

THERMAX LIMITED
24th ANNUAL REPORT
2004-2005





SHAPING UP

Thermax is currently engaged in a company-wide exercise to shape up the organisation as a model of operational excellence.

It is focusing on processes and systems that impact cost, quality and on-time performance.

The shape of things to come is driven by motivated teams of people who bring their talent, skills, energy and focus on the task at hand.



CHAIRPERSON'S MESSAGE

Dear Shareholder,

This is the first Annual Report I have the privilege of presenting to you as Chairperson of your company.

When I took over from Anu Aga, the flood of letters, emails and phone calls from various people made me feel very supported and touched and this has enhanced my confidence and resolve to take on the challenges of this office. I want to thank all of you for your good wishes and look forward to your continued support.

This is the 24th Annual Report of your company. Revenue-wise, 2004-05 was a good year for Thermax. Resonating with the buoyancy of the economy, the top line grew 62 percent and the Thermax Group turnover crossed the Rs. 1000 crores milestone. Orders on hand at the year end was a healthy Rs. 773 crores.

On behalf of Thermax and its shareholders, I take this opportunity to congratulate the Managing Director, Prakash Kulkarni, his management team and all members of the Thermax Group.

However, the sharp growth trajectory of business in India and overseas led to an escalation in the cost of steel, copper and oil and its derivatives like styrene which are our raw materials. This had a negative impact on our operating margins. The company also faced difficulties in increasing the capacity, both in our supplier base and recruitment of talent, owing to the sudden buoyancy.

Nevertheless, we are confident in facing the future because of the initiatives launched in 2004-05.

Firstly, we have carried out a major consolidation of our energy business by buying out the 40 percent stake of Babcock & Wilcox (B&W), USA in the joint venture, Thermax Babcock & Wilcox (TBW). TBW is now a wholly owned subsidiary of your company. As per the terms, B&W will allow us to retain the name, technology and access to certain foreign markets. This acquisition equips us to become a "one stop shop" for the complete range of industrial boilers including captive power.

Secondly, in May 2004, your Directors along with the top management team started work with an internationally renowned consultant to transform Thermax – a process which would consolidate our position in India and prepare us for global leadership in our chosen fields. This initiative, named Project Evergreen, we believe will:

- ❑ make our operating systems globally competitive in satisfying our customers in terms of quality, delivery and cost
- ❑ build successive bands of leadership to ensure that Thermax will continue to be one of the best companies to work for
- ❑ focus our service on optimizing customer equipment uptime while reducing their running costs
- ❑ aggressively build leadership in chosen domestic market segments through the joint efforts of the company and its dealer network and simultaneously pursue growth in targeted global markets, and



I believe these initiatives will unleash the tremendous potential that is latent in the system and will position Thermax strongly in customer satisfaction, revenues and profits, while ensuring that it continues to be an organisation that cares.

- reinvigorate the famous Thermax innovation engine.

In his letter, Prakash Kulkarni has spelt out the milestones of this journey, so that you can follow your company's progress in the days to come.

Every member of the Thermax team has resolved to drive Project Evergreen, which will ensure sustainable and profitable growth of Thermax in the future, and at the same time, achieve the committed annual numbers.

I believe these initiatives will unleash the tremendous potential that is latent in the system and will position Thermax strongly in customer satisfaction, revenues and profits, while ensuring that it continues to be an organisation that cares.

As we grow and become robust we will always keep in mind our obligation to society and the community in which we operate. Over the last two years, the Board has allocated one percent of our profits after tax for social causes. To begin with, your company has identified two projects. We have identified a village 70 km from Pune to implement a water-harvesting programme in this very rain deficit area of the State. We are partnering with CII and another

NGO for this initiative. The second project is in collaboration with Intach and the River Action Group, two Pune-based NGOs, to clean up two nallahs that discharge untreated effluent into the Mula Mutha river. Our Director and former Chairperson, Anu Aga, is taking a keen interest in these initiatives. Our long-term plan is to make a difference not just by writing out a cheque, but hopefully involving our employees in this sphere. Besides helping the community this will also sensitise our minds and hearts to the problems of the underprivileged.

