Biella

Light Weight Pure Wool Suits.

YOU WILL NEVER LOOK AT SUITS
THE SAME WAY AGAIN

By

ZODIAC

FINEST QUALITY SHIRTMAKERS

Background

- Promoted by Mr. M Y Noorani, the House of Zodiac commenced operations in 1954 with neckties. It diversified into manufacturing of men's shirts in the 1960's. Was listed in 1994 as Zodiac Clothing Co. Ltd*.
- Today, ZCCL* is vertically integrated from design to retail, is highly de-risked and powered by 3 outstanding men's clothing brands at the premium end of the segment: Zodiac, ZOD! & Z3
- ZCCL has 3 businesses:

  (a) Branded Business: Across India and the Middle East

  (b) Own Retail: Currently 120 COCO {company owned company managed} stores which are growing aggressively & profitably. This includes our web-store.

  (c) Design driven International business for leading brands & retailers in the US, EU, the UK, with a small presence in Latin America and the Middle East.
- Extensive branded business product portfolio: Super fine, light weight suits, jackets & trousers in pure wool & 100% linen; Jodhpuris in pure wool; premium shirts in long staple, Egyptian cotton; woven silk ties & men's fine accessories like cufflinks, belts, wallets, pochettes, handkerchiefs, socks & leather shoes.
- ZCCL has been consistently profitable with an un-interrupted dividend record in line with best practices on pay out ratio across industries ever since listing.

Financial Summary (Consolidated)

	FY-2014	H1-2015
Revenues	**Rs 41056 Lac**	**Rs. 19460 Lac**
EBIDTA	Rs. 4014 Lac	Rs. 1154 Lac
Net Income	Rs. 2200 Lac	Rs. 516 Lac
EPS	Rs. 11.35	Rs. 2.66*

* Not annualized

Market Statistics

Share Price (Nov 12th, 2014) : Rs 381

Market Capitalization : Rs 73962 Lac

Enterprise Value : Rs 76799 Lac

Snapshot of Drivers of Growth

Portfolio of strong brands
Design driven value added products
Marketing led strategy & a strong distribution network
Brand extensions and Product extensions

Branded Business

Across India and the Middle East

Own Retail Business
120 COCO company owned & company managed stores.
Being grown aggressively & profitably

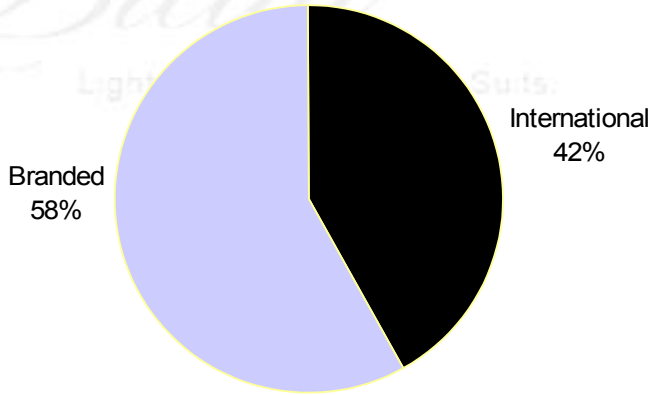
Design Driven International Business

With leading global brands and retailers

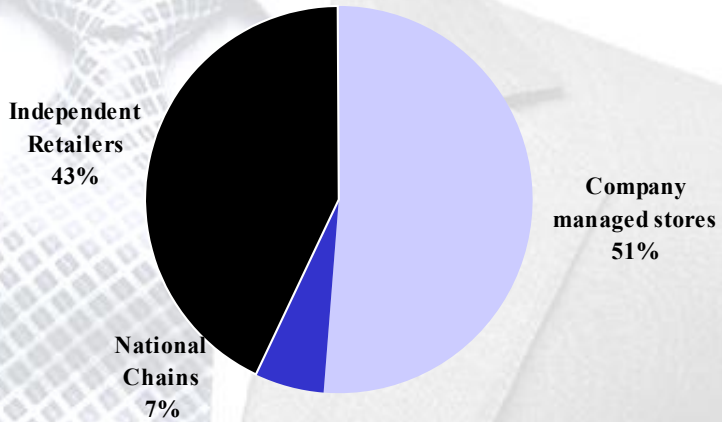
- Vertically integrated (from design to retail) & committed to manufacturing excellence, with simultaneous focus on quality and productivity.
- Best practices of Corporate Governance & prudent financial policies
- Focus on profitability with proven track record of consistently achieving strong cash flows.
- Highly de-risked business model – stood the test of time and economic cycles repeatedly.

Sales Break up

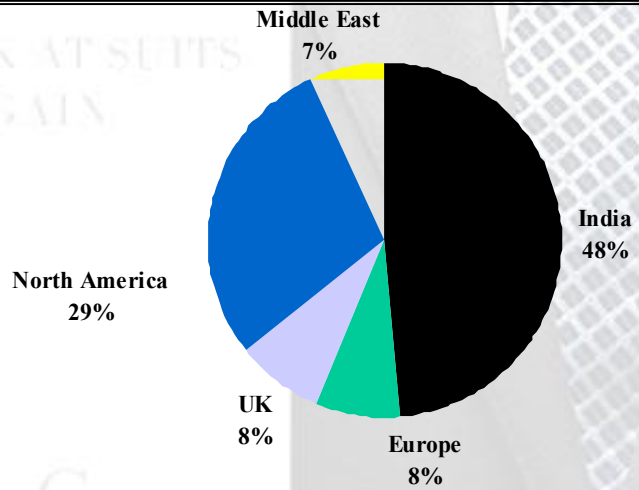
Branded / International Sales Split H1 14-15



Channelwise Branded Sales Split



Geographical Sales Split



Emphasis on aggressive growth of Branded Business & Own Retail in India

ZCCL: Design Driven Philosophy

- Our Mumbai office has an Italian inspired, state of the art Design Studio, with a team of over 15 trained designers constantly networking with our international offices and attending trade shows overseas
- We have our own offices in 3 fashion capitals of the world - London, Duesseldorf, and New York headed and run by local industry professionals with considerable experience in design
- ZCCL designs its own collections in line with international fashion trends across the different segments of men's clothing, offering the consumer for its branded products cutting edge fashion and its International customers possibility to outsource design.

