

# Zodiac Clothing Company Limited



ZODIAC

- **Zodiac – company with a very solid foundation**
  - A design driven clothing company
  - A company committed to Manufacturing Excellence
  - Distinguished History & Board
  - Established export business and 2 very strong domestic brands
- **Historically underleveraged to our potential, now poised to maximize from the changing business environment**
  - The “post quota” opportunities for India
  - Boom in the domestic Retail Industry
  - Growing appetite of Indian consumers for Lifestyle products
- **Why is Zodiac in this unique position**
  - People/Processes & Products in place
- **A predictable, sustainable, scaleable business with expanding margins & returns**

✓	<b>History</b>	House of Zodiac was promoted - By Mr M Y Noorani (Chairman) in 1954, ZCCL is now a Rs.2.1 bn vertically integrated, design driven, marketing led clothing company that controls the entire operations from Design to Retail
✓	<b>Distinguished Board</b>	An experienced Board - Bringing in expertise across functions
✓	<b>Established Brands</b>	ZODIAC – a premium menswear brand, of the longest standing in India, also retailed in the European Union, North America & the Middle East. ZOD! – a trendy, fashionable casual wear brand launched in 2000 - positioned as Club Wear
✓	<b>Industry Recognition</b>	Recipient of various industry awards

### Mr. M. Y. Noorani

**Chairman & Founder - The founder of ZODIAC, Clothing Manufacturers Association of India (and its President for 3 terms). He is 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.**

### 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.**

### Mr. S. Y. Noorani

**Managing Director & President - Began his career in 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**

- **Dr. S. Abid Hussain** - Former Secretary, Govt. of India, Ministry of Commerce, former member of the Planning Commission and the Ambassador of India to the USA
- **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 Ltd
- **Mr. Gurcharan Das** - Former Chairman and MD of Procter and Gamble India and Richardson Hindustan Ltd. a Harvard graduate, periodically lectures there
- **Mr. S. M. Datta** - Former Chairman of Hindustan Lever Ltd, currently Chairman of Philips India Ltd, Castrol India Ltd and IL&FS Investment Managers Ltd
- **Mr. Bernhard Steinrucke** - Director General of Indo German Chamber of Commerce, former Jt CEO, India of Deutsche Bank AG. He 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. Deepak Parekh** - Chairman of H.D.F.C. Ltd., IDFC Ltd, Siemens (India) Ltd, Glaxo India Ltd and Burroughs Wellcome (India) Ltd, HDFC Asset Mgt Co Ltd
- **Mr. Y. P. Trivedi** - Former President of Indian Merchants Chamber, The Chamber of Income Tax Consultants. Currently, Member of the Board of Directors, Reliance Industries Ltd
- **Mr. S. R. Iyer** - Former Managing Director, 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

✓	<b>Design Driven Philosophy</b>	Inhouse Design Studio in Mumbai with Design & Sales offices in Dusseldorf, London and New York
✓	<b>International Sales</b>	Sales and service offices in London, Dusseldorf and Dubai headed by local industry professionals, dedicated sales agent in New York
✓	<b>Branded Sales</b>	Network of approximately 1000 multi – brand retailers & over 50 exclusive company managed Zodiac Retail Stores across the country
✓	<b>Manufacturing</b>	Multi-locational – 9 state of the art manufacturing plants in India & UAE
✓	<b>Sourcing</b>	International sourcing capabilities Strategic decision to remain a clothing company ensures “free” sourcing of fabrics and raw material from across the globe - no compulsion to use “own fabric”

- We have our own design offices in 3 of the 5 fashion capitals of the world - London, New York & Dusseldorf. Headed and run by local design & industry professionals
- Our Mumbai office has a 5000 sq. ft. Italian inspired Design Studio that employs 15 trained designers that is constantly networking with our foreign offices and attending trade shows internationally
- This enables ZCCL to predict design trends and thus in a position to forecast fashion for men's wear by creating lines
- We are able to create a value added offering to our export customers and bring the latest in men's wear to the discerning Indian male with our brands ZODIAC & ZOD!

- Sales and service offices in London, Dusseldorf and Dubai headed by local industry professionals; dedicated sales agent in New York
- Provides an edge due to local interface with and service to our customers on design & sales related issues
- Customers include the leading retailers and brands in Europe, US, Canada, Latin America and the Middle East
- Focus on 'value added' products and not 'mass market' merchandise

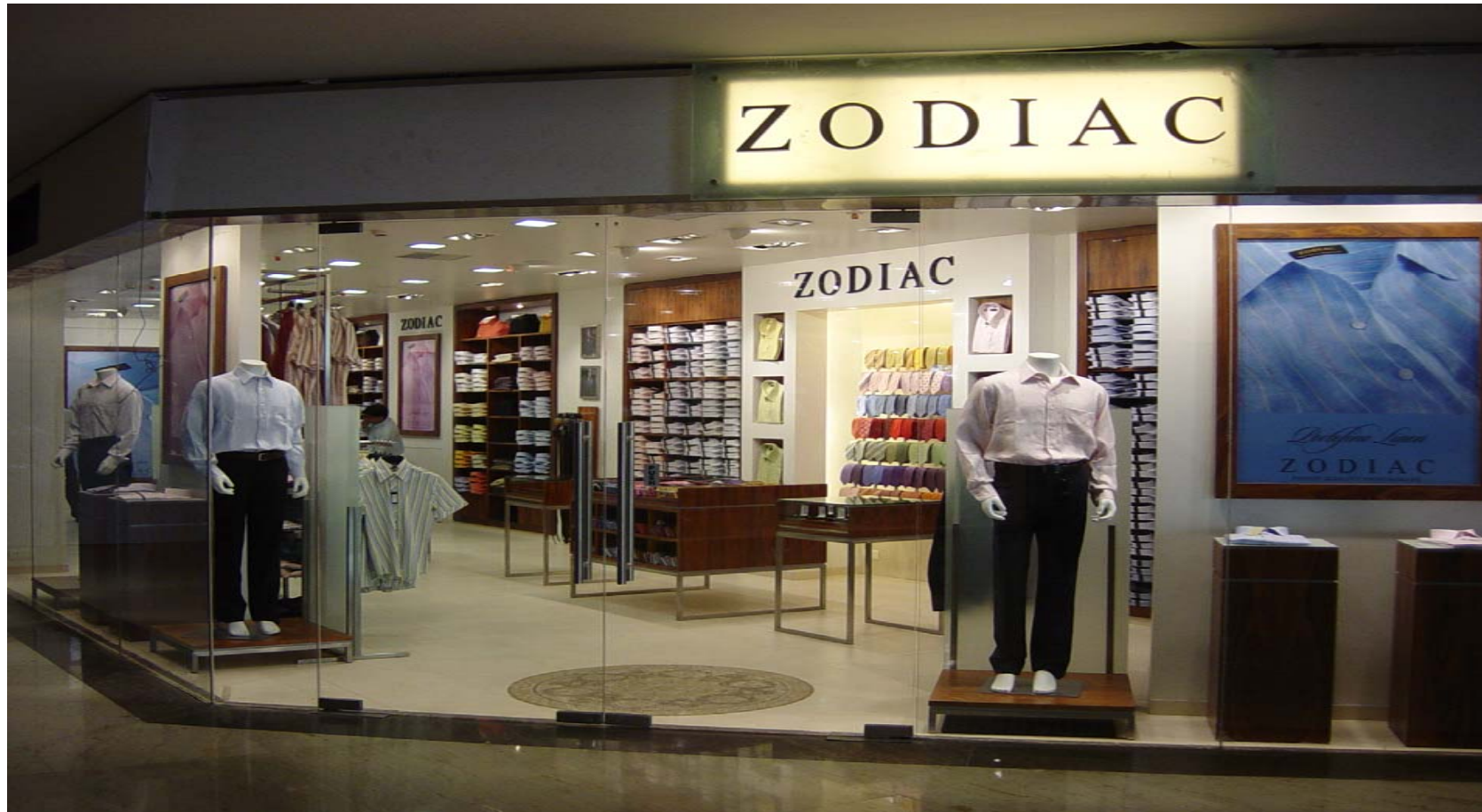
- **We have a network of approximately 1000 multi – brand retailers & over 50 exclusive Zodiac Retail Stores across the country**
  - **30% of the sales is through ZODIAC Retail stores, 20% from large retail chains, and balance 50% from independent retailers.**
- **These retailers are serviced directly by our own sales team through 12 branches, spread across 4 regions and a CDC in Bangalore**
- **Production against orders, derisks business from 'stock and sale' model**