It is very heartening to have received the support and encouragement of many people. A group that has been my pillar of strength and whom I would like to thank specially are the members of the Board. Their wise counsel and dedicated support has been very beneficial to all of us in the organisation.

The exciting, evergreen journey of Thermax has just begun. The best is yet to come.

With best wishes,

Meher Pudumjee

CHAIRPERSONS MESSAGE MANAGEMENT SHEET DISCUSSION BALANCE SHEET PROFIT & LOSS ACCOUNT CORPORATE GOVERNANCE

LETTER FROM THE MANAGING DIRECTOR



Dear Shareholder,

It is a matter of satisfaction that your company has posted good results for fiscal 2004-05. My compliments to the business heads, to all our employees, channel associates, suppliers and business partners for aligning their energy and focus with the challenging targets to achieve these results. I am also happy about the healthy inflow of orders in the energy and environment businesses.

During the year, all the business divisions registered growth and your company achieved a top line of Rs. 916 crores, a 62 percent increase over the previous year. The group turnover touched Rs. 1247 crores, a 60 percent increase over last year. However, with escalating prices of inputs, our margins were under pressure.

The prospects for the coming year are promising as your company ended the year with a comfortable order book of Rs. 773 crores, and as a Group Rs. 1123 crores.

A buoyant market also brought in its share of internal infrastructure problems. The large influx of orders, especially in the boiler and heater business, put a strain on the manufacturing and delivery systems of your company. This is being addressed by streamlining existing manufacturing plants and investments in new capacity to cope with the on-time throughput of the increasing volume of business.



I would like to assure you that you would see a stronger and more vibrant Thermax as we cover more ground, in the next couple of years.

The environment-related businesses of your company also performed well with several major projects getting completed.

The turnaround phase of your company is now clearly over. We are now on the ambitious journey of transformation for which an international consulting firm is partnering us. Each business has its own set of specific strategies and action agendas but there are some initiatives that run across the company and we are pursuing these with a hard focus.

To achieve all-round operational excellence, your company is investing substantial resources to make the manufacturing, quality and delivery systems lean and responsive with quicker throughput, despatch and commissioning schedules to match the changing requirements of the customer. This will also enable your company to meet the quality and delivery schedules of demanding international markets. This will be done in conjunction with developing a strong supply chain.

An integrated cost reduction programme is also under way to achieve cost leadership in the company's product and project offerings and is focused on cost reduction across major heads – materials, purchase price and overheads. The accruals from this exercise will make a positive impact on the bottom line in the current year.

Our focus in the current year is to extend the reach of these initiatives to all our businesses and to embed new capabilities and processes to sustain the benefits in the coming years. We will also be launching initiatives to increase our innovation efficiency, to strengthen our service offerings and grow our international business.

The biggest challenge your company is facing, like most other corporates, is in the area of talent management and leadership capability building. Preparing for the ambitious growth plans, your company has initiated a comprehensive leadership development programme with a clear focus on career development and leadership building. Last year, 36 young professionals attended an intensive in-house management development programme designed to groom talent for the future.

I would like to assure you that you would see a stronger and more vibrant Thermax as we cover more ground, in the next couple of years. And as always, I count on the goodwill and support of our customers, employees, shareholders and business partners to help us achieve greater heights.

With best regards,

Prakash Kulkarni

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Twenty-fourth Annual Report together with the audited accounts of your company for the year ended March 31, 2005.

