

Quarterly Compliance Report on Corporate Governance

Name of the Company: Zodiac Clothing Company Limited

Quarter ending on: December 31, 2005

Particulars	Clause of Listing Agreement	Compliance status (Yes/No)	Remarks
Board of Directors	49 I	YES	Refer enclosed note
(A) Composition of Board	49 (IA)	YES	-do-
(b) Non – Executive Directors’ compensation & disclosures	49 (IB)	YES	-do-
[c] other provisions as to Board and committees	49[IC]	YES	-do-
d) Code of Conduct	49[1D]	YES	-do-
II audit Committee	49 (II)	YES	-do-
(A) Qualified & Independent Audit Committee	49(IIA)	YES	-do-
(B) Meeting of Audit Committee	49 (II B)	YES	-do-
(C) Powers of Audit Committee 49 (IIC)	49 (II C)	YES	-do-
(D) Role of Audit Committee	49 (IID)	YES	-do-
(E) Review of information by Audit Committee	49 (IIE)	YES	-do-
III Subsidiary Companies	49 (III)	YES	-do-
V. Disclosures	49(IV)	YES	-do-
(A) Basis of related parties transactions	49(IVA)	YES	-do-
(B) Board of Disclorures	49 (IVB)	YES	-do-
(C) proceeds from Public issues, right issues, preferential issues etc.,	49 (IV C)	YES	-do-
(D) Remuneration of Directors	49 (IV D)	YES	-do-
(E) Management	49 (IVE)		In respect of Financial year ended 31/3/2005, it forms a part of the Directors Report 2004-2005.
(F) Shareholders	49 (IV F)	YES	-do-
V. CEO / CFO Certification	49 V		The Certificate from the MD and Head of Finance shall be complied in the next Annual Report.

VI. Report on Corporate Governance	49 (VI)		In respect of Financial year ended 31/3/2005, it forms a part of the Directors Report 2004-2005.
VII. Compliance	49 (VII)		-do-

Note 1: Details under each of the abovementioned head are stated below:

I.Board of Directors (Clause 49 I):

The Board of Directors of the company comprises of total 12 directors, which includes an Alternate Director.

(A) Composition of Board – Clause 49 I (A)

The Board of Directors of the company comprises of 12 directors including an Alternate Director. The Chairman of the Board is a Non-Executive Director. Out of the 12 directors, 9 are Non-Executive Directors (excluding 1 Alternate Director). Out of the above 9 Non-Executive directors 8 are independent Directors. Thus more than 50% of the Board comprises of Non-executive directors and more than 1/3rd of the Board are independent directors.

(B)Non executive director’s compensation and disclosures Clause 49 I (B):

The fees / compensation paid / payable to non-executive directors/independent directors are fixed by the Board and also approved by shareholders in general meeting. The company has not issued any stock options till date.

(C) Other provisions as to Board andCommittees – Clause 49 I (C)

[i] The meetings of the board of directors are scheduled in advance. During the current financial year, the Board meetings were held on the following dates 25th April 2005, 27th June 2005, 5th July 2005, 27th July 2005 and 24th October 2005 within a time gap of 3 months between any two meetings. In view of further amendment to Clause 49 the maximum time gap between two Board meetings has been increased from three months to four months by SEBI. The company will accordingly comply with the said stipulation for future Board meetings w.e.f. 1.1.06. The minimum information as stipulated under Annexure-IA is made available to Board in their meetings as applicable.

[ii] None of the Directors on the Board are members of more than 10 committees or act as Chairman of more than five committees across all companies in which they are directors as per disclosure made by Directors to the company. The directors of the company have been informing the company annually about the committee positions occupied by them in other companies and also about the changes as and when they take place.

(D) Code of conduct – Clause 49 I (D)

In line with the Company's objective of following the best Corporate Governance standards the Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct is effective from June 1, 2005. The Code of Conduct has also been posted on the website of the Company.

All Board members and senior management personnel shall affirm compliance with the Code on an annual basis. The Annual report of the company for the year 2005-06 shall contain a declaration to this effect duly signed by the Managing Director.

II. Audit Committee (Clause 49 II):

The Audit Committee as per the provisions of Clause 49 II of the Listing agreement has been constituted with 3 members.

(A) Qualified & Independent Audit Committee – Clause 49 II (A)

The constitution of the Audit Committee is as under:-

Mr. S. R. Iyer - Audit Committee Chairman & Member.
Mr. M. L. Apte and Mr. Y. P. Trivedi - Committee members

- i] All the 3 Directors/members are Non – Executive and Independent.
- ii] All the members of the audit committee are financially literate. Two members of the audit committee have accounting or related financial management expertise. viz.
Mr. S.R. Iyer has been the former Chairman and Director of Credit Information Bureau (India) Limited and was also the Managing Director of State Bank of Mysore. He has vast knowledge and rich experience in the banking industry.
Mr. Y.P. Trivedi is a noted Supreme Court lawyer practicing in Income tax matters and has vast knowledge and experience in finance/accounting.
- iii] The Chairman of the Audit Committee is an independent director
- iv] The Chairman of the Audit Committee has been remaining present in the AGMs to answer shareholder queries.
- v] The audit committee invites such of the executives as it considers appropriate [including head of finance function] to be present in the audit committee meetings. The head of internal audit and the statutory auditors remain present in most of the audit committee meetings.
- vi] The Company Secretary acts as the Secretary to the Committee.

