

## REPORT ON CORPORATE GOVERNANCE

The report on Corporate Governance, for the financial year April 1, 2009 to March 31, 2010 as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

### 1. PHILOSOPHY OF CORPORATE GOVERNANCE:

Your Company operates for the benefit of all its stakeholders, including shareholders, customers, lenders, creditors and the community and conducts its business in a transparent, ethical and fair manner. At Bang, the Corporate Governance is not an end in itself but a catalyst in the process towards maximization of shareholder value.

It is the company's belief that good ethics make good business sense and our business practices are in keeping with the spirit of maintaining the highest level of ethical standards. In so far as compliance of Clause 49 of the Listing Agreement with the Stock Exchanges is concerned, the company has complied in all material respects with the requirements of Corporate Governance specified in the Listing Agreement with Bombay Stock Exchange Ltd. and National Stock Exchange of India Limited.

### 2. BOARD OF DIRECTORS

#### a) *Composition*

The Board of Bang Overseas Limited (BOL) has an optimum combination of executive, non-executive and Independent Directors. The Chairman being an Executive Director, as per Listing Agreement, the Company should have minimum three (3) Independent Directors. As on 31<sup>st</sup> March 2010, the Board comprised of five (5) Directors, out of which two (2) were executive and three (3) were independent Directors. There is no institutional nominee on the Board. Details of Directors retiring by rotation and their brief particulars are provided in the corporate governance report.

<i>Category</i>	<i>Name of Director</i>
Promoter / Chairman-Executive	Mr. Venugopal Bang
Promoter / Managing Director	Mr. Brijgopal Bang
Non Executive and Independent Director	Mr. Viswanath Cheruvu
Non Executive and Independent Director	Dr. Mithilesh Kumar Sinha
Non Executive and Independent Director	Mr. Vijay Ajgaonkar

Pursuant to the provisions of the Companies Act 1956, Mr. Venugopal Bang and Mr. Vijay Ajgaonkar, retire by rotation and being eligible, offer themselves for re-appointment.

None of the Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees across all the companies in which he is a Director. All the Directors have made necessary disclosures regarding Committee positions held by them in other companies. Also none of the Directors on board hold the office of Director in more than 15 companies.

The requisite information as enumerated in Annexure IA to Clause 49 of the Listing Agreement is being made available to the Board for discussion and their consideration. The maximum time gap between two Board meetings did not exceed 4 months.

#### b) *Board Procedure*

The directors of the Company are informed about the agenda of the Board Meetings and committee meetings, containing relevant information/ supporting data, as required well in advance, to enable the Board to take informed decisions. Statutory Auditors are also requested to attend the Board or committee meeting as and when required. When deemed expedient, the Board also approves by circular resolution important items of business which are permitted under the Companies Act, 1956, and which can not be deferred till the next Board Meeting.

Matters discussed at Board Meeting generally relate to Company's performance, quarterly results of the Company, utilization of IPO Proceeds, approval of related-party transactions, general notice of interest of Directors, review of the reports of the internal auditors, Audit Committee and compliance with their recommendation, suggestion, compliance of any regulatory, statutory or listing requirements, etc.

#### c) *Number of Board Meetings:*

During the year, Five Board meetings were held. These were on 4<sup>th</sup> May 2009, 29<sup>th</sup> June 2009, 30<sup>th</sup> July 2009, 30<sup>th</sup> October 2009 and 30<sup>th</sup> January, 2010.

**d) Director's Attendance Record and Directorships:**

Name of Director	Category	No. of meetings held	No. of meetings attended	Whether attended last AGM	No. of directorships of public limited companies	No. of Shares held in the Company
Mr. Brijgopal Bang (Managing Director)	Promoter Director	5	5	Yes	1	15,21,000
Mr. Venugopal Bang (Chairman)	Promoter Director	5	5	Yes	1	27,06,600
Mr. Viswanath Cheruvu (Independent Director)	Non Executive Director	5	2	Yes	1	Nil
Dr. Mithileshkumar Sinha (Independent Director)	Non Executive Director	5	5	No	6	Nil
Mr. Vijay Ajgaonkar (Independent Director)	Non Executive Director	5	5	Yes	3	115

**e) Information Supplied to the Board**

Among others, information supplied to the board includes:

- Quarterly results of the company and its operating divisions,
- Minutes of meetings of Audit Committee and other Committees,
- Materially important show cause, demand, prosecution and penalty notices,
- Fatal or serious accidents or dangerous occurrences,
- Any materially relevant default in financial obligations to and by the company,
- Any issue which involves possible public or product liability claims of a substantial nature,
- Details of any joint venture or collaboration agreement,
- Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business,
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement; and
- Non-compliance of any regulatory, statutory or listing requirements

The Board is presented with detailed notes along with the agenda papers well in advance of the meeting.