ZCCL: Manufacturing Excellence

- Our state of the art and modern automated manufacturing plants are located in Karnataka & Gujarat (India) and Dubai (UAE).
- Capacity to produce over 7 mn shirts per annum. We successfully manufacture extremely high work content/ value added products.
- ZCCL currently employs approx 4,000 people across the company

Location	Product	Capacity (in mn pcs)
Bangalore (Karnataka)	Shirts	4.3
Bangalore (Karnataka)	Trousers	0.5
Dist.Valsad (Gujarat)	Shirts	0.7
Dist.Valsad (Gujarat)	Socks	1.0
Dubai (UAE)	Shirts	2.0

ZCCL: Marketing Led Strategies: ZODIAC

- **ZODIAC – a premium, classic, men's wear brand, of the longest standing in India**
  - The brand is positioned for the classic yet contemporary male's wardrobe
  - ZODIAC's product range has fine wool & pure linen suits & trousers, pure wool Jodhpuris, shirts crafted from the finest cotton with woven silk ties to match. All accessorised with silk pochettes, sterling silver & rhodium finished cufflinks set with semi precious stones and fine leather belts.
  - The brand is retailed across more than 1300 counters in India

Our Signature:

The Trinity Button.

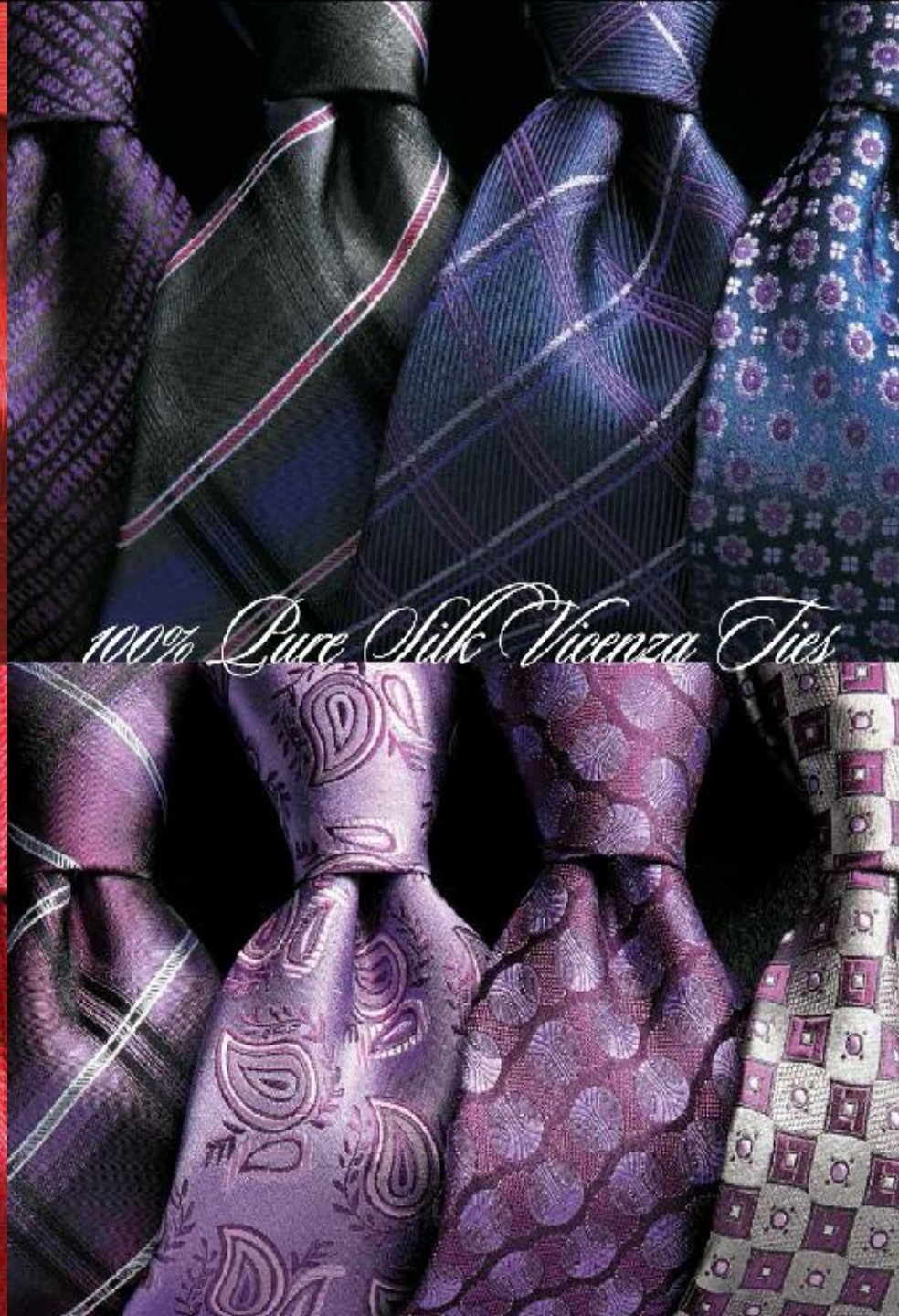
Patented, Mother of Pearl three hole buttons.
The hallmark of finest quality.

The House of Zodiac has consistently focused on providing luxury, quality and value to discerning Indian customers.

Driven by a passion for excellence,Zodiac is the undisputed leader in design innovation, delivering classic style and an up to date elegance in all its products.

Each Zodiac product, no matter how small or great, is crafted with meticulous attention to detail, and is a testament to the very essence of Zodiac.

