,623
Doubtful	12,382,908	13,373,546
	20,876,884	18,694,169
Less : Provision for doubtful trade receivables	12,382,908	13,373,546
	8,493,976	5,320,623
Other Trade receivables		
Unsecured, considered good	176,113,463	207,173,704
TOTAL	184,607,439	212,494,327

Note : Trade receivables include debts due from:

Particulars	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
Firms in which a director is a partner – Mashal Enterprises	–	207,119

NOTE 16 : CASH AND CASH EQUIVALENTS

(a) Cash on hand	2,830,696	1,132,780
(b) Remittances in Transit	8,965,858	7,416,971
(c) Balances with banks		
(i) In current accounts	56,702,284	4,959,682
(ii) In EEFC accounts	2,408,179	40
(iii) In deposit accounts (Refer Note below)	14,800,000	39,930,476
(iv) In earmarked accounts		
– Unpaid dividend accounts	1,269,318	1,175,007
TOTAL	86,976,335	54,614,956

Note:

Balances with banks include deposits amounting to 6,800,000 (As at 31st March, 2011 ₹ 33,590,467) which have an original maturity of more than 12 months.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
NOTE 17 : SHORT-TERM LOANS AND ADVANCES		
Unsecured, Considered Good unless other Statement		
(a) Loans and advances to related parties (Refer Note below)	178,104,811	200,853,591
(b) Loans and advances to employees		
– Good	6,164,351	6,049,409
– Doubtful	1,615,128	1,615,128
	<u>7,779,479</u>	<u>7,664,537</u>
Less : Provision for doubtful loans and advances	1,615,128	1,615,128
	<u>6,164,351</u>	<u>6,049,409</u>
(c) Prepaid expenses	3,466,811	3,364,556
(d) Balances with government authorities		
(i) CENVAT credit receivable	3,992,327	5,682,687
	<u>3,992,327</u>	<u>5,682,687</u>
(e) Others		
(i) Advances against goods and services	14,207,815	14,178,159
(ii) Defferred Premium on Loan	1,457,365	2,781,563
(iii) Export incentive receivable	43,495,567	30,021,755
(iv) Investment in Mutual Fund pending allotment	56,000,000	–
(v) LIC Gratuity Advance	20,762,676	9,048,777
(vi) Other balances	5,711,634	1,129,639
	<u>141,635,057</u>	<u>57,159,893</u>
Doubtful	563,885	563,885
	<u>142,198,942</u>	<u>57,723,778</u>
Less : Provision for other doubtful loans and advances	563,885	563,885
	<u>141,635,057</u>	<u>57,159,893</u>
TOTAL	<u>333,363,357</u>	<u>273,110,136</u>

Note : Short-term Loans and Advances Include Amounts Due From:

Particulars	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
Firm in which Directors are partners		
Mustang Manufacturing Company	–	13,551
Private company in which Directors are Directors		
Zodiac Finsec and Holdings Ltd.	178,104,811	200,840,040

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	For the year ended 31 st March, 2012 ₹	For the year ended 31 st March, 2011 ₹
NOTE 18 : OTHER CURRENT ASSETS		
(a) Accruals		
– Interest accrued on deposits	334,804	891,784
(b) Others		
– Insurance claims	154,363	174,667
TOTAL	489,167	1,066,451

NOTE 19 : REVENUE FROM OPERATIONS

(a) Sale of products (Refer Note (i) below)	3,017,315,536	2,815,397,271
(b) Other operating revenues (Refer Note (ii) below)	142,185,577	137,222,763
	<u>3,159,501,113</u>	<u>2,952,620,034</u>
Less :		
(c) Excise duty	78,741,913	6,606,653
TOTAL	3,080,759,200	2,946,013,381

Notes

Particulars	For the year ended 31 st March, 2012 ₹	For the year ended 31 st March, 2011 ₹
(i) Sale of products comprises:		
Manufactured goods		
Garment & Accessories	2,654,656,226	2,467,467,495
Traded goods		
Garment & Accessories	243,586,690	252,364,376
Fabric*	88,273,526	59,957,359
Accessories	30,799,094	35,608,041
* Includes sale of leftover fabric		
TOTAL	3,017,315,536	2,815,397,271
(ii) Other operating revenues comprise:		
Sale of scrap	7,845,101	3,038,884
Duty drawback and other export incentives	88,606,136	87,715,178
Recovery of Freight and insurance on sales	31,463,063	32,164,032
Royalty received	14,149,621	14,146,995
Commission received	121,656	157,674
TOTAL	142,185,577	137,222,763

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	For the year ended 31 st March, 2012 ₹	For the year ended 31 st March, 2011 ₹
NOTE 20 : OTHER INCOME		
(a) Interest income (Refer Note (i) below)	18,385,969	25,617,870
(b) Dividend income:		
from Current Investments		
Mutual Fund	44,531	23,093
from Non-Current Investments		
Subsidiaries	37,993,361	—
Investment in equity shares of listed company	1,287,747	1,512,564
(c) Net gain on sale of:		
Current Investments	12,588,108	2,114,498
(d) Net gain on foreign currency transactions and translation (other than considered as finance cost)	—	6,247,040
(e) Other non-operating income (Refer Note (ii) below)	12,215,775	20,987,960
TOTAL	82,515,491	56,503,025

Notes:

Particulars	For the year ended 31 st March, 2012 ₹	For the year ended 31 st March, 2011 ₹
(i) Interest income comprises:		
Interest on Bank deposit	1,314,094	6,238,019
Interest on loans and advances	16,761,703	19,051,835
Other interest	310,172	328,016
TOTAL	18,385,969	25,617,870
(ii) Other non-operating income comprises:		
Liabilities / provisions no longer required written back	9,514,243	18,080,276
Miscellaneous income	1,628,432	1,991,684
Rent Income	1,073,100	916,000
TOTAL	12,215,775	20,987,960

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	For the year ended 31 st March, 2012 ₹	For the year ended 31 st March, 2011 ₹
NOTE 21A : COST OF MATERIALS CONSUMED		
Opening stock	343,661,987	216,002,062
Add : Purchases	1,107,435,322	1,222,864,514
	<u>1,451,097,309</u>	<u>1,438,866,576</u>
Less : Closing stock	275,404,052	343,661,987
TOTAL	<u>1,175,693,257</u>	<u>1,095,204,589</u>
Material consumed comprises:		
Fabric	925,807,399	881,557,093
Yarn	6,951,733	5,729,824
Accessories and Packing Materials	242,934,125	207,917,672
TOTAL	<u>1,175,693,257</u>	<u>1,095,204,589</u>
NOTE 21B : PURCHASES OF STOCK IN TRADE		
Garment & Accessories	115,012,143	111,810,266
Fabric	55,723,346	33,192,650
Accessories	28,605,572	44,798,310
TOTAL	<u>199,341,061</u>	<u>189,801,226</u>
NOTE 21C : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Inventories at the end of the year:		
Finished goods	297,582,804	245,278,197
Stock in trade	94,635,779	56,133,259
Work-in-progress	29,248,461	37,310,142
	<u>421,467,044</u>	<u>338,721,598</u>
Inventories at the beginning of the year:		
Finished goods	245,278,197	203,346,050
Stock in trade	56,133,259	50,014,602
Work-in-progress	37,310,142	24,248,194
	<u>338,721,598</u>	<u>277,608,846</u>
NET (INCREASE) / DECREASE	(82,745,446)	(61,112,752)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	For the year ended 31 st March, 2012 ₹	For the year ended 31 st March, 2011 ₹
NOTE 22 : EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	478,846,578	439,292,038
Contributions to provident and other funds	56,802,669	50,936,520
Staff welfare expenses	8,446,499	8,688,654
TOTAL	544,095,746	498,917,212
NOTE 23 : FINANCE COSTS		
(a) Interest expense on:		
(i) Borrowings	6,458,622	5,062,820
(ii) Others		
– Interest on delayed / deferred payment	1,042,669	–
(b) Other borrowing costs	16,229,729	12,838,444
(c) Amortisation of deferred premium cost	4,862,876	2,721,380
TOTAL	28,593,896	20,622,644

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	For the year ended 31 st March, 2012 ₹	For the year ended 31 st March, 2011 ₹
NOTE 24 : OTHER EXPENSES		
Consumption of Stores and Spares Parts	9,352,492	11,057,519
Excise duty on Finished Goods (Refer note 46)	28,028,720	4,059,662
Labour Charges	62,814,247	56,936,337
Consumables for printing / embroidery / washing	31,028,252	32,496,583
Power and fuel	22,487,977	23,194,547
Rent including lease rentals	257,950,464	220,418,873
Retail store maintenance expenses	32,778,448	26,504,953
Repairs and maintenance – Buildings	5,828,688	3,488,427
Repairs and maintenance – Machinery	5,452,286	7,089,111
Repairs and maintenance – Others	9,222,028	9,487,557
Insurance	8,254,449	8,089,555
Rates and taxes	8,880,861	8,770,938
Postage, and Telephones	17,636,085	17,223,551
Travelling and conveyance	41,041,936	36,385,521
Printing and stationery	5,865,295	6,258,771
Freight and forwarding	95,417,718	97,449,383
Sales commission	83,515,170	75,164,004
Sales discount	23,230,305	31,580,563
Business promotion	191,921,496	185,838,779
Donations and contributions	8,315,153	10,724,059
Legal and professional	16,471,112	18,689,552
Director Sitting fees	1,120,000	1,100,000
Electricity	26,735,443	24,611,481
Commission to Managing Directors	13,100,000	22,500,000
Security Charges	7,467,043	7,411,573
Trade Mark fees	17,734,664	17,941,916
Payments to auditors (Refer Note below)	1,650,799	1,640,836
Bad and doubtful debts written off	2,313,906	3,506,598
Net loss on foreign currency transactions and translation (other than considered as finance cost)	56,904,302	–
Loss on fixed assets sold	–	993,856
Assets discarded written off	3,737,194	5,367,780
Provision for doubtful trade receivables, and loans and advances	212,074	1,497,116
Prior period expenses (net) (Refer Note 41)	2,056,675	765,802
Miscellaneous expenses	5,524,587	7,111,895
TOTAL	1,104,049,869	985,357,098

Note:

Payments to auditors comprises :

As auditors – statutory audit	1,350,000	1,425,000
For other services	130,000	30,000
Reimbursement of expenses	10,634	35,971
Service Tax	160,165	149,865
TOTAL	1,650,799	1,640,836

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	For the year ended 31 st March, 2012 ₹	For the year ended 31 st March, 2011 ₹
NOTE 25 : EXCEPTIONAL ITEMS		
Profit on sale of Leasehold Land	8,936,321	—
Profit on sale of Non-Current Investment	—	85,999,464
TOTAL	<u>8,936,321</u>	<u>85,999,464</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS

26) Contingent Liabilities: -

- a) Guarantee issued by the Bank and counter guaranteed by the Company: ₹ 4,800,659/- (Previous year: ₹ 4,632,913/-).
- b) Foreign letters of Credits opened by Bank and counter guaranteed by the Company: ₹ 30,367,959/- (Previous year: ₹ 29,269,060/-).
- c) Foreign bills/Letters of Credit discounted with Bank: ₹ 29,787,556/- (Previous year: ₹ 4,980,791/-).
- d) Disputed demand not provided for in respect of: -

	Current year ₹	Previous Year ₹
1) IncomeTax	102,540,443	36,204,231
2) Sales Tax	11,229,872	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: ₹ 1,066,310/- (Previous year ₹ 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.

