

# ZODIAC CLOTHING COMPANY LIMITED

APTE PROPERTIES, 10/76, OFF DR. E. MOSES ROAD  
WORLI, MUMBAI 400 018. PH: 66677000 FAX: 66677279

## Investor Update - YTD December 2007

**EBITDA up 36% PAT up 55%**

<b>ZODIAC</b>										
UNAUDITED FINANCIAL RESULTS FOR THE QUARTER/NINE MONTHS ENDED 31ST DECEMBER 2007 (Rs. in Lakhs)										
PARTICULARS	STANDALONE RESULTS SUBJECT TO LIMITED REVIEW BY AUDITORS					CONSOLIDATED RESULTS NOT SUBJECT TO LIMITED REVIEW BY AUDITORS				
	Quarter Ended		Nine Months Ended		YEAR ENDED	Quarter Ended		Nine Months Ended		YEAR ENDED
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.03.2007	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.03.2007
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
<b>Net Sales / Income from Operations</b>	<b>5942</b>	<b>5925</b>	<b>16540</b>	<b>14703</b>	<b>20324</b>	<b>7423</b>	<b>7289</b>	<b>20704</b>	<b>18726</b>	<b>25920</b>
Other Income	562	345	1502	955	1361	589	361	1605	951	1276
<b>Total Income</b>	<b>6504</b>	<b>6270</b>	<b>18042</b>	<b>15658</b>	<b>21685</b>	<b>8012</b>	<b>7650</b>	<b>22309</b>	<b>19677</b>	<b>27196</b>
<b>Expenditure</b> (Increase) / decrease in stock in trade and work in progress	(367)	113	(674)	(315)	(198)	(373)	214	(710)	(272)	(145)
Consumption of raw materials	2,060	1,819	5,755	4,999	6,742	2,401	1,807	6,802	6,247	8,866
Purchase of Traded Goods	424	364	1,057	848	1,140	481	412	1,162	940	1,282
Employees cost	1,077	845	2,807	2,289	3,077	1,349	1,078	3,571	3,043	4,142
Depreciation	88	81	253	228	322	111	85	322	324	503
Other Expenditure	2,311	2,081	6,497	5,848	8,074	2,708	2,771	7,703	6,946	8,935
<b>Total Expenditure</b>	<b>5593</b>	<b>5303</b>	<b>15695</b>	<b>13897</b>	<b>19157</b>	<b>6677</b>	<b>6367</b>	<b>16850</b>	<b>17228</b>	<b>23583</b>
Interest	42	48	116	128	158	44	51	124	147	179
Exceptional Items	0	0	0	0	0	0	0	0	0	0
<b>Profit from Ordinary Activities before Tax</b>	<b>869</b>	<b>919</b>	<b>2,231</b>	<b>1,633</b>	<b>2,370</b>	<b>1,291</b>	<b>1,232</b>	<b>3,336</b>	<b>2,362</b>	<b>3,434</b>
Tax expense	288	385	788	622	951	302	418	846	690	1070
<b>Net Profit from Ordinary Activities after Tax</b>	<b>581</b>	<b>534</b>	<b>1443</b>	<b>1011</b>	<b>1409</b>	<b>989</b>	<b>814</b>	<b>2489</b>	<b>1612</b>	<b>2364</b>
Extraordinary Items (Net of tax expense)	0	0	0	0	0	(12)	0	(12)	0	0
<b>Net Profit for the period</b>	<b>581</b>	<b>534</b>	<b>1443</b>	<b>1011</b>	<b>1409</b>	<b>967</b>	<b>814</b>	<b>2501</b>	<b>1612</b>	<b>2364</b>
Paid-up Equity Share Capital (Face value Rs.10/- per share)	836	836	836	836	836	836	836	836	836	836
Reserve excluding revaluation reserves as per Balance sheet of previous accounting year					9228					10751
Earning per share (Rs.) before / after extraordinary item (Non annualised)										
Basic	6.95	6.39	17.26	12.09	16.85	11.97	9.74	29.92	19.28	28.27
Diluted	6.94	6.39	17.25	12.09	16.85	11.96	9.74	29.90	19.28	28.27
Public shareholding										
- Number of Shares	3273108	3273108	3273108	3273108	3273108	3273108	3273108	3273108	3273108	3273108
- Percentage of Shareholding	39.14	39.14	39.14	39.14	39.14	39.14	39.14	39.14	39.14	39.14