**f) Directors with Materially Pecuniary or Business Relationship with the Company**

There have been no materially pecuniary transactions or relationship between the Company and its non-executive and/or independent Directors during the year 2009-10.

**3. CODE OF CONDUCT**

The Board of Directors has laid down a Code of Conduct (copy available on Company's website), applicable to all Board Members and Senior Executives of the Company. All the Board Members and Senior Management Personnel have confirmed compliance with the code. A declaration by Managing Director affirming the compliance of the Code of Conduct by Board Members and Senior Management Executives is annexed at the end of the Report.

**4. AUDIT COMMITTEE**

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting progress with a view to ensuring accurate, timely, proper disclosures & transparency, integrity and quality of financial reporting.

**a) Composition**

The Audit Committee of the Company consists of qualified and non-executive Directors.

Sr. no.	Name of the Director	Designation
1	Mr. Viswanath Cheruvu, Non-Executive Independent Director	Chairman
2	Dr. Mithilesh Kumar Sinha, Non-Executive Independent Director	Member
3	Mr. Vijay Ajgaonkar, Non-Executive Independent Director	Member

**b) Terms of Reference**

The role and terms of reference of the Audit Committee cover the matters specified for Audit Committees under Clause 49 of Listing Agreement as well as in Section 292A of the Companies Act, 1956.

**c) Meetings and Attendance during the year 2009-10**

Audit Committee met 5 (Five) times during the year 2009–10 on 4<sup>th</sup> May 2009, 29<sup>th</sup> June 2009, 30<sup>th</sup> July 2009, 30<sup>th</sup> October 2009 and 30<sup>th</sup> January 2010 and the attendance record is as per the table given below:

Name of the Director	Number of meetings	Meeting attended
Mr. Viswanath Cheruvu	5	2
Dr. Mithilesh Kumar Sinha	5	5
Mr. Vijay Ajgaonkar	5	5

At the invitation of the Company, representatives from various divisions of the Company, internal auditors, and statutory auditors also attended the Audit Committee meetings to respond to queries raised at the Committee meetings.

**d) Internal Auditors**

The Company appointed Rajesh Tiwari, practicing Chartered Accountant as Internal Auditor for the financial year 2009–10 to review the internal control systems of the Company and to report thereon. The report of the Internal Auditor is reviewed by the Audit Committee.

**5. SHARE TRANSFER CUM SHAREHOLDERS'/INVESTOR'S GRIEVANCE COMMITTEE**

The share transfer cum shareholders'/investor's grievance Committee specifically looks into the transfer of shares and related matters and redressing complaints of share holders and investors such as transfer of shares, non- receipt of balance sheet, non-receipt of declared dividends and Dematerialization of shares and other related matters.

**a) Composition**

The committee comprises of the following members:

Sr. no.	Name of the Director	Designation
1	Mr. Vijay Ajgaonkar, Non-Executive Independent Director	Chairman
2	Mr. Brijgopal Bang, Managing Director	Member
3	Mr. Venugopal Bang, Chairman and Executive Director	Member

**b) Terms of Reference**

The share transfer cum shareholders'/investor's grievance Committee particularly ensures the efficient transfer / transmission of shares and debentures, redressal of shareholder and investor complaints, issue of duplicate / split / consolidated share certificates and such other matters as entrusted to it at the Board meeting of the Company dated 4<sup>th</sup> May 2009.

**c) Meetings of the Committee for 2009-2010**

Share Transfer cum Shareholders/ Investors Grievance Committee met 6 (Six) times during the year 2009–10 on 4<sup>th</sup> May 2009, 25<sup>th</sup> May, 2009, 4<sup>th</sup> June 2009, 30<sup>th</sup> July 2009, 30<sup>th</sup> October 2009 and 30<sup>th</sup> January 2010 and the attendance record is as per the table given below:

Name of the Director	Number of meetings	Meeting attended
Mr. Venugopal Bang*	5	5
Mr. Viswanath Cheruvu**	1	1
Dr. Mithilesh Kumar Sinha	6	6
Mr. Vijay Ajgaonkar	6	6

\* appointed as a member of the committee with effect from 4<sup>th</sup> May, 2009

\*\* discontinued as a member of the committee with effect from 4<sup>th</sup> May, 2009

**d) Complaints**

Details of Investor Complaints received during the financial year ended 31<sup>st</sup> March 2010 are as follows:

Nature of Complaint Received	Beginning of year	Received During The year	Resolved During the year	Pending at the end of year
Application lodged for IPO	0	0	0	0
Non-receipt of Electronic credit	0	2	2	0
Non-receipt of Refund Order	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>

**6. REMUNERATION COMMITTEE**

**a) Composition**

The Remuneration Committee of the Board consists of the following directors:

Sr. no.	Name of the Director	Designation
1	Dr. Mithilesh Kumar Sinha, Non-Executive Independent Director	Chairman
2	Mr. Vijay Ajgaonkar, Non-Executive Independent Director	Member
3	Mr. Viswanath Cheruvu, Non-Executive Independent Director	Member

**b) Terms of Reference**

The general objective of the remuneration committee is to broadly review and approve remuneration packages for senior management personnel including the Managing Director.

**c) Meeting**

The remuneration committee met once on 30<sup>th</sup> January 2010 during the financial year 2009-10 and the attendance record is as per the table given below:

Name of the Director	Number of meetings	Meeting attended
Dr. Mithilesh Kumar Sinha	1	1
Mr. Vijay Ajgaonkar	1	1
Mr. Viswanath Cheruvu	1	1

**d) Remuneration**

During the financial year remuneration paid to Directors is given below:

(Amount in Rs)

Name of Director	Sitting Fees	Salaries and perquisites	Commission	Total
Mr. Venugopal Bang	Nil	Nil	Nil	Nil
Mr. Brijgopal Bang	Nil	24,00,000	Nil	24,00,000
Mr. Viswanath Cheruvu	10,000	Nil	Nil	10,000
Dr. Mithilesh Kumar Sinha	50,000	Nil	Nil	50,000
Mr. Vijay Ajgaonkar	25,000	Nil	Nil	25,000

**e) Remuneration Policy**

The remuneration policy approved by the Board of Directors, inter alia, provides that the salary & commission to executive directors and Sitting Fee & Commission to non- executive directors should not exceed limits prescribed under the Companies Act, 1956.

No Sitting Fee to be paid to executive directors for attending the Board / Committee meetings.

## 7. GENERAL BODY MEETINGS

### a) *Date, time and venue for the last three Annual General Meetings (AGM)*

Financial year	Date	Time	Venue
2006-07	28/9/2007	11.00 A.M.	Registered office of the Company
2007-08	29/9/2008	11.00 A.M.	Maheshwari Bhavan, 603, Jagannath Shankar Sheth Road, Mumbai- 400 002
2008-09	30/9/2009	10.00 A.M.	Maheshwari Bhavan, 603, Jagannath Shankar Sheth Road, Mumbai- 400 002

### b) *Details of the Special Resolutions passed in the previous three AGMsv*

#### Special Resolutions

AGM held on September 28, 2007: No Special Resolution was passed.

AGM held on September 29, 2008: No Special Resolution was passed.

AGM held on September 30, 2009: At this meeting, two Special Resolutions were proposed, seconded and passed with more than three-fourths majority on show of hands. First special resolution was with regard to maintaining the Register and Index of Members of the company with M/s. Karvy Computershare Private Limited, Registrar and Transfer Agents at their office situated at 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (West), Mumbai - 400 05 and the second resolution was pertaining reallocation of balance unutilized proceeds of IPO of the Company .

#### Resolution passed through postal ballot

### (c) *Postal ballot*

No resolutions were required to be put through postal ballot last year. Presently there are no proposals to pass any resolution by postal ballot.

## 8. DISCLOSURES

### (i) *Disclosure regarding materially significant related party transaction: -*

The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval. There are no materially significant related party transactions which have potential conflict with the interest of the company at large. Details on material significant related-party transactions are given in the appended financial statement under Notes to the Accounts annexed to the financial statements.

### (ii) *Details of Non-Compliance*

No penalties or strictures have been imposed on the company by the Stock Exchanges or SEBI or any other Statutory Authority on any matter related to capital market except the following:

Sr. No.	Nature of Non-compliance	Nature of penalty	Amount (In Rs.)	Name of Authority passing the order
1	Non compliance of provisions of Section 215 of the Companies Act, 1956 for the financial year 2006-07	Compounding fees	5,000	Company Law Board, Western Region Bench
2	Non-compliance of provisions of Section 297 of the Companies Act, 1956 for the financial year 2005-06, 2006-07, 2007-08, 2008-09.	Compounding fees	32,500	Regional Director, Western Region, Ministry of Corporate Affairs

### iii) *Whistle-blower policy*

Company has not framed yet Whistle Blower policy but no personnel has been denied access to the audit committee.