**NIRMAL LIFESTYLE, MULUND, MUMBAI**



**FORUM - BANGALORE**



**INFINITY MALL – ANDHERI, MUMBAI**



**INFINITY MALL – ANDHERI, MUMBAI**

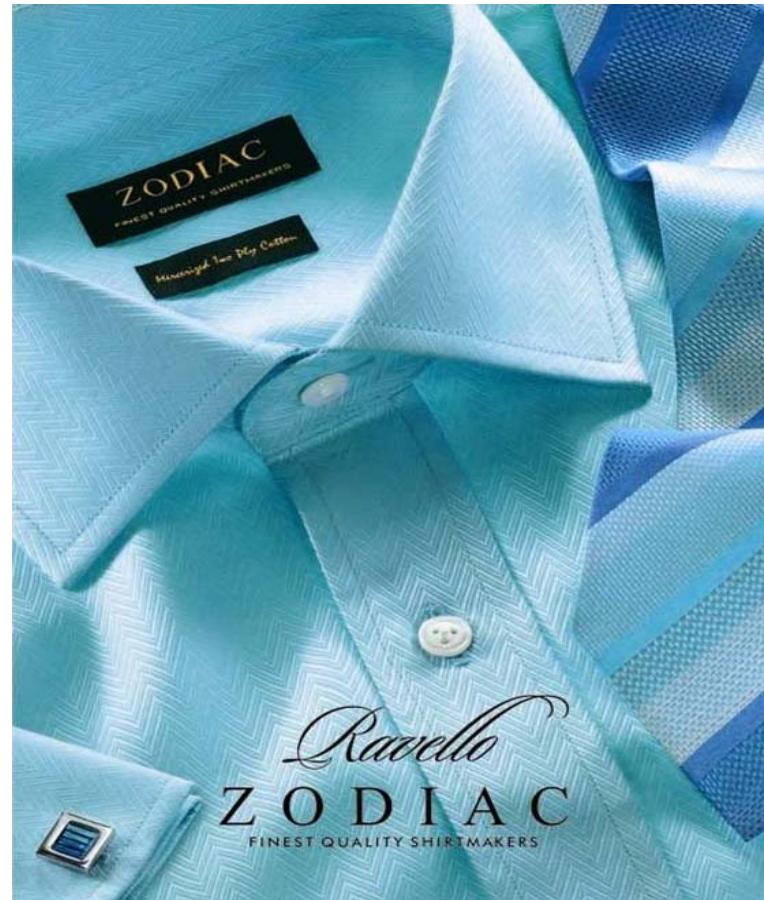
**JUST IN CASE YOU WONDER WHERE  
PARTY ANIMALS HANG OUT IN BROAD DAYLIGHT**



**ZOD! Store at Phoenix Mumbai**

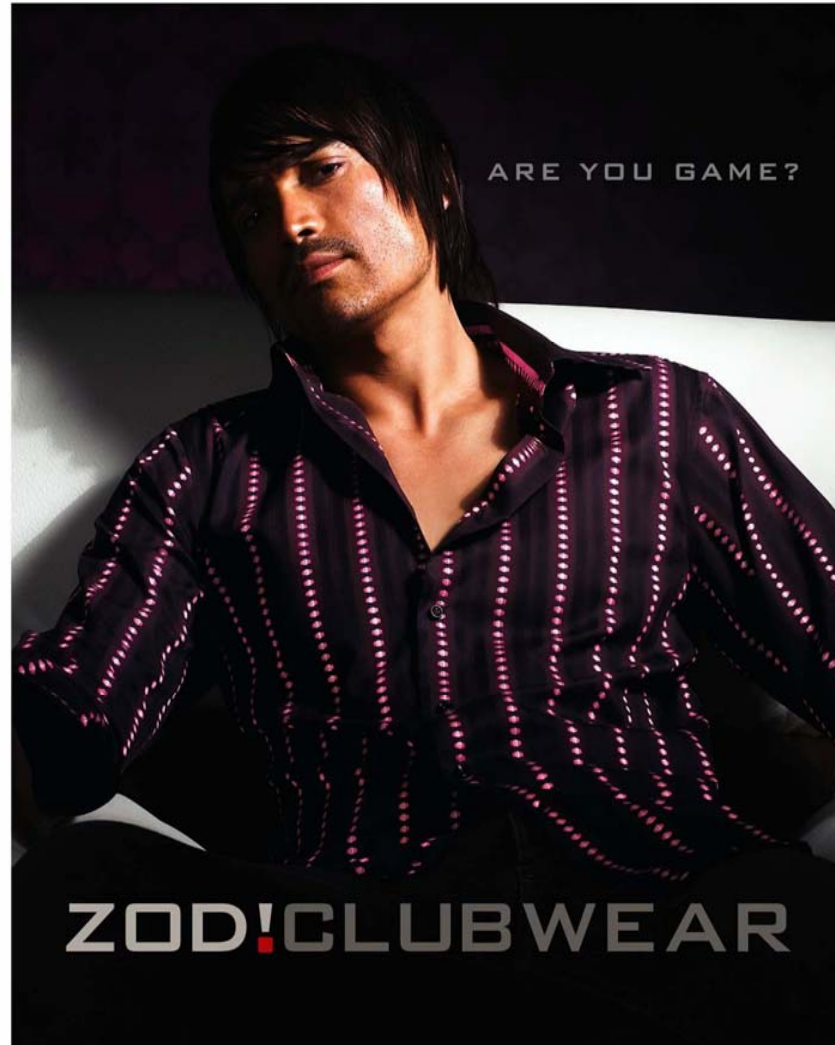
- **ZODIAC – a premium menswear brand, of the longest standing in India**
  - The first name & last word in Ties & Accessories in India
  - Currently we have formal shirts, ties, trousers, cuff links, belts, wallets, socks & handkerchiefs
  - Have taken the “Made In India” label at premium prices to U.K., Holland, Switzerland, Germany, Canada & UAE/GCC and other Middle East countries
- **ZOD! – a trendy, fashionable casual wear brand launched in 2000**
  - Positioned as Club Wear and targeted to socially active young male
  - Currently in it’s growth phase after launch ZOD! Is showing triple digit growth over the past 3 years
  - Available from Jammu – Trivandrum & Guwahati – Goa the brand is retailed thru almost 300 outlets
  - Seen by the trade & the consumer as the fashion window to men’s casual clothing













