

## THE REPORT ON CORPORATE GOVERNANCE

### 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.

#### 1) Board of Directors

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

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

(a) Mr. A.K. Sharma is a nominee director of IFCI Ltd., resigned from directorship w.e.f. 30.10.2007;

(b) Mr. Salil Bhandari resigned from directorship w.e.f. 06.04.2007;

(c) Mr. Vikram Prakash resigned from directorship w.e.f. 24.05.2007;

(d) Mr. S.S. Dabas is the nominee Director of Punjab National Bank and resigned w.e.f. 05.06.2008;

(e) Mr. Shashank Prashad has been appointed as Director in the last Annual General Meeting held on 29.09.2007 after ceasing to be Additional Director. He resigned from directorship w.e.f. 15.05.2008;

(f) Mr. S.K. Vats is the nominee Director of IFCI appointed w.e.f. 30.10.2007 and resigned w.e.f.25.03.2008 ;

(g) Mr. Sanjoy Gupta is the nominee Director of ARCIL appointed w.e.f. 07.04.2008.

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 want of 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 year, seven board meetings were held on (i) 30.06.07, (ii) 31.07.07, (iii) 30.10.07, (iv) 29.01.08, (v) 22.02.08, (vi) 10.03.08, (vii) 27.03.08. 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 ([www.polarinc.com](http://www.polarinc.com)).

### **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:

<b>Name of the Director</b>	<b>Mr. Sunil Agarwal</b>
Date of Birth	11.05.1960
Date of Appointment	20.01.1990
Expertise in specific functional areas	Industrialist
Qualifications	B.Com
Shareholding in the Company	667512
List of outside Directorship held	Polar Pharma India Ltd. - Chairman Share Transfer 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. Shashank Prashad, Chairman (appointed as Chairman and Member w.e.f. 23.05.2007)
- iii) Mr. Vikram Prakash, Member (Resigned w.e.f 24.05.2007)
- iv) Mr. Anil Agarwal, Member
- v) Mr. A.K. Sharma, Member (Resigned w.e.f. 30.10.2007)
- vi) Mr. S.K. Vats (resigned w.e.f 25.03.2008)
- vii) Mr. Sanjoy Gupta (appointed as nominee of ARCIL w.e.f. 07.04.2008 and appointed as Member of Audit Committee w.e.f. 21.04.2008) 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 and Member of Audit Committee 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 six meetings on (i) 29.05.2007 (ii) 30.06.2007; (iii) 31.07.2007, (iv) 30.10.2007, (v) 29.01.2008, (vi) 21.03.2008.

The attendance of each Committee Member is as under:

Name of the Directors	No. of Meetings	
	Held	Attended
1. Mr. Anil Agarwal	6	6
2. Mr. A.K. Sharma	3	3
3. Mr. Shashank Prashad	5	5
4. Mr. S.K. Vats	3	3
5. Mr. Sanjoy Gupta	-	-

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 recommended 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 polices 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 mandatory 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 each for 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 12 months period ended 31.03.2008 are as follows: -

Particulars	Mr. Anil Agarwal	Mr. K.P. Bhattacharya	Total
Salary	13,80,000	3,54,000	17,34,000
Medical Reimbursement	12,400	31,000	43,400
Rent/HRA	-	1,41,600	1,41,600
Employer's contribution to Provident & other Funds	1,65,600	47,688	2,31,288
LTA & Leave encashment	-	6,76,688	6,76,688
<b>TOTAL</b>	<b>15,58,000</b>	<b>12,50,976</b>	<b>28,08,976</b>

The Company has, during the 12 months period ended 31.03.2008, paid sitting fees for attending Board and Audit committee meetings to the Non Executive Directors as follows:

Name	Amount Rs.
1. Mr. Sunil Agarwal	NIL
2. Mr. A.K. Sharma (Nominee of IFCI Ltd.)	4,000
3. Mr. S S Dabas (Nominee of Punjab National Bank)	NIL
4. Mr. Shashank Prashad	12,000
5. Mr. S.K.Vats	7,000
6. Mr.Sanjoy Gupta	NIL
<b>Total</b>	<b>23,000</b>

#### 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 Ms. Samta Agrawal, Company Secretary as the Compliance Officer of the Company.

The Company received 5 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

Of the last three Annual General Meetings, meetings of 2004-05 and 2005-06 were held at Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata – 700 001 and the last one of 2006-07 was held at Rotary Sadan, Sripati Singhanian Hall, 94/2, Chowringhee Road, Kolkata – 700020 as per details given below: -

Year	Date	Time
2006 - 2007 (a)	29.09.2007	10 :00 A.M.
2005 - 2006 (b)	31.03.2007	10.30 A.M.
2004 –2005 (c)	30.09.2005	10.00 A.M.

(a) Two Special Resolution was passed at the AGM held on 29.09.2007:

- To reappoint the statutory auditors of the company in terms of provisions of section 224A of the Companies Act, 1956.
- To reappoint of Mr. K.P. Bhattacharya as Director (Operations) of the Company for a period of 3 years w.e.f. 01.10.2007.

(b) Two Special Resolution was passed at the AGM held on 31.03.2007

- To reappoint the statutory 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 23<sup>rd</sup> 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%)

- (c) Three Special resolutions were passed at the AGM held on 30.09.2005:
- To reappoint the statutory 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).