### iv) *Disclosure of Accounting Treatment in the preparation of the financial statement*

The Company has followed accounting standards issued by the Institute of the Chartered Accountants of India, to the extent applicable.

v) **Disclosure by Management to the Board**

All disclosure relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board, and the interested Directors do not participate in the discussion nor do they vote on such matters.

vi) **Disclosure of Risk Management**

Business risk evaluation and management is an ongoing process within the Company. During the year under review, Company regularly undertook the exercise on 'Risk Assessment and Management' for its business operations. The risk assessment and minimization procedure undertaken by the Company has been given in other section of this report.

vii) **Bang Insider Trading Policy**

As a part of the Company's Insider Trading Policy, it observes a 'quiet period' from seven days prior to the event leading to / generating price sensitive information till 24 hours after the financial results are published. The Company may also announce 'quiet period' during and after the occurrence of certain events mentioned in the Insider Trading Policy as a part of Insider.

The Company is strictly monitoring its Insider Trading Policy.

The company has fulfilled a non-mandatory requirement as prescribed in Annexure I D to Clause 49 of the Listing Agreement with the Stock Exchanges, related to Remuneration Committee / Compensation Committee.

## 9. MEANS OF COMMUNICATION

- Quarterly results: Quarterly results are published in accordance with the provisions of the Listing agreement. The results are published in English newspapers viz. The Financial Express and in Marathi newspapers viz. Apla Mahanagar, Mumbai edition.
- Website: Bang Overseas Limited has its own web-site and all vital information relating to the company and its performance, including quarterly results and official news releases is put on the web-site for the benefit of the public at large.

The company's web-site address is [www.banggroup.com](http://www.banggroup.com).

- No formal presentations were made to the institutional investors and analysts during the year under review.
- Management Discussion and Analysis forms part of the Annual Report.

## 10. ADDITIONAL SHAREHOLDER INFORMATION

a) **Annual General Meeting**

Date : Thursday, 30<sup>th</sup> September, 2010 at 10.00 A.M.

Venue : Maheshwari Bhavan, 603, Jagannath Shanker Seth Road, Mumbai 400 002

b) **Financial Calendar (2010-11)**

First quarterly results	-	Up to 15 <sup>th</sup> August, 2010
Second quarterly results	-	Up to 15 <sup>th</sup> November, 2010
Third quarterly results	-	Up to 15 <sup>th</sup> February, 2011
Fourth quarterly results	-	Up to 15 <sup>th</sup> May, 2011

c) **Book Closure**

The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, 24<sup>th</sup> September, 2010 to Thursday, 30<sup>th</sup> September, 2010 (both days inclusive).

d) **Dividend payment date**

Not applicable

e) **Listing**

At present the Company's Equity Shares are listed at National Stock Exchange of India Limited and Bombay Stock Exchange Limited and the Company has paid the Listing fees to the above exchanges for the year 2010-2011.

**Stock Codes**

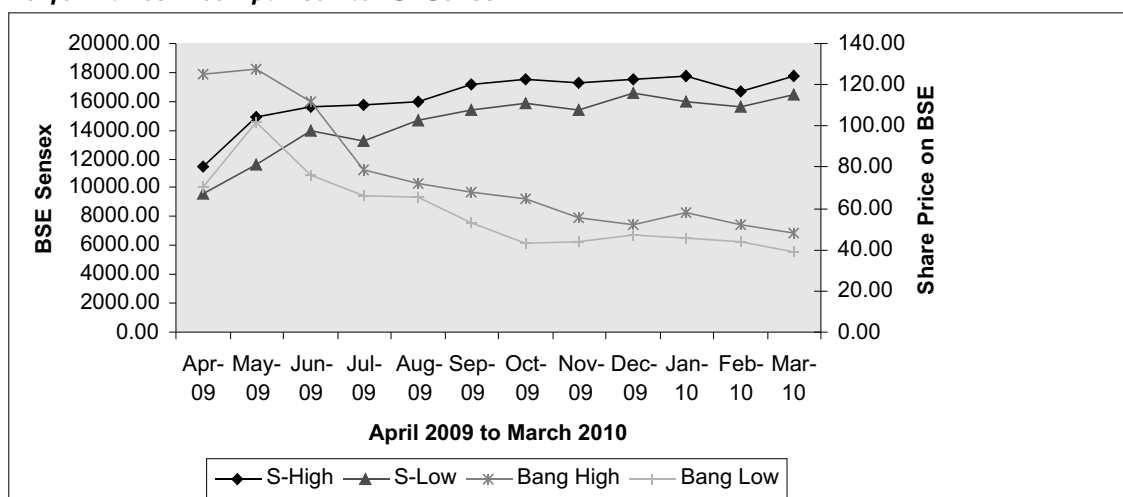
- BSE: 532946
- NSE: BANG
- Demat ISIN No. for NSDL and CDSL INE863I01016