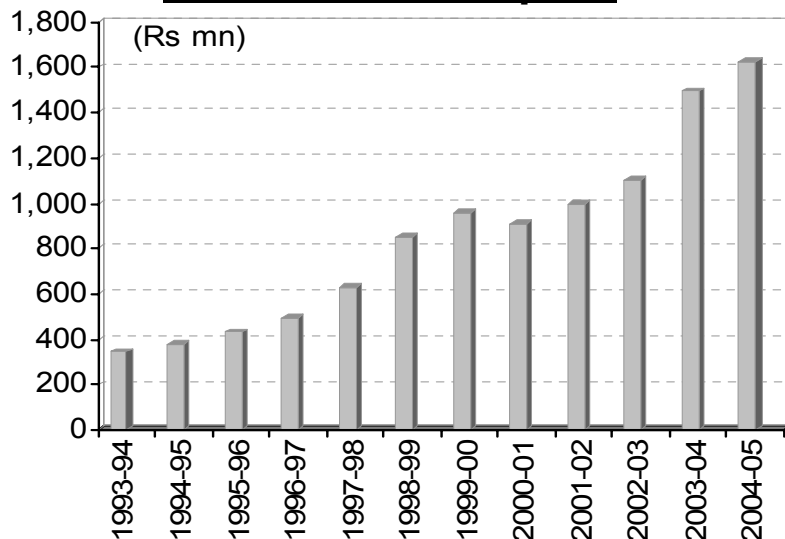
- **At the 2004 CMAI Awards, the veritable “Oscars” of the clothing industry, ZCCL made a clean sweep**
  - **Best Management Team - ZCCL**
  - **Promising Brand of the Year – ZOD!**
  - **Clothing Professional of the Year - Mr. Anees Noorani**
  - **Best Ad Campaign – Zodiac Shirts**
- **Adjudged “The Most Admired Neckwear Brand of the Year” at the first Images Fashion Awards (IFA 2000)**
- **ZOD! Has won 4 prestigious awards**
  - **The CMAI-APEX Awards**
    - **“Brand Launch of the Year” & “Emerging Brand of the Year” 2003**
    - **Promising Brand of the Year 2004**
  - **Best Media Strategy 2003 – EMVIES from the Ad Club of India**
- **Texcellence Award 2003 for Best brand for Accessories – Zodiac**
- **Holds the Guinness Book of World Records for the World’s Longest Tie**

- **Our state of the art and modern automated manufacturing plants are located in Karnataka, Gujarat, (India) & the UAE**
- **Capacity to produce over 6 mn shirts per annum**
- **We outsource part of the Socks production as well as all manufacturing for Ties, Leather products and Hankies**

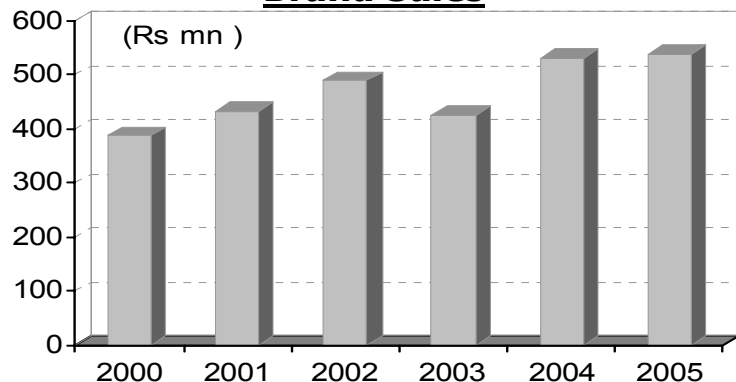
<b>Location</b>	<b>Product</b>	<b>Capacity (in mn pcs)</b>
Bangalore	Shirts	3.7
Bangalore	Trousers	0.5
Umergaon	Shirts	0.7
Umergaon	Socks	1.0
Dubai	Shirts	1.7

