

THE REPORT ON CORPORATE GOVERNANCE

1) Company's philosophy on Corporate Governance

Polar's philosophy on Corporate Governance envisages the attainment of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees and lenders. Polar believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time.

2) Board of Directors

The composition of the board of directors of the Company as given below meets the stipulated requirements.

Name	Category	Independent Director	Designation	Attendance in Board Meeting Held	Attendance in last AGM	Other Directorship	Committee Membership	Committee Chairmanship	Shareholding	
1. Mr. Anil Agarwal	PD	No	CMD	4	4	Yes	4	2	-	2839928
2. Mr. Sunil Agarwal	PD	No	NED	4	-	Yes	1	-	1	667512
3. Dr. S. D. Nanda (a)	NPD	Yes	ND	3	1	No	2	1	-	-
4. Mr. A. K. Sharma (b)	NPD	Yes	ND	4	2	No	2	1	-	-
5. Mr. K. P. Bhattacharya	NPD	No	WTD	4	-	Yes	-	-	-	-
6. Mr. Salil Bhandari (c)	NPD	Yes	IND	4	4	Yes	4	1	1	-
7. Mr. Vikram Prakash (d)	NPD	Yes	IND	4	3	No	6	5	2	-
8. Mr. S. S. Dabas (e)	NPD	Yes	ND	4	-	No	-	-	-	-
9. Mr. Shashank Prashad (f)	NPD	Yes	IND	-	-	NA	2	1	-	1071

(a) Dr. S. D. Nanda a Nominee director of Industrial Investment Bank of India resigned from directorship w.e.f. 21.02.07;

(b) Mr. A. K. Sharma is a Nominee director of IFCI Ltd.;

(c) Mr. Salil Bhandari resigned from directorship w.e.f. 06.04.07;

(d) Mr. Vikram Prakash resigned from directorship w.e.f. 24.05.07;

(e) Mr. S. S. Dabas nominee director of Punjab National Bank;

(f) Mr. Shashank Prashad appointed as Additional Director w.e.f. 23.05.2007

It is further declared that the Company has not been able to file requisite return in Form 32 with the Registrar of Companies, with regard to nomination by Punjab National Bank (PNB) of Mr. S. S. Dabas, due to requisite information and documents, which has not as yet been made available to the Company by the Nominated Director or the nominating institution.

(PD: Promoter Director, NPD: Non Promoter Director, NED: Non Executive Director, ND: Nominee Director, IND: Independent Director, WTD: Whole Time Director, CMD : Chairman & Managing Director)

Committee Membership/Chairmanship of Audit Committee and Shareholder Grievance Committee has only been considered.

During the period, four board meetings were held on (i) 26.10.06, (ii) 30.12.06, (iii) 30.01.07, (iv) 28.03.07. The maximum time gap between any two meetings did not exceed **four** calendar months.

No pecuniary transactions have been entered into with any of the non-executive Directors of the Company, save and except the payment of sitting fees to the Independent and Non-Executive Directors for attending the Meetings of the Board and the Committees with which they are associated.

Non executive directors' compensation and disclosures

In accordance with the decision of the Board of Directors, only sitting fees are paid to independent directors and non-executive directors for attending Meetings of the Board/the Committees of which they are members.

Code of Conduct

A code of conduct as applicable to the Directors and the Members of the Senior Management has been approved by the Board in its meeting held on 28.01.2005. The said code has already been displayed on the company's Website.

Re-appointment/Appointment of Directors

The details of Director seeking re-appointment as Director and Whole-time Director at the Annual General Meeting are as follows:

Name of the Director	Mr. K.P. Bhattacharya
Date of Birth	11.03.1946
Date of Appointment	29.10.2001
Expertise in specific functional areas	Operations
Qualifications	B. E. (Electrical), M.I.E. Chartered Engineer
Shareholding in the Company	Nil
List of outside Directorship held	Nil

The details of directors seeking appointment at the Annual General Meeting are as follows:

Name of the Director	Mr. Shashank Prashad
Date of Birth	22.05.1957
Expertise in specific functional areas	Management
Qualifications	B. Com (Hons.)
Shareholding in the Company	1071 (0.008%)
List of outside Directorship held	1. SPBP Tea Plantation Ltd. 2. Darjeeling Dooars Plantations (Tea) Ltd. - Member Audit Committee

