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Quarterly Compliance Report on Corporate Governance

Name of the Company: Zodiac Clothing Company Limited

Quarter ended: June 30, 2008

Particulars	Clause of Listing Agreement	Compliance status (Yes/No)	Remarks
I. 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 (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-
IV. Disclosures	49(IV)	YES	-do-
(A) Basis of related parties transactions	49(IVA)	YES	-do-
(B) Disclosure of Accounting Treatment	49 (IVB)	YES	-do-
(C) Board of Disclosures	49 (IVC)	YES	-do-
(D) Proceeds from Public issues, right issues, preferential issues etc.,	49 (IV D)	YES	-do-
(E) Remuneration of Directors	49 (IV E)	YES	-do-
(F) Management	49 (IVF)	YES	In respect of Financial year ended 31/3/2008, it shall form part



			of the Directors Report 2007-2008.
(G) Shareholders	49 (IV G)	YES	-do-
V. CEO / CFO Certification	49 V	YES	Refer enclosed note
VI. Report on Corporate Governance	49 (VI)	YES	In respect of Financial year ended 31/3/2008, it shall form part of the Directors Report 2007 - 2008.
VII. Compliance	49 (VII)	YES	-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 11 directors, which includes an Alternate Director.

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

The Board of Directors of the company comprises of 11 directors including an Alternate Director. The Chairman of the Board is a Non-Executive Director. 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 One Alternate Director). Thus more than 50% of the Board comprises of Non-executive directors and **more than half of the Board of the Company are independent directors.**

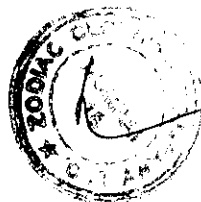
(B) Non executive director's compensation and disclosures Clause 49 I (B):

Non-Executive Directors are entitled to sitting fees for attending Board Meetings of the Company.

Compensation Committee :

At the Annual General Meeting held on August 31, 2006, the shareholders of the Company 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) Board of Directors at its meeting held on 31st October 2006, approved constitution of the Compensation Committee with the following Board Members:-

Mr. Y. P. Trivedi	-	Member
Mr. M. L. Apte	-	Member
Mr. Bernhard Streinrueke	-	Member



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 / employees of subsidiary companies and 34,000 Stock options were granted to eligible Directors of the Company at a price of Rs. 255.40 per option. Grant of 25,500 Stock options to members of Compensation Committee at a price of Rs. 255.40 per option was approved by Board of Directors on the said date. Accordingly, a total of 2,91,000 options were granted during the quarter at a price of Rs. 255.40 per share.

Committee of Directors to approve Limited Review Report :

As per the amended Clause 41 of the Listing Agreement, a separate Committee was formed by the Board of Directors at its meeting held on October 29, 2007 with the following Board members

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

to approve the Limited Review Report submitted by the Statutory Auditors of the Company on the Unaudited Financial Results of the Company, before submission to the Stock Exchanges where the equity shares of the Company are listed.

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

[i] The meetings of the board of directors are scheduled in advance. During the quarter, One Board meeting was held on June 11, 2008, within a time gap of 4 months between any two meetings, in view of the amended Clause 49. The minimum information as stipulated under Annexure-IA is made available to the Board in their meetings.

[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. This does not include directorships held in private companies, if any. 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 it takes place.

(iii) 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-compliances.



(D) Code of conduct – Clause 49 I (D)

- (i) The Board has laid down a Code of Conduct for all its Board members and Senior management personnel for avoidance of conflict of interest. The Code of Conduct is effective from June 1, 2005. The code of conduct is posted on the company's website www.zodiaconline.com.
- (ii) The Code has been circulated to all the members of the Board and Senior Management and the compliance of the Code has been affirmed by all the members for the year ended March 31, 2008. The Annual Report of the company for the year 2007-2008 has the declaration to that effect, signed by the Vice Chairman & 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:-

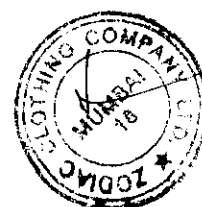
Mr. S. R. Iyer - Audit Committee Chairman & Member.
Mr. M. L. Apte and Mr. Y. P. Trivedi - Committee members

- 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 and retired as Managing Director of State Bank of India. He has vast knowledge and rich experience in the banking industry.

Mr. Y.P. Trivedi is a practicing Supreme Court Advocate, who specializes in Income tax matters.

- 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 shareholders 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. The Chairman, Managing Directors, the General Manager - Accounts, the Internal Auditor and the Statutory Auditors are normally invited to these meetings.

vi] The Company Secretary acts as the Secretary to the Committee.

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

During the quarter, One Audit Committee meeting was held on June 11, 2008, 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 already 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, in accordance with the provisions of Clause 49 II [D}.

