

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges in India, the details of Corporate Governance and processes including compliances by the Company with the provisions of Clause 49 are as follows:

1. Company's philosophy on Code of Governance :

The quintessential elements of Corporate Governance are fairness, transparency, accountability and responsibility. At Polyplex, the emphasis is on:

- Enhancement of Shareholder value.
- Protection of the interest of the public Shareholders.
- Long-term financial health of the Company.
- Providing customers with quality products and services at competitive prices.
- Environment friendly production methods.
- Providing for fair wage and safe working condition for employees and inviting inputs from employees in decision-making.
- Contribution to the socio-economic development of the local community.

2. Board of Directors

a) Composition :

The Board is well structured with an adequate blend of Executive and Non-Executive Directors. The Board consists of 9

Directors of which 2 are Executive Directors and 7 are Non-Executive Directors. All the Non-Executive Directors are Independent Directors except Shri Sanjiv Saraf and Shri Sanjiv Chadha who are from Promoters' Category. The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions. The Chairman of the Company is a Non-Executive Director from the Promoters' Category.

None of the Directors is related to any other Director of the Company.

b) Non-Executive Directors' compensation :

Non-Executive Directors of the Company are paid sitting fee @ Rs.20,000/- per meeting of the Board or any Committee thereof, in addition to reimbursement / provision of travelling / stay expenses as per Rules of the Company.

c) Board Meetings :

During the Financial Year 2011-12, Six Board Meetings were held on May 30, 2011, August 8, 2011, November 14, 2011, December 27, 2011, February 14, 2012 and March 1, 2012.

Attendance of each director at the Board meetings and number of other Boards or Board Committees in which he is a member or Chairperson across various Companies is as follows:

Name of the Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last AGM	No. of Other Directorships**	Other Committee Memberships***	
					Member	Chairman
Sarvashri						
Sanjiv Saraf (Chairman)	Promoter, Non-Independent Non-Executive	3 out of 6	No	6	2	1
Sanjiv Chadha	Promoter Non-independent Non-Executive	2 out of 6	No	Nil	Nil	Nil
Pranay Kothari Executive Director	Non-Independent, Executive	5 out of 6	No	5	2	1
S.G. Subrahmanyam* (Vice Chairman)	Independent, Non-Executive	1 out of 3	No	Nil	Nil	Nil
O.P. Mehra	Independent, Non-Executive	4 out of 6	No	2	1	Nil
B.K. Soni	Independent, Non-Executive	6 out of 6	No	1	Nil	Nil

Suresh I. Surana	Independent, Non-Executive	1 out of 6	No	2	Nil	Nil
Jitender Balakrishnan	Independent, Non-Executive	5 out of 6	No	14	5	1
Ranjit Singh Chief Operating Officer	Non-Independent, Executive	6 out of 6	No	Nil	Nil	Nil
Ravi Kumar (Nominee of IDBI Bank Ltd.)	Independent, Non-Executive	4 out of 6	No	1	Nil	Nil

* Shri S.G. Subrahmanyam due to his death ceased to be Director of the Company with effect from December 27, 2011.

** No. of Directorship/Membership held in other Companies excludes Directorship/Membership in Private Companies, Foreign Companies and Companies registered under Section 25 of the Companies Act, 1956.

*** For determining the membership of Committees only Audit Committee and Shareholders'/Investors' Grievance Committee have been considered.

None of the Directors of the Company is a member in more than 10 committees or acts as Chairman of more than 5 committees across all companies in which he is a director.

A confirmation from the Executive Director/ Chief Executive Officer affirming Compliance of the Code of Conduct by the members of the Board/Senior Management forms part of this report.

d) Details of shares held by Directors in the Company are as follows :

Sr. No.	Name of the Director	No. of shares held as on 31.03.2012
1.	Shri Sanjiv Saraf	46,138
2.	Shri Sanjiv Chadha	4,000
3.	Shri Suresh I. Surana	200

e) Information placed before the Board includes :

The Board is supplied with the necessary information as stipulated in Annexure IA of Clause 49 of the Listing Agreement, to the extent applicable

f) Review of Compliance Report :

Compliance Report signed by the Executive Director is placed before the Board at every Board Meeting.

g) Code of Conduct :

The Board of Directors of the Company has approved a 'Code of Conduct' for all Board members and Senior Management. The Code has been circulated to all the members of the Board and Senior Management and they have affirmed the compliance of the same. A copy of the Code of Conduct is also posted on the website of the Company viz. www.polyplex.com

3. Finance Committee :

(a) Constitution :

The Board has constituted a Finance Committee comprising of following Directors viz. Shri Sanjiv Saraf, Shri Pranay Kothari, Shri O.P. Mehra and Shri B.K. Soni to decide, inter-alia, financial matters of the Company viz of loans, working capital facilities, deployment surplus funds and other incidental matters. Shri Sanjiv Saraf is the Chairman of the Committee.