**f) Stock Data**

Table below gives the monthly high and low prices and volumes of the Company equity shares at Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), Mumbai for the year 2009-10:

Month	BSE			NSE		
	High	Low	No. of shares traded	High	Low	No. of shares traded
April, 2009	124.70	70.70	21,93,100	122.00	70.35	2,10,680
May, 2009	127.90	102.30	1,66,434	126.40	103.25	1,50,868
June, 2009	111.80	76.50	55,184	114.90	76.05	24,604
July, 2009	78.95	66.20	51,766	78.00	66.10	44,008
August, 2009	72.00	65.10	1,30,064	71.00	65.00	2,40,538
September, 2009	67.95	53.35	4,61,134	68.40	52.50	6,23,738
October, 2009	64.60	42.70	17,88,566	64.70	43.05	24,72,347
November, 2009	55.90	44.10	3,41,812	55.40	43.60	473,407
December, 2009	51.85	47.15	2,41,241	52.00	47.15	2,88,868
January, 2010	57.95	45.80	4,57,870	48.45	40.00	5,95,607
February, 2010	51.85	44.05	1,12,828	49.40	44.55	1,82,657
March, 2010	48.00	39.30	1,25,100	48.45	40.00	1,49,720

**g) Performance in comparison to BSE Sensex**



**h) Shareholding Pattern**

Table below gives the pattern of shareholding by ownership and share class respectively:

**a. Shareholding Pattern by ownership as on 31<sup>st</sup> March, 2010**

Category	No. of shares held	Shareholding %
Promoters & promoter group	9228740	68.06
Foreign Institutional Investor	69225	0.51
Bodies Corporate (Group Cos.)	1960350	14.46
NRI's	52377	0.39
Indian Public	2238110	16.51
Clearing members	11198	0.08
<b>Total</b>	<b>13,560,000</b>	<b>100.00</b>

**b. Pattern of shareholding by share class as on 31<sup>st</sup> March, 2010**

Category	Share Holders		Share Amount	
	No of Equity Shares	Number	(In Rs.)	% to Total
(1)	(2)	(3)	(4)	(5)
Upto - 5000	4578	87.12	5883420	4.34
5001 - 10000	315	5.99	2580370	1.90
10001 - 20000	145	2.76	2150400	1.59
20001 - 30000	46	0.88	1183240	0.87
30001 - 40000	25	0.48	881580	0.65
40001 - 50000	34	0.65	1625960	1.20
50001 - 100000	41	0.78	2957390	2.18
Above 100000	71	1.35	118337640	87.27
<b>Total</b>	<b>5255</b>	<b>100.00</b>	<b>135600000</b>	<b>100.00</b>

**i) Dematerialisation**

The Company's equity shares are under compulsory Demat trading. The ISIN of the Scrip is INE863101016. As on 31<sup>st</sup> March, 2010, Dematerialized shares accounted for 32.54% of the total equity.

Karvy Computershare Private Limited, the Registrars & Transfer Agents handles the physical Share Transfer related work and for Electronic connectivity.

**j) Details of Public Funding Obtained in the Last Three Years**

The Company went for an IPO during the year 2007-08 and 35,00,000 equity shares of Rs.10/- each were issued at a premium of Rs. 197/- aggregating to Rs.7,245 lacs. The Company's shares are listed and tradable at the Bombay Stock Exchange and National Stock Exchange. Utilization of proceeds from the Issue is given elsewhere in this Annual Report.

**k) Plants**
**Garments Unit:**

19 / 2, 9<sup>th</sup> Main, Basavapura Village,  
Begur Hobli,  
Electronic City Post,  
Bangalore- 560 100

**Garments Unit:**

Plot No. 4, Apparel Park,  
Auto Nagar, Vadlapudi,  
Visakhapatnam-530046

**l) Registrar and Share Transfer Agents**

M/s. Karvy Computershare Private Limited has been appointed as one-point agency, for dealing with shareholders, to handle the physical Share Transfer related work and for Electronic connectivity as per the directives of SEBI. The Company's equity shares are traded in the Stock exchanges compulsorily in Demat mode. For transfer of shares in physical form, the Company has introduced transfer cum demat facility to avoid unnecessary mailing of certificates. Certificates duly transferred are returned to those, who opt to receive certificates in physical form. There are no legal proceedings against the Company on any share transfer matter.