3. Audit Committee

Composition of the Committee is in accordance with the revised requirements prescribed by SEBI under Clause 49 of the Listing Agreement. The Committee consists of the following directors:

- i) Mr. Salil Bhandari, Chairman (Resigned w.e.f. 06.04.2007)
- ii) Mr. Vikram Prakash, Member (Resigned w.e.f. 24.05.2007)
- iii) Mr. Anil Agarwal, Member
- iv) Mr. A. K. Sharma, Member
- v) Mr. Shashank Prashad, Chairman (Appointed w.e.f. 23.05.2007)

Of the Committee members only, Mr. Anil Agarwal, is an executive Director. All Committee members are financially literate.

Mr. Salil Bhandari, the previous Chairman of the Committee is practicing Chartered Accountant. Mr. Shashank Prashad, the current Chairman of the Committee is the Managing Director of Darjeeling Dooars Plantations (Tea) Ltd., where his functional responsibility includes financial oversight.

The Company Secretary acts as the Secretary to the Committee.

During the period, the Committee held three meetings on (i) 26.10.2006(ii) 30.12.2006; (iii)30.01.2007;

The attendance of each Committee Member is as under:-

<u>Name of the Directors</u>	<u>No. of Meetings</u>	
	<u>Held</u>	<u>Attended</u>
1. Mr. A.K. Sharma	3	2
2. Mr. Salil Bhandari	3	3
3. Mr. Vikram Prakash	3	2
4. Mr. Anil Agarwal	3	3

The terms of reference of the Audit Committee are in conformity with the revised requirements of Clause 49 of the Listing Agreement read in conjunction with section 292A of the Companies Act, 1956. The functions of the Audit Committee broadly cover the following:

- 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 it so necessary;
- e) to oversee the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- f) to recommend the appointment and removal of external auditor, fixation of audit fees and also approval for payment for any other services;
- g) reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - any changes in accounting policies and practices;
 - major accounting entries based on exercise of judgment by management;
 - qualifications in draft audit report;
 - significant adjustments arising out of audit findings;
 - the going concern assumption;
 - compliance with accounting standards;
 - compliance with stock exchange and legal requirements concerning financial statements;
 - any related party transactions, i.e., transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large;
- h) reviewing with the management, external and internal auditors, the adequacy of internal control systems;
- i) reviewing with the management the quarterly financial statements before submission to the Board;
- j) reviewing the adequacy of internal audit function and frequency of internal audit;
- k) discussion with internal auditors on any significant findings and follow up thereon;
- l) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- m) discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern;
- n) reviewing the company's financial and risk management policies;

o) to look into the reasons for substantial defaults, if any, in the payment of the depositors, debenture holders and creditors.

The Audit Committee also mandatorily review the following

- a) Management discussion and analysis of financial condition and results of operations;
- b) Statement of significant related party transactions (as defined by the audit committee). submitted by management;
- c) Management letters/letters of internal control weaknesses issued by the statutory auditors.
- d) Internal audit report relating to internal control weaknesses;
- e) The appointment, removal and terms of remuneration of the Internal Auditor.

4. Remuneration Committee

The remuneration policy of the Company for managerial personnel is decided by the Remuneration Committee on the basis of track record, potential and performance of individual managers.

During the period, no remuneration committee meeting was held.

The appointment of Whole Time Directors are governed by resolutions passed by the board of directors and the shareholders of the company, which covers the terms and conditions of such appointment. Payment of remuneration to Whole Time Directors are governed by the respective agreements executed between them and the Company, subject to Central Government approval.

The Non-Executive Directors are paid remuneration only by way of Sitting Fees for each meeting of the Board and Audit Committee thereof attended by them. There are no severance fees, other benefits or stock options.