(B) Meetings of Audit Committee – Clause 49 II (B)

During the financial year 2005-06, 5 audit committee meetings were held on 3.5.05, 27.6.05, 27.7.05, 23.8.05, and 24.10.05, with minimum of two independent members present and in a time gap of not more than four months between two meetings.

(C) Powers of Audit Committee – Clause 49 II (C)

Keeping in view the amendments in Clause 49 of the listing agreement the Board of Directors in their meeting held on 28th January 2005, have empowered the Audit Committee with the following powers:-

- a. To investigate any activity within its terms of reference
- b. To seek information from any employee
- c. To obtain outside legal or other professional advice.
- d. To secure attendance of outsiders with relevant expertise, if it considers necessary.

(D) Role of Audit Committee – Clause 49 II (D)

The role of the Audit committee was re-defined in the Board Meeting held on 28th January 2005, to include the provisions of sl.nos.1 to 13 of Clause 49 II [D] of the listing agreement.

(E) Review of Information by Audit Committee – Clause 49 II (E)

The Audit Committee will mandatorily review the following in the meetings commencing w.e.f. 1.1.06 onwards :-

1. Management discussion and analysis of financial condition and results of operations.
2. Statement of significant related party transactions submitted by management.
3. Management letters/letters of internal control weaknesses issued by statutory auditors, if any.
4. Internal audit reports relating to internal control weaknesses, if any.
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

III . Subsidiary Companies – Clause 49 III:-

i] The Company has only one non-listed Indian Subsidiary Company i.e M/s Multiplex Collapsible Tubes, and its turnover or net worth does not exceed 20% of the consolidated turnover or net worth of the listed holding Company and its subsidiaries in the immediately preceding accounting year. Hence the said clause is not applicable.

ii] The Audit Committee will review the financial statements, in particular, the investments [if any] made by the unlisted subsidiary companies in their meetings to be held w.e.f. 1.1.06 onwards.

iii] The minutes of the Board meetings of the unlisted subsidiaries of the company shall be placed at the Board meeting of the company and the management will periodically bring to the attention of the Board of Directors, a statement of all significant transactions and arrangements entered into by unlisted subsidiaries if any, w.e.f. meetings held on and after 1.1.06.

IV . Disclosures – Clause 49 (IV)

The Register of contracts containing the transactions in which Directors are interested / related party transactions is placed before the Board regularly for its approval. In line with the provisions stipulated under Clause 49 [IV][A] and [B] the same will be complied in accordance with the revised Clause 49, to the extent applicable.

(C) Board Disclosures – Clause 49 (IV C)

The Company has laid down procedure to inform the Board members about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

(D) Proceeds from public issues, rights issues, preferential issues etc. – Clause 49 (IV D)

The Company had made a preferential issue of equity shares during December 2004 to few financial investors in term of SEBI (Disclosure & Investor Protection) Guidelines. The funds so raised have been completely utilized and the company has been complying the provisions of Clause 43 of the listing agreement and the details thereof have been tabled in the Audit Committee meetings periodically. The details of utilization of funds have also been disclosed in the in the Annual report for F.Y. 2004-2005.

(E) Remuneration of Directors – Clause 49 (IV E):-

The non-executive directors of the company are not entitled to any remuneration except sitting fees for attending Board/Committee meetings. As regards executive directors, as per the terms of appointment, they are not entitled to any remuneration from the company. Pecuniary relationship or transactions of the non-executive directors vis-à-vis company is disclosed in the Annual report of 2004-05 in keeping with the requirements under Clause 49 [IV E]. Rest of the stipulations contained in clause 49 IV[E] will be complied with in the Annual Report – F.Y. 2005-06 to the extent applicable.

(F) Management - Clause 49 (IV F):

The Management Discussion and Analysis Report for the financial year ended March 31, 2005 forms part of Annual Report for 2004-2005 and the company will continue to adhere to the said clause for the Annual Report for F.Y.2005-06 and also sub-clause [ii] of Clause 49 [IV][F].

(G) Shareholders - Clause 49 (IV F)

i] In the Annual General Meeting held on September 26, 2005 Mr. M.L. Apte, Mr. S.M. Datta & Mr. S.R. Iyer, were reappointed as Directors liable to retire by rotation. The brief resume of the aforesaid Directors, their nature of expertise in specific functional areas & names of the companies in which they hold the Directorship and the membership of Committees of the Board have been disclosed to the shareholders in the Annual report 2004-05. The provisions of sub-clause [i] of Clause 49 [IV][F] of listing agreement will be complied with to the extent applicable in terms of revised Clause 49.

ii] The Company has been periodically putting on its web-site its quarterly unaudited financial results and also presentations made by the company to analysts including investor updates and will continue to do so in future.

iii] A Board Committee under the Chairmanship of a non-executive director has been formed to specifically look into the redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of dividends etc. This committee has been designated as 'Shareholders'/Investors' Grievance Committee.

V. CEO / CFO Certification - clause 49 (V)

The provisions of revised Clause 49 [V] will be complied with for the financial statements for the year ending 31.3.06.

VI. Report on Corporate Governance – clause 49 VI

The report on Corporate Governance for the financial year ended March 31, 2005 incorporating the requirements under Annexure IC to the extent applicable has been published in Annual Report of F.Y. 2004-05 and the same shall also be complied in the next Annual Report for F.Y. 2005-06 to the extent applicable.

VII. Compliance - Clause 49 (VII)

The Company has obtained an Auditors' Certificate on compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement and provided to the shareholders in the Annual report for F.Y. 2004-05. The said provisions will again be complied in the Annual report for F.Y. 2005-06 and also for future annual reports to the extent applicable.