**HIGHLIGHTS**  
(9 Months)

**36 %**  
Increase  
in  
Consolidated  
**EBITDA**

**55 %**  
Increase  
in  
Consolidated  
**PAT**

**Rs. 29.92**  
Consolidated  
**EPS**  
(not annualised.)

**NOTES ON CONSOLIDATED RESULTS**

- Zodiac Clothing Co. Ltd. conducts its operation alongwith its subsidiaries. The consolidated financial unaudited statement have been furnished optionally to provide additional information. The financial statements are prepared in accordance with the principles and procedures for the preparation of consolidation of financial statement as set out in the Accounting Standard On Consolidated Financial Statements prescribed by the Institute Of Chartered Accountants Of India. The financial statements of the parent company have been combined on a line-by-line basis by adding together book values of assets of, liabilities income and expenses after eliminating intra group balances and transactions and resulting unrealised gains/losses. The consolidated financial statements are prepared by applying uniform accounting policies, and are not subject to Limited Review by Statutory Auditors of the company.
- The other income includes Dutydrawback & Recovery of Freight & Insurance on sales Rs.928 lakhs for the Nine Months ended 31.12.2007 (Previous Nine Months ended 31.12.2006 Rs.688 lakhs) as also rental income of Rs.194 lakhs for Nine Months ended 31.12.2007 (Previous Nine Months ended 31.12.2006 Rs.129 lakhs)

**NOTES ON STANDALONE RESULTS**

- The above unaudited financial results as reviewed by the Audit Committee were taken on record by the Board of Directors in their meeting held on January 30, 2008.
- The Statutory auditors of the company have carried out a Limited Review of the above Unaudited Standalone Financial Results in terms of clause 41 of the Listing Agreement.
- The company is exclusively engaged in the business of clothing and clothing accessories. This in the context of Accounting Standard (AS 17) "Segment Reporting", issued by The Institute of Chartered Accountants of India constitutes one single primary segment.
- There were no investor complaints that were unresolved either at the beginning or at the end of the quarter. Eight complaints were received during the Quarter ended 31.12.2007 and were duly attended promptly.
- The other income includes Dutydrawback & Recovery of Freight & Insurance on sales Rs.849 lakhs for the Nine Months ended 31.12.2007 (Previous nine months ended Rs.622 lakhs) as also rental income of Rs.7 lakhs for Nine Months ended 31.12.2007 (Previous nine Months ended 31.12.2006 Rs.5 Lakhs).
- As approved by the members at the extraordinary General Meeting held on November 28, 2007, the Company has made preferential allotment of 440,000 warrants convertible into 440,000 equity shares of Rs 10/- each of the company at premium of Rs.390/- per equity shares to certain promoters on January 15,2008 and received Rs 17,600,000 being 10% as application money on each allotment.
- Out of total employee stock options granted under Zodiac Employees Stock Option Plan, 12,500 employee stock options have been lapsed. During the quarter, 83,550 employee stock options have been vested.
- Previous year/period figures have been regrouped, wherever necessary.

**ZODIAC CLOTHING COMPANY LIMITED**

Regd. Office: Apte Properties, 10/76, Off Haines Road, Worli, Mumbai - 400 018.

www.zodiaconline.com

BY ORDER OF THE BOARD

A.Y. Noorani

Vice Chairman & Managing Director

Date: 30th January 2008  
Place: Mumbai

**THE GREAT MARKS OF THE HOUSE OF ZODIAC:**



**ZODIAC CLOTHING COMPANY LIMITED**APTE PROPERTIES, 10/76, OFF DR. E. MOSES ROAD  
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The results for the 9-month period ending 31.12.2007, announced by the Company show, besides growth, considerably higher profitability. The consolidated gross revenue for YTD December 2007 stood at **Rs. 22309 Lakhs Vs Rs. 19677 Lakhs** YTD December 2006, a growth of **13.37%**.

The consolidated profit for the period increased to Rs. 2501 Lakhs Vs. Rs. 1612 Lakhs for the 9 months ending December 2006, growing by a handsome 55% and surpassing the full year ended March 2007 profit of Rs. 2364 Lakhs (which itself was a growth of 77% over the previous year, March 2006).

The strategy of financial discipline, investment in design and higher value addition has yielded significant gains.

ZCCL has grown its:

- Branded business in India and internationally;
- The business of its subsidiary in the UAE;
- Exports have grown at 11.3% YTD (in U.S.\$ terms).

Branded Sales business continued to grow in healthy mid-double digits. The company's focus, on aggressively growing its own retail stores continues, with 9 new stores being opened YTD and 4 existing stores being renovated. The target is to open 10 more stores during the current financial year 2007-08. The business model of Zodiac's stores is unique, because all stores are company-managed, with no franchisees, unlike the model of other companies in the industry. The company believes that although the franchise model would grow the number of stores aggressively, company-managed stores not only add significant value to brand building, but are also more sustainable and enduring, besides contributing significantly more to the bottom line than the franchise model.