- **First woven garments company in the world to get the SA 8000 certification**

## House of Zodiac exports



## Brand Sales

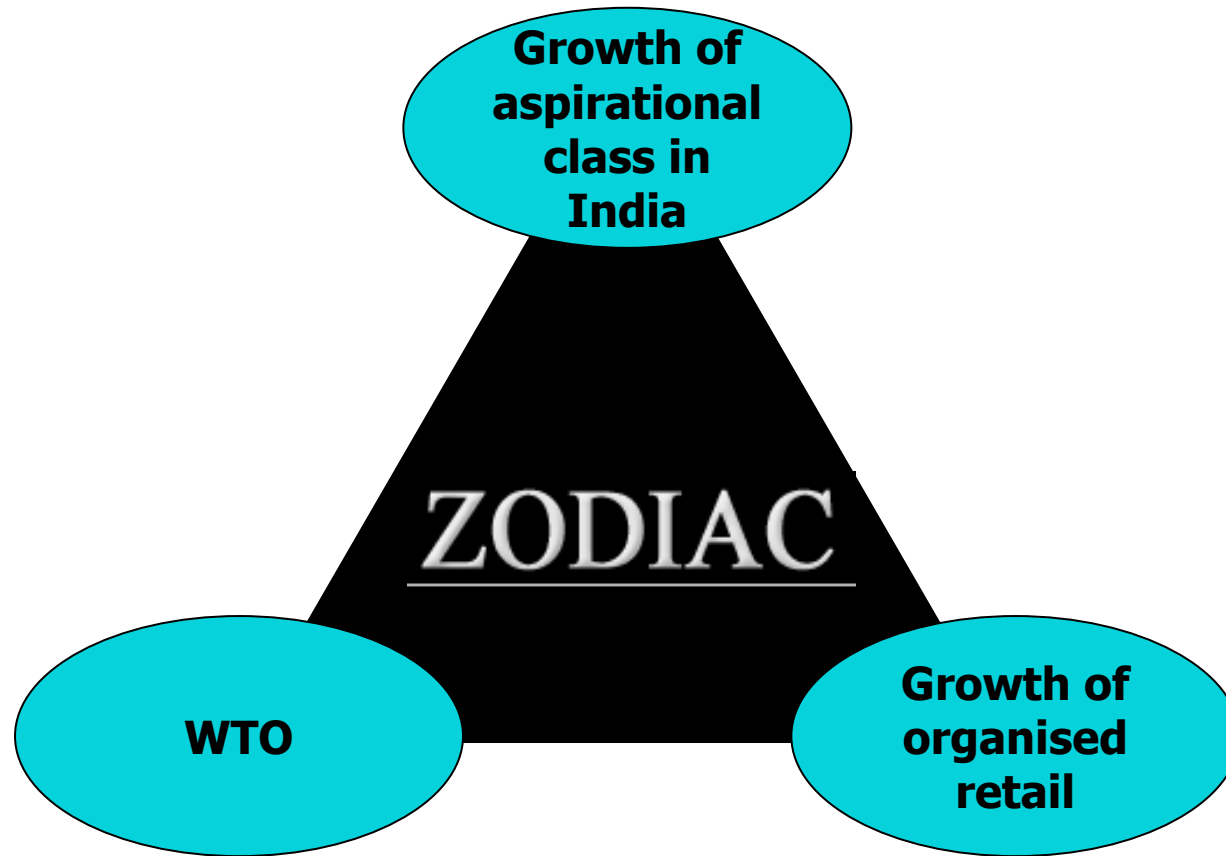


Rs Mn	2003	2004	2005@
Income	1,317	1,674	1,782
PBIDT	80	146	151
PBT	47	129	127
Tax (Net)	16	40	40
Net Profits	31	87	87

Rs Mn	2003	2004	2005
Equity	34	34	42
Networth	505	561	898
Borrowings	138	163	154
<b>Total Liabilities</b>	<b>655</b>	<b>742</b>	<b>1064</b>
Gross Block	188	303	452
Net Block	146	248	355
Investments #	164	161	245
Net Current Assets	345	333	464
<b>Total Assets</b>	<b>655</b>	<b>742</b>	<b>1064</b>

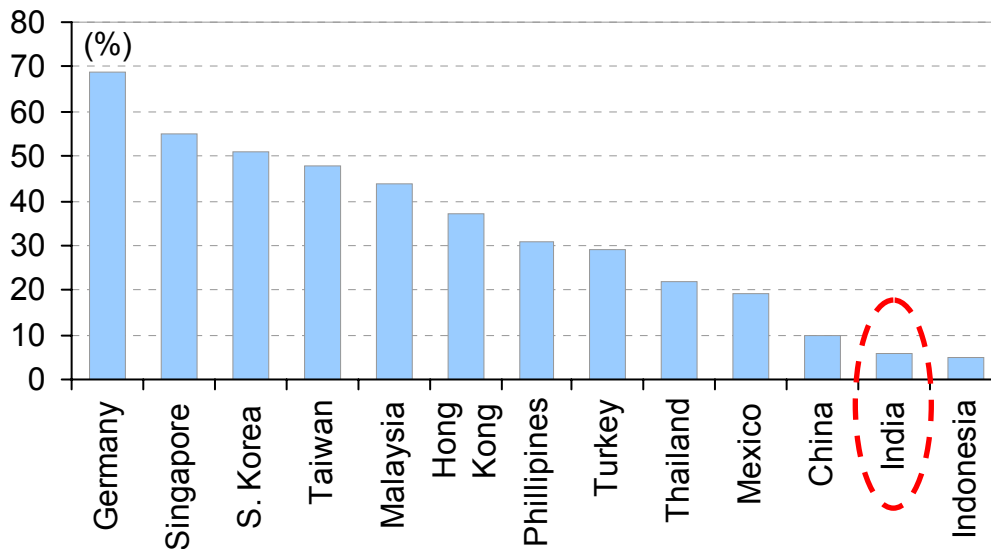
@ FY 2005 Financials includes UAE operational figures from Feb 13' 2005 to March 31' 2005 only

# Includes 1 million shares of Shoppers Stop Ltd. at holding cost of Rs. 102 mn

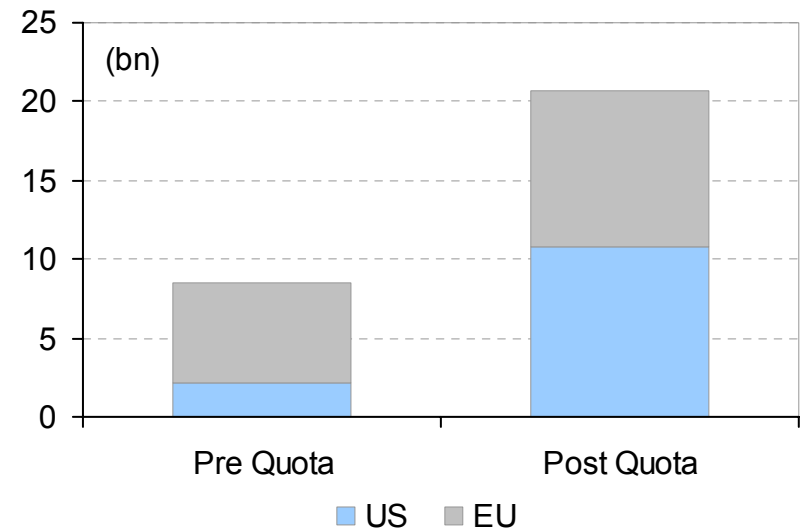


- **India – significant labour cost advantage**
  - Labour cost – a key component of garment cost
  - India - cheap labour advantage
- **Quota dismantling + labour cost advantage = 2.5x growth in India's clothing exports**