100% Pure Silk Vicenza Ties


100% Pure Silk Vicenza Ties

ZODIAC
QUALITY SHIRTMAKERS
Two Ply Cotton
Rasolo
ZODIAC
FINEST QUALITY SHIRTMAKERS

Pochette

ZCCL: Marketing Led Strategies…
ZOD! Club Wear

- **ZOD! – a trendy, fashionable casual wear brand launched in 2002.**
  - Positioned as Club Wear and enjoys the first – mover advantage. We actually created this category in India.
  - ZOD! is targeted at socially active, young males who want to dress trendily when they step out in the evening.
  - Offers a range of trendy shirts, skinny ties and leather jackets. The ZOD! Line high on design content and in tune with fashion trends internationally.
  - Available across India, the brand is retailed thru more than 1000 counters from Jammu to Trivandrum and from Bhuj to Shillong
  - ZOD! captures the young male's attention and brings him into a Zodiac Store. Eventually this consumer will graduate to formal shirts or smart casual wear when (depending on his work requirement)hence will move to Zodiac or Z3

ZCCL: Marketing Led Strategies…
Z3 – Relaxed Luxury

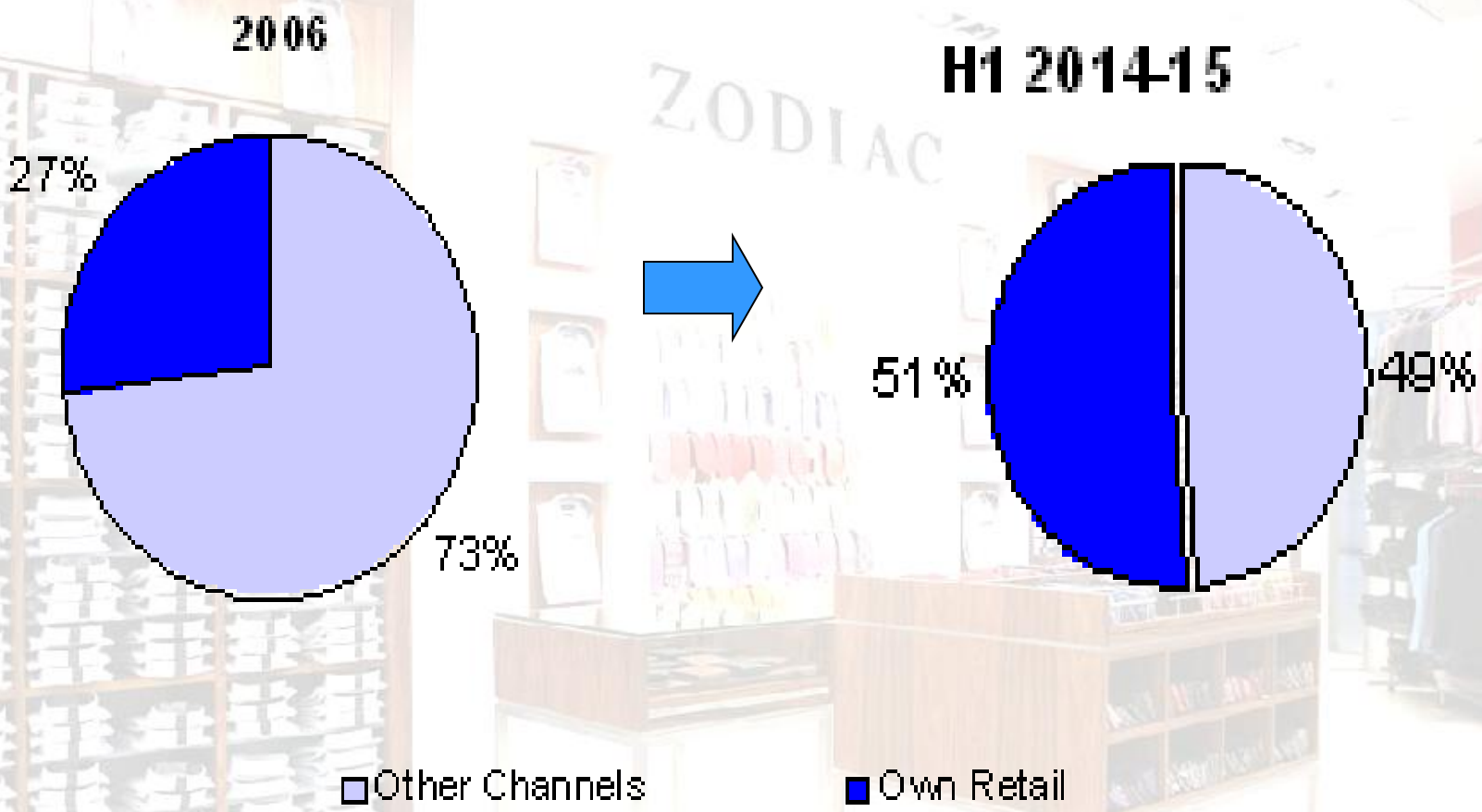
- **Z3 our recently launched casual wear brand**
  - Launched in April 2008 just before the world wide down turn & really got a fillip in 2010 post the economic revival in India
  - We are now enjoying a wide base of users especially those that do not wear a crisp, formal shirt & a tie to work (Software, Media & Advertising executives and self-employed businessmen)
  - All Z3 shirts, chinos & boxer shorts are given our "Trademark Vintage Wash" for an incredibly super-soft hand feel – which is the USP of Z3
    - The casual, relaxed look is achieved by a lightly puckered collar and plackets coupled with removable collar bones
  - Currently Z3 is available at almost 850 counters nationally and growing fast
  - Ranked # 6 nationally by Business Standard in a list of Most Successful Brand Launches of 2008