The details of remuneration paid to Whole-time Directors during the 6 months period ended 31.03.2007 are as follows:

Particulars	Mr. Anil Agarwal	Mr. K. P. Bhattacharya	Total
Salary	6,90,000	1,92,882	8,82,882
Medical Reimbursement	27,582	14,000	41,582
Rent/HRA	-	63,400	63,400
Employer's contribution to Provident & other Funds	82,800	21,448	1,04,248
Monetary Value of Perquisites	-	58,745	58,745
TOTAL	8,00,382	3,50,475	11,50,857

The Company has, during the 6 months period ended 31.03.2007, paid sitting fees for attending Board and Audit committee meetings to the Non Executive Directors as follows:

Name	Amount Rs.
1. Mr. Sunil Agarwal	-
2. Dr. S. D. Nanda (Nominee of IIBI Ltd.)	1,000
3. Mr. A. K. Sharma (Nominee of IFCI) Ltd.	4,000
4. Mr. Salil Bhandari	7,000
5. Mr. Vikram Prakash	5,000
6. Mr. S. S. Dabas (Nominee of Punjab National Bank)	-
TOTAL	17,000

5. Share Transfer and Shareholders' Grievance Committee

The Share Transfer and Shareholders' Grievance Committee comprises of Mr. Sunil Agarwal, Chairman of the Committee, and Mr. K. P. Bhattacharya. The Committee attends to the shareholders' grievances expeditiously and usually reply is sent within a period of 10 days of receipt, except in the cases that are constrained by dispute or legal impediments.

At present the board has designated Mr. Vishwanath G. Malagi, Company Secretary as the Compliance Officer of the Company.

The Company received 10 complaints from shareholders during the period under review. There was no pending grievance either at the beginning or at the end of the period.

6. General Body Meetings

The last three Annual General Meetings were held at Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata - 700 001 as per details given below:

Year	Date	Time
2005 - 2006 (a)	31.03.2007	10.30 A.M.
2004 - 2005 (b)	30.09.2005	10.00 A.M.
2003 - 2004 (c)	14.07.2004	10.00 A.M.

(a) Two Special Resolutions were passed at the AGM held on 31.03.2007:

- To reappoint the auditors of the company in terms of provisions of section 224A of the Companies Act, 1956.
- To authorize the Board of Directors of the Company under section 372A of Companies Act, 1956, subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments or bodies as may be necessary, to make loan(s) and/or give any guarantee(s)/ provide any security(ies) in connection with loan(s) made to and/or acquire by way of subscription, purchase or otherwise the securities of, any body corporate up to a limit not exceeding Rs.100 crore (Rupees One hundred crore) only, notwithstanding that the aggregate of the loans, guarantees or securities so far given or to be given to and/or securities so far acquired or to be acquired in all bodies Corporate may exceed the limits prescribed under the section 372A of the Act, was passed through Postal Ballot. Special Resolution requiring Postal Ballot was proposed at the last Annual General Meeting. Mr. Manoj Banthia, Chartered Accountant who was appointed as Scrutinizer for the Postal Ballot process. The results of the Postal Ballot was announced at the 23rd AGM as under:

No. of valid Ballot Forms received	Total Votes Cast		Total
	For	Against	
119	10,78,183 (99.66%)	3,638 (0.34%)	10,81,821 (100%)

(b) Three Special Resolutions were passed at the AGM held on 30.09.2005:

- To reappoint the auditors of the company in terms of provisions of section 224A of the Companies Act, 1956.
- To approve holding of office or place of profit by Mr. Viraj Agarwal, son of Mr. Anil Agarwal as Executive Assistant to CMD.
- To approve holding of office or place of profit by Mrs. Shailja Agarwal, wife of Mr. Anil Agarwal as General Manager (Business Development).

(c) Five Special resolutions were passed at the AGM held on 14.07.2004:

- To reappoint the auditors of the company in terms of provisions of section 224A of the Companies Act, 1956.
- To approve the reappointment of Mr. Anil Agarwal as Chairman & Managing Director of the Company for a period of 5 years.
- To approve the reappointment of Mr. K.P. Bhattacharya as Director (Operations) of the Company for a period of 3 years.
- To grant authority to the Board to offer, issue and allot 25,04,500 Equity Shares of Rs.10/- each at par, through private placement to promoters, their relatives and associates.

- To approve voluntary delisting of securities from The Delhi Stock Exchange Association Ltd. and The Calcutta Stock Exchange Association Ltd.

At the ensuing Annual General Meeting, no Special Resolution is proposed to be passed by Postal Ballot.

7. Disclosure

(a) Related Party Transactions

The Company has entered into a few transactions with the related parties (promoters, the Directors or the management, their subsidiaries or relatives, etc) the details whereof have been given in notes to the accounts. However these are not prejudicial to the interest of the Company.

(b) Compliances by the Company

The Company has complied with the requirements of the Stock Exchanges. SEBI and other statutory authorities on all matters related to capital markets during the last three years: no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities relating to the above.