The Company Secretary of the Company acts as Secretary of the Finance Committee.

(b) Meetings of the Finance Committee :

During the Financial Year 2011-12, three meetings of the Finance Committee were held on May 30, 2011, November 14, 2011 and February 7, 2012.

Attendance of the Members at the Finance Committee Meetings was as follows:

Name of the Member	Meetings attended
Shri Sanjiv Saraf	1 out of 3
Shri Pranay Kothari	3 out of 3
Shri O. P. Mehra	1 out of 3
Shri B.K. Soni	3 out of 3

4. Audit Committee :

a) Constitution :

At the beginning of the Financial Year, the Audit Committee comprised of following Independent and Non-Executive Directors viz. Shri S.G. Subrahmanyam, Shri O.P. Mehra, Shri B.K. Soni, Shri Ravi Kumar and Dr. Suresh I. Surana. Shri S.G. Subrahmanyam was the Chairman of Audit Committee. Shri S.G. Subrahmanyam ceased to be the Member and Chairman of the Committee w.e.f. December 27, 2011 due to his demise. With effect from December 27, 2011, Audit Committee comprises of Shri O.P. Mehra, Shri B.K. Soni, Shri Ravi Kumar and Dr. Suresh I. Surana. Chairman of the Committee is elected by the Members present at the meeting. All the members of Audit Committee are financially literate within the meaning of Clause 49 of the Listing Agreement.

The Company Secretary of the Company acts as Secretary of the Audit Committee.

Statutory Auditor and Internal Auditor are invitees to Audit Committee meetings.

b) Meetings of Audit Committee :

During the Financial Year 2011-12, five meetings of Audit Committee were held on May 30, 2011, August 8, 2011, November 14, 2011 and February 14, 2012 and March 1, 2012.

Attendance of the Members at the Audit Committee Meetings was as follows :

Name of the Member	Meetings attended
Shri S.G. Subrahmanyam	1 out of 3
Shri B.K. Soni	5 out of 5
Shri O. P. Mehra	3 out of 5
Shri Ravi Kumar	4 out of 5
Dr. Suresh I. Surana	1 out of 5

c) Power and Role of Audit Committee :

The Powers and Role of the Audit Committee, constituted by Board of Directors pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, include the following:

i. Powers :

- To investigate any activity within its terms of reference.
- To seek information from any employee.

- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

ii. Role :

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual Financial Statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of sub-section (2AA) of section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any Related Party transactions.
 - Qualifications in the draft audit report.

- (e) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- (f) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- (g) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (h) Discussion with internal auditors any significant findings and follow up there on.
- (i) 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.
- (j) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- (l) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- (m) Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for the purpose other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or right issue, and making appropriate recommendations to the Board to take up steps in this matter.

- (n) Approval of appointment of CFO (i.e., the Whole-Time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
- (o) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

d) Review of information by Audit Committee :

The Audit Committee mandatorily reviews the following information :

- i. Management Discussion and Analysis of financial condition and results of operations;
- ii. Statement of significant Related Party transactions (as defined by the Audit Committee), submitted by the Management;
- iii. Management letters/letters of internal control weaknesses issued by the statutory auditors;
- iv. Internal Audit Reports relating to internal control weaknesses;
- v. The appointment, removal and terms of remuneration of the Chief Internal Auditor is subject to review by Audit Committee;
- vi. Financial Statements and in particular the investments made by the unlisted subsidiaries of the Company; and
- vii. Significant Related Party Transactions on quarterly basis.

5. Remuneration Committee and Remuneration to Directors :

a) Composition :

The Remuneration Committee comprised of three Independent and one Promoter Director, all of whom are Non-Executive Directors i.e. Shri Sanjiv Saraf, Shri S.G. Subrahmanyam (upto December 27, 2011), Shri O.P. Mehra and Shri B.K. Soni. Shri Sanjiv Saraf (from promoter category) is the Chairman of the Committee.