**Revenue Analysis**

1. Consolidated Turnover **Rs. 20704 lakhs** YTD December'07  
Vs **Rs. 18726 lakhs** YTD December'06 - **Up 10.5%**
2. Standalone Turnover **Rs. 16540 lakhs** YTD December'07  
Vs **Rs. 14703 lakhs** YTD December'06 - **Up 12.5%**
3. UAE Turnover **AED 444 Lakhs** (Rs 4893Lakhs) YTD December'07  
Vs. **AED 376 lakhs** (Rs.4670 Lakhs) YTD December'06. - **Up 18.08%**

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### Analysis: YTD December 2007 Vs YTD December 2006

- **EBITDA** : Standalone Up **30.71%**,  
Consolidated Up **36.35%**
  - EBITDA Margin : Standalone **15.72%** vs. **13.53 %**,  
Consolidated **18.26% Vs 14.81%**
- **PAT** : Standalone Rs. 1443 Lakhs Up **42.73%**,  
Consolidated Rs. 2501 Lakhs Up **55.15%**
  - PAT Margin : Standalone **8.72%** vs. **6.88%**,  
Consolidated **12.08% Vs 8.61%**
- **EPS** : Standalone Rs. **17.26/-** Vs Rs. **12.09/-**; (per share, not annualised)  
Consolidated Rs. **29.92/-** Vs Rs **19.28/-** (per share, not annualised)

These above results can be attributed to:

1. The Company's continued focus on profitability by a sustained effort on aggressively growing the branded business both in India and internationally.

The factors that have contributed are:

- (i) Balanced diversification of markets in India and internationally.
- (ii) Consistently strong financial discipline:
  - (a) Containing interest costs with lower borrowings, as well as achieving a cost of funds comparable to the best across industries.
  - (b) Judicious hedging of forex exposures, including no derivatives exposure, which is an extremely happy situation to be in, in the current scenario.
  - (c) De-risking the company's business, using various instruments referred to earlier
  - (d) Global sourcing, which has captured the impact of the appreciating Rupee.
  - (e) The company's UAE subsidiary consistently being a "Zero Debt" company. (Approximately 75% of the capital invested in the UAE has been paid back in less than 3 years).
  - (f) The company's investment through its subsidiary in the corporate HQ having been made productive. Partially.
- (iii) Moving some part of its export business during the quarter to the UAE, where the profitability is higher, thereby harvesting the opportunity in India on the Branded business to a greater degree. (It may be pertinent to mention here that the operations in the UAE are an integral part to the company's business and strategy, which is why its consolidated results need to be viewed for a true picture of the company's operations).

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2. The promise held out by the festive season in India was realized. Consumer spending on Zodiac/ZOD! increased sharply compared to the same period last year, demonstrating the growing strength of the company's brands, built on ZCCL's strengths in design and on quality standards acknowledged by industry experts and consumers as being comparable with the best globally.
3. Aggressive growth in each segment of the branded business, i.e., company managed stores, large organised retail chains and independent retailers.
4. Growing the premium segment in the branded business, and with focus on higher value added business with the best possible contributions in the international market (evidenced by profitability growing much more than pro-rata to turnover).

Every segment of the company's business shows handsome profitability growth for the 9-month period, as compared to the same period of the previous year.

**Outlook**

The Government of India announced a further increase in the rate of duty drawback (partial reimbursement of taxes paid on inputs) of 1% of FOB value of Export, effective 01.09.2007, with a corresponding increase in the cap on the Rupee drawback per unit, thus partially, though not adequately, blunting the impact of the appreciation of the Rupee.

The Government has also announced further rationalisation of service tax, although on services which have small impact on export activities (services are not taxed anywhere in our competitor countries). The industry looks forward to complete rationalisation of service tax on the remaining taxable services which have a major impact on the country's competitiveness. While lauding the Government for this step in the right direction, the industry aspires to the neutralisation of other cost disabilities which have crippled a large segment of the industry

ZCCL is fortunately insulated to a great extent, but would, nevertheless, welcome this rationalisation for further consolidating its competitive advantage, which has been built on the cornerstone of its strategy.

Reports by responsible entities project that the growth of the middle-class in India, with greater disposable income in coming years, equal or exceed the population of the USA! The Company is excited about the possibilities of the impact this could have on the company's target audience, in view of the fact that most global mega brands were born in the USA.

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### **Resource Mobilisation**

The update on Resource Mobilisation is as follows:

1. 440,000 warrants have been issued as approved by shareholders.
2. The first tranche of ESOPs were vested in the recipients, which translated into a handsome, reward for the recipients, and motivated the team for delivering even better results.
3. The plans to raise funds are on track, despite the hiccup in the securities markets, with several renowned institutions evincing keen interest. We are being guided by our Investment Bankers on the instrument and timing of such fund raising.
4. From the investment of USD 4.25 million, made in February 2005 in acquisition of the facility in the UAE, USD 3.36 million have been paid back in less than 3 years.