8. Means of communication

- Half-yearly report sent to each household of the Shareholders : Since half-yearly and annual results of the Company are published in leading Newspapers having wide circulation and regularly put on Company's website, these are not sent individually to shareholders.
- Quarterly results : The Quarterly results of the Company are published in leading Newspapers having wide circulation and regularly put on Company's website, www.polarinc.com.
- Newspaper in which results are normally published: 'Business Standard'/'Financial Express'/'Asian Age' and 'Dainik Lipi' Pursuant to Clause 51 of the Listing Agreement, all data relating to quarterly financial results, shareholding pattern etc. are posted on the SEBI's Electronic Data Information Filing and Retrieval System (EDIFAR) website www.sebiedifar.nic.in
- Any website, where displayed : www.polarinc.com
- Whether it also displays official news releases : Yes
- Whether MD&A is a part of Annual report or not : Yes

9. General Shareholder Information

9.1. Annual General Meeting

- Date and Time : September 29, 2007 at 10.00 A.M.
- Venue : Rotary Sadan. Sripati Singhania Hall
94/2, Chowringhee Road, Kolkata - 700 020.

9.2. Financial Calendar (Tentative)

- : Results for quarter ending
June 30, 2007 Last week of July, 2007
- Results for quarter ending
September 30, 2007 Last week of October, 2007
- Results for quarter ending
December 31, 2007 Last week of January, 2008
- Results for year ending
March 31; 2008 (Audited) Last week of June, 2008
- AGM for the year ending
March 31, 2008 September, 2008

9.3. Book closure date : 17.09.2007 - 22.09.2007

9.4. Dividend payment date : Not Applicable

9.5 **Listing of Equity Shares on** : Bombay Stock Exchange Ltd. and The National Stock Exchange of India Ltd.
The Company has paid listing Fees for 2007-2008 to both the Stock Exchanges.

9.6. (a) **Stock Code**
National Stock Exchange : POLARIND EQ
Bombay Stock Exchange : 504288

(b) **Demat ISIN Number in NSDL & CDSL for Equity Shares** : ISIN No. **INE057B01010**

9.7 Market Price Data

2006-2007 Month	National Stock Exchange (in Rs.)		Bombay Stock Exchange (in Rs.)		BSE SENSEX	
	High Price	Low Price	High Price	Low Price	High	Low
October, 2006	8.55	7.10	8.66	7.03	13,075.85	12,178.83
November, 2006	8.35	7.50	8.40	7.65	13,799.08	12,937.30
December, 2006	8.75	7.45	8.85	7.50	14,035.30	12,801.65
January, 2007	9.55	7.90	9.21	7.91	14325.92	13,303.22
February, 2007	9.85	8.00	10.00	7.91	14,723.88	12,800.91
March, 2007	9.10	7.60	9.34	6.76	13,386.95	12,316.10

9.8. **Registrar and Transfer Agents**
(Share transfer and communication regarding share certificates, dividends and change of address)

MCS Limited
77/2A, Hazra Road
Kolkata - 700 029
Tel. No. 2476-7350/51/52/53/54
Fax No. 2474-7674

9.9. Share Transfer System

Presently, the request for share transfers which are received in physical form are processed and the share certificates returned within a period of 10 to 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

9.10 Shareholding Pattern and Distribution of Shareholding as on 31st March, 2007:

Shareholding Pattern:

<u>Category</u>	<u>No. of shareholders</u>	<u>No. of shares held</u>	<u>Shareholding%</u>
Promoter Group	10	53,18,470	39.01
Financial Institution/ Banks/ Mutual Funds	13	47,23,072	34.64
NRIs	20	12,790	0.09
Public Private Bodies Corporate	230	8,95,453	6.57
Individual Public	8652	26,85,128	19.69
TOTAL	8925	13634913	100.00

Distribution of Shareholding:

<u>Range of Shares</u>	<u>No. of Shares</u>	<u>No. of Folios</u>	<u>Percent Shares</u>	<u>Percent Folios</u>
1 - 1000	1134097	8565	8.32	95.97
1001 - 5000	563886	265	4.14	2.97
5001 - 10000	286970	38	2.10	0.43
10001 - 50000	862416	33	6.33	0.37
50001 - 100000	573021	5	4.20	0.06
100001 - And above	10214523	19	74.91	0.21
TOTAL	13634913	8925	100.00	100.00

9.11 Dematerialisation of Shares

Trading in Equity Shares of the Company is permitted only in dematerialised form as per notification issued by the Securities and Exchange Board of India (SEBI).