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.
- 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](http://www.sebiedifar.nic.in)

- Any website, where displayed whether it also displays official news releases : [www.polarinc.com](http://www.polarinc.com)  
Yes
- Whether MD&A is a part of Annual report or not. : Yes

## 9. General Shareholder Information

### 9.1. Annual General Meeting (tentative) :

- Date and Time : August 12, 2008 at 10.00 A.M.
- Venue : Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata – 700 001.

- 9.2. **Financial Calendar (Tentative) :**
- |   |  |
|---|--|
| Results for quarter ending June 30, 2008  | Last week of July, 2008                    |
| Results for quarter ending Sept 30, 2008  | Last week of Oct, 2008                     |
| Results for quarter ending December 31, 2008  | Last week of January, 2009                 |
| Results for year ending March 31, 2009 (Audited AGM for the year ending March 31, 2009) | Last week of June, 2009<br>September, 2009 |

- 9.3. **Book closure date** : 31<sup>st</sup> July, 2008 to 5<sup>th</sup> August, 2008

- 9.4. **Dividend payment date** : No dividend has been declared

- 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 2008-2009 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

Month	National Stock Exchange (in Rs.)		Bombay Stock Exchange (in Rs.)		BSE SENSEX	
	High Price	Low Price	High Price	Low Price	High	Low
April, 2007	8.38	8.05	8.29	7.81	14383.72	12425.52
May, 2007	8.32	7.70	8.09	7.72	14576.37	13554.34
June, 2007	7.73	7.29	7.69	7.47	14683.36	13946.99
July, 2007	7.53	7.21	7.68	7.24	15868.85	14638.88
August, 2007	7.55	7.04	7.5	7.12	15542.40	13779.88
September, 2007	11.17	9.97	11.04	10.02	17361.47	15323.05
October, 2007	9.62	9.10	9.7	9.07	20238.16	17144.58

November, 2007	8.39	7.89	8.41	7.93	20204.21	18182.83
December, 2007	12.88	12.54	12.56	12.39	20498.11	18886.40
January, 2008	16.22	15.53	15.99	15.4	21206.77	15332.42
February, 2008	12.72	11.96	12.71	11.98	18895.34	16457.74
March, 2008	10.30	9.91	10.22	9.79	17227.56	14677.24

- 9.8. **Registrar and Transfer Agents : MCS Limited**  
 (Share transfer and communication regarding share certificates, dividends and change of address) : 77/2A, Hazra Road  
 Kolkata - 700 029  
 Tel. No.:-2476-7350/51/52/53/54, 2454-1892/3,  
 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 31<sup>st</sup> March, 2008:**

**Shareholding Pattern:**

Category	No of shareholders	No of shares held	Shareholding
Promoter Group	18	79,18,470	43.68
Financial Institution/ Banks/ Mutual Funds	10	39,23,193	21.64
NRIs	21	9,220	0.05
Public/ Private Bodies Corporate	265	20,76,138	11.45
Individual Public	9178	42,00,747	23.17
<b>TOTAL</b>	<b>9492</b>	<b>1,81,27,768</b>	<b>100.00</b>

**Distribution of Shareholding:**

Range of Shares	No. of Shares	No. of Folios	Percent Shares	Percent Folios
1 - 500	948123	8589	5.23	90.32
501 - 1000	364367	438	2.01	4.60
1001 - 2000	325436	213	1.79	2.24
2001 - 3000	166909	64	0.92	0.67
3001 - 4000	92451	26	0.51	0.27
4001 - 5000	179993	38	0.99	0.39
5001 - 10000	390018	53	2.15	0.55
10001 - 50000	810762	42	4.47	0.44
50001 - 100000	854645	12	4.71	0.12
And above	13995064	34	77.20	0.35
<b>TOTAL</b>	<b>18127768</b>	<b>9509</b>	<b>100.00</b>	<b>100.00</b>

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 31<sup>st</sup> March, 2008, the total no. of shares dematerialized are 10092689 (55.68%)



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 39,00,000 Zero Coupon Convertible Warrants carrying a right to subscribe to an equal number of equity shares at a price of Rs.11.51 including premium of Rs.1.51 have been allotted on 21.04.2008 to the associates of promoters on preferential basis. These warrants are convertible into equity shares within 18 months from the date of allotment and the conversion shall be spread across 2 financial Years i.e. 2008-09 & 2009-10 in a manner so as not to increase the total voting power of the promoters by more than 5 % in a Financial Year.

9.13 **Plant locations** : **Ceiling Fan Division**  
A -2, Sector-5, Noida - 201 301  
**Sumach Division**  
58/4/2A, B.T. Road, Kolkata - 700 002  
**PFI Division**  
167, Brahma Samaj Road, Kolkata - 700 060

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, 8<sup>th</sup> Floor  
Kolkata - 700 016  
[cs@polarinc.com](mailto: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 Non-executive 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. Further, significant events are informed to the Stock Exchanges from time to time.

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 consideration by the Board members.

g) **Whistle Blower Policy**

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

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**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 financial year ended March 31, 2008.

Place : Kolkata  
Date : 28<sup>th</sup> June, 2008

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 year ended 31<sup>st</sup> March, 2008, 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.

Place: Kolkata

Date : 28<sup>th</sup> June, 2008

For SINGHI & CO.  
Chartered Accountants  
B. K. SIPANI  
*Partner*  
Membership No.88926