- 27) Estimated amount of contracts remaining to be executed on capital account and not provided for: ₹ 62,809,263/- (Previous Year ₹ 31,636,946/-)

- 28) 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 ₹	Previous Year ₹
(a) Dues Remaining unpaid as on 31st March – Principal	2,688,059	3,164,487
Interest	330,000	Nil
(b) Interest paid in terms of section of the Act	Nil	Nil
(c) Amount of interest due and payable for the period of delay on payments made beyond the appointed day during the year	Nil	Nil

	Current year ₹	Previous Year ₹
(d) Amount of interest accrued and remaining unpaid as on 31st March	330,000	Nil
(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	Nil	Nil

- 29) The amount of premium on forward exchange contracts to be recognized in the Statement of Profit and Loss in the next financial year is ₹ 1,457,365/- (Previous Year ₹ 2,781,563/-)

30) Operating Leases: -

A) Premises taken on Lease

- a) The Company has taken various offices/shops under operating lease or leave and licence agreements. These are non-cancelable 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.
- b) Lease Payments recognized in the Statement of Profit & Loss under Rent in Note 24 is ₹ 257,950,464/- (Previous Year ₹ 220,418,873/-).
- c) The future minimum lease payments under non-cancelable operating lease:
 - (i) not later than one year is ₹ 37,112,888/- (Previous Year ₹ 18,977,662/-);
 - (ii) later than one year and not later than five years is ₹ 15,449,296/- (Previous Year ₹ 1,896,510/-) and
 - (iii) Later than five years Nil

B) Premises Given On Lease

- a) 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 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 under Rent in Note 20 is ₹ 1,073,100/- (Previous Year ₹ 916,000/-)

- c) Premises given on licence basis:-
Gross Carrying amount ₹ 4,645,100/- (Previous 4,645,100/-)
Accumulated Depreciation ₹ 681,650 /- (Previous Year 605,934 /-)
Depreciation for the year ₹ 75,716/- (Previous Year 75,716/-)

31) Particulars of Raw Material Consumption: -

(Previous year's figures are in brackets)

Class of Goods	Value (₹)	%	imported	%	indigenous	%
a) Yarn	6,951,733 (5,729,824)	100	— (—)	—	6,951,733 (5,729,824)	100
b) Fabric	925,807,399 (881,557,093)	100	327,591,019 (309,538,061)	35.38 35.11	598,216,380 (572,019,032)	64.62 64.89
c) Accessories & Packing Materials	242,934,125 (207,917,672)	100	111,727,215 (71,999,709)	45.99 34.63	131,206,910 (135,917,963)	54.01 65.37
TOTAL	1,175,693,257 (1,095,204,589)	100	439,318,234 (381,537,770)	37.37 37.54	736,375,023 (713,666,819)	62.63 66.46

32) CIF Value of Imports: -

	Current Year ₹	Previous Year ₹
(i) Raw Materials (includes accessories)	371,832,351	381,257,985
(ii) Stores & Spares	1,627,363	4,314,313
(iii) Capital Goods	7,030,288	2,320,664
(iv) Traded Goods	38,717,465	55,162,837

33) Value of Stores & Spares Consumption: -

	Current Year		Previous Year	
	₹	%	₹	%
Imported	2,119,411	22.66	3,144,949	28.44
Indigenous	7,233,081	77.34	7,912,570	71.56
Total	9,352,492	100	11,057,519	100

34) Expenditure in Foreign Currencies: -

	Current Year ₹	Previous Year ₹
Sales Promotion	287,661	23,945
Interest on Loans/Bank charges	19,068,018	12,398,207
Traveling Expenses	4,800,147	4,187,553
Rebate, Discount & Commission	66,977,496	62,930,809
Membership & subscription	187,520	183,364
Forward Contract Roll over charges	10,011,724	1,304,745
Books & Periodicals	4,152	6,201
Testing Charges	—	192,456
Repair & Maintenance	2,489	182,863
Legal & Professional Charges	—	985,761

35) 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 (₹)
Interim Dividend for the year 31.03.2012	4	7,024,466	7,024,466
	(-)	(-)	(-)
Dividend for the year ended 31.03.2011	4	4,682,978	23,414,890
	(4)	(3,178,423)	(22,248,961)

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 (₹)
Interim Dividend for the year 31.03.2012	73	7,514,147	7,514,147
	(-)	(-)	(-)
Dividend for the year ended 31.03.2011	70	5,008,896	25,044,480
	(65)	(3,446,579)	(24,126,053)

36) Earnings in Foreign Currencies: -

	Current Year ₹	Previous Year ₹
Exports of Goods on FOB basis	1,354,578,006	1,310,008,701
Royalty Income	14,149,621	14,146,995
Others (Freight & Insurance Receipt)	31,463,063	32,164,032

37) Deferred Tax: -

	As at 31.03.2012 ₹	As at 31.03.2011 ₹
Deferred Tax Liability on account of:		
Depreciation	39,798,247	40,485,573
	<u>39,798,247</u>	<u>40,485,573</u>
Deferred Tax Assets on account of:		
(i) Employee benefits disallowed u/s 43B	2,499,442	1,301,631
(ii) Provision for Retirement Benefit	3,240,158	3,196,584
(iii) Provision for Doubtful Debts & Advances	4,724,616	5,046,028
	<u>10,464,216</u>	<u>9,544,243</u>
Deferred Tax Liabilities (Net)	<u>29,334,031</u>	<u>30,941,330</u>

The Net Deferred tax (Credit)/charge of (₹ 1,607,299/-) (Previous year ₹ 12,263,460/-) for the year has been recognized in the Statements of Profit and Loss.

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.

38) 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): -

Zodiac Finsec and Holdings Ltd. (previously known as Multiplex Collapsible Tubes Ltd.)

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 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

(Zodiac Private Limited merged into Miraj Marketing Company Pvt. Ltd. w.e.f. 23.12.2010 and Miraj Marketing Pvt. Ltd. converted into LLP w.e.f. 24.01.2011)

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	Key Management Personnel	Other Related Parties	Total
	₹	₹	₹	₹
Sale of Goods				
Mashal Enterprises	— (-)	— (-)	7,047,227 (7,191,422)	7,047,227 (7,191,422)
Zodiac Clothing Co (U.A.E.) LLC	97,763,458 (91,255,382)	— (-)	— (-)	97,763,458 (91,255,382)
Zodiac Metropolitan Clothing Gmbh	— (-)	— (-)	163,139,982 (194,022,205)	163,139,982 (194,022,205)
Onward LLC	— (-)	— (-)	160,377,002 (136,068,984)	160,377,002 (136,068,984)
Interest Income Received				
Zodiac Finsec and Holdings Ltd	16,761,703 (19,051,835)	— (-)	— (-)	16,761,703 (19,051,835)
Royalty Income Received				
Zodiac Clothing Co (U.A.E.) LLC	14,149,621 (14,146,995)	— (-)	— (-)	14,149,621 (14,146,995)
Dividend Income Received				
Zodiac Finsec and Holdings Ltd	20,000,000 (-)	— (-)	— (-)	20,000,000 (-)
Zodiac Clothing Company S.A	17,993,361 (-)	— (-)	— (-)	17,993,361 (-)
Trade Mark fees paid				
Metropolitan Trading Company	— (-)	— (-)	19,421,503 (17,941,916)	19,421,503 (17,941,916)
Rent Accrued				
Metropolitan Trading Company	— (-)	— (-)	20,364,456 (20,364,456)	20,364,456 (20,364,456)
Mustang Manufacturing Company	— (-)	— (-)	207,600 (207,600)	207,600 (207,600)
Munraz Enterprises	— (-)	— (-)	388,800 (388,800)	388,800 (388,800)
Montage Corporation	— (-)	— (-)	62,616 (57,816)	62,616 (57,816)
Miraj Marketing Company LLP	— (-)	— (-)	825,000 (315,000)	825,000 (315,000)

	Subsidiaries ₹	Key Management Personnel ₹	Other Related Parties ₹	Total ₹
Mr. A.Y. Noorani	— (-)	433,405 (421,584)	— (-)	433,405 (421,584)
Mr. S.Y. Noorani	— (-)	433,405 (421,584)	— (-)	433,405 (421,584)
Mr. M.Y. Noorani	— (-)	133,056 (133,056)	— (-)	133,056 (133,056)
Zodiac Finsec and Holdings Ltd	53,149,824 (53,149,824)	— (-)	— (-)	53,149,824 (53,149,824)
Salary Paid				
Mr. Awais A.Noorani (Refer note below)	— (-)	— (-)	4,709,059 (4,568,621)	4,709,059 (4,568,621)
Expenses Recovered				
Mashal Enterprises	— (-)	— (-)	519,923 (457,157)	519,923 (457,157)
Zodiac Finsec and Holdings Ltd	50,913 (288,939)	— (-)	— (-)	50,913 (288,939)
Mustang Manufacturing Company	— (-)	— (-)	— (13,551)	— (13,551)
Metropolitan Trading Company	— (-)	— (-)	788,259 (422,413)	788,259 (422,413)
Munraz Enterprises	— (-)	— (-)	390 (-)	390 (-)
Zodiac Clothing Co (U.A.E.) LLC	970,507 (6,151,170)	— (-)	— (-)	970,507 (6,151,170)
Other Income Received				
Zodiac Clothing Co (U.A.E.) LLC	4,578,300 (2,464,953)	— (-)	— (-)	4,578,300 (2,464,953)
Zodiac Metropolitan Clothing Gmbh	— (-)	— (-)	5,555,287 (7,970,656)	5,555,287 (7,970,656)
Onward LLC	— (-)	— (-)	363,310 (287,697)	363,310 (287,697)
Expenses Reimbursed				
Metropolitan Trading Company	— (-)	— (-)	2,910 (48,075)	2,910 (48,075)
Mashal Enterprises	— (-)	— (-)	143,384 (33,597)	143,384 (33,597)
Munraz Enterprises	— (-)	— (-)	342,331 (354,744)	342,331 (354,744)
Zodiac Clothing Co (U.A.E.) LLC	1,052,122 (115,735)	— (-)	— (-)	1,052,122 (115,735)
Zodiac Metropolitan Clothing Gmbh	— (-)	— (-)	327,547 (-)	327,547 (-)

	Subsidiaries ₹	Key Management Personnel ₹	Other Related Parties ₹	Total ₹
Zodiac Finsec and Holdings Ltd	1,219,862 (1,286,801)	— (-)	— (-)	1,219,862 (1,286,801)
Loans/Advances Repaid by Zodiac Finsec and Holdings Ltd	22,510,000 (49,317,898)	— (-)	— (-)	22,510,000 (49,317,898)
Loans/Advances Given to Zodiac Finsec and Holdings Ltd	— (276,50,000)	— (-)	— (-)	— (276,50,000)
Dividend Paid				
Miraj Marketing Company	—	—	10,043,514	10,043,514
LLP	(-)	(-)	(7,210,728)	(7,210,728)
Metropolitan Trading Company	—	—	5,744,310	5,744,310
	(-)	(-)	(4,124,120)	(4,124,120)
Asia Tangible Investments Pte. Ltd.	—	—	13,671,157	13,671,157
	(-)	(-)	(9,815,190)	(9,815,190)
Euro Global Holdings Pte Ltd	—	—	13,671,157	13,671,157
	(-)	(-)	(9,815,190)	(9,815,190)
Mr. M.Y. Noorani	—	4,933,976	—	4,933,976
	(-)	(3,511,998)	(-)	(3,511,998)
Mr. A.Y. Noorani	—	82,615	—	82,615
	(-)	(59,080)	(-)	(59,080)
Mr. S.Y. Noorani	—	456,358	—	456,358
	(-)	(327,642)	(-)	(327,642)
Mr. Musaed A. Noorani	—	—	325	325
	(-)	(-)	(-)	(-)
Mrs. Muna A. Noorani	—	—	325	325
	(-)	(-)	(-)	(-)
Mrs. Zehra S. Noorani	—	—	1,547	1,547
	(-)	(-)	(-)	(-)
Donation given				
Mariambai & Haji Noor Mohamed	—	—	500,000	500,000
Noorani Foundation Trust	(-)	(-)	(200,000)	(200,000)
Commission Accrued				
Zodiac Metropolitan Clothing Gmbh	—	—	13,685,494	13,685,494
	(-)	(-)	(11,033,766)	(11,033,766)
Mr. A.Y. Noorani	—	6,550,000	—	6,550,000
	(-)	(11,250,000)	(-)	(11,250,000)
Mr. S.Y. Noorani	—	6,550,000	—	6,550,000
	(-)	(11,250,000)	(-)	(11,250,000)

	Subsidiaries ₹	Key Management Personnel ₹	Other Related Parties ₹	Total ₹
Outstanding amount receivable				
Zodiac Finsec and Holdings Ltd.-	178,104,811	—	—	178,104,811
Loans and Advances	(200,840,040)	(-)	(-)	(200,840,040)
Munraz Enterprises	—	—	1,500,000	1,500,000
	(-)	(-)	(1,500,000)	(1,500,000)
Mashal Enterprises	—	—	—	—
	(-)	(-)	(207,119)	(207,119)
Zodiac Metropolitan Clothing Gmbh	—	—	6,575,808	6,575,808
	(-)	(-)	(16,140,632)	(16,140,632)
Onward LLC	—	—	14,310,958	14,310,958
			(-)	(-)
Zodiac Clothing Co (U.A.E.) LLC	—	—	—	—
	(5,902,400)	(-)	(-)	(5,902,400)
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				
Mashal Enterprises	—	—	26,188	26,188
	(-)	(-)	(-)	(-)
Onward LLC	—	—	—	—
			(590,860)	(590,860)
Metropolitan Trading Company	—	—	2,211,482	2,211,482
	(-)	(-)	(1,545,459)	(1,545,459)
Zodiac Metropolitan Clothing Gmbh	—	—	15,431,724	15,431,724
	(-)	(-)	(5,343,831)	(5,343,831)
Zodiac Clothing Co (U.A.E.) LLC	4,171,946	—	—	4,171,946
	(-)	(-)	(-)	(-)

Note: Shareholders in the last Annual General Meeting of the Company held on 10th August 2011 have approved the re-appointment of Mr. Awais A. Noorani, relative of few Directors under Section 314(1B) of the Companies Act, 1956 for further period of five years from 1st February, 2012 to 31st January, 2017 upon the terms, conditions and remuneration as set-out in the explanatory statement annexed to the Notice of the said AGM. The Company has made necessary application to Central Government for its approval on 09/05/2012. The said approval is awaited.