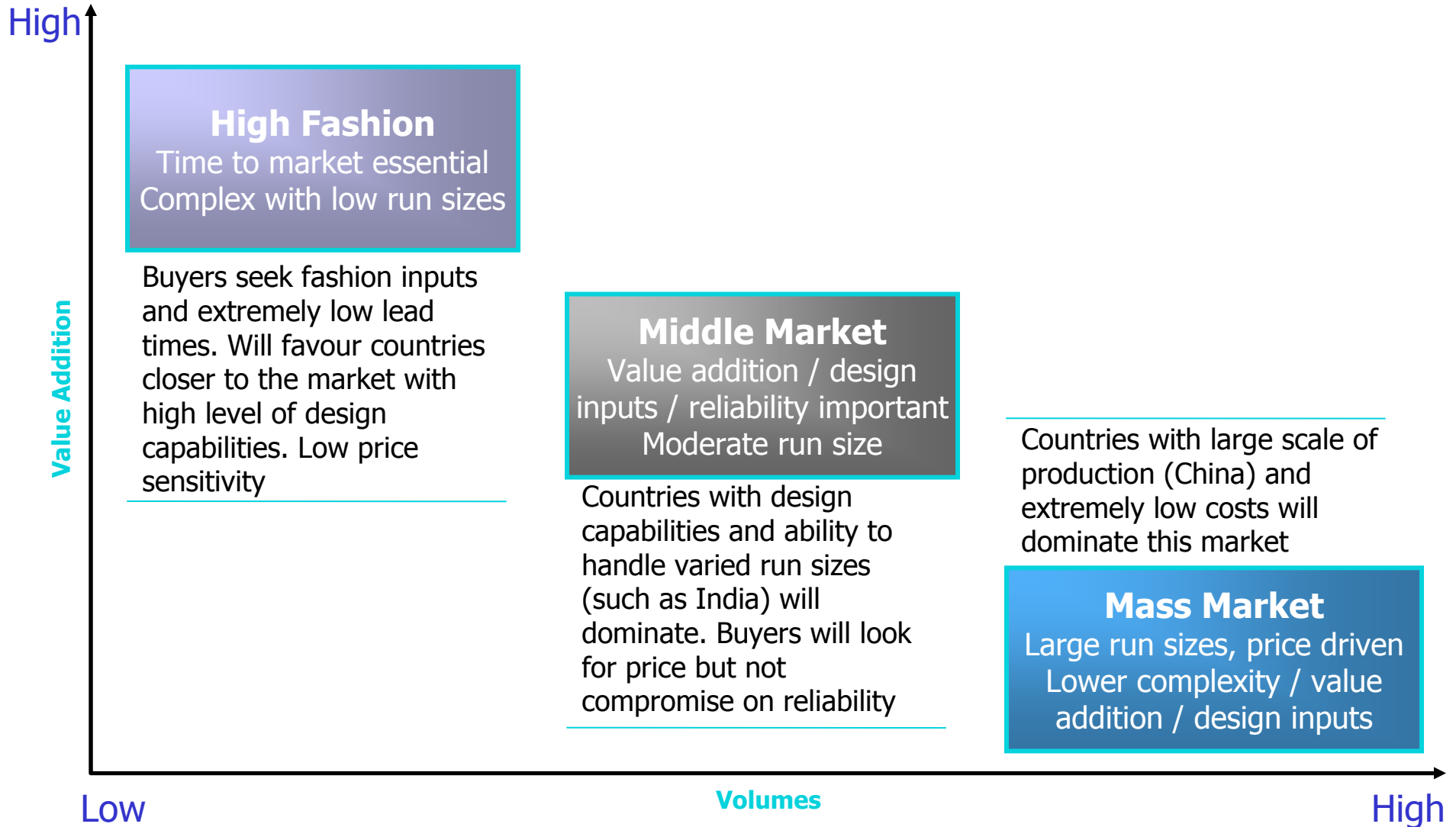
Labour cost as a % of manufacturing cost for garment sector



Post quota opportunity



**India's labour cost advantage to enable a higher share of the restructured markets**



CHINA	INDIA
<b>Has huge installed capacities and economies of scale</b>	<b>Has relatively smaller capacities and under developed fabric / processing capabilities</b>
<b>Strong strengths in large product runs/ mass production</b>	<b>Better design capabilities / ability to service smaller run sizes</b>
<b>Domestic strengths in synthetics, net importer of cotton. Power shortage leading to higher investments</b>	<b>Strong domestic cotton base, world's largest exporter of cotton yarn.</b>
<b>Highly <u>productive</u> workforce</b>	<b>Abundant <u>skilled</u> workforce</b>

**China likely to dominate mass markets, India will focus on higher value added segments & on niche segments.**

## The Classes

### Rich (> Rs.2,15,000)

Benefit Maximisers: Own cars, PCs

### Consuming (Rs.45,000-2,15,000)

Cost-benefit optimisers: Have bulk of branded consumer goods, 70% of two-wheelers, refrigerators, washing machines

### Climbers (Rs.22,000-45,000)

Cash-constrained benefit seekers: Have at least one major durable(mixer,sewing machine/television)

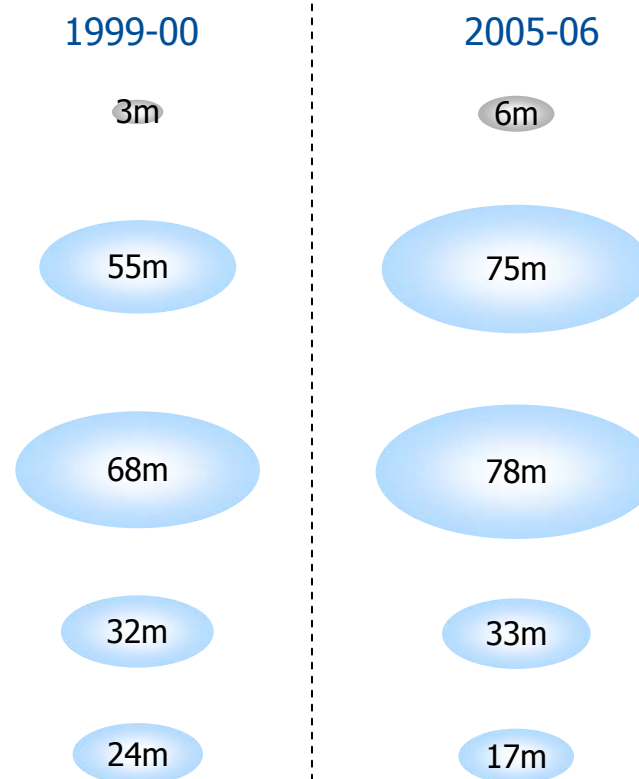
### Aspirants (Rs.16,000-22,000)