FINANCIAL RESULTS

(Rupees in crores)

	2004-2005	2003-2004
Total Income	941.16	603.81
Profit Before Interest, Depreciation, Tax and Extraordinary items	92.87	87.43
Interest & Depreciation	9.85	9.18
Profit before tax	83.02	78.25
Extraordinary Expenses	—	(5.80)
Provision for Taxation	(27.73)	(18.36)
Profit after tax & extraordinary items	55.29	54.09
Balance carried forward from last year	37.35	22.51
Transferred from foreign project reserve	—	0.15
Profit Available for Appropriation (Cumulative)	92.64	76.75
Proposed Dividend & Tax thereon	35.87	33.95
Transfer to General Reserves	5.60	5.45
Surplus carried forward	51.17	37.35

PERFORMANCE

Your company has posted good results in 2004-05 with total sales revenue and other income increasing by 55.9 percent to Rs. 941.2 crores up from Rs 603.8 crores in the previous year. Profit before tax and extraordinary items is up at Rs. 83.0 crores (Rs. 78.3 crores in the previous year). Profit after tax is marginally higher at Rs. 55.3 crores from Rs. 54.1 crores in the previous year. Earnings per share (EPS) is marginally lower at Rs. 21.8 than last year's Rs. 22.0 mainly due to the dividend on Preference Shares.

During the year exports have increased to Rs. 176.4 crores from Rs. 118.5 crores in the previous year.

A detailed review of the company's performance and future prospects is included in Management Discussion and Analysis in this Annual Report.

DIVIDEND

The Directors recommend payment of six percent dividend on the Redeemable Preference Shares (RPS) for the year 2004-05.

They also recommend payment of 120 percent dividend on equity shares (Rs. 12/- per share of Rs. 10/- each) for the financial year 2004-2005.

If approved, this will entail a total outgo of Rs. 35.9 crores towards dividend payout (including Tax on dividend). Dividend on equity shares represents a payout ratio of 62.7 percent.

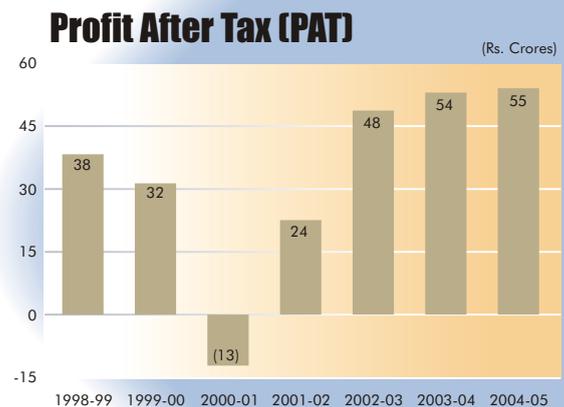
REDEMPTION OF REDEEMABLE PREFERENCE SHARES

The Company had issued 4,76,62,520 six percent Redeemable Preference Shares (RPS) of face value Rs. 10 each aggregating to Rs. 47.7 crores as bonus shares, during the

financial year 2003-04 by capitalising the Share Premium Account. The RPS had been issued in the ratio of two for every equity share held. These RPS were redeemable within a period of three years from the date allotment – any time before September 22, 2006.

Considering the company's fund availability and immediate investment plans, the Board considers it desirable to redeem these RPS at an early date.

The RPS would be redeemed on July 26, 2005 and redemption amount would be payable to



the eligible holders. The total outgo towards redemption would be Rs. 54.4 crores, including distribution tax on redemption.

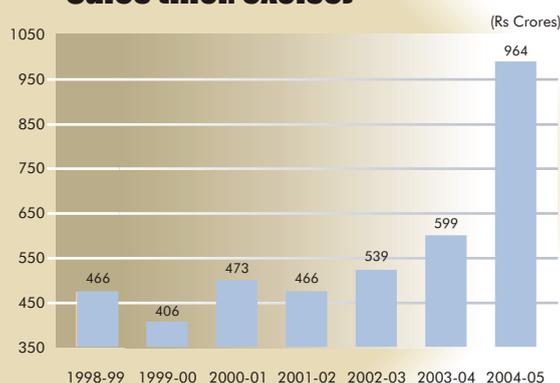
CONSOLIDATED RESULTS

The consolidated revenue of the Thermax Group has gone up by 54.6 percent to Rs. 1281.4 crores. Income from international business has increased to Rs. 352.0 crores from Rs. 207.2 crores and represents 28.2 percent of the total consolidated revenue. Profit before tax has increased 16.9 percent to Rs. 103.7 crores

and profit after tax and minority interest has increased 9.8 percent to Rs. 68.3 crores. Earnings per share (EPS) on a consolidated basis is Rs. 27.3 as compared to Rs. 25.4 in the previous year.