39) 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 single primary segment.

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

Particulars	Current Year (₹)			Previous Year (₹)		
	India	Rest of the World	Total	India	Rest of the World	Total
Segment Revenue (Net)	1,680,568,510	1,400,190,690	3,080,759,200	1,589,693,653	1,356,319,728	2,946,013,381
Carrying Cost of Segment Asset	2,466,615,306	116,132,691	2,582,747,997	2,325,676,003	113,893,355	2,439,569,358
Capital Expenditure	185,171,611	—	185,171,611	178,706,407	—	178,706,407

40) 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 three months.
- (i) The following are outstanding Foreign Exchange Forward contracts, which have been designated as Cash Flow Hedges, as on March 31, 2012

Sr No	Currency	Buy/Sell	Cross Currency	Amount in foreign currency	
				Current Year	Previous Year
1.	USD	SELL	INR	3,526,000	3,251,000
2.	GBP	SELL	USD	105,000	—
3.	GBP	SELL	INR	298,000	439,000
4.	EURO	SELL	INR	—	459,000
5.	EURO	SELL	USD	44,000	—
6.	CHF	SELL	INR	50,000	90,000
7.	JPY	BUY	INR	—	42,558,307
8.	USD	BUY	INR	3,416,339	1,515,012
9.	USD	BUY	GBP	—	60,000
10.	USD	BUY	EURO	—	280,000

- (ii) Net loss on derivative instruments of ₹ 2,020,887/- (Previous Year ₹ 2,533,663 /-) recognized in Hedging Reserve as of March 31, 2012, is expected to be reclassified to the Statement of Profit and Loss as and when the same will mature.
- (iii) Exchange Loss of ₹ 56,904,302/- (Previous Year Gain ₹ 6,247,040/-) on foreign exchange forward contracts has been recognized in the Statement of Profit and Loss for the year ended March 31, 2012.
- b) (i) No derivative instruments are acquired for speculation purposes.
- (ii) Foreign currency exposures that are not hedged by derivative instruments or otherwise are ₹ 298,281,546/- (Previous Year ₹ 290,006,699) as given below:

Particulars	Current Year		Previous Year	
	Foreign Currency	₹	Foreign Currency	₹
Packing Credit Loan	USD 5,087,650	260,266,366	USD 54,15,491	241,801,677
	GBP 272,665	22,303,752	GBP 90,992	6,544,970
	– –	–	CHF 22,088	1,088,252
	EUR 136,954	9,359,471	EUR 196,970	12,456,367
Creditors for Goods and expenses	USD 115,469	5,907,001	USD 567,992	25,360,856
	EURO 6,185	422,676	EURO 42,397	2,548,673
	GBP 272	22,280	GBP 2,863	205,904

41) Prior Year expenses included in the Statement of Profit and Loss are as under: -

Particulars	Current Year (₹)	Previous Year (₹)
Expenses		
Telephone	1,598,136	–
Commission & Discount	244,124	21,242
Electricity	10,942	–
Misc Expenses	–	2,613
Purchases	19,087	695,031
Sales Promotion	–	21,349
Legal & Professional Fees	2,901	–
Courier Charges	181,485	–
Depreciation	–	25,567
Sub total	2,056,675	765,802

42) Earnings Per Share: -

Particulars	As at 31.03.2012	As at 31.03.2011
(a) Face value per share (₹)	10	10
(b) Weighted Average No of Shares		
(i) For basic EPS	19,236,566	12,672,265
(ii) For Diluted EPS	19,290,994	12,739,957
(c) Net Profit for the year attributable to equity shareholders (₹)	109,840,814	233,026,820
(d) Basic Earnings Per Share (₹) (c/b(i))	5.71	12.26
(d) Diluted Earnings Per Share (c/b(ii)) (₹)	5.69	12.19

Note

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

	Current Year Numbers	Previous Year Numbers
Weighted average number of shares outstanding during the year – for calculating basic EPS (numbers)	19,236,566	12,672,265
Add: Potential equity shares that could arise on Exercise of Employee Stock Option	54,428	67,692
	19,290,994	12,739,957

- 43)** Under the Zodiac Clothing Company Limited Employees Stock Option Plan 2006 the Company had granted 864,000 (adjusted for bonus issue) (Previous Year 668,900) options to its eligible employees in two Grants upto the year ended March 31, 2012, 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 28/09/11)	462,975	401,025
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 (₹ per share)	255.40	346.00
Market Price on the date of Grant of Option (₹)	255.40	346.00
Discount on Average Price	Nil	Nil

(b) Movement of Options Granted:

Particulars	Grant I	Grant II
Outstanding at the beginning of the year*	184,275	401,025
Granted during the year	Nil	Nil
Exercised during the year	38,702	Nil
Cancelled/Lapsed during the year	25,876	Nil
Forfeited during the year	Nil	Nil
Outstanding at the end of the year	119,697	401,025

* (After considering bonus issue during the year)

(c) Employees Stock Option Scheme:

Particulars	Grant I	Grant II
Exercisable at the beginning of the year*	184,275	NIL
Vested during the year	Nil	120,308
Exercised during the year	38,702	Nil
Options exercisable at the end of the year	119,697	120,308

* (After considering bonus issue during the year)

- (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 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 BlackScholes 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 perform amounts indicated below :

Particulars	2010-12	2010-11
Net Profit After Tax (As Reported)	109,840,814	233,026,820
Add: Compensation Expenses under ESOS included in the Net Profit	Nil	Nil
Less: Compensation Expenses under ESOS as per Fair Value	19,532,139	6,012,137
Net Profit After Tax (Fair value basis)	90,308,675	227,014,683
Basic Earning Per Share (Reported) - ₹ / Share	5.71	12.26
Basic Earning Per Share (Fair value basis)- ₹ / Share	4.69	11.94
Diluted Earning Per Share (Reported) - ₹ / Share	5.69	12.19
Diluted Earning Per Share (Fair value basis) – ₹ / Share	4.68	11.87

44) 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 31.03.2012 (₹)	Maximum amount outstanding during the year (₹)	Investment in shares of the Company (No. of Shares)
Zodiac Finsec and Holdings Ltd.	Wholly owned Subsidiary	178,104,811	200,840,040	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) No interest is charged in respect of the loan of ₹ – NIL- (Previous Year ₹ 21,560,000).

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.

45. (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, 2012 ₹	As at March 31, 2011 ₹
Change in obligations		
Present value of funded benefit obligations as at 1st April, 2011	54,710,275	43,804,287
Current Service Cost	8,060,340	7,208,569
Interest Cost	4,513,598	3,504,343
Benefit Paid	(7,221,983)	(4,656,667)
Actuarial (gain)/loss on obligations	649,112	919,525
Present value of defined benefit obligations as at March 31, 2012	60,711,341	54,710,275
Reconciliation of present value of the fair value of the plan assets		
Fair value of plan assets as at 1st April, 2011	62,330,457	58,368,293
Expected Return on plan assets	5,142,263	4,669,463
Contributions	9,078,436	3,000,000
Benefits Paid	(7,221,983)	(4,656,667)
Actuarial gain/(loss) on plan assets	1,044,844	949,368
Fair value of plan assets as at March 31, 2012	70,374,017	62,330,457
Total Actuarial gain/(loss) recognized	395,733	29,843
Amount Recognised in Balance Sheet		
Present value of obligation	60,711,341	54,710,275
Fair value of plan assets	70,374,017	62,330,457
Liability/ (assets)	(9,662,676)	(7,620,182)
Liability/ (assets) recognized in the Balance Sheet	(9,662,676)	(7,620,182)
Expenses Recognised in Statement of Profit and Loss		
Current Service Cost	8,060,340	7,208,569
Interest Cost	4,513,598	3,504,343
Expected Return on plan assets	(5,142,263)	(4,669,463)
Net Actuarial (gain)/loss recognised in the current year	(395,733)	(29,843)
Past Service Cost	–	3,930,218
Expenses Recognised in the Statement of Profit and Loss	7,035,942	9,943,824
Actuarial assumptions used		
Discount rate	8.50%	8.25%
Expected Return on plan assets	8.50%	8.25%
Mortality	LIC (1994-96)Ultimate	LIC (1994-96)Ultimate
Future Salary increase	5.00%	5.00%
Attrition	2%	2%
Retirement	60 yrs	60 yrs

Category of Assets	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Insurer Managed Funds	70,374,017	62,330,457

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	2011-12 ₹	2010-11 ₹	2009-10 ₹	2008-09 ₹
Plan Assets	1,044,844	949,368	216,807	408,244
Plan Liabilities	3,684,679	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: ₹ 12,024,771/- (Previous Year ₹ 9,943,824/-)
- 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, 2012 ₹	As at March 31, 2011 ₹
Change in obligations		
Present value of unfunded benefit obligations as at 1st April, 2011	9,852,317	9,677,718
Current Service Cost	4,157,714	3,331,961
Interest Cost	812,816	774,217
Benefit Paid	(4,086,074)	(3,270,932)
Actuarial (gain)/loss on obligations	(750,156)	(660,648)
Present value of unfunded benefit obligations as at March 31, 2012	9,986,617	9,852,317
Amount Recognised in Balance Sheet		
Present value of obligation	9,986,617	9,852,317
Fair value of plan assets	NIL	NIL
Liability/(assets) recognized in the Balance Sheet	9,986,617	9,852,317
Expenses Recognized in Statement of Profit and Loss		
Current Service Cost	4,157,714	3,331,961
Interest Cost	812,816	774,217
Expected Return on plan assets	Nil	Nil
Net Actuarial (gain)/loss recognised in the current year	(750,156)	(660,648)
Expenses Recognised in the Statement of Profit and Loss	4,220,374	3,445,531
Actuarial assumptions used		
Discount rate	8.50%	8.25%
Expected Return on plan assets	0%	0%
Mortality	LIC (1994-96)Ultimate	LIC (1994-96)Ultimate
Future Salary increase	5%	5%
Attrition	2%	2%
Retirement	60 yrs	60 yrs

46. Excise duty recovered on sales is included in 'Revenue from Operations'. 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.
47. The revised Schedule VI has become effective from 1st April, 2011, for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped /reclassified wherever necessary to correspond with the current year's classification/disclosures.

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

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

Rajesh K. Hiranandani
Partner

A. Y. NOORANI
Vice Chairman & Managing Director

MUMBAI
Dated : 29th May, 2012

O. P. SINGH
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary Company	Zodiac Finsec and Holdings Ltd.	Zodiac Clothing Co. S.A.	Zodiac Clothing Co. (UAE) LLC	Zodiac Clothing Co. INC	Zodiac Properties Ltd.
Financial year ending	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012
Shares of the subsidiary held by the company on the above date					
(a) Number and Face value	2,000,000 Eq. Shares of ₹ 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 GBP 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, 2012	20,000,000	310,000	1,845,000	—	—
(b) not dealt within the accounts of the company for the year ended 31st March, 2012	₹ 17,364,691	CHF 144,997	AED 3,779,648	(USD 7,686)	(GBP 132,359)
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 2012	20,000,000	610,000	1,845,000	NIL	NIL
(b) not dealt within the accounts of the company for the year ended 31st March, 2012	₹ 151,706,450	CHF 505,119	AED 35,792,232	USD 16,728	(GBP 614,972)