Shareholders correspondence should be addressed to the Company's Registrar & Share Transfer Agent at the address mentioned below:

**Karvy Computershare Private Limited**

Plot no. 17-24 Vithal Rao Nagar,  
Madhapur, Hyderabad 500081  
Tel: (91 40) 2343 1553  
Fax: (91 40) 2343 1551  
Website: [www.karvy.com](http://www.karvy.com)

Contact person: Mr. Murli Krishna



**m) Investor Correspondence Address**

Shareholders can contact the Company Secretary for share/secretarial related matters of the Company at the below mentioned address:

**Secretarial Department  
Bang Overseas Limited**  
405, Kewal Industrial Estate, 1<sup>st</sup> Floor,  
Senapati Bapat Marg, Lower Parel (W),  
Mumbai -400 013, India

**Contact person: Ms. Kavita Lunawat, Company Secretary**

**Name and Designation of Compliance Officer:**

**Mr. Jaydas Dighe**  
Vice President, Finance  
405, Kewal Industrial Estate,  
Senapati Bapat Marg, Lower Parel (West),  
Mumbai- 400 013

**n) Subsidiary Companies**

The Company has one material unlisted Subsidiary Company, namely Vedanta Creations Limited (formerly known as Vedanta Creations Private Limited) and has appointed one Independent Director of the Company on the Board of the said Subsidiary.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE AND DEVELOPMENTS

India's domestic market for apparel & clothing was worth Euro 20,219 million in 2008–09. It has registered a steady compounded annual growth rate (CAGR) of 13.6% in the past 5 years. Volume wise, apparel market has grown from 4.8 billion units in 2004 to 5.9 billion units in 2008–09 at a CAGR of 5.3%. Apparel and Clothing is the second largest retail category in India.

India plays an integral role in the global apparel market due to availability of abundant man power, raw material, and infrastructural developments. The Indian textiles and apparels sector is a major contributor to the Indian economy in terms of Gross Domestic Product (GDP), industrial production and the country's total export earnings.

India's apparel exports in 2006–07 were of the order of Euro 6.1 billion, accounting for about 46% of total textile exports from India. Indian apparel exports grew by of 11.7% per year in the past 4 years, comprising of garments of all hues made of cotton, man-made fiber, silk, wool, Jute and other textile materials. The exports from India are to more than 100 countries, with EU being the largest single market accounting for about 43% of India's apparel exports, while USA is the single largest buyer (33%) country for Indian apparels. Middleeast constituted 8% and Rest of the World 16% of India's exports.

### OPPORTUNITIES AND THREATS

#### OPPORTUNITIES

The overall assessment of demand and market potential in various sub-sectors, projected on the basis of past growth trends and industry expectations, is summarized. The total market is expected to increase from Euros 21.7 billion in 2008–09 to Euro 29.4 billion by 2011–12, with overall compounded annual growth of 7.89%.

#### ➤ ***Window of opportunity***

India is home to 17% of the world's population. It is also one of the youngest countries in the world, with over 65% of the population below 35 years of age. The young generation of professionals, both men and women, form important consumer groups with high purchasing power. This buying group is more demanding in their choice of products, looking for quality that satisfy comfort, fitting, styling needs etc. This has resulted in a qualitative shift of consumers from low / economy range to premium and super-premium range of products.

#### ➤ ***Growing prosperity of middle class:***

Indian corporate salaries have grown at 14% per annum, which is considered to be fastest globally. According to various studies, there were more than 300 million middle class people in India in 2007 with substantial disposable incomes. This number is expected to touch 600 million by 2010. There will be a sustained and increasing demand for various consumer products by this segment of population.

#### ➤ ***Changing face of consumer:***

In spite of the economic meltdown in recent times, there has been a continuous and sustained shift in consumer demand pattern from basic necessities to spending on lifestyle products and services continues, largely due to Higher Income Younger age profile

#### ➤ ***End of quota regime acting as a stimulus to further export growth.***

#### THREATS

Garment exports from India dropped 2.64 % to 10.64 billion dollars in 2009–10 compared to 10.93 billion dollars in the previous financial year. In rupee terms, however, there was a negligible recovery of 0.37 per cent. Apparel exports totaled Rs 50,479 crore in 2009–10 compared to Rs 50,293 crore in 2008–09. But in dollar terms, all months of 2009–10 except July, August and November showed a painful downslide.

Bangladesh has become a larger garment exporter than India. By next year, Vietnam may also overtake India.