In terms of approval granted by the Central Government pursuant to the provisions of Section 212(8) of the Companies Act, 1956,

Sales (incl. excise)



copies of the Balance Sheet and Profit and Loss Account, Report of Directors and the Report of the Auditors of the subsidiary companies have not been attached to the Balance Sheet of the company. The audited consolidated financial results presented by the company include the financial information of all its subsidiary companies and have been prepared in compliance with the Accounting Standard 21 (AS 21) issued by The Institute of Chartered Accountants of India. The company will make available the annual accounts of any of its subsidiaries at its registered office upon request by any member of the company / statutory authority interested in obtaining the same.

SUBSIDIARIES

Thermax Babcock & Wilcox Limited

During the year, your company has bought the 40 percent equity stake held by Babcock & Wilcox International Investments Co, USA, in their erstwhile joint venture Thermax Babcock & Wilcox Limited (TBW). Consequently, TBW has become a wholly owned subsidiary of Thermax. It continues to operate under its present name and the agreement will continue to support technology transfer, revamp and retrofit in the utility market and help in augmenting business in the international market.

During the year, the revenues of Thermax Babcock & Wilcox have gone up by 59.8 percent to Rs. 250.5 crores. Order booking has also improved by 26.4 percent to Rs. 309.7 crores. Focus on project exports has resulted in export revenues going up by 140.6 percent to Rs. 77.0 crores. Net profit increased by 49.4 percent to Rs.13.4 crores.

Growth in the steel sector and major orders from refinery and cement industries has contributed to TBW's revenue growth. Major orders received include a breakthrough order from a steel major for an AFBC boiler of 165-tph capacity.

ME Engineering Limited, U.K.

During the year the turnover of this wholly owned subsidiary, which is in the business of energy-related systems and standardized products, more than doubled to GBP 11.4 million. However, the sharp increase in the prices of steel and other materials significantly eroded margins. Additionally, operational problems arising from sharp growth together with investment in new business development have resulted in a net loss of GBP 0.2 million as

compared to a net loss of GBP 0.1 million last year.

A focus on improved project execution, stricter financial controls and cost reduction will see a better performance.

During the year a new initiative has been taken up to explore and develop the Western European market for packaged boilers. This initiative together with related product support and service business would lay the foundation for the Thermax Group in packaged boilers, both in the UK and EU markets.

Thermax Inc., U.S.A.

This wholly owned subsidiary continues to act as an exclusive front-end value chain for the core businesses of the company in North and South America. During the year its total revenues increased to USD 8.2 million from USD 6.4 million. The company has recently started reinforcing its front-end team for the chemical business, which should enable its accelerated growth in the coming years. For the absorption chiller business, the investment cycle has shown an improvement both in the co-generation market in California and the oil and gas markets in Texas.

Thermax Europe Ltd., U.K.

This wholly owned subsidiary continues to be a front-end value chain for the absorption chiller business in Europe. During the year its turnover has grown by 66.4 percent to GBP 1.9 million as compared to GBP 1.1 million in the previous year. The year saw positive movement in the small and mid-size co-generation sector, which is the prime market for absorption chillers in the UK and EU markets.

At present, the subsidiary dominates the district heating market, using absorption technology to pump up low-grade geothermal heat in the district heating line.

Thermax Energy Performance Services Ltd.