M.Y. NOORANI
Chairman

A.Y. NOORANI
Vice-Chairman & Managing Director

MUMBAI
Dated : May 29th, 2012

O. P. SINGH
Company Secretary

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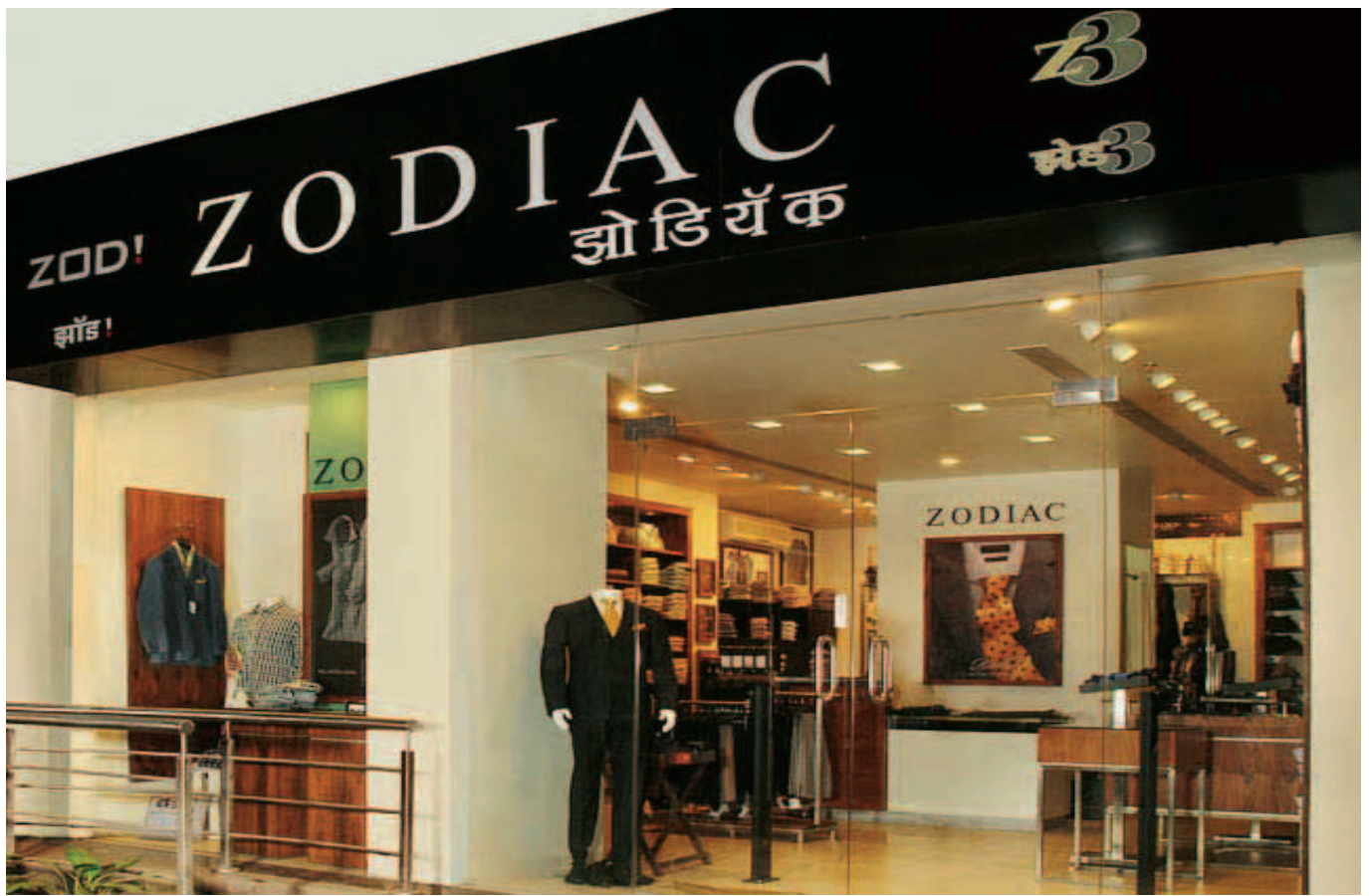
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AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ZODIAC CLOTHING COMPANY LIMITED

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, 2012, the Consolidated Statement of Profit and Loss 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 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. We did not audit the financial statements of any of the subsidiaries, whose financial statements reflect total assets of ₹ 10,516 lakhs as at 31st March, 2012, total revenues of ₹ 8,530 lakhs and net cash flows amounting to ₹ 293 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, 2012;
 - (ii) in the case of the Consolidated Statement of Profit and Loss, 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,
May 29, 2012

Rajesh K. Hiranandani
Partner
(Membership No. : 36920)

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012

Particulars	Note No.	As at 31 st March, 2012 ₹	As at 31 st March, 2011 ₹
A. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share capital	2	192,702,980	128,210,640
(b) Reserves and surplus	3	<u>2,117,133,627</u>	<u>2,002,450,780</u>
		2,309,836,607	2,130,661,420
2. Non-current liabilities			
(a) Long-term borrowings	4	76,140,959	78,506,558
(b) Deferred tax liabilities (net)	31	29,350,506	30,961,355
(c) Long-term provisions	5	<u>23,133,621</u>	<u>21,883,003</u>
		128,625,086	131,350,916
3. Current liabilities			
(a) Short-term borrowings	6	474,715,266	352,507,427
(b) Trade payables	7	297,449,924	296,961,643
(c) Other current liabilities	8	156,707,330	157,254,870
(d) Short-term provisions	9	<u>79,817,324</u>	<u>110,878,733</u>
		1,008,689,844	917,602,673
TOTAL		<u>3,447,151,537</u>	<u>3,179,615,009</u>
B. ASSETS			
1. Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10A	1,146,777,169	1,061,907,751
(ii) Intangible assets	10B	30,401,700	25,060,092
(iii) Capital work-in-progress	10C	193,826,488	161,045,606
(iv) Intangible assets under development	10D	<u>6,096,974</u>	<u>11,100,358</u>
		1,377,102,331	1,259,113,807
(b) Non-current investments	11	124,051,867	114,974,601
(c) Long-term loans and advances	12	260,302,295	240,911,442
(d) Other non-current assets	13	<u>264,738</u>	<u>10,995</u>
		384,618,900	355,897,038
TOTAL		<u>1,761,721,231</u>	<u>1,615,010,845</u>
2. Current assets			
(a) Current investments	14	71,520,368	148,206,504
(b) Inventories	15	754,565,111	733,313,129
(c) Trade receivables	16	329,143,184	349,406,600
(d) Cash and cash equivalents	17	209,417,100	147,753,234
(e) Short-term loans and advances	18	320,294,771	182,993,459
(f) Other current assets	19	<u>489,772</u>	<u>2,931,238</u>
		1,685,430,306	1,564,604,164
TOTAL		<u>3,447,151,537</u>	<u>3,179,615,009</u>
See accompanying notes forming part of the consolidated financial statements	1-40		

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

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

Rajesh K. Hiranandani
Partner

A. Y. NOORANI
Vice Chairman & Managing Director

MUMBAI
Dated : 29th May, 2012

O. P. SINGH
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

Particulars	Note No.	For the year ended 31 st March, 2012 ₹	For the year ended 31 st March, 2011 ₹
1. Revenue from operations (gross)	20	3,854,013,862	3,577,763,986
Less: Excise duty		78,741,913	6,606,653
Revenue from operations (net)		3,775,271,949	3,571,157,333
2. Other income	21	47,907,070	48,739,777
Total revenue (1+2)		3,823,179,019	3,619,897,110
3. Expenses			
(a) Cost of materials consumed	22 a	1,379,100,477	1,278,604,471
(b) Purchases of stock-in-trade		376,789,465	330,564,070
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	22 b	(85,146,826)	(56,759,179)
(d) Employee benefits expense	23	651,658,441	609,677,807
(e) Finance costs	24	35,356,464	27,395,288
(f) Depreciation and amortisation expenses	10	81,606,808	71,576,011
(g) Other expenses	25	1,172,425,151	1,027,002,281
Total expenses		3,611,789,980	3,288,060,749
4. Profit before exceptional items and tax		211,389,039	331,836,361
5. Exceptional items	26	8,936,321	85,999,464
6. Profit before tax		220,325,360	417,835,825
7. Tax expense:			
(a) Current tax expense		44,443,230	73,763,355
(b) Current tax expense relating to prior years		11,868	(44,536)
(c) Deferred tax	31	(1,610,849)	12,259,868
		42,844,249	85,978,687
8. Profit for the year from continuing operations		177,481,111	331,857,138
9. Earnings per share (of ₹ 10/- each):			
(a) Basic	35	9.23	17.45
(b) Diluted	35	9.20	17.36
See accompanying notes forming part of the consolidated financial statements	1-40		

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

Rajesh K. Hiranandani
Partner

MUMBAI
Dated : 29th May, 2012

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

A. Y. NOORANI
Vice Chairman & Managing Director

O. P. SINGH
Company Secretary

**CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET
FOR THE YEAR ENDED 31ST MARCH, 2012**

	Current Year ₹	Previous Year ₹
A. Cash flows from operating activities		
Profit before Taxation and Extraordinary items	220,325,360	417,835,825
Adjustments for:		
Depreciation and amortization	81,606,808	71,601,578
Provision for Doubtful Debts and Advances	212,074	2,072,858
Provision for Doubtful Debts written back	(2,089,358)	—
Provision for Wealth Tax	350,000	360,000
Assets Discarded Written off	15,749,726	5,367,780
Exchange Loss/(Gain on revaluation)	4,956,338	(589,616)
Profit on Sale of Leasehold Land	(8,936,321)	—
Loss/(Profit) on Sale of Fixed assets(Net)	—	993,856
Profit on Sale of Current Investments	(13,525,505)	(2,114,498)
Profit on Sale Non Current Investments	—	(85,999,464)
Dividend Income from Investments	(1,492,638)	(1,581,267)
Interest Expense	10,401,586	8,225,199
Interest Income	(16,973,255)	(15,489,859)
	70,259,455	(17,153,433)
Operating Profit before working capital changes	290,584,815	400,682,392
Adjustments for:		
Trade and other receivables	(111,644,881)	(4,505,147)
Inventories	(21,251,982)	(177,973,631)
Trade and other Payables	(1,859,684)	31,928,955
	(134,756,547)	(150,549,823)
Cash from operations	155,828,268	250,132,569
Currency Alignment on conversion of accounts of		
Non- Integral Foreign Subsidiaries	64,909,788	(1,954,468)
Direct taxes paid (Net)	(58,522,502)	(93,067,969)
Net cash generated from operating activities	162,215,554	155,110,132
B. Cash Flows from investing activities		
Purchases of Current Investments	(584,502,959)	(388,314,328)
Sale of Current Investments	674,714,600	315,394,159
Purchases of Non-Current Investments	(9,077,266)	—
Dividend Received	1,492,638	1,581,267
Interest Income	16,973,255	15,489,859
Purchase of fixed assets (including of Capital Advances)	(214,985,203)	(331,768,289)
Proceeds from sale of fixed assets	10,000,000	1,281,981
Net cash used in investing activities	(105,384,935)	(386,335,351)

	Current Year ₹	Previous Year ₹
C. Cash flows from financing activities		
Proceeds from short term borrowings	1,435,708,538	1,394,031,921
Repayment of short term borrowings	(1,325,574,091)	(1,344,104,717)
Proceed of long term borrowings	—	89,736,734
Repayment of long term borrowings	(2,365,599)	(15,585,153)
Issue of Shares at premium on exercising of Esops	4,392,880	39,510,380
Fixed deposit with Banks having Original maturity over 3 months	34,577,824	130,200,980
Interest Expense	(10,401,586)	(8,225,199)
Dividends paid (including Dividend Distribution Tax) including interim dividend	(97,021,206)	(68,733,080)
Net cash Generated from financing activities	39,316,760	216,831,866
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	96,147,379	(14,393,353)
Cash and cash equivalents as at the commencement of the year	95,508,622	109,901,975
Cash and cash equivalents as at the end of the year	191,656,001	95,508,622
Deposit with Original Maturity Over 3 months	16,491,781	51,069,605
Restricted Cash (Unclaimed Dividend Accounts)	1,269,318	1,175,007
Cash and cash equivalents as at the end of the year as per Note 17	209,417,100	147,753,234

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.

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

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

Rajesh K Hiranandani
Partner

A. Y. NOORANI
Vice Chairman & Managing Director

MUMBAI
Dated : 29th May, 2012

O. P. SINGH
Company Secretary

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

1) 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) Zodiac Finsec and Holdings Ltd (Previously Know as 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.

(A) 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.

(B) 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 Equipments	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 non-current investments and current investments. Investments, which are intended to be held for more than one year are classified as non-current investments and investments which are intended to be held for less than one year, are classified as current investments. Non-current investments are accounted at cost and a provision for diminution is made to recognize a decline other than temporary in the value of a non-current 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 Statement of Profit and Loss.

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 Statement of Profit and Loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Profit and Loss 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 Statement of Profit and Loss 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 Statement of Profit and Loss.
- 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 Statement of Profit and Loss 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 Statement of Profit & Loss 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

ZODIAC CLOTHING COMPANY LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at 31 st March, 2012		As at 31 st March, 2011	
	Number of shares	₹	Number of shares	₹
NOTE 2 : SHARE CAPITAL				
(a) Authorised				
Equity shares of ₹ 10/- each	30,000,000	300,000,000	20,000,000	200,000,000
(b) Issued, Subscribed and fully paid up				
Equity shares of ₹ 10/- each	19,270,298	192,702,980	12,821,064	128,210,640
TOTAL	19,270,298	192,702,980	12,821,064	128,210,640

Notes:

Rights, preferences and restrictions attached to equity shares :

- (i) The company has only one class of shares referred to as equity shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian Rupees. The dividend recommended by the Board of Directors is subject to the approval of the shareholders at the ensuing annual general meeting, except in the case of Interim dividend. In the event of the liquidation of the company the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts in the proportion of equity shares held.