ZCCL: Retail Focus

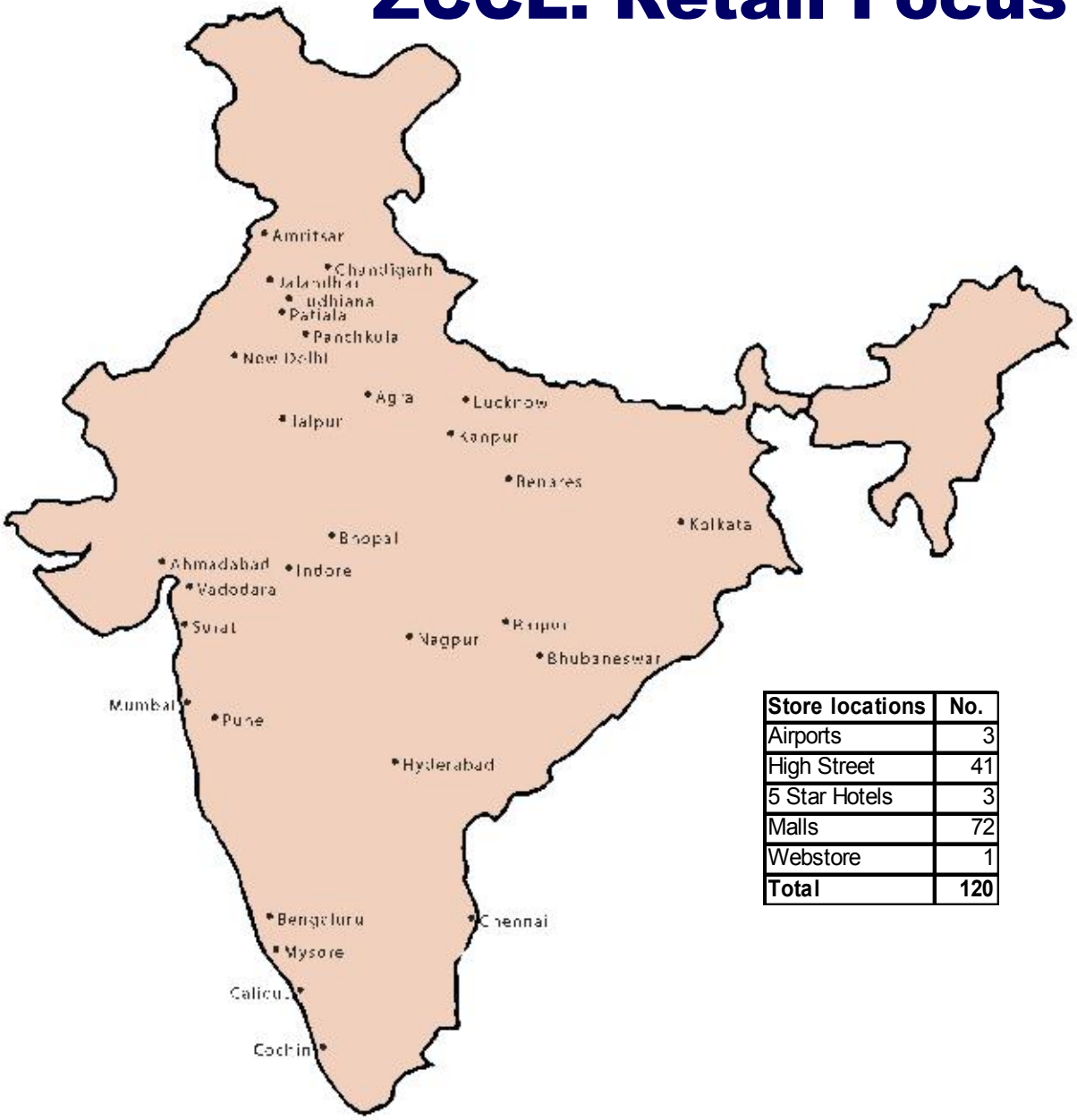
- ZCCL opened it's first store at the Taj Mahal Hotel in 1973 and this was the beginning of a retail store strategy to open stores at premium locations across India
- Aggressive scaling up of stores at the right locations ensure a large footfall of premium customers despite volatility in demand
- Our stores built to European design, offer a truly international shopping experience.
- Today, we have 120 COCO {company owned company managed} stores across:
  - **High street locations**: To name a few .. Khan Market, South Ext & CP in New Delhi, Linking Road in Mumbai, KNK Road, Nungambakkam in Chennai, Chowranghee in Kolkatta & Sector 17 in Chandigarh…
  - **Premium Hotels**: The Taj Mahal, Oberoi Trident & The Grand Hyatt in Mumbai
  - **Premium Malls**: **Mumbai:**In Orbit Malad & Vashi, Infinity, Phoenix & CR2 **Delhi:** DLF, Select City Walk & Unitech **Hyderabad:**GVK & In Orbit **Chennai:** Citi Centre, Ampa Mall, Express Mall **Bangalore:** Forum **Kolkata:** City Centre & South City among others
  - **Departure Terminals:**
    - **Mumbai Airport (International & Domestic)**
    - **T3 at Delhi Airport**