The remuneration committee has been constituted to recommend to the Board the remuneration for the Whole Time/ Executive Director(s) of the Company.

During the Financial Year 2011-12 three meetings of the Remuneration Committee were held on May 30, 2011, December 27, 2011 and March 1, 2012.

Attendance of the Members at the Remuneration Committee Meetings was as follows:

Name of the Member	Meetings attended
Shri Sanjiv Saraf	2 out of 3
Shri S. G. Subrahmanyam	Nil out of 1
Shri O. P. Mehra	3 out of 3
Shri B. K. Soni	3 out of 3

b) Details of Remuneration and other terms of appointment of Directors:

i. Executive Director

a. Shri Pranay Kothari

Shri Pranay Kothari was re-appointed as Whole-Time Director designated as Executive Director of the Company for a period of three years w.e.f. September 7, 2009. The details of the remuneration paid/provided to Shri Pranay Kothari, Executive Director during the year 2011-12 are given below:

Salary and Allowances	Rs. 1,64,20,000
Perquisites and other	Rs. 8,12,949
Total	Rs. 1,72,32,949

Terms of appointment of Shri Pranay Kothari is for three years expiring on September 6, 2012. The appointment of Shri Pranay Kothari as Whole Time Director may be terminated by either party after giving to the other six calendar months notice in writing or salary in lieu thereof. No payment on account of severance fees has been stipulated.

No performance linked incentive has been paid to Shri Pranay Kothari during the year.

b. Shri Ranjit Singh

Shri Ranjit Singh was re-appointed as Whole Time Director designated as Chief

Operating Officer of the Company for a period of three years w.e.f. July 13, 2010. The details of the remuneration paid/provided to Shri Ranjit Singh, during the year 2011-12 are given below:

Salary and Allowances	Rs. 2,02,20,000
Perquisites and other	Rs. 7,41,361
Total	Rs. 2,09,61,361

Terms of appointment of Shri Ranjit Singh proposed by the Board of Directors is for three years expiring on July 12, 2013. The appointment of Shri Ranjit Singh as Whole Time Director may be terminated by either party after giving to the other six calendar months notice in writing or salary in lieu thereof. No payment on account of severance fees has been stipulated.

No performance linked incentive has been paid to Shri Ranjit Singh during the year

Both the Executive Directors are not liable to retire by rotation.

ii. Non-Executive Directors

Remuneration by way of Sitting Fees for attending meetings of the Board or any Committee(s) thereof are paid to Non-Executive directors. The details of payment of Sitting Fee to Non-Executive Directors during the year 2011-12 are given below:

Name of Non-Executive Director	Sitting Fee (Rs.)
Shri Sanjiv Saraf	1,20,000
Shri B.K. Soni	3,80,000
Shri O.P. Mehra	2,20,000
Shri S.G. Subrahmanyam	40,000
Shri Ravi Kumar*	1,60,000
Shri Sanjiv Chadha	40,000
Dr. Suresh I. Surana**	40,000
Shri Jitender Balakrishnan	1,00,000

All Non-Executive Directors except Shri Ravi Kumar, Nominee Director of IDBI

Bank Limited, are liable to retire by rotation.

* Sitting fee paid to nominating institution i.e. IDBI Bank Limited

** Amount aggregating to Rs.27,34,899/- was paid to firms in which Dr. Suresh I. Surana is a partner towards professional fee, including service tax and reimbursement of expenses.

In addition to payment of Sitting Fee, Board of Directors have approved the payment of Commission of Rs. 50 Lacs for the Financial Year 2011-12 to Shri Sanjiv Saraf, Chairman and Non Executive Director in terms of Special Resolution passed by the Shareholders in the Annual General Meeting held on September 25, 2010.

Shri Sanjiv Saraf during a part of the year 2011-12 was employed as General Manager & Chief Executive Officer with Polyplex (Asia) Pte Limited and has received remuneration of USD 208,333 (Rs. 99.83 Lacs) from PAPL.

The Company has so far not issued any Stock options to any of the Directors.

6. Shareholders'/Investors' Grievance Committee :

a) Composition :

The Board has constituted Shareholders'/Investors' Grievance Committee consisting of Shri Pranay Kothari, Executive Director, Shri Ranjit Singh, Whole-time Directors and Shri B.K. Soni, Non-Executive Director. The members of the Committee present elect the Chairman of the meeting. This Committee generally meets periodically.

The Committee, inter alia, looks into the Shareholders'/Investors' Grievances.