- (ii) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Bonus	ESOP	Closing Balance
Equity shares				
Year ended 31st March, 2012				
– Number of shares	12,821,064	6,410,532	38,702	19,270,298
– Amount (₹)	128,210,640	64,105,320	387,020	192,702,980
Year ended 31st March, 2011				
– Number of shares	8,392,676	4,204,238	224,150	12,821,064
– Amount (₹)	83,926,760	42,042,380	2,241,500	128,210,640

- (iii) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31st March, 2012		As at 31st March, 2011	
	Number of shares held	% of holding	Number of shares held	% of holding
Equity shares with voting rights				
Asia Tangible Investments Pte Ltd.	3,154,882	16.37	2,103,255	16.40
Euro Global Holdings Pte. Ltd.	3,154,882	16.37	2,103,255	16.40
Miraj Marketing Company LLP	2,307,609	11.97	–	–
Zodiac Private Ltd *	–	–	1,531,656	11.95
India Capital Fund Ltd	1,840,873	9.55	1,227,249	9.57
Mohammed Yusuf Noorani **	1,691,448	8.78	1,245,774	9.72

* Zodiac Private Ltd has merged with
Miraj Marketing Pvt Ltd wef 23/12/2010 and
Miraj Marketing Pvt Ltd has converted
to Miraj Marketing Company LLP wef 24/01/2011

**Out of 1,691,448 shares held by Mr M.Y. Noorani
(previous year 1,245,774), following shares are held by him

- a) as Partner for and on behalf of
Metropolitan Trading Company 244,170 488,340
- b) as Trustee for and on behalf of
Yusuf Noorani Family Trust 18,990 12,660
- c) as Trustee for and on behalf of
Anees Yusuf Noorani Family Benefit Trust 8,334 5,556
- (iv) As at 31 March, 2012, 520,722 shares (As at 31 March, 2011, 390,200 shares) were reserved for issuance towards outstanding employee stock options granted (Refer Note 36)
- (v) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:

Particulars	Aggregate number of shares	
	As at 31st March, 2012	As at 31st March, 2011
Equity shares		
Fully paid up by way of bonus shares	10,614,770	8,385,551

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
NOTE 3 : RESERVES AND SURPLUS		
(a) Capital reserve		
Opening balance	—	17,629,958
Less: Applied during the year for issue of bonus	—	17,629,958
Closing balance	—	—
(b) Securities premium account		
Opening balance	288,675,185	275,818,727
Add : Received on issue of Shares on exercise of ESOP under Zodiac Clothing Company Limited Employee Stock Option Plan 2006	4,005,860	37,268,880
	292,681,045	313,087,607
Less: Applied during the year for issue of bonus shares	64,105,320	24,412,422
Closing balance	228,575,725	288,675,185
(c) Statutory Reserve		
As per last Balance Sheet	1,798,014	1,798,014
(d) Special Resrve u/s 45 1 c of the RBI Act 1934		
Opening balance	28,367,328	20,661,000
Add: Transfer from Statement of Profit and Loss	8,122,000	7,706,328
Closing balance	36,489,328	28,367,328
(e) General reserve		
Opening balance	211,065,190	187,565,190
Add: Transferred from surplus in Statement of Profit and Loss	16,000,000	23,500,000
	227,065,190	211,065,190
Less: Transferred to Profit and Loss Account during the year	725,064	—
Closing balance	226,340,126	211,065,190
(f) Foreign currency translation reserve		
Opening balance	10,850,627	12,805,095
Add / (Less): Effect of foreign exchange rate variations during the year	64,909,788	(1,954,468)
Closing balance	75,760,415	10,850,627

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
NOTE 3 : RESERVES AND SURPLUS (Contd.)		
(g) Hedging reserve (Net)		
Unrecognised Losses on cash flow hedges (net)		
Opening balance	(1,964,812)	10,007,943
Add / (Less): Amount reversed on settlement of hedged contracts	1,964,812	(9,439,092)
	<u>—</u>	<u>568,851</u>
Add / (Less): Loss on mark to market of hedging instruments designated and effective as hedges of future cash flows	(2,265,761)	(2,533,663)
Closing balance	(2,265,761)	(1,964,812)
(h) State cash Subsidy		
As per last Balance Sheet	1,584,350	1,584,350
(i) Amalgamation Reserve Account		
As per last Balance Sheet	816,433	816,433
(j) Surplus in Statement of Profit and Loss		
Opening balance	1,461,258,465	1,235,114,063
Add: Transfer from Statement of Profit and Loss	177,481,111	331,857,138
Transferred from general reserve	725,064	—
	<u>1,639,464,640</u>	<u>1,566,971,201</u>
Less: Transferred to General Reserve	16,000,000	23,500,000
Interim dividend (₹ 1/- per share) (Previous Year Nil)	19,270,298	—
Dividends proposed to be distributed to equity shareholders (₹ 2/- per Share) (Previous Year ₹ 5/- per Share)	38,540,596	64,105,320
Tax on dividend	9,496,749	10,401,088
Transfer to special reserve	8,122,000	7,706,328
Closing balance	<u>1,548,034,997</u>	<u>1,461,258,465</u>
TOTAL	<u>2,117,133,627</u>	<u>2,002,450,780</u>

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
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NOTE 4 : LONG-TERM BORROWINGS

Secured Term Loan From Bank	76,140,959	78,506,558
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Notes:

- (i) Details of security for the secured long-term borrowings:

Particulars	Terms of repayment and security	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
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TERM LOANS FROM BANK

Citi Bank	Secured by hypothecation of specified machineries acquired by using the term loan proceeds	2,900,000	5,220,000
The Hongkong and Shanghai Banking Corporation Ltd, London	Secured by way of First charge on the residential and commercial property situated at 11A Montagu Mews North Montagu Place, London	73,240,959	73,286,558
TOTAL		76,140,959	78,506,558

- (ii) For the current maturities of long-term borrowings, refer items (a) in Note 8 Other current liabilities.

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
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NOTE 5 : LONG-TERM PROVISIONS

Provision for Employee benefits:		
Provision for Compensated absences	12,460,753	10,291,355
Provision for Gratuity	7,232,436	7,701,870
Provision for Air passage for Staff	3,440,432	3,889,778
TOTAL	23,133,621	21,883,003

NOTE 6 : SHORT-TERM BORROWINGS

Working Capital Loans

(a) From banks			
Secured	214,272,444		237,048,571
Unsecured	252,177,559		114,641,144
	466,450,003		351,689,715
(b) Loans and advances from related parties			
Unsecured	8,265,263		817,712
TOTAL	474,715,266		352,507,427

Notes:

Details of security provided for the secured short-term borrowings:

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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
NOTE 7 : TRADE PAYABLES		
Trade payables:		
Other than Acceptances	294,431,865	293,797,156
Dues of Micro and small enterprises	3,018,059	3,164,487
TOTAL	297,449,924	296,961,643
NOTE 8 : OTHER CURRENT LIABILITIES		
(a) Current maturities of long-term borrowings *	12,422,201	12,140,719
(b) Interest accrued but not due on borrowings	397,092	107,623
(c) Interest accrued and due on borrowings	508,051	138,061
(d) Unpaid dividends	1,269,318	1,163,986
(e) Other payables		
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	20,515,550	19,373,185
(ii) Payables on purchase of fixed assets	31,318,960	14,741,246
(iii) Trade / security deposits received	26,415,547	26,415,547
(iv) Advances from customers	11,892,389	13,324,833
(v) Book overdraft from bank	8,805,179	21,257,260
(vi) Provision for bonus	40,968,178	39,351,269
(vii) Others	2,194,865	9,241,141
TOTAL	156,707,330	157,254,870
* Refer note (i) in Note 4- Long term Borrowings for details of security		
NOTE 9 : SHORT-TERM PROVISIONS		
(a) Provision for employee benefits:		
(i) Provision for incentives	8,400,000	2,300,000
(ii) Provision for gratuity	4,647,047	2,740,997
(iii) Provision for staff air passage	2,975,754	1,637,777
(iv) Provision for compensated absences	4,819,517	6,099,449
	20,842,318	12,778,223
(b) Provision - Others:		
(i) Provision for Wealth Tax	350,000	360,000
(ii) Provision for proposed equity dividend	38,540,596	64,105,320
(iii) Provision for tax on proposed dividends	6,252,249	10,401,088
(iv) Provision for other expenses	732,161	734,102
(v) Provision for Commission to Managing Directors	13,100,000	22,500,000
	58,975,006	98,100,510
TOTAL	79,817,324	110,878,733

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 : FIXED ASSETS

Particulars	GROSS BLOCK (At Cost)				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at April 1, 2011	Additions	Deductions	Currency Alignment	As at March 31, 2012	for the year April 1, 2011	Deduction	Currency Alignment	As at March 31, 2012	As at March 31, 2011
A. TANGIBLE ASSETS										
Freehold Land	42,549,771	-	-	-	42,549,771	-	-	-	42,549,771	42,549,771
Leasehold Land	1,805,590	-	1,329,650	-	475,940	389,120	19,748	265,971	333,043	1,416,470
Building	635,323,628	2,192,828	-	27,024,978	664,541,434	97,612,934	11,052,053	-	115,771,537	537,710,694
Plant and Equipments	354,982,001	26,840,953	-	9,760,444	391,583,398	150,530,627	19,534,050	-	177,280,500	204,451,374
Furniture & Fixtures	210,995,501	55,127,442	15,014,020	3,155,739	254,264,362	63,757,372	14,265,264	3,001,488	177,553,026	147,237,829
Vehicles	36,077,269	600,627	394,563	70,070	36,353,403	11,280,345	3,353,794	34,416	22,079,411	24,796,924
Office Equipment	12,555,716	5,455,136	-	-	18,010,852	7,498,828	720,707	-	9,791,317	5,056,888
Lease hold Improvement	118,375,746	44,494,671	7,713,368	-	155,157,049	49,766,804	4,064,801	-	63,809,872	68,608,942
Computer	36,894,149	6,830,771	-	-	43,724,920	29,272,916	3,218,383	-	11,233,621	7,621,233
Electrical Installation	38,031,918	8,718,766	119,685	-	46,630,999	15,574,292	2,270,756	31,057	28,817,008	22,457,626
TOTAL A	1,487,590,989	150,261,194	24,571,286	40,011,231	1,653,292,128	425,683,238	75,542,624	16,046,977	506,514,959	1,061,907,751
Previous Year	1,251,827,370	252,002,695	16,001,821	(237,255)	1,487,590,989	370,954,096	64,797,412	(1,710,066)	425,683,238	1,061,907,751
B. INTANGIBLE ASSETS (Acquired)										
Goodwill	68,979,360	-	-	8,291,088	77,270,448	48,349,723	5,772,538	-	59,590,113	20,629,637
Software	9,104,838	11,582,556	-	-	20,687,394	4,674,383	3,291,646	-	7,966,029	4,430,455
TOTAL B	78,084,198	11,582,556	-	8,291,088	97,957,842	53,024,106	9,064,184	-	67,556,142	25,060,092
Previous Year	77,143,116	1,859,464	-	(918,382)	78,084,198	46,801,490	6,804,166	(581,550)	53,024,106	25,060,092
C. Capital Work in Progress	-	-	-	-	-	-	-	-	-	193,826,488
D. Intangible Assets Under Development	11,100,358	3,435,918	8,439,302	-	6,096,974	-	-	-	6,096,974	11,100,358
TOTAL	1,575,775,187	165,279,668	33,010,588	48,311,322	1,763,376,167	859,717,834	86,406,224	16,046,977	574,134,132	1,259,113,807

Notes:

- Depreciation for the year includes prior year depreciation of ₹ Nil (Previous Year ₹ 25,567/-)
- Plant & Equipments costing ₹ 72,003,595/- are hypothecated against Term Loan sanctioned.
- In case of Zodiac Clothing Co. (U.A.E) LLC a subsidiary, Factory building is constructed on annually renewable leasehold land.
- Building includes flats of the Gross Book Value of ₹ 375,968,623/- (Previous year ₹ 375,968,623/-) given on operating lease.
- Building includes Residential & Commercial Building of ₹ 160,770,079/- (Previous Year ₹ 143,440,756/-) situated at 11 A Montage News, London, hypothecated by way of first charge against Term Loan Sanction by the Hongkong & Shanghai Banking Corporation Ltd.

NOTES ON CONSOLIDATED FINANCIAL STATEMENT

As at 31st March, 2012
₹

As at 31st March, 2011
₹

NOTE 11 : NON-CURRENT INVESTMENTS

Non Current Investments (At cost unless otherwise stated)

A. Other investments

In equity instruments of other entities (Quoted)

1,713,750 Equity Shares of ₹ 5/- each fully paid up
of Shoppers Stop Ltd.