ZCCL: Retail Focus

Growing Contribution of Own Retail to Branded Business



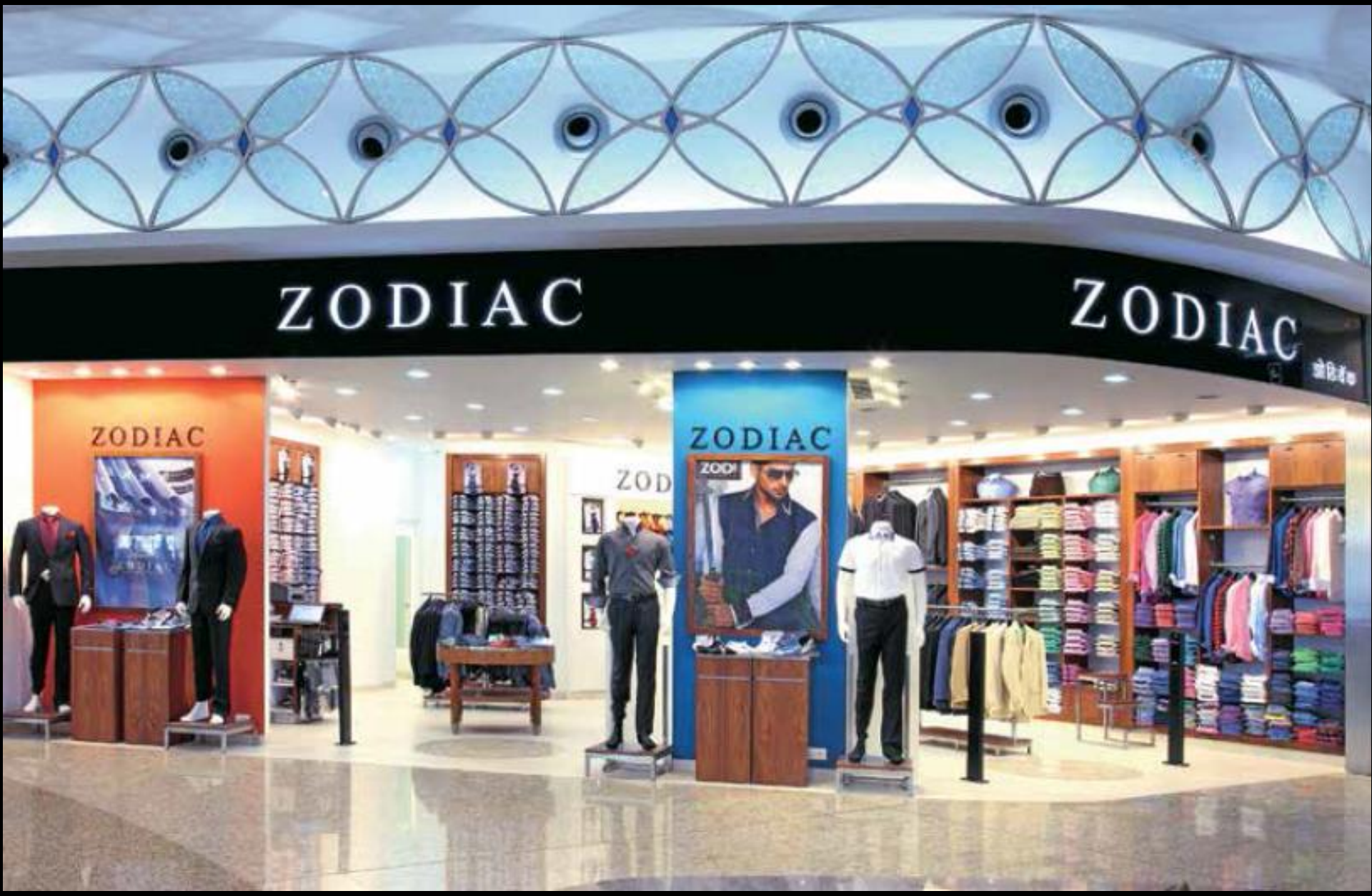
ZCCL: Retail Focus



Store locations	No.
Airports	3
High Street	41
5 Star Hotels	3
Malls	72
Webstore	1
Total	**120**

S. No	North	Store Count
1	Delhi NCR	23
2	Chandigarh	3
3	Dehradun	1
4	Jalandhar	1
5	Ludhiana	2
6	Amritsar	1
7	Patiala	1
8	Varanasi	1
9	Lucknow	2
11	Kanpur	1
	East	
1	Kolkata	6
2	Siliguri	1
3	Ranchi	1
4	Bhubaneshwar	1
5	Patna	1
	West	
1	Mumbai	24
2	Surat	2
3	Baroda	3
4	Ahmedabad	1
5	Jaipur	2
6	Pune	4
7	Nashik	1
8	Nagpur	2
9	Indore	2
10	Bhopal	3
11	Raipur	1
12	Hyderabad	6
13	Vijaywada	1
14	Jabalpur	1
	South	
1	Bangalore	8
2	Chennai	5
3	Coimbatore	1
4	Kochi	5
5	Calicut	1
	Webstore	**1**
	Total	**120**

International Airport - Mumbai



World Trade Park - Jaipur

ZCCL: De- Risking

- The drive to de-risk the business has been consistent.
- Over 75% of ZCCL's production is pre-sold
  - International Orders backed by LC or insured
  - Branded business orders for MBO & LFS backed with advance cheques
- Multi-segment: Branded, Own Retail and Design Driven International business.
- Multi-product: Premium Suits, Shirts, Trousers, Ties, Cufflinks, Shoes, Belts Socks & Hankies
- Multi-brand: Zodiac, ZOD! & Z3. Each catering to a separate segment of men's clothing
- Multi-market exposure has insulated to a large extent the effect of global crises – our markets are
  - India
  - North America: The USA and Canada
  - The European Union, the UK and other West European countries
  - Latin America & The Middle East
- Multi-channel: Independent retailers, national chains and own stores + leading international brands & retailers
- Multi-location manufacturing facilities including a facility in the UAE
- Conservative approach to financial leverage
- Insurance of international receivables with a renowned international insurer
- Forex policy designed by respected Industry expert & controlled by Sub Committee of the Board which is chaired by an independent director

Financial Snapshot (Consolidated)

Income Statement

(Rs in lacs)	Year ended March 31			6 months ended Sept 30		
	2012	2013	2014	2013	2014	H1-O-H1 growth
Revenue	377,53	35,998	410,65	19433	19460	*Flat*
% growth	*5.7%*	*-4.65%*	*14.0%*			
EBITDA	3,123	3,130	4,014	17,12	11,54	
% margin	*12.05*	*9.14*	*10.32*	*9.33 %*	*6.21%*	
Net Income	1,774	1,401	2,200	10,13	5,16	
% margin	*4.70*	*4.01*	*5.65*	*5.52%*	*2.78%*	