New entrants into consumption: Have bicycles, radios, fans

### Destitutes (< Rs.16 000)

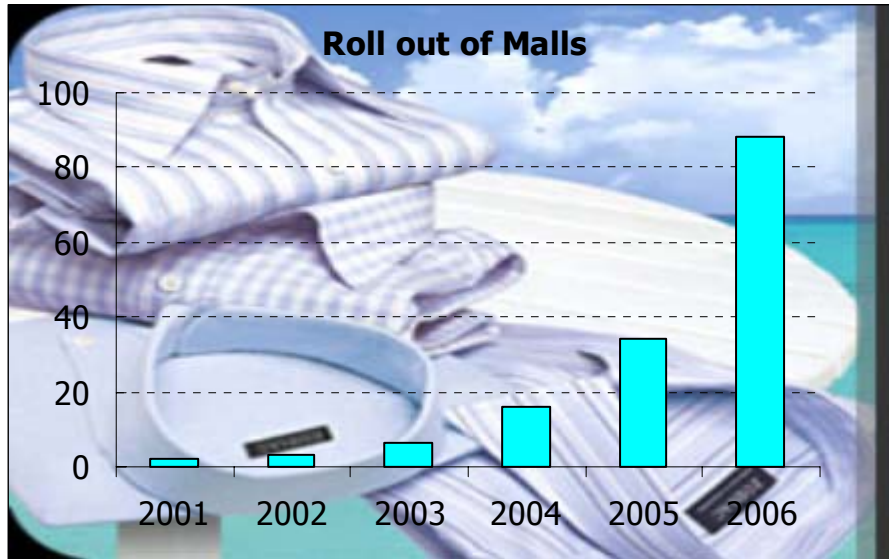
Hand-to-mouth existence: Not buying

## Households (m)



**Growing rich segment + higher aspirations = the "premium" opportunity**

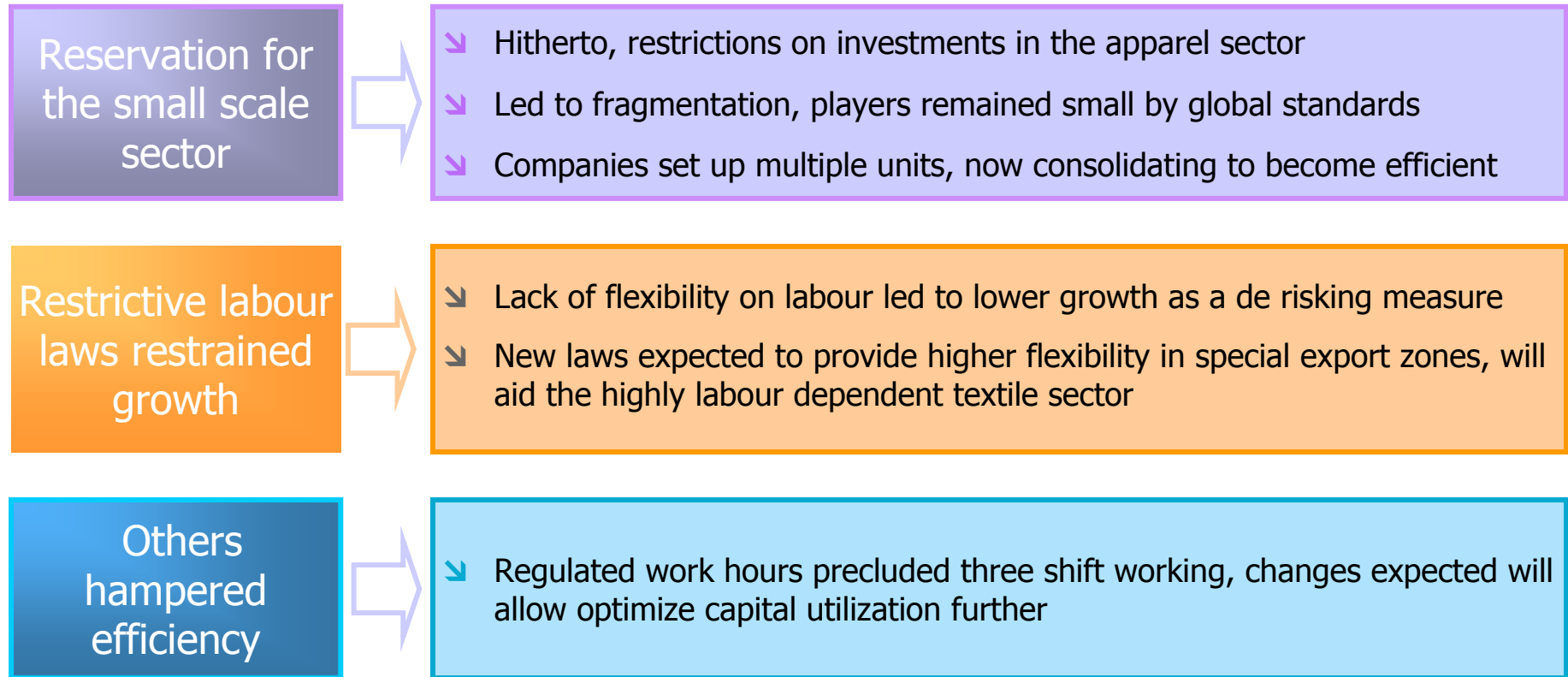
(m. sq. ft.)