86,815,750

86,815,750

66 Equity Shares fully of ₹ 10/- each paid up
of Aditya Birla Nuvo Ltd

84,609

84,609

830 Equity Shares fully of ₹ 1/- each paid up
of Hindalco Industries Ltd.

43,202

43,202

108 Equity Shares of ₹ 1/- each fully paid up
of Coramandel International Ltd.

5,203

5,203

7 Equity Shares fully of ₹ 10/- each paid up
of Exide Industries Ltd

210

210

TOTAL - (A)

86,948,974

86,948,974

B. Investment in Venture Capital Funds (Unquoted)

Tata Capital Growth Fund [Venture Capital Fund]
7,615,795 units @ ₹ 1 each, (Previous Year 7,615,795 Units)

7,914,785

7,837,519

Tata Capital Health Care Fund
5,000,000 units @ ₹ 1 each, (Previous Year 5,000,000 Units)

5,188,108

5,188,108

Faering Capital India Evolving Fund
24,000 units @ ₹ 1000 each, (Previous Year 15,000 Units)

24,000,000

15,000,000

TOTAL - (B)

37,102,893

28,025,627

TOTAL (A+B)

124,051,867

114,974,601

Aggregate Value of Quoted Investments

86,948,974

86,948,974

Aggregate market value of listed and quoted investments

667,106,736

591,674,613

Aggregate Value of Unquoted Investments

37,102,893

28,025,627

NOTE 12 : LONG-TERM LOANS AND ADVANCES

Unsecured, considered good unless otherwise stated

(a) Capital advances

1,261,986

2,685,532

(b) Security deposits

135,805,397

124,004,179

(c) Balances with government authorities

(i) Sales tax Deposits

7,669,887

6,987,537

(ii) Custom duty receivable

2,595,465

8,351,711

(iii) Service Tax credit receivable

2,519,732

2,519,732

(d) Prepaid expenses

333,971

314,298

(e) Advance income tax (Net of Provisions)

110,115,857

96,048,453

TOTAL

260,302,295

240,911,442

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
NOTE 13 : OTHER NON-CURRENT ASSETS		
(a) Accruals		
(i) Interest accrued on Investments	176,332	—
(ii) Dividend accrued on investment	87,235	9,824
(b) Others	1,171	1,171
TOTAL	264,738	10,995
NOTE 14 : CURRENT INVESTMENTS		
(AT LOWER OF COST AND FAIR VALUE)		
In units of Mutual Funds (Unquoted):		
Nil (PreviousYear: 3,866,826.50) Units of ₹ 10/- each of BNP Paribas Bond Fund Inst Growth	—	40,000,000
Nil (Previous Year : 4,502,008.81) Units of ₹ 10/- each of JP Morgan India Short Term Income Fund- Growth Plan	—	48,026,980
1,673.89 (Previous Year : 20,000) Units of ₹ 1000/- each of Pramerica Short Term Income Fund- Growth Option	1,800,000	20,000,000
42,173.18 (Previous Year : 9.139) Units of ₹ 1000/- each of Pramerica Short Term Bond Fund- Growth Option	48,200,000	9,524
Nil (PreviousYear: 21,011.70) Units of ₹ 1000/- each of Templeton India Short Term Income Retail Plan - Growth	—	40,170,000
920,606.86 (PreviousYear: Nil) Units of ₹ 10/- each of Templeton Floating Rate Income Fund Institutional Option - Growth	15,000,000	—
645,140.26 (PreviousYear: Nil) Units of ₹ 10/- each of IDFC Ultra Short Term Fund Monthly Dividend	6,520,368	—
TOTAL	71,520,368	148,206,504
Aggregate amount of unquoted investments	71,520,368	148,206,504

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
NOTE 15 : INVENTORIES		
(At lower of cost and net realisable value)		
(a) Raw materials	194,065,537	267,340,955
Goods-in-transit	30,073,386	32,253,421
	<hr/> 224,138,923	<hr/> 299,594,376
(b) Work-in-progress	42,788,643	48,633,849
(c) Finished goods (other than those acquired for trading)	298,339,246	245,602,538
(d) Stock-in-trade (acquired for trading)	97,727,215	59,569,920
Goods-in-transit	10,607,218	5,329,553
	<hr/> 108,334,433	<hr/> 64,899,473
(e) Stores and spares	4,225,331	4,618,045
(f) Accessories and Packing Material	66,665,645	65,031,559
Goods-in-transit	5,892,350	1,662,068
	<hr/> 72,557,995	<hr/> 66,693,627
(g) Chemicals & Furnace oil etc	3,476,630	2,665,340
(h) Stock of Shares (at lower of cost and Fair value)	703,910	605,881
	<hr/>	<hr/>
TOTAL	754,565,111	733,313,129

NOTE 16 : TRADE RECEIVABLES

Trade receivables outstanding for a period exceeding six months from the date they were due for payment

Unsecured, considered good	17,436,615	6,403,303
Doubtful	15,064,642	16,941,926
	<hr/> 32,501,257	<hr/> 23,345,229
Less: Provision for doubtful trade receivables	15,064,642	16,941,926
	<hr/> 17,436,615	<hr/> 6,403,303
Other Trade receivables		
Unsecured, considered good	311,706,569	343,003,297
	<hr/>	<hr/>
TOTAL	329,143,184	349,406,600

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
NOTE 17 : CASH AND CASH EQUIVALENTS		
(a) Cash on hand	3,596,176	1,370,013
(b) Remittances in Transit	8,965,858	7,416,971
(c) Cheques/Drafts on Hand	6,000	–
(d) Balances with banks		
(i) In current accounts	93,917,058	33,271,780
(ii) In EEFC accounts	2,408,179	40
(iii) In deposit accounts (Refer Notes below)	48,075,961	101,943,257
(iv) In earmarked accounts		
– Unpaid dividend accounts	1,269,318	1,175,007
Balances held as margin money or security against borrowings, guarantees and other commitments	51,178,550	2,576,166
TOTAL	209,417,100	147,753,234
Notes:		
(i) Includes fixed deposit amounting to ₹ 7,562,011/- (Previous Year. ₹ 24,205,596/-) under lien against secured loan obtained by the subsidiary i.e. Zodiac Clothing Co. (UAE) LLC.		
(ii) Balances with banks include deposits amounting to ₹ 6,800,000 (As at 31st March, 2011 ₹ 33,590,467) which have an original maturity of more than 12 months.		
NOTE 18 : SHORT-TERM LOANS AND ADVANCES		
Unsecured, considered good unless otherwise stated		
(a) Loans and advances to related parties	124,653,556	78,445,978
(b) Security Deposit	1,111,002	961,396
(c) Loans and advances to employees		
Good	7,731,505	6,564,179
Doubtful	1,615,128	1,615,128
	9,346,633	8,179,307
Less: Provision for doubtful loans and advances	1,615,128	1,615,128
	7,731,505	6,564,179
(d) Prepaid expenses	15,651,380	17,844,844
(e) Balances with government authorities		
(i) CENVAT credit receivable	3,992,327	5,682,687
(ii) Others	6,984,702	6,831,215
	10,977,029	12,513,902
(f) Others		
(i) Advances against goods and services	16,681,353	15,490,760
(ii) Deferred Premium on Loan	1,136,942	2,781,563
(iii) Export incentive receivable	43,495,567	30,021,755
(iv) Investment in Mutual Fund pending allotment	56,000,000	–
(v) LIC Gratuity Advance	20,762,676	9,048,777
(vi) Other balances	22,093,761	9,320,305
	160,170,299	66,663,160
Doubtful	563,885	563,885
	160,734,184	67,227,045
Less: Provision for other doubtful loans and advances	563,885	563,885
	160,170,299	66,663,160
TOTAL	320,294,771	182,993,459

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
NOTE 19 : OTHER CURRENT ASSETS		
(a) Accruals		
Interest accrued on deposits	335,409	940,627
(b) Others		
Insurance claims	154,363	1,990,611
TOTAL	489,772	2,931,238
	For the year ended 31st March, 2012 ₹	For the year ended 31st March, 2011 ₹
NOTE 20 : REVENUE FROM OPERATIONS		
(a) Sale of products	3,698,362,137	3,424,605,682
(b) Other operating revenues (Refer note below)	155,651,725	153,158,304
	3,854,013,862	3,577,763,986
Less:		
(c) Excise duty	78,741,913	6,606,653
TOTAL	3,775,271,949	3,571,157,333
Note		
Particulars		
Other operating revenues comprise:		
Duty drawback and other export incentives	88,606,136	87,715,178
Recovery of Freight and insurance on sales	30,807,732	33,809,867
Rent and other revenue received	36,237,857	31,633,259
TOTAL	155,651,725	153,158,304
NOTE 21 : OTHER INCOME		
(a) Interest income	16,973,255	15,489,859
(b) Dividend income:		
from current investments	117,656	1,581,267
from non-current investments	1,374,982	—
(c) Net gain on sale of:		
current investments	13,525,505	2,114,498
(d) Net gain on foreign currency transactions and translation (other than considered as finance cost)	—	7,167,939
(e) Liabilities/provisions no longer required written back	10,417,012	18,080,276
(f) Other Miscellaneous Income	5,498,660	4,305,938
TOTAL	47,907,070	48,739,777

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	For the year ended 31st March, 2012 ₹	For the year ended 31st March, 2011 ₹
NOTE 22 a : COST OF MATERIALS CONSUMED		
Opening stock	362,997,969	241,368,781
Add: Purchases	1,304,080,449	1,400,233,659
	<u>1,667,078,418</u>	<u>1,641,602,440</u>
Less: Closing stock	287,977,941	362,997,969
Cost of Material Consumed	<u>1,379,100,477</u>	<u>1,278,604,471</u>
NOTE 22 b : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Inventories at the end of the year:		
Finished goods	298,339,246	245,602,538
Stock in Trade	97,727,215	59,569,920
Work-in-progress	42,788,643	48,633,849
Stock of Shares	703,910	605,881
	<u>439,559,014</u>	<u>354,412,188</u>
Inventories at the beginning of the year:		
Finished goods	245,602,538	205,092,933
Stock in Trade	59,569,920	54,191,702
Work-in-progress	48,633,849	37,839,524
Stock of Shares	605,881	528,850
	<u>354,412,188</u>	<u>297,653,009</u>
Net (Increase) / Decrease	<u>(85,146,826)</u>	<u>(56,759,179)</u>
NOTE 23 : EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	545,146,145	518,454,207
Contributions to provident and other funds	59,735,507	53,836,623
Staff welfare expenses	46,776,789	37,386,977
TOTAL	<u>651,658,441</u>	<u>609,677,807</u>
NOTE 24 : FINANCE COSTS		
(a) Interest expense on:		
(i) Borrowings	9,358,900	7,895,668
(ii) Others		
– Interest on delayed / deferred payment	1,042,686	329,531
(b) Other borrowing costs	20,092,002	16,448,709
(c) Amortisation of deferred premium cost	4,862,876	2,721,380
TOTAL	<u>35,356,464</u>	<u>27,395,288</u>

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	For the year ended 31st March, 2012 ₹	For the year ended 31st March, 2011 ₹
NOTE 25 : OTHER EXPENSES		
Consumption of stores and spare parts	10,299,063	11,785,581
Excise duty on Finished Goods (Refer note - 39)	28,028,720	4,059,662
Labour Charges	64,783,243	57,906,424
Consumables for printing/embroidery/washing	31,028,252	32,496,583
Power and fuel	29,730,511	29,322,847
Rent including lease rentals	219,808,215	186,173,874
Retail store maintenance expenses	32,778,448	26,504,953
Repairs and maintenance - Buildings	6,543,376	3,655,334
Repairs and maintenance - Machinery	5,531,125	7,169,097
Repairs and maintenance - Others	15,154,234	13,435,492
Insurance	9,842,680	9,427,410
Rates and taxes	11,805,510	8,872,687
Postage and Telephones	20,698,777	20,217,806
Travelling and conveyance	42,463,772	39,429,637
Printing and stationery	6,884,897	6,757,028
Freight and forwarding	108,763,073	110,737,734
Sales commission	110,314,322	99,257,849
Sales discount	24,544,066	32,503,045
Business promotion	192,422,040	191,244,273
Donations and contributions	8,319,854	11,028,489
Legal and professional	26,196,714	24,318,239
Director Sitting fees	1,710,275	1,658,227
Electricity	27,281,057	25,060,303
Commission to Managing Directors	13,100,000	22,500,000
Security Charges	7,467,043	7,562,558
Trade Mark fees	17,734,664	17,941,916
Payments to auditors	2,540,392	2,244,444
Bad and doubtful debts written off	9,162,232	3,655,797
Net loss on foreign currency transactions and translation	63,497,621	—
Loss on fixed assets sold	—	993,856
Assets discarded written off	15,749,726	5,367,780
Provision for doubtful trade receivables and loans and advances	212,074	2,072,858
Prior period expenses (net) (Refer note no 34)	2,061,167	533,318
Miscellaneous expenses	5,968,008	11,107,180
TOTAL	1,172,425,151	1,027,002,281
NOTE 26 : EXCEPTIONAL ITEMS		
Profit on sale of Leasehold Land	8,936,321	—
Profit on sale of Non Current Investment	—	85,999,464
TOTAL	8,936,321	85,999,464

27) Contingent Liabilities: -

- a) Guarantee issued by the Bank and counter guaranteed by the Company: ₹ 29,318,998/- (Previous year ₹ 30,236,999/-)
- b) Foreign letters of Credits opened by Bank and counter guaranteed by the Company: ₹ 33,804,442/- (previous year ₹ 29,313,316/-)
- c) Foreign bills/ Letters of Credit discounted with Bank ₹ 29,787,556/- (Previous year ₹ 4,980,791 /-)
- d) Disputed demand not provided for in respect of: -

	Current year ₹	Previous year ₹
1) Income Tax	108,190,480	41,854,268
2) Sales Tax	11,229,872	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 ₹ 1,066,310/- (Previous Year ₹ 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) Significant Capital Commitment in respect of contribution in Venture Capital Funds amounting to ₹ 102,897,107/- (Previous Year ₹ 112,384,209/-).		

28) Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 62,809,263/- (Previous year ₹ 31,636,946/-)

29) The amount of premium on forward exchange contracts to be recognised in the Statement of Profit and Loss in the next financial year is ₹ 1,457,365/- (Previous Year ₹ 2,781,563/-)

30) Operating Leases: -**A) Premises Taken On Lease**

- a) 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.

- b) Lease Payments recognized in the Statement of Profit and Loss under rent in Note 25 is ₹ 219,808,215/- (Previous Year: ₹ 186,173,874/-).
- c) The future minimum lease payments under non-cancelable operating lease :
 - (i) not later than one year is ₹ 37,112,888/- (Previous Year: ₹ 18,977,662/-); and
 - (ii) Later than one year and not later than five years is ₹ 15,449,296/- (Previous Year: ₹ 1,896,510/-).
 - (iii) Later than five years Nil (Previous Year : Nil)

B) Premises Given On Lease

- a) 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.
- b) Lease rentals recognized in the Statement of Profit and Loss is ₹ 31,646,531/- (Previous Year ₹ 30,228,074/-)
- c) The future minimum Lease rentals under non-cancelable operating leases:
 - (i) Not later than one year is ₹ Nil (Previous Year ₹ 7,067,775/-)
 - (ii) Later than one year and not later than 5 year ₹ Nil (Previous Year : Nil)
 - (iii) Later than 5 years Nil (Previous Year : Nil)
- d) Premises given on licence basis:-

Gross Carrying amount ₹ 375,968,623/- (Previous Year ₹ 375,968,623/-)

Accumulated Depreciation ₹ 34,972,115/- (Previous Year ₹ 28,843,827/-)

Depreciation for the year ₹ 6,128,289 /- (PreviousYear 6,128,289/-)

31) Deferred Tax: -

	As at 31.03.2012 ₹	As at 31.03.2011 ₹
Deferred Tax Liability on account of:		
Depreciation and amortisation	39,814,722	40,505,598
	39,814,722	40,505,598
Deferred Tax Assets on account of:		
(i) Employee benefits disallowed u/s 43B	2,499,442	1,301,630
(ii) Provision for Retirement Benefit	3,240,158	3,196,584
(iii) Provision for Doubtful Debts & Advances	4,724,616	5,046,029
	10,464,216	9,544,243
Deferred Tax Liabilities (Net)	29,350,506	30,961,355

32) Related Party Disclosures: -

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

1. 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 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

Zodiac UAE LLC

Miraj Marketing Company LLP

(Zodiac Private Limited merged into Miraj Marketing Company Pvt Ltd. w.e.f 23.12.2010 and Miraj Marketing Company Pvt Ltd converted into 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 figures are in brackets)

	Key Management Personnel ₹	Other Related Parties ₹	Total ₹
Sale of Goods			
Onward LLC	– (-)	160,377,002 (136,068,984)	160,377,002 (136,068,984)
Mashal Enterprises	– (-)	7,047,227 (7,191,422)	7,047,227 (7,191,422)
Zodiac Metropolitan Clothing Gmbh	– (-)	297,729,721 (340,932,741)	297,729,721 (340,932,741)
Purchases of Goods and Materials Accrued			
Zodiac Metropolitan Clothing Gmbh	– (-)	6,388,754 (3,500,387)	6,388,754 (3,500,387)
Onward LLC	– (-)	177,871,884 (136,805,491)	177,871,884 (136,805,491)
Interest Income			
Zodiac Metropolitan Clothing Gmbh	– (-)	14,836,017 (7,997,384)	14,836,017 (7,997,384)
Interest Paid			
Onward LLC	– (-)	– (253,559)	– (253,559)
Miraj Marketing Company LLP	– (-)	– (76,006)	– (76,006)
Export Claim Paid			
Zodiac Metropolitan Clothing Gmbh	– (-)	– (605,540)	– (605,540)
Trade Mark fees Accrued			
Metropolitan Trading Company	– (-)	19,421,503 (17,941,918)	19,421,503 (17,941,918)
Rent Accrued			
Metropolitan Trading Company	– (-)	20,364,456 (20,364,456)	20,364,456 (20,364,456)
Mustang Manufacturing Company	– (-)	207,600 (207,600)	207,600 (207,600)
Munraz Enterprises	– (-)	388,800 (388,800)	388,800 (388,800)
Montage Corporation	– (-)	62,616 (57,816)	62,616 (57,816)
Miraj Marketing Company LLP		825,000 (315,000)	825,000 (315,000)
Mr. A.Y. Noorani	433,405 (421,584)	– (-)	433,405 (421,584)

	Key Management Personnel ₹	Other Related Parties ₹	Total ₹
Mr. S.Y. Noorani	433,405 (421,584)	– (-)	433,405 (421,584)
Mr.M.Y. Noorani	133,056 (133,056)	– (-)	133,056 (133,056)
Salary Paid			
Mr. Awais A. Noorani	– (-)	4,709,059 (4,568,621)	4,709,059 (4,568,621)
Expenses Recovered			
Mashal Enterprises	– (-)	525,923 (463,157)	525,923 (463,157)
Munraz Enterprises	– (-)	3,390 (3,000)	3,390 (3,000)
Metropolitan Trading Company	– (-)	788,259 (422,413)	788,259 (422,413)
Miraj Marketing Company LLP	– (-)	3,000 (27,000)	3,000 (27,000)
Milano Apparels Pvt. Ltd.	– (-)	3,000 (3,000)	3,000 (3,000)
Mustang Manufacturing Company	– (-)	3,000 (16,551)	3,000 (16,551)
Montage Corporation	– (-)	3,000 (3,000)	3,000 (3,000)
Elite Clothing Co. Pvt. Ltd.	– (-)	3,000 (6,000)	3,000 (6,000)
Onward LLC	– (-)	9,884,732 (2,103,532)	9,884,732 (2,103,532)
Other Income Received			
Zodiac Metropolitan Clothing Gmbh	– (-)	9,412,877 (11,659,164)	9,412,877 (11,659,164)
Onward LLC	– (-)	363,310 (287,697)	363,310 (287,697)
Expenses Reimbursed			
Metropolitan Trading Company	– (-)	2,910 (48,075)	2,910 (48,075)
Mashal Enterprises	– (-)	143,384 (33,597)	143,384 (33,597)
Munraz Enterprises	– (-)	342,331 (354,744)	342,331 (354,744)
Zodiac Metropolitan Clothing Gmbh	– (-)	2,758,292 (419,511)	2,758,292 (419,511)
Onward LLC	– (-)	6,864,502 (10,099,334)	6,864,502 (10,099,334)

	Key Management Personnel ₹	Other Related Parties ₹	Total ₹
Zodiac UAE LLC	– (-)	– (607,084)	– (607,084)
Loans Repaid by Zodiac Metropolitan Clothing Gmbh	– (-)	168,034,812 (194,850,956)	168,034,812 (194,850,956)
Loan Paid to Zodiac Metropolitan Clothing Gmbh	– (-)	180,032,598 (186,416,563)	180,032,598 (186,416,563)
Loans Taken From Elite Clothing Co Pvt Ltd	– (-)	9,800,000 (-)	9,800,000 (-)
Miraj Marketing Company LLP	– (-)	– (485,000)	– (485,000)
Loan Repaid to Miraj Marketing Company LLP	– (-)	– (1,520,000)	– (1,520,000)
Elite Clothing Co Pvt Ltd	– (-)	3,000,000 (-)	3,000,000 (-)
Dividend Paid Miraj Marketing Company LLP	– (-)	10,043,514 (7,210,728)	10,043,514 (7,210,728)
Metropolitan Trading Company	– (-)	5,744,310 (4,124,120)	5,744,310 (4,124,120)
Asia Tangible Investments Pte.Ltd	– (-)	13,671,157 (9,815,190)	13,671,157 (9,815,190)
Euro Global Holding Pte. Ltd.	– (-)	13,671,157 (9,815,190)	13,671,157 (9,815,190)
Mr. M. Y. Noorani	4,933,976 (3,511,998)	– (-)	4,933,976 (3,511,998)
Mr. A. Y. Noorani	82,615 (59,080)	– (-)	82,615 (59,080)
Mr. S. Y. Noorani	456,358 (327,642)	– (-)	456,358 (327,642)
Mr. Musaed A. Noorani	– (-)	325 (-)	325 (-)
Mrs. Muna A. Noorani	– (-)	325 (-)	325 (-)
Mrs. Zehra S.Noorani	– (-)	1,547 (-)	1,547 (-)
Donation Paid Mariambai & Haji Noor Mohamed Noorani Foundation Trust	– (-)	500,000 (200,000)	500,000 (200,000)

	Key Management Personnel ₹	Other Related Parties ₹	Total ₹
Commission Accrued			
Zodiac Metropolitan Clothing Gmbh	– (-)	18,780,138 (21,803,248)	18,780,138 (21,803,248)
Mr. A.Y. Noorani	6,550,000 (11,250,000)		6,550,000 (11,250,000)
Mr. S.Y. Noorani	6,550,000 (11,250,000)		6,550,000 (11,250,000)
Outstanding amount receivable			
Metropolitan Trading Company	– (-)	16,929,120 (16,929,120)	16,929,120 (16,929,120)
Munraz Enterprries	– (-)	1,500,000 (1,500,000)	1,500,000 (1,500,000)
Mashal Enterprises	– (-)	– (207,119)	– (207,119)
Zodiac Metroplitan Clothing Gmbh	– (-)	140,993,356 (155,560,434)	140,993,356 (155,560,434)
Onward LLC	– (-)	14,310,958 (4,239,813)	14,310,958 (4,239,813)
Zodiac UAE LLC	– (-)	3,395,681 (2,839,504)	3,395,681 (2,839,504)
Mustang Manufacturing Company	– (-)	– (13,551)	– (13,551)
Outstanding amount payable			
Onward LLC	– (-)	13,540,984 (590,860)	13,540,984 (590,860)
Mr. A. Y. Noorani	137,592 (118,216)	– (-)	137,592 (118,216)
Mr. S. Y. Noorani	137,592 (118,216)	– (-)	137,592 (118,216)
Metropolitan Trading Company	– (-)	2,211,482 (1,545,459)	2,211,482 (1,545,459)
Zodiac Metroplitan Clothing Gmbh	– (-)	16,621,739 (5,763,342)	16,621,739 (5,763,342)
Mashal Enterprises	– (-)	26,188 (-)	26,188 (-)
Elite Clothing Co. Pvt. Ltd.	– (-)	6,922,170 (-)	6,922,170 (-)

33) (i) Primary Segment

The company has identified two reportable segments namely Clothing and Clothing Accessories and Investment. The accounting policies adopted for segment reporting are in line with the accounting policies of the company. Following disclosures are made:-

Particulars	Clothing & Clothing Accessories		Investments		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
A.						
Segment Revenue Gross	3,825,742,762	3,549,327,285	28,271,100	28,436,701	3,854,013,862	3,577,763,986
Less : Excise Duty	78,741,913	6,606,653	—	—	78,741,913	6,606,653
Segment Revenue (Net of Excise Duty)	3,747,000,849	3,542,720,632	28,271,100	28,436,701	3,775,271,949	3,571,157,333
Other Income	—	—	—	—	47,907,070	48,739,777
Total Revenue	—	—	—	—	3,823,179,019	3,619,897,110
B.						
Segment Profit before tax	143,467,890	262,774,082	20,014,079	20,322,502	163,481,969	283,096,584
Other Income	—	—	—	—	47,907,070	48,739,777
Exceptional Item(Income)	—	—	—	—	8,936,321	85,999,464
Total Profit before tax	—	—	—	—	220,325,360	417,835,825
C.						
Segment Assets	3,063,680,981	2,797,671,503	383,470,556	381,943,506	3,447,151,537	3,179,615,009
D.						
Segment Liabilities	1,103,655,637	1,021,355,143	33,659,294	26,761,706	1,137,314,931	1,048,116,849
E.						
Capital Expenditure	214,985,203	331,768,289	—	—	214,985,203	331,768,289
F.						
Segment Depreciation	75,465,300	65,460,070	6,141,508	6,141,508	81,606,808	71,601,578
G.						
Segment Non Cash Expenditure other than than Depreciation	21,268,138	7,201,122	—	—	21,268,138	7,201,122