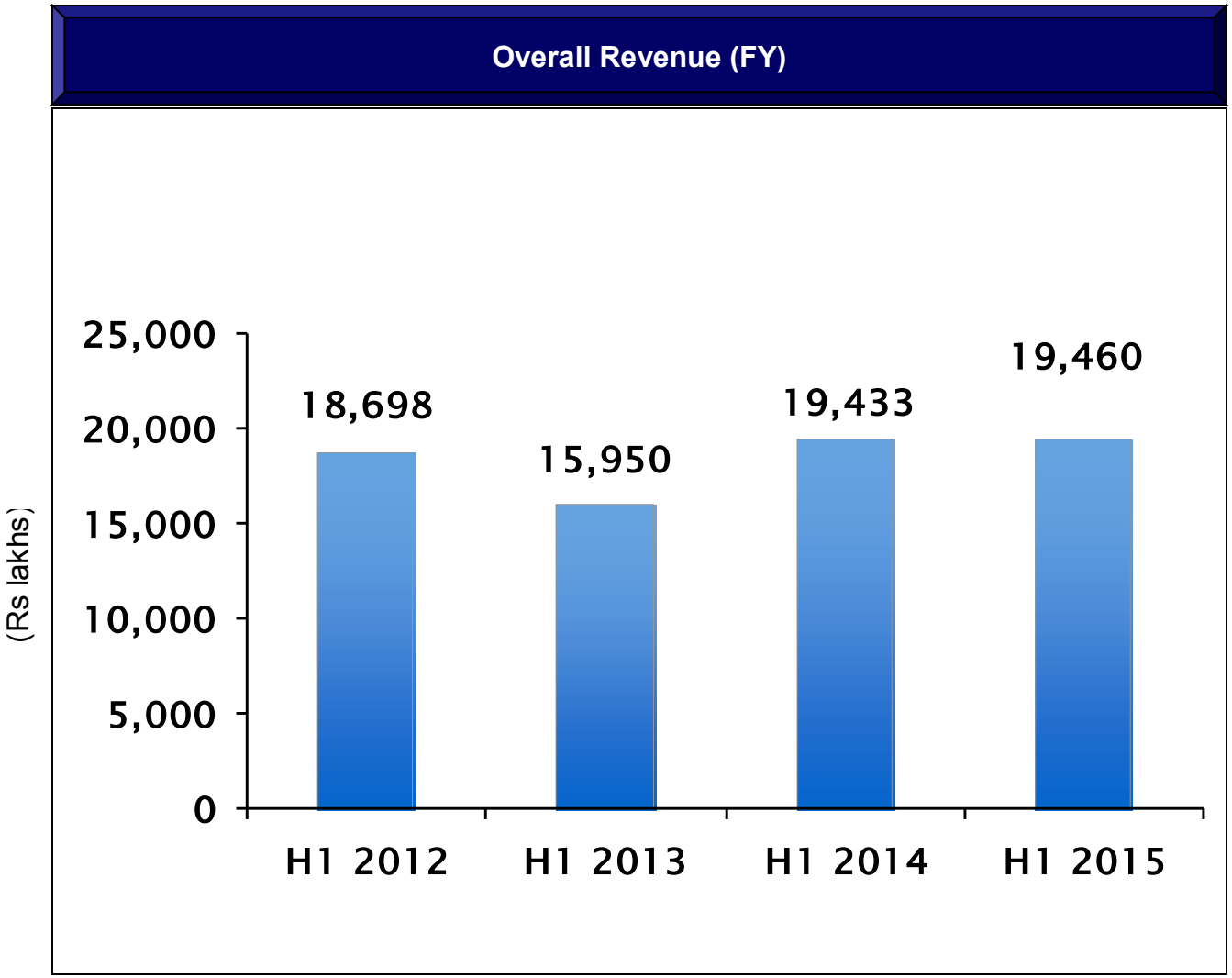
Balance Sheet

(Rs in lacs)	Year ended March 31			6 months ended Sept 30	
	2012	2013	2014	2013	2014
Total Debt	5,508	5,460	4,827	6,185	5,914
Shareholder's Equity (2)	23,098	24,220	26,029	25,937	26,713
Cash & Equivalent	2,809	3,162	3,820	4,120	3,077
Investments (1)	1,241	1,409	1,887	1,610	2,081
Inventory	7,546	7,530	7,734	8,088	8,736
Debtors	3,291	3,910	4,176	4,277	3,723
CAPEX	2,050	1,387	1,469	725	850
EPS	9.23	7.26	11.35	5.23	2.66
Inventory (no of days sales)	73	80	73	80	86
Debtors (no of days sales)	32	42	39	43	37
ROCE	8.33%	5.52%	7.13%	3.15%	1.58%
RONW	6.93%	5.78%	8.45%	6.36%	1.93%
Debt Equity	0.24	0.23	0.19	0.24	0.22

(1) Include 17.14 lakh shares of Shoppers Stop Ltd at a holding cost of Rs 868 lakhs

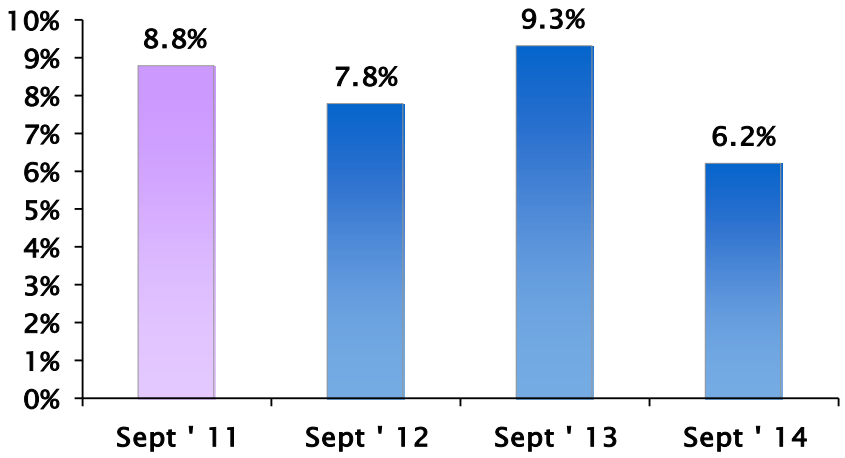
(2) Includes bonus shares issued In the ratio of 1:1 in October 2005 and 1:2 in Aug'10 and again in Sept'11.