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

The Audit Committee interalia reviews the following in the meetings commencing w.e.f. 1st January 2006 onwards as and when applicable:-

1. Management discussion and analysis of financial conditions 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
4. Internal audit reports relating to internal control weaknesses.
5. The appointment, removal and terms of remuneration of the Internal auditor.



III . Subsidiary Companies – Clause 49 III:-

i] The Company has only one non-listed Indian Subsidiary Company i.e M/s Multiplex Collapsible Tubes Limited. 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 of the listed holding Company and its subsidiaries in the immediately preceding accounting year. The said Indian subsidiary does not fulfill the criteria of ‘material non-listed Indian subsidiary.

ii] The Audit Committee reviews the financial statements, in particular, the investments [if any] made by the unlisted subsidiary companies in their meetings held w.e.f. 1st January 2006, onwards.

iii] The minutes of the Board meetings of the unlisted subsidiaries of the company are placed at the Board meetings of the company and the management periodically brings to the attention of the Board of the company, a statement of all significant transactions and arrangements entered into by unlisted subsidiaries w.e.f. meetings held after 1st January 2006.

IV . Disclosures – Clause 49 (IV)

(A) Basis of related party transactions – Clause 49 (IV A)

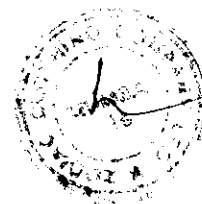
The company has entered into related party transactions, which are not likely to have a conflict with the company’s interest. The Register of contracts containing the transactions in which Directors are interested / related party transactions is placed before the Board periodically for its approval. The details of all transactions with related parties in the manner required to be tabled before the Audit Committee as per the revised Clause 49 of the listing agreement, are placed before the Audit Committee on quarterly basis w.e.f. 1st January 2006.

(B) Disclosure of Accounting Treatment – Clause 49 (IV B)

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 has been followed as applicable.

(C) Board Disclosures – Risk Management -Clause 49 (IV C)

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. These procedures are 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)

During the financial year 2007-2008 under review, the Company has proposed warrants on preferential basis to certain promoters of the Company. By individual letters each of the allottees have expressed their intention to subscribe and be allotted to 4,40,000 warrants of the Company to be converted into Equity shares of Rs.10/- each for cash at a price of Rs. 400/- per share (including a premium of Rs.390 per share). On receipt of payment of 10% of the issue price, 4,40,000 warrants are issued to the said Promoters. The money received towards the same have been utilized for the purposes for which the warrants were issued.

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

The non-executive directors 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. Pecuniary relationship or transactions of the non-executive directors vis-à-vis, company are disclosed with effect from Annual report of 2005-06 and will continue to be disclosed in keeping with the requirements under Clause 49 [IV E] as may be applicable. Rest of the stipulations contained in clause 49 IV[E] will be complied in the future Annual Reports to the extent applicable.

During the Quarter ended June 30, 2008, pursuant to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended and under 'Zodiac Clothing Company Limited – Employees Stock Option Scheme – 2006' the first vesting date of the options being December 27, 2007, the Company received 1 application for 300 shares from one of the Employee for exercising the option to purchase equity shares and were allotted respective shares as per the valid application received from the Employee in the Board Meeting of the Company held on June 11, 2008. The trading permission for the said shares is still awaited from the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. During the previous financial year 2007-2008, 13550 Stock options lapsed.

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

The Management Discussion and Analysis Report for the financial year ended March 31, 2008, forms a part of Annual Report for 2007-2008 and the company will continue to adhere to the said clause for the Annual Reports.

The Senior Management have affirmed to the Board, that there are no commercial or material financial transactions where there is a personal interest that may have a potential conflict with the interest of the company at large.



(G) Shareholders - Clause 49 (IV G)

At the ensuing Annual General Meeting the directors who retire by rotation and who are eligible for reappointment are Dr. Abid Hussain, Mr. S. R. Iyer and Mr. M. L.Apte. The brief resume of the aforesaid Directors is provided to the shareholders in the Annual Report 2007-2008.

i] 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.

iii] A Board committee under the Chairmanship of a non-executive director has been formed to specifically look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. This Committee has been designated as 'Shareholders/Investors Grievance Committee'. The Committee 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 2007-08 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

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

The CEO and CFO have certified to the Board of Directors with regards to the financial statements and cash flow for the year 2007-08 , as per the provisions of revised Clause 49 [V] in the Board meeting held on June 11, 2008.

VI. Report on Corporate Governance – Clause 49 VI

The report on Corporate Governance for the financial year ended March 31, 2007 incorporating the requirements under Annexure IC to the extent applicable has been published in Annual Report of F.Y. 2006-07 and the same shall be complied in the Annual Report for the financial year 2007-2008.

VII. Compliance - Clause 49 (VII)

The Company has obtained Auditors' Certificate on compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement and the same is provided to the shareholders in the Annual report for F.Y. 2006-07. The said provisions will again be complied in the Annual report for F.Y. 2007-08.

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