Shri A.K. Gurnani, Company Secretary is the Compliance Officer.

b) Meetings of Shareholders/Investors Grievance Committee :

During the Financial Year 2011-12, Nine such meetings were held on April 20, 2011, June 17, 2011, July 4, 2011, August 11, 2011, September 27, 2011, October 24, 2011, November 14, 2011, January 11, 2012 and January 31, 2012.

Attendance of the Members at the Shareholders'/Investors' Grievance Committee Meetings was as follows:

Name of the Member	Meetings attended
Shri Pranay Kothari	8 out of 9
Shri Ranjit Singh	8 out of 9
Shri B.K. Soni	2 out of 9

c) Investor Grievance Redressal :

Complaints received from Investors/ shareholders are promptly attended to.

Status of complaints received, resolved and pending during the Financial Year is as follows:

Opening	: Nil	Received	: 13
Resolved	: 13	Pending	: Nil

As on March 31, 2012, no request for registration of transfer of shares / dematerialization was pending.

7. Subsidiary Monitoring Framework :

All the subsidiary companies of the Company are Board managed. As a majority shareholder, the Company reviews and monitors the performances of its subsidiaries by way of :

- Approving, in principal, their capital expenditure, business expansion plans;
- Reviewing their operations vis a vis budgets, cash flows and Balance Sheets;
- Reviewing all significant/ material transactions and arrangements;
- Minutes / significant resolutions are placed before the Company's Board.

8. General Body Meetings :

- The details about the last three Annual General Meetings are given below:

AGM	Financial Year	Date of Meeting	Location of the Meeting	Time
26th	2010-11*	28.09.2011	Registered Office at Khatima	10.00 a.m.
25th	2009-10	25.09.2010	Registered Office at Khatima	10.00 a.m.
24th	2008-09	30.09.2009	Registered Office at Khatima	10.00 a.m.

* Chairman of the Audit Committee could not attend the Annual General Meeting.

During the Financial Year 2011-12, No Extra Ordinary General Meeting was held.

- Special Resolutions passed in the previous three Annual General Meetings :

Financial Year/Date	Subject
2010-11/28.09.2011	Nil
2009-10/25.09.2010	Payment of Commission to Shri Sanjiv Saraf, Chairman & Non-Executive Director.
2008-09/30.9.2009	Nil

- (iii) There was no Special Resolution which was required to be passed by postal ballot. No Special Resolution is proposed to be passed at the ensuing Annual General Meeting, by postal ballot.

9. Disclosures :

- (a) During the year, there were no transactions of material nature with the related parties that had potential conflict with the interest of the Company at large.
- (b) There were no instances of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during the last three years.
- (c) The Company has not yet formulated Whistle Blower Policy. No employee of the Company has been denied access to the Audit Committee to make any representation.
- (d) Company has complied with the mandatory requirements of Clause 49 and as regards non-mandatory requirements these would be adopted in due course of time.
- (e) The Company has established a comprehensive Enterprise Risk Management (ERM) Policy that includes risk identification, risk assessment, risk mitigation and monitoring on a periodic basis. External and internal risk factors that could potentially affect performance of the Company vis-a-vis stated objectives are identified and reported in the business review meetings periodically. These are subsequently reported to the Board.

- (f) This Annual Report has a detailed section on Management Discussion and Analysis.

- (g) As required by Clause 49 IV(G)(i) particulars of directors seeking re-appointment are given in the Notice of the Annual General Meeting to be held on September 28, 2012.

10. CEO/CFO Certification :

As required by the revised Clause 49 of the Listing Agreement, the Certificate from Shri Pranay Kothari, Executive Director and Shri Manish Gupta, Chief Financial Officer was placed before the Board of Directors at their meeting held on May 29, 2012.

11. Means of Communication :

- (a) Quarterly results/returns and official news releases are furnished to Stock Exchanges and are also put on the Company's Website www.polyplex.com.
- (b) The quarterly and half yearly results are generally published in the 'The Economic Times' and 'Uttar Ujala Nainital'.
- (c) Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders of the Company.

Declaration by the CEO under Clause 49 I (D) of the Listing Agreement regarding adherence to the Code of Conduct.

I hereby confirm that:

The Company has obtained affirmations from all the members of the Board and Senior Management that they have complied with the Code of Conduct for Directors and Senior Management for the Financial Year 2011-12.

Place : NOIDA
Date : August 14, 2012

Pranay Kothari
Executive Director