Performance over the last 4 years
(Consolidated)

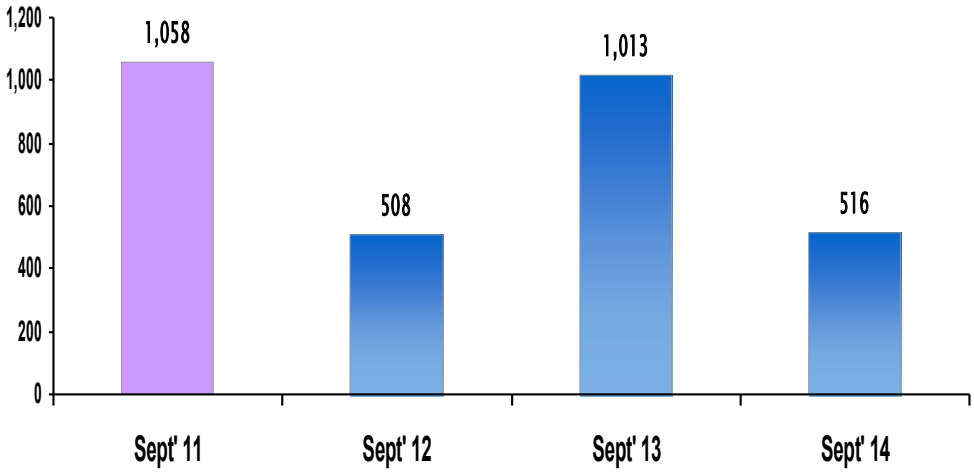


Consolidated Performance

H1 EBITDA margin (%)

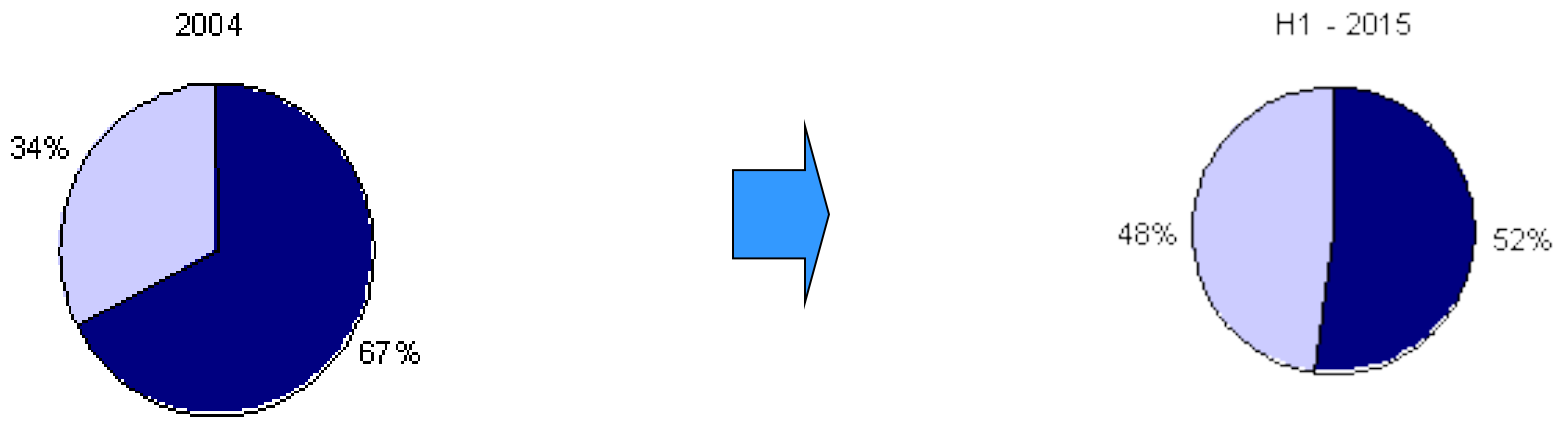


Net Profit (in Rs. lacs)

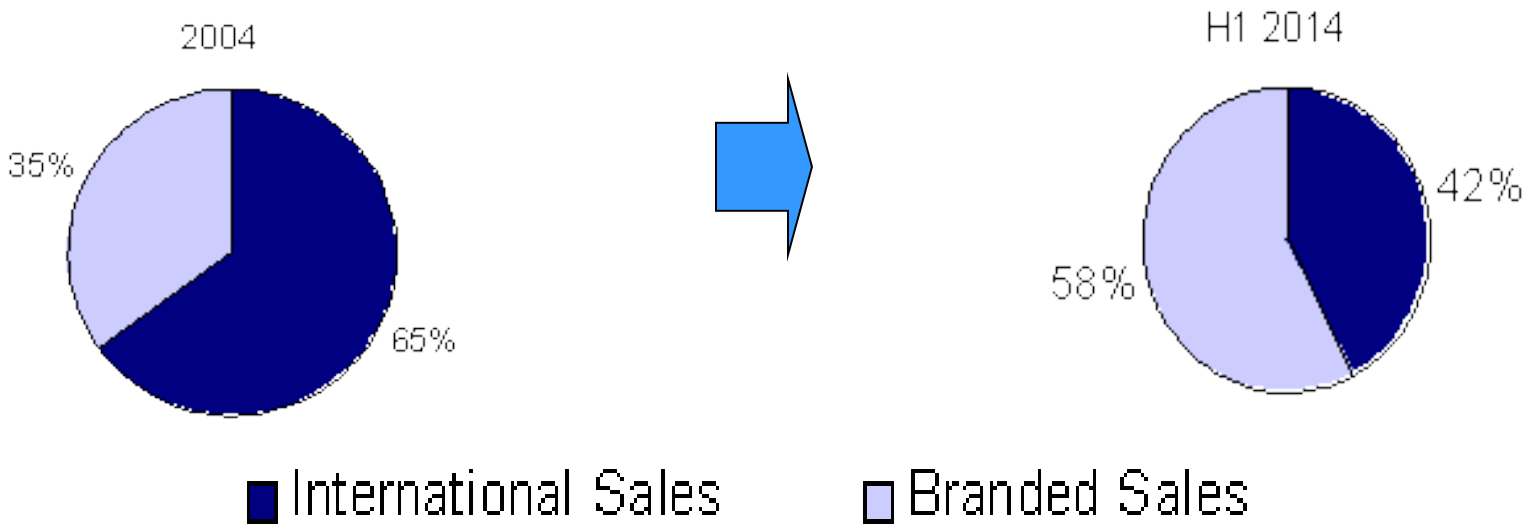


Performance over the last 10 years

Growing Contribution of Branded Business (Consolidated)