#### ➤ ***Rupee fluctuations with respect to US \$ and Euro:***

Recent fluctuations in Rupee with respect to US \$ and Euro affects the volume and value of exports as well as the price competitiveness of Indian exports.

#### ➤ ***Rising ecological & social awareness:***

Ecological and social awareness among the consumers in the west may impact sourcing from India. The US & EU governments discourage imports from countries that use polluting dyes and environment damaging manufacturing

practices. This has resulted in putting pressure on buyers to limit their sourcing from developing countries. They conform to certain guidelines of International Labour Organisation in regard to certain sensitive issues such as deployment of child labor, unhealthy working environment of labor etc when it comes to sourcing of products.

➤ ***Absence of standardization and quality control and organized vendorbase***

Domestic industry is facing increasing competition from low cost countries is likely to move towards consolidation of local players. Regional trade blocks play a significant role in the global trade with member countries enjoying lower tariffs. Export prospects of India, not being a member of regional trade block, may be adversely jeopardized.

➤ ***Increased global competition***

The post 2005 trade regime under World Trade Organisation has resulted into the enhanced competition across the globe.

## **SEGMENTWISE OR PRODUCT-WISE PERFORMANCE**

Your Company mainly operates in two geographical segments i.e. India and Overseas. During the Financial year 2009–10, Domestic Turnover of the Company increased by 8.77% from Rs. 10230 Lacs to Rs. 11127 Lacs whereas the Export turnover of the company contracted from Rs. 3504 Lacs to Rs. 1765 Lacs on account of transfer of its exporting unit Reunion Clothing Company to Aquarelle India Private Limited, a 50:50 Joint Venture Company. However, the Company is expanding manufacturing capacity to raise the export turnover and a manufacturing units in Vishakhapatnam sez is being setup for this purpose..

## **FUTURE OUTLOOK**

Tremendous boom in retailing is expected to cause a significant change in the consumption patterns of private incomes. The growth will result in qualitative shifts in domestic buying patterns and life styles of consumers in India. Changing life style has also led to a rapid increase in the 'ready to-wear' market'. Several foreign players have been retailing branded apparels in India for a number of years.

The country's performance on the macro-economic parameters has been impressive in the past 4 years. Despite temporary setback in the past few months, the economy is back on the road to recovery. The adverse impact of western financial melt-down on the domestic industry has not been acutely felt. Indian export sector, however, continues to reel under depression. Its impact is much less perceived in India than majority of exporting countries to the west.

➤ ***Special Economic Zone***

Your Company has commenced the civil construction of a manufacturing unit of garment in the Visakhapatnam Special Economic Zone (VSEZ). Civil construction is scheduled to be completed by September 2010. This unit shall be manufacturing approximately 180000 pcs per annum.

➤ ***Expansion of manufacturing facilities***

Your company is in the process of identifying the locations at and around Andhra Pradesh, Karnataka, and Tamilnadu for setting up of apparel manufacturing units. Negotiations are being carried out in this regard.

➤ ***Global presence***

Company has planned expansion of its activities by way of setting up garment, fabric trading and manufacturing units overseas. As the first step in this direction, the company has made necessary applications to the regulatory authorities for permission for investment in Hong Kong and Slovakia.

➤ ***Retailing through Large Format Stores***

The Company has drastically enhanced its presence in the apparel retail industry by way of Large Format Stores (LFS). It has its spaces in two kinds of LFS i.e. Lifestyle Format Stores such as Globus, Reliance Trends, Gitanjali Maya etc. and Value Format Store such as Wal-Mart, Reliance Super, Pantaloon Brand Factory etc.. The Company is in the process negotiating more such stores as they do not carry any fixed cost burden, being based on revenue sharing model.

➤ ***Exclusive Retail Outlets***

As on March 31, 2010 Company had opened 66 Retail outlets out of which 17 have been closed down and 6 new were under completion stage. Your Company is constantly looking for opening of new Retail outlets all over India.

## **STRENGTHS**

➤ ***Consumer reach***

"Thomas Scott" has constantly been trying to be in reach of consumers by way of its retail outlets and presence in

Large Format Stores. As on 31<sup>st</sup> March, 2010, the Company had 49 operational retail outlets and presence 38 Large Format Stores approximately, thus, enhancing its reach to consumer of all the segments day-by-day.

➤ ***Existing Joint Venture***

Your Company has entered into a 50:50 joint venture with Aquarelle India Private Limited which has performed fairly well during the financial year 2009-10 and even better performance is expected from this partnership in the coming years. Company itself has also been benefited by the efficient technology of the Joint Venture.

➤ ***Excellent design capability and robust R&D capability of Designers***

Your company is working with a team of excellent designers. The creativity and hard work combined with the research and development skills embedded in the designers employed by the Company is giving extra advantage over its competitors.