(i) **Geographical Segment:-**

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

Particulars	Current year (₹)			Previous Year (₹)		
	India	Rest of the World	Total	India	Rest of the World	Total
Segment Revenue (Net)	1,699,287,207	2,075,984,742	3,775,271,949	1,618,130,354	1,953,026,979	3,571,157,333
Carrying Cost of Segment Asset	2,651,981,077	795,170,460	3,447,151,537	2,486,779,484	692,835,525	3,179,615,009
Capital Expenditure	211,959,123	3,026,080	214,985,203	178,706,409	153,061,880	331,768,289

34) **Prior Year expenses included in the Statement of Profit and Loss are as under:**

Particulars	Current Year (₹)	Previous Year (₹)
Income		
Custom Duty Refund	—	232,484
Total A	—	232,484
Expenses		
Purchases	19,087	695,031
Miscellaneous Expenses	3,894	2,613
Telephone	1,598,136	—
Sales Promotion	—	21,349
Depreciation	—	25,567
Commission & Discount	244,124	21,242
Courier	181,485	—
Electricity	14,441	—
TOTAL B	2,061,167	765,802
TOTAL (B-A)	2,061,167	533,318

35) **Earnings Per Share: -**

Particulars	As at 31.03.2012	As at 31.03.2011
(a) Face value per share (₹)	10	10
(b) Weighted Average No. of Shares		
(i) For Basic EPS	19,236,566	12,672,265
(ii) For Diluted EPS	19,290,994	12,739,957
(c) Net Profit for the year attributable to equity shareholders (₹)	177,481,111	331,857,138
(d) Basic Earnings Per Share (₹) (c/b(i))	9.23	17.45
(d) Diluted Earnings Per Share ₹ (c/b(ii))	9.20	17.36

36) Under the Zodiac Clothing Company Limited Employees Stock Option Plan 2006 the Company had granted 864,000 (adjusted for bonus issue) (Previous Year 668,900) options to its eligible employees in two Grants upto the year ended March 31, 2012, 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 28/09/11)	462,975	401,025
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 (₹ per share)	255.40	346.00
Market Price on the date of Grant of Option (₹)	255.40	346.00
Discount on Average Price	Nil	Nil

(b) Movement of Options Granted:

Particulars	Grant I	Grant II
Outstanding at the beginning of the year *	184,275	401,025
Granted during the year	Nil	Nil
Exercised during the year	38,702	Nil
Cancelled/Lapsed during the year	25,876	Nil
Forfeited during the year	Nil	Nil
Outstanding at the end of the year	119,697	401,025

* (After Considering bonus issue during the year).

(c) Employees Stock Option Scheme:

Particulars	Grant I	Grant II
Exercisable at the beginning of the year *	184,275	NIL
Vested during the year	Nil	120,308
Exercised during the year	38,702	Nil
Options exercisable at the end of the year	119,697	120,308

* (After Considering bonus issue during the year).

(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 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	₹ 102.68	₹ 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 perform amounts indicated below :

Particulars	2011-12	2010-11
Net Profit After Tax (As Reported)	177,481,111	331,857,138
Add: Compensation Expenses under ESOS included in the Net Profit	Nil	Nil
Less: Compensation Expenses under ESOS as per Fair Value	19,532,139	6,012,137
Net Profit After Tax (Fair value basis)	157,948,972	325,845,001
Basic Earning Per Share (Reported) - ₹ / Share	9.23	17.45
Basic Earning Per Share (Fair value basis)- ₹ / Share	8.21	17.14
Diluted Earning Per Share (Reported) - ₹ / Share	9.20	17.36
Diluted Earning Per Share (Fair value basis) – ₹ / Share	8.19	17.05

37) 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 three months.
- (i) The following are outstanding Foreign Exchange Forward contracts, which have been designated as Cash Flow Hedges, as on March 31, 2012.

Sr No	Currency	Buy/Sell	Cross Currency	Amount in foreign currency	
				Current Year	Previous Year
1	USD	SELL	INR	3,526,000	3,251,000
2	GBP	SELL	USD	1,106,500	1,845,000
3	GBP	SELL	INR	298,000	439,000
4	EURO	SELL	INR	–	459,000
5	EURO	SELL	USD	792,000	1,206,000
6	CHF	SELL	INR	50,000	90,000
7	EURO	SELL	CHF	–	149,000
8	CHF	SELL	USD	132,000	–
9	JPY	BUY	INR	–	42,558,307
10	USD	BUY	INR	3,416,339	1,515,012
11	USD	BUY	GBP	–	60,000
12	USD	BUY	EURO	–	280,000

- (ii) Net loss on derivative instruments of ₹ 2,265,761/- (Previous Year ₹ 1,964,812 /-) recognized in Hedging Reserve as of March 31, 2012, is expected to be reclassified to the Statement of Profit and Loss as and when the same will mature.
- (iii) Exchange Loss of ₹ 63,497,621/- (Previous Year Gain ₹ 7,167,939) on foreign exchange forward contracts has been recognized in the Statement of Profit and Loss for the year ended March 31, 2012.
- b) (i) No derivative instruments are acquired for speculation purposes.
- (ii) Foreign currency exposures that are not hedged by derivative instruments or otherwise are ₹ 298,442,280/- (Previous Year ₹ 290,412,230/-) as given below:

Particulars	Current Year		Previous Year	
	Foreign Currency	₹	Foreign Currency	₹
Packing Credit Loan	USD 5,087,650	260,266,366	USD 5,415,491	241,801,677
	GBP 272,665	22,303,752	GBP 90,992	6,544,970
	—	—	CHF 22,088	1,088,252
	EURO 136,954	9,359,471	EURO 196,970	12,456,367
Creditors for Goods and expenses	USD 115,469	5,907,001	USD 567,992	25,360,856
	EURO 8,539	583,410	EURO 42,937	2,681,231
	GBP 272	22,280	GBP 2,863	205,907
	—	—	HKD 46,831	272,970

38) (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, 2012 ₹	As at March 31, 2011 ₹
Change in obligations		
Present value of funded benefit obligations as at 1st April, 2011	54,710,275	43,804,287
Current Service Cost	8,060,340	7,208,569
Interest Cost	4,513,598	3,504,343
Benefit Paid	(7,221,983)	(4,656,667)
Actuarial (gain)/loss on obligations	649,112	919,525
Present value of defined benefit obligations as at March 31, 2012	60,711,341	54,710,275
Reconciliation of present value of the fair value of the plan assets		
Fair value of plan assets as at 1st April, 2011	62,330,457	58,368,293
Expected Return on plan assets	5,142,263	4,669,463
Contributions	9,078,436	3,000,000
Benefits Paid	(7,221,983)	(4,656,667)
Actuarial gain/(loss) on plan assets	1,044,844	949,368
Fair value of plan assets as at March 31, 2012	70,374,017	62,330,457
Total Actuarial gain/(loss) recognized	395,733	29,843
Amount Recognised in Balance Sheet		
Present value of obligation	60,711,341	54,710,275
Fair value of plan assets	70,374,017	62,330,457
Liability/ (assets)	(9,662,676)	(7,620,182)
Liability/ (assets) recognized in the Balance Sheet	(9,662,676)	(7,620,182)

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, 2012 ₹	As at March 31, 2011 ₹
Expenses Recognised in Statement of Profit and Loss		
Current Service Cost	8,060,340	7,208,569
Interest Cost	4,513,598	3,504,343
Expected Return on plan assets	(5,142,263)	(4,669,463)
Net Actuarial (gain)/loss recognised in the current year	(395,733)	(29,843)
Past Service Cost	NIL	3,930,218
Expenses Recognised in the Statement of Profit and Loss	7,035,942	9,943,824
Actuarial assumptions used		
Discount rate	8.50%	8.25%
Expected Return on plan assets	8.50%	8.25%
Mortality	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Future Salary increase	5.00%	5.00%
Attrition	2%	2%
Retirement	60 yrs	60 yrs
Category of Assets		
Insurer Managed Funds	70,374,017	62,330,457

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	2011-12 ₹	2010-11 ₹	2009-10 ₹	2008-09
Plan Assets	1,044,844	949,368	216,807	408,244
Plan Liabilities	3,684,679	492,152	1,755,002	4,209,240

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: ₹ 12,024,771/- (Previous Year ₹ 9,943,824/-)
- 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, 2012 ₹	As at March 31, 2011 ₹
Change in obligations		
Present value of unfunded benefit obligations as at 1st April, 2011	9,852,317	9,677,718
Current Service Cost	4,157,714	3,331,961
Interest Cost	812,816	774,217
Benefit Paid	(4,086,074)	(3,270,932)
Actuarial (gain)/loss on obligations	(750,156)	(660,648)
Present value of unfunded benefit obligations as at March 31, 2011	9,986,617	9,852,317

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, 2012 ₹	As at March 31, 2011 ₹
Amount Recognised in Balance Sheet		
Present value of obligation	9,986,617	9,852,317
Fair value of plan assets	NIL	NIL
Liability/(assets) recognized in the Balance Sheet	9,986,617	9,852,317
Expenses Recognized in Statement of Profit and Loss		
Current Service Cost	4,157,714	3,331,961
Interest Cost	812,816	774,217
Expected Return on plan assets	Nil	Nil
Net Actuarial (gain)/loss recognised in the current year	(750,156)	(660,648)
Expenses Recognised in the Statement of Profit and Loss	4,220,374	3,445,531
Actuarial assumptions used		
Discount rate	8.50%	8.25%
Expected Return on plan assets	0%	0%
Mortality	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Future Salary increase	5%	5%
Attrition	2%	2%
Retirement	60 yrs	60 yrs

- 39) Excise duty recovered on sales is included in 'Revenue from operation'. 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.
- 40) The revised Schedule VI has become effective from 1st April, 2011, for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the consolidated financial statements. Previous year's figures have been regrouped /reclassified wherever necessary to correspond with the current year's classification/disclosures.

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

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

Rajesh K. Hiranandani
Partner

A. Y. NOORANI
Vice Chairman & Managing Director

MUMBAI
Dated : 29th May, 2012

O. P. SINGH
Company Secretary

Financial Information of Subsidiary Companies pursuant to General exemption received under section 212 (8) of the Companies Act 1956

(figures in Rupees & in reporting currency)

Sr. No.	Name of the Subsidiary Company	Foreign Currency of Subsidiary	Financial Year ended on	Capital	Reserves	Total Assets	Total Liabilities	Investment (other than in subsidiaries)	Turnover/ Total Income	Profit/ (Loss) Before Tax	Provision for Tax	Profit/ (Loss) After Tax	Proposed Dividend	Country
1	Zodiac Clothing Co. UAE LLC	INR AED	March 31, 2012	4,179,450 300,000	497,049,076 35,792,234	586,156,175 42,188,322	586,156,175 42,188,322	-	801,065,159 61,350,925	74,511,227 5,634,551	-	74,511,227 5,634,551	-	Dubai
2	Zodiac Clothing Co. S.A.	INR CHF	March 31, 2012	14,161,398 250,000	28,612,833 505,119	44,051,020 777,660	44,051,020 777,660	-	26,944,604 493,591	24,797,034 454,250	-	24,797,034 454,250	-	Switzerland
3	Zodiac Property Limited	INR GBP	March 31, 2012	147,893 1,808	(18,787,850) (229,681)	162,448,163 1,985,940	162,448,163 1,985,940	-	2,547,096 33,338	(10,112,673) (132,359)	-	(10,112,673) (132,359)	-	UK
4	Zodiac Clothing INC	INR USD	March 31, 2012	511,565 10,000	350,859 6,860	1,785,099 34,896	1,785,099 34,896	-	0 0	(368,583) (7,686)	-	(368,583) (7,686)	-	USA
5	Zodiac Finsec & Holdings Ltd (formerly Multiplex Collapsible Tubes Limited)	INR	March 31, 2012	20,000,000	151,706,451	3,837,829,904	3,837,829,904	37,102,893	77,920,231	52,901,510	12,292,319	40,609,191	-	India

Exchange Rate As on 31/03/2012 1USD = ₹ 51.1565 1AED = ₹ 13.93150 1 GBP = ₹ 81.7992 1 CHF = ₹ 56.645592



Leather Accessories