- Organised retail at an inflexion point, availability of affordable quality real estate is an enabler
- Leading apparel retailers eyeing multifold growth over the next few years

**Opportunity to enhance own retail reach**

- Government conscious of the potential of the textile sector, has progressively brought about favorable legislative changes

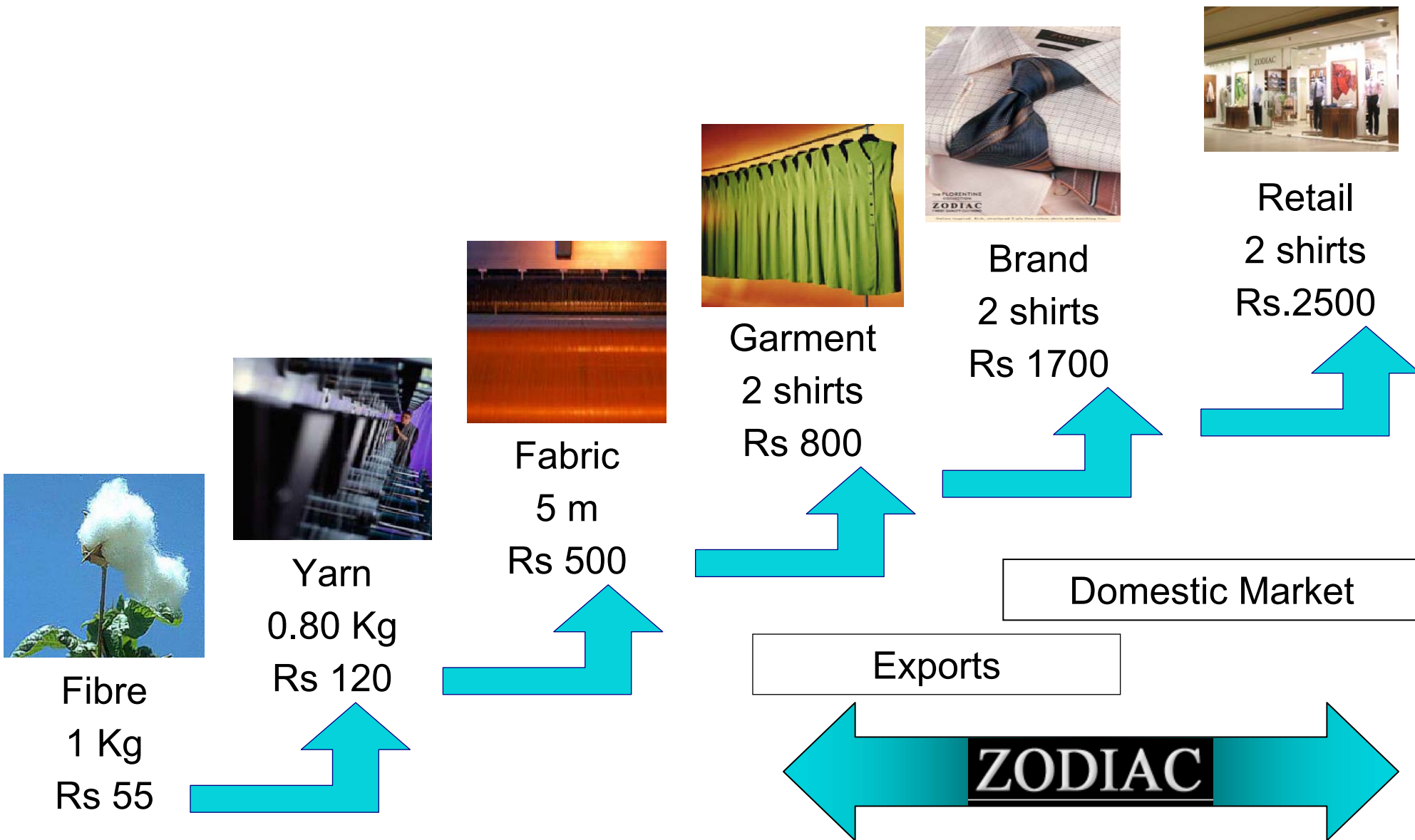


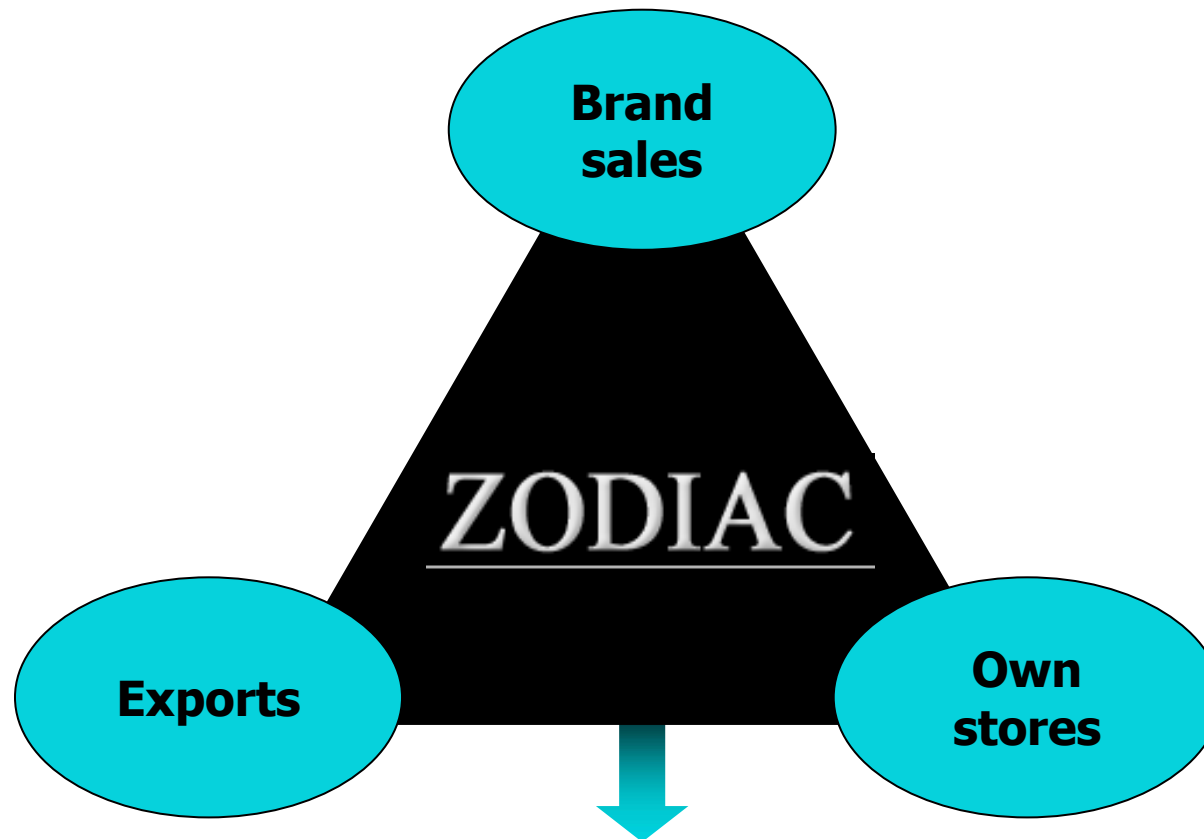
- Surge in exports witnessed with dismantling of quotas