Thermax Energy Performance Services Ltd. (TEPS) is a joint venture between Thermax Limited and EPS Asia Inc (EPS), with 51 and 49 percent share holding respectively. This joint venture continues to idle due to lack of market acceptance of its business model.

During the year under review, the gross revenue of TEPS was Rs. 0.2 crores (Rs. 0.7 crores in the previous year). Net loss was Rs. 0.1 crores (loss of Rs. 0.6 crores). The net worth of the subsidiary stands eroded on the balance sheet

International Business (Thermax Group)



date. TEPS has a contingent liability of Rs. 16.2 crores arising out of contractual agreements with customers for guaranteed savings.

Your company believes that TEPS is unlikely to be turned around due to major differences between JV partners regarding business models and technical and financial issues which have resulted in the JV partners approaching the Company Law Board (CLB). The outcome of the CLB decision, in all probability, may result in the voluntary winding up of TEPS.

TEPS is currently in the process of foreclosure of contracts to wind up operations and mitigate further losses.

Thermax Engineering Construction Co. Ltd.

Thermax Engineering Construction Co. Ltd. (TECC), a wholly owned subsidiary of your company undertakes and executes engineering construction projects mainly for captive

the equity capital base of THKL.

Thermax do Brasil Energia e Equipamentos Ltda., Brazil

Thermax do Brasil Energia e Equipamentos Ltda. (TdB) has been successful in initiating sales for absorption chillers in Brazil during the year under review. The company has initiated close co-operation with local gas companies to offer gas fired chillers at competitive life cycle costs. TdB is also promoting co-generation and combined heating and cooling packages.

During the year under review, Thermax Limited invested Rs. 0.4 crores in the equity capital base of the susidiary.

TdB achieved revenues of BRL 362,768 (Rs. 0.6 crores) during its first full year of operations.

Return on Capital Employed



divisions. During the year under review, TECC increased its revenue by 69.8 percent to Rs. 46.0 crores from Rs. 27.1 crores in the previous year. Profit after tax improved to Rs. 0.9 crores from Rs. 0.8 crores.

Thermax Hong Kong Limited, Hong Kong

Thermax Hong Kong Limited (THKL), a wholly owned overseas subsidiary was set up last year, to focus on China with a range of absorption chillers. During the first year the subsidiary has commenced its operations in China with a representative office at Shanghai. Business prospecting and promotional activities are currently underway. During the year under review, your company invested Rs. 1.9 crores in

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis, highlighting the performance and prospects of the company's energy and environment businesses, is attached and forms part of this Report.

CORPORATE GOVERNANCE

It has been the endeavour of your company to follow and put into practice the code of corporate governance, in letter and spirit. A detailed Corporate Governance Report is attached.

A certificate from the Auditors of the company regarding compliance of the conditions of corporate governance as required under clause 49 of the Listing Agreement, forms part of this Report.

DELISTING FROM FOUR STOCK EXCHANGES

Consequent upon the application for delisting of the Company's Equity Shares and the 6% Redeemable Preference Shares (6% RPS) – the "securities" – the company has been granted delisting permission from the stock exchanges at Pune, Ahmedabad and Delhi. Approval for delisting from the stock exchange at Kolkata is awaited.

The company's securities continue to be listed on the National Stock Exchange of India (NSE) and the Bombay Stock Exchange (BSE), Mumbai.

FINANCE, ACCOUNTS AND SYSTEMS

Cash generated from operations during the year improved to Rs. 86.7 crores as compared to Rs. 57.7 crores in the previous year. The company maintained its debt-free status and was a net foreign exchange earner of Rs. 65.8 crores during the year.

In managing its treasury / investment portfolio the company has adopted a conservative approach based on safety, liquidity and return. To achieve this objective, the investment portfolio has been maintained with 99 percent of the treasury investments in debt funds. Based on the management's perception of interest rate movement, the entire debt funds are kept in liquid funds or short-term fixed maturity plans.

The company continues to have P1+ rating by CRISIL for its commercial paper programme. During the year it has not borrowed on this account.

The company had