Growing Contribution of Branded Business in ZCCL (Standalone)



ZCCL: Enhancing Shareholder Value

- Corporate Governance
  - A distinguished Board of Directors that brings rich and varied experience.
  - Approx 65% of the Board are independent directors since ZCCL was listed
  - Audit committee headed by & includes finance veterans ensuring strict financial discipline and controls.
- Prudent financial policies and fiscal discipline have contributed to strong cash flows:
  - CAPEX Funding of approx Rs 8.50 cr (H1 '15) funded thru internal accruals
  - Low Debt/Equity Ratio of 0.29% (Standalone) and 0.22% (Consolidated)
  - Uninterrupted dividend payout since listing, payout ratio in line with best practices across industries
- Inventory marked to market each financial quarter
- ZCCL was the 1st woven garments company in the world to get the SA 8000 certification. We continuously conduct social audits for customers across manufacturing plants.Based on customer requirements continuous audits on social, environment, factory & logistics are conducted for standards set by SMETA, SEDEX, CT-PAT, etc

Experienced Promoters

Mr. M. Y. Noorani - Chairman & Founder

- Founder of ZODIAC, Clothing Manufacturers Association of India (and its President for 3 terms)
- One of the founding fathers of the clothing industry in India, has served on the managing committee of Indo German Chamber of Commerce, Bombay Chamber of Commerce, Indo Italian Chamber of Commerce & E.U. Chamber of Commerce.
- Recipient of the Lifetime Achievement Awards from CMAI, CIAE & IFA Lycra
- Obsession with quality as a “way of life” at Zodiac.

Mr. A. Y. Noorani - Vice Chairman & Managing Director

- Joined ZODIAC in 1968 and has since started the shirt export business and also scaled up the entire operations of the company apart from taking it public
- Today oversees the management of the entire organization
- Has served as Independent Director on the Board of Indian Oil Corporation

Mr. S. Y. Noorani - Managing Director & President

- Began his career with ZODIAC in 1982 and has set up the state of the art manufacturing facilities and the international offices.
- He leads a team of dynamic professionals and runs the branded and export business of the company

Distinguished Board of Directors

Mr. M. L. Apte

- Former Sheriff of Bombay, former Chairman of the Textiles Committee, currently Director of Lintas India, Thomas Cook (India) and Grasim Industries

Mr. S. M. Datta

- Former Chairman of Hindustan Lever, currently Chairman of Philips India, Castrol India and IL&FS Investment Managers

Mr. Bernhard Steinrucke

- Director General of Indo German Chamber of Commerce, former Jt CEO, India of Deutsche Bank AG, was Managing Partner on the Board of ABC Bank GmbH, Berlin

Dr. Heinrich-Dietrich Dieckmann

- A retired German diplomat, served as the German ambassador to Japan/India, former Head of Economic Department for German Mission to the UN

Mr. Y. P. Trivedi

- MP - Rajya Sabha. Former President of Indian Merchants Chamber, The Chamber of Income Tax Consultants, currently Member of the Board of Directors of Reliance Industries

Mr. S. R. Iyer

- Former MD of State Bank of India, former Member of the Board of Directors of National Stock Exchange of India, GE Capital Business Process Mgt Services Pvt. Ltd., Former Chairman and Director of CIBIL.

Business Scenario FY 2015

- **As per the "Global Powers Of Luxury Goods" study by Deloitte Touche Tohmatsu Limited**
  - India was once the fastest growing luxury markets in the Asia pacific region
  - "India grew much faster than China but lost steam due to a lack of sustenance of the growth which once made the country an attractive market"
  - However, along with Indian market,many emerging markets like China, Brazil and Russia have seen deceleration of growth in the past year
- **April - Oct 2014 car sales up 3% (SIAM)**
  - However 9 out of 14 manufacturers reported fall in sales
  - T.O.I article dtd 11.11.2014 suggests 3rd year of successive reversals
- **IIP Figures**
  - April – Aug 2014 @ 2.8%
  - August 2014 @ 0.4%

ZCCL Business H1 2015

- **ZCCL's design-driven International Business**
  - The EU market is weak, the US market is not showing exciting growth. The UK & ME are somewhat compensating for the deficiency in the EU

- **Our "No Discounting" policy is firmly entrenched**
  - We do not show growth at the cost of the bottom line

- **On The Retail Front:**
  - 7 new stores opened; 6 stores are presently under fit-out; another 11 stores are slated to open.
  - A flagship ZODIAC store is under fit out on Linking Rd (Bandra, Mumbai) which will take the tally to 4 stores on this "golden mile"
  - It is one of the many stores signed at today's rentals endorsing our conservatively aggressive focus on own retail
  - A blockbuster ZODIAC Store was opened at Mumbai International Airport T2 and is yielding results
  - In 2013-14 ZODIAC Stores recorded footfalls of 31 lac persons p.a.Assuming this is a mere 5% of persons passing the stores …approx 6.20 cr people are exposed to a ZODIAC Store annually
  - Our web store {again COCO} is showing 100% plus growth YoY

ZCCL Business H1 2015

– **H1 2015: Lacklustre consumer sentiment**

- Consumer off take was subdued across S/S 2014
- The hope was the result of the general elections would push up sentiments however it has remained lacklustre
- Own store sales up 8%
- The MBO biz is up 5%
- The LFS business was hit (-) 18.5% because our top 5 counters at Shoppers Stop were closed for renovation
- ZCCL continued investing in building it's brands & own retail by releasing Linen campaigns across it's 3 brands in S/S2014
- Onam/ Durga Puja as well as Diwali 2014 sales did not show encouraging trends across any of the sales channels
- In A/W 2014 the 3 ZCCL brands moved media spends on to television in order to reach a larger audience increasing spends on brand building despite the market sentiment
- Consumer sentiment remains a concern across industries (apparel, footwear, jewellery, watches, auto and even fast food)

Thank you