China						
						Rs Mn
	CY 2003	CY 2004	% Change	YTD		% change
				May 04	May 05	
Apparel	2290	2972	30%	950	2046	115%
Cotton Apparel	948	1106	17%	394	1004	154%
Wool Apparel	23	25	8%	2	8	231%
MMF Apparel	849	1139	34%	266	757	184%

India						
						Rs Mn
	CY 2003	CY 2004	% Change	YTD		% change
				May 04	May 05	
Apparel	532	609	15%	265	348	31%
Cotton Apparel	351	431	23%	187	273	46%
Wool Apparel	14	16	13%	2	3	70%
MMF Apparel	152	151	-1%	67	64	-4%

- Anti surge safeguard measure by EU & US on China, has reinforced need for sourcing houses to diversify exposure and focus further on India

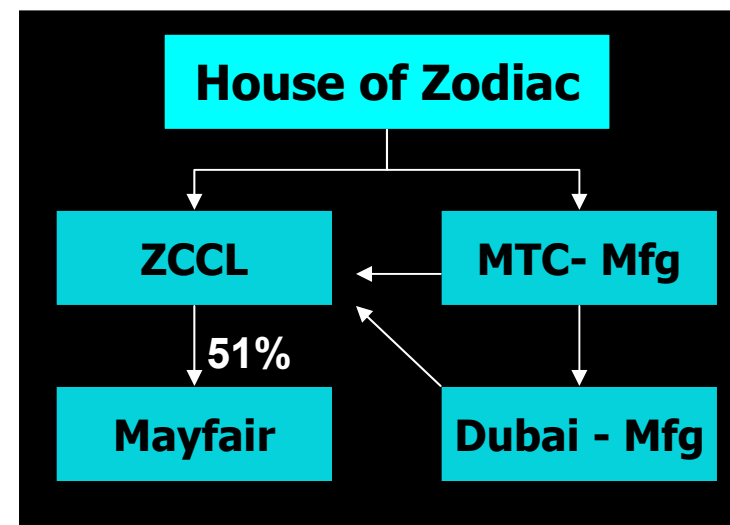




## **ZCCL – Geared up to take the opportunity**

- Consolidation of interlinked House of Zodiac operations
- Internally configured with processes and people in place
- Expanding retail reach, corporate office, manufacturing

- **Merged partly owned subsidiary (Mayfair Ltd) that was focusing on the domestic market in 2003**
  - Revenues of Rs 530 mn in FY 2002, 38,313 shares issued in ZCCL (1.1% dilution) for the 49% held by other investors
- **Acquisition of Koramangala factory**
  - Contract manufacturer of shirts for ZCCL, capacity of 0.8 mn shirts per annum
  - Acquired at about book value of assets (Rs 10.5 mn)
- **Acquired Dubai manufacturing facility in 2005**
  - Manufacturing capacity of 1.7 mn shirts per annum
  - Supplying to the European/US market, provides a faster turnaround time/greater flexibility to service our customers
  - Acquired for approx USD 4.25 mn.
  - Revenues of approx US\$ 5.64 mn. For H1 FY06 ended Sept. 2005 – profit of US\$ 0.51 mn.



- **Expansion of manufacturing capacities**
  - Recently commissioned a brown-field expansion of 0.7mn shirts p.a. at Bangalore
  - Acquired a state of the art Suit & Trouser manufacturing facility from Niryat-Sam
  - Has been relocated to Bangalore which will produce 1100 trousers & 400 jackets per day, trouser trial production commenced in May 2005
- **Expansion of product range – trousers and jackets for domestic and international markets**
- **Enhancing own retail network**
  - 19 stores opened since October 2004. 5 more stores scheduled by March 2006.
  - Next 2 years plan to aggressively grow the new stores from the existing network of over 50 stores.
  - Opened the very first stand-alone ZOD! Retail Store at Quorum, High Street Phoenix, Mumbai
  - Will ensure enhanced brand visibility, ensures that the company realizes the Retail margin

- **Scale up our business to the next level**
  - Growth in our Export business due to post quota scenario and our own key strengths
  - Growth in Branded sales, driven by customer needs and retail proliferation
  - Enhance profitability through growth in Retail stores by capturing retail margins
  - FTA with USA – Opportunity to UAE
- **Opportunity to strengthen our balance sheet**
  - Predictable, sustainable and scalable top line
  - Expanding margins due to high operating leverage
- **Zodiac as a 'design to retail' company is well positioned to capitalise the domestic and global market opportunity**

Rs Mn	2005**	H1 FY 2006		
		ZCC @	Dubai #	Total
Income	<b>1,782</b>	773	247	<b>1,020</b>
PBIDT	<b>151</b>	58	30	<b>88</b>
Financial Charges	<b>20</b>	5	3	<b>8</b>
Depreciation	<b>17</b>	10	4	<b>14</b>
PBT	<b>127</b>	43	23	<b>66</b>
Tax (Net)	<b>40*</b>	16	0	<b>16</b>
Net Profits	<b>87</b>	27	23	<b>50</b>
** Consolidated - ZCC				
@ ZCC - Standalone - Proforma				
# Dubai - Stepdown Subsidiary - Proforma				

- FY 2005 Financials includes UAE operational figures from February 13' 2005 to March 31' 2005 only
- H1 FY 2006 is consolidated with UAE step down subsidiary
- Equity has now expanded to Rs 84 mn after the issue of bonus shares in the ratio of 1:1 in Oct 2005
- FY 2005 financials include special export incentives of Rs 35 mn.

- **Ready to seize the opportunity**
- **High standards of corporate governance**
- **Derisking of Business over 90% of production – Presold**
- **Focus on enhancing shareholder wealth**
  - **Investor relations**
  - **Payout policies**
  - **Return targets – sales, margins, ROI, ROE**
- **Post MFA Scenario**
  - **Safeguard provisions invoked by EU & USA against China, should provide opportunity for Indian Clothing Exporters to expand their sales in the above markets**

**Under promise – Over deliver!**

- **A Company with a distinguished track record**
  - **History, Board, Brands, Achievements**
- **Multiple opportunities emanating from changing business environment**
  - **The “post quota” international opportunity + the Indian market opportunity**
- **Key enablers being scaled up**
  - **Design strengths, international and domestic sales infrastructure already in place**
  - **Strong relationships with customers, vendors**
  - **Manufacturing capabilities expanded, organisation structure consolidated**
  - **Core professional team put in place**
- **Business strategy targetting domestic and international opportunities**
  - **A predictable, sustainable, scaleable business with expanding margins & returns**

**Thank You**



**ZODIAC**