As on 31st March, 2007, the total no. of shares dematerialized are 10067117 (90.45%).

9.12 Outstanding GDRs/ ADRs/ Warrants) Any Convertible Instruments, conversion date and likely impact on Equity

The Company has not issued any GDRs, ADRs. However 70,00,000 Zero Coupon Convertible Warrants carrying a right to subscribe to an equal number of equity shares at a price of Rs.14.70 including premium of Rs.4.70 per share have been allotted on 21.02.2006 to the promoters & others on preferential basis. These warrants are convertible into equity shares within 18 months from the date of allotment at the option of the warrant holders. Assuming full conversion during the current year, the paid up equity share capital of the company will raise to Rs.20,63,49,130.

9.13 Plant locations

: Ceiling Fan Division

A -2, Sector-5 Noida - 201 301

Roorkee Division

Plot No 9, Ram Nagar Industrial Area
Roorkee, Hardwar, Uttaranchal

Sumach Division

58/4/2A, B.T. Road, Kolkata - 700 002

PFI Division

167, Brahma Samaj Road, Kolkata – 700060

9.14. (i) Investor Correspondence

: For Shares held in Physical form

MCS Limited

77/2A, Hazra Road, Kolkata - 700 029

For Shares held in Demat form

To the Depository Participant

(ii) Any query on Annual Report

: Secretarial Department

Polar Industries Ltd.

113, Park Street, 8th Floor

Kolkata - 700 016

cs@polarinc.com

10. The Details of adoption / non-adoption of the non-mandatory requirements as specified in Annexure ID of Clause 49 are as under

a) The Board

As the Company has an executive Chairman, this requirement is not applicable to the Company.

The Board has not adopted the non-mandatory requirement regarding limiting the maximum tenure of the Nonexecutive Directors to three terms of three years each.

b) Remuneration Committee

The Board has a Remuneration Committee whose terms of reference, composition and other relevant particulars have been mentioned in this report.

c) Shareholders rights

The Company does not send any communication to shareholders covering financial performance or summary of the significant events on half-yearly basis. Instead, the Company publishes the quarterly financials results in major newspapers and posts the same on EDIFAR website. Further, significant events are informed to the Stock Exchanges from time to time and then the same is posted on the website of the Company.

d) Audit qualifications

Observations of the Auditors in their report to the members have been appropriately addressed in the Directors' Report and Notes to the accounts.

e) Training of Board Members

The members of the Board, being well versed in their respective area of functioning, are aware of their responsibilities as directors and the best ways to discharge them.

f) Mechanism for evaluating non-executive Board Members

The matter has not, as yet, been considered by the Board members.

g) Whistle Blower Policy

The matter has not, as yet, been considered by the Board members.

**AFFIRMATION OF COMPLIANCE WITH
THE CODE OF CONDUCT
FOR DIRECTORS AND SENIOR EXECUTIVES**

I, Anil Agarwal, Chairman & Managing Director declare that the Company has received affirmation of compliance with "Code of Conduct for Directors and Senior Executives" laid down by the Board of Directors, from all the Directors and Senior Management personnel of the Company, to whom the same is applicable, for the 6 months financial period ended March 31, 2007.

Place : Noida
Date : 30th June, 2007

ANIL AGARWAL
Chairman & Managing Director

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of

Polar Industries Limited

We have examined the compliance of conditions of Corporate Governance by Polar Industries Ltd. for the period ended 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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 the 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, subject to

- (i) Required return in relation to a director nominated by Punjab National Bank, has not been filed with the Registrar of Companies
- (ii) Details of other directorship and other committee membership were not available for a nominee director

We certify that *subject* to clause (i) & (ii) above, the Company has complied with the conditions of Corporate Governance as stipulated in above mentioned Listing Agreement except to the extent specified, herein above and in the Corporate Governance Report.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company and presented to the Share Transfer and Shareholders' Grievance Committee.

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

For **SINGHI & CO.**
Chartered Accountants

Place: New Delhi
Date : 30th June, 2007

B. K. SIPANI
Partner
Membership No. 88926