

MANAGEMENT DISCUSSIONS & ANALYSIS

1. Restructuring of Secured Debts

One Time Settlement (OTS) of all the secured debts of the Company was sanctioned at Rs. 32 Crores under CDR mechanism followed by individual sanction from the lenders.

In the meanwhile, Asset Reconstruction Company (India) Ltd. (ARCIL) has acquired the debts of all the secured lenders except IBI, LIC, Canbank MF & PNB MF and have restructured the total secured debts of Rs.95.22 Crores as on 31.03.2008. The debts of LIC was paid by the Company directly, whereas, that of Canbank MF & PNB MF was paid by Centrum Financial Services Limited, an NBFC.

As per ARCIL's sanction, the Company would issue 30,74,300 equity shares at par for Rs.3.07 Crores to ARCIL and the balance debt of Rs.59 Crores would be repaid over a period of 5 years between 2010-2013.

The Company in spite of all efforts could not infuse working capital into the system on time. The Company had also hired the services of the leading consulting Company Ernst & Young, who also failed to draw interest of any strategic / financial investor within India/abroad. The Company unable to bring in required working capital pruned down its structure to almost half by closing down various divisions other than the core business of fans, with only one Fan unit remaining. Adverse dollar rupee parity, steep fall in the stock market, turmoil in the capital market further aggravated the situation. To further our dilemma, fire in the Custom Bonded Warehouse in which about one lakh fans were warehoused, were gutted which impacted the sales in the market. All these factors worsened the financial position of the Company making it more precarious.

The Company has received SARFAESI Notice dated May 5, 2009 under Section 13(2) of the SARFAESI Act. As the Company has already proposed One Time Settlement of dues with ARCIL, the same is under discussion with them.

2. Status of Unit at Ultranchal (Excise free zone)

Based on the delay in construction, SIDCUL cancelled the allocation of Industrial land in the Haridwar, Ultranchal (excise free zone) having 20400 Sq. mts. area despite explaining the practical difficulties to them. Company moved a petition at Nainital High Court. The High Court stayed the order of cancellation and ordered construction and commercial production by allowing six month times which expired on 15th June 2007.

In the mean while, ignoring the substantial progress in construction, SIDCUL filed Special Leave Petition in the Supreme Court and obtained an Interim Ex-parte Order for stay of the operation of judgement and Order of the High Court at Nainital. Company had filed a counter petition and managed to get the case sub-judice in the first hearing.

Supreme Court vide its order dated August 01, 2007 directed Company to file independent representation before the Managing Director of SIDCUL. As per the directions, representations were made by the Company, but Managing Director of SIDCUL cancelled the allotment of Plot. Being aggrieved by the same and on legal advise the Company filed a writ petition in Uttarakhand High Court which though not admitted, Court ordered for exchange of pleadings within a period of six weeks from the date on which it came up for admittance. This land is mortgaged to M/s. KKG Industries, a partnership firm, (KKG) and Excellent Moulders, a partnership firm, (EM), being secured creditors against their outstanding. SIDCUL failed to file counter within the stipulated time & on their request the court granted them extension in time by another 4 weeks effective from 18.06.08. SIDCUL have filed counter affidavit against which the Company have finalized rejoinder to be filed.

3. Consolidation of Manufacturing Units

The Company at present is operating from one manufacturing unit at Kolkata after consolidation of four units, two units at Kolkata, one at Noida and one unit at Roorkee, Uttaranchal. The Company has taken all the effective steps and listed out the formalities involved for closure/consolidation. However, complete closure could not be achieved due to lack of adequate funds. It shall be done on infusion of funds.

4. Closure of New Business Segments

The Company decided to diversify its Appliance Segment in the month of March, 2008, under the Appliance Segment in the name and style of 'Polar Industries Ltd. - W P Division' to be established on an all India basis, with operational control at Corporate Office at A-105, Sector-5, Noida - 201 301.

Polar RO Water purifiers were launched in North Indian Market to begin with during the month of June 2008, while complete range was launched during August, 2008. September, 2008, sales has been 200 machines and it was targeted to sell 500 machines during October, 2008,

But unfortunately, the post advertisement margins of the product was negative, in view of overall reduction in selling price/pressure and further with an objective to focus on the Company's core product and products having channel synergy and the limited funds resources, the business was being closed down. The Liquidation process is on, with the complete marketing team removed, assuring almost no debtors going bad for the previous sales.

5. Opportunities & Threats

Opportunities

- The macro economic policies of the government and continuous emphasis on infrastructure activities have lead to the booming housing sector.
- Urbanization & Rural Prosperity due to agro-revolution has improved the rural economy. Also, the aspiration level has improved by media and advertising, there is a vast scope of fans, as essential items in rural and semi-urban areas.
- One of the major opportunities is Conversion from Unorganised sector. There is a shift in consumer mindset from low priced non-branded products to branded (value for money).

- The small appliances market is growing vigorously and offers an equal opportunity to grow.
- Polar has very strong Brand Recall, its Brand Identity and Brand Personality is well known and hence creating awareness for sub-brands of each product segment will not entail much, time, effort and cost.

Threats

- A major threat for the branded fan manufacturers has been the lack of government regulations for curbing unscrupulous manufacturers producing and selling duplicate fans of renowned brands. This primarily should be the responsibility of the government to curb the development and growth of these manufacturers.
- The most challenging and uphill task before the Company is to restructure its operations and regain lost market share from its close competitors.

6. Internal control systems & their adequacy

The accounting and administrative controls established by the Company are appropriate to the size and nature of the business of the Company.

The Company has adequate internal checks in day today transactions and proper checks and balances in its accounting procedure and practice, to eliminate frauds.

The Company has system of quarterly internal audit and statutory audit separately; to ensure that accounting and other allied records have been maintained properly. Budgets are prepared for each segment separately on monthly and yearly basis. Actual performances no where have been near to budget as the inflow of funds has never been in line with the budget.

The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company are physically verified by the management at regular intervals.

8. Cautionary Statement

Statements in the Management Discussion and Analysis may be “forward looking statement” which may be identified by the use of words in that direction or connoting the same.

Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operation include economic conditions affecting demand/supply and price conditions in the markets in which the Company operates, changes in government regulations, policies, tax laws and other statutes and other incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events.

For and on behalf of the Board of Directors

Place : Kolkata
Date : 26th June, 2009

ANIL AGARWAL
Chairman & Managing Director