➤ ***China May Lose 'Cheap' Tag on Rising Yuan, Labour Costs***

Factory workers demanding better wages and working conditions are hastening the eventual end of an era of cheap costs that helped make southern coastal China the worlds factory floor.

## **RISKS AND CONCERNS:**

Business is exposed to risks external and internal. Some risks can be predicted and minimized with the careful planning and implementing the measures to mitigate them, while some risks can not be insured against. Following are the various kinds of risk your company has been facing and dealing with:

### **Global Crisis Risk**

Exports have declined due to lack of demand and financial crisis in USA, Europe and Japan. Further, the high minimum support price for cotton which does not allow the crop price to come down, increases the cost of production. This makes it difficult for Indian exporters to compete with those in other countries.

### **Foreign Exchange Fluctuation Risk**

As significant portion of the Company's earning comes from the exports, your company is exposed to the risk of fluctuation in the exchange rate. The Company has been systematically hedging its long term foreign exchange risk as well as short term exposures risk considering prevalent conditions.

### **Interest Rate Risk**

Your Company has been undertaking suitable hedging strategies to overcome any adverse interest rate risks. It has formulated internal target rates at which any open interest rate risk can be hedged.

### **People Risks**

Retaining the existing talent pool and attracting new manpower are major risks. The Company has initiated various measures such as rollout of strategic talent management system; training and integration of learning activities.

### **Other Risk Element in Individual Businesses**

Apart from the risks on account of global recession, foreign exchange fluctuation, Company's business is exposed to certain business risks related to market such as fashion, change in consumer preferences, brand building which are managed by our efficient team of proactive designers and talented marketing team.

## **HUMAN RESOURCES:**

As on 31<sup>st</sup> March 2010, Company employed 698 employees. Your Company has introduced contemporary Human Resource practices to enhance technical and managerial competence of the employees and to further leverage their capabilities to enhance the performance of its business. Further the Company has taken a series of initiatives to enhance emotional and intellectual engagement of employees with the Company and its business.

## **INTERNAL CONTROL SYSTEM AND ADEQUACIES**

Your Company conducts its business with integrity, high standards of ethical behavior and in compliance with the laws and regulations that govern its business. Your Company has a well established framework of internal controls in operation, including suitable monitoring procedures. In addition to the external audit, the financial and operating controls of your Company at various locations are reviewed by Internal Auditors, who report their observations to the Audit Committee of the Board.

## **FORWARD LOOKING STATEMENT**

Statements in this report on Management Discussion and Analysis, describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking, considering the applicable laws and regulations. These statements are based on certain assumptions and expectation of future events. Actual results could, however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials costs and availability, fluctuations in exchange rates, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts, as well as other factors such as, litigation and industrial relations.

The Company assumes no responsibility in respect of the forward looking statements herein, which may undergo changes in future on the basis of subsequent developments, information or events.

## **PRACTISING COMPANY SECRETARY'S CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT:**

To the Members Bang Overseas Limited,

We have examined the compliance of conditions of Corporate Governance by Bang Overseas Limited ("the Company"), for the year ended 31st March 2010 as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange(s) in India.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

On the basis of the records maintained by the Company we state that as at 31st March 2010, there were no investor grievances pending with the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For Kothari H & Associates**  
Company Secretaries

Sd/-  
**Hitesh Kothari**

Place: Mumbai  
Dated: 1<sup>st</sup> September 2010  
Membership No. : 16982

**ANNUAL DECLARATION BY CEO / MANAGING DIRECTOR PURSUANT TO CLAUSE 49(I) (D) (ii)  
OF THE LISTING AGREEMENT**

As per the requirements of Clause 49(I)(D)(ii) of the Listing Agreement, I, Brijgopal Bang, Managing Director, hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Business Conduct and Ethics for the Financial Year 2009-10.

Sd/-  
**Brijgopal Bang**  
**Managing Director**

Place: Mumbai  
Date: 1st September 2010

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**CEO AND CFO CERTIFICATE PURSUANT TO CLAUSE 49 (V) OF THE LISTING AGREEMENT**

This is to certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the year 2009-10 and that to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best our knowledge the belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We are responsible for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
  - (i) significant changes in internal control during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

**For Bang Overseas Limited**

Sd/-	Sd/-
<b>Brijgopal Bang</b>	<b>Jaydas Dighe</b>
<b>Managing Director</b>	<b>Vice President- Finance</b>

Place: Mumbai  
Date : 1<sup>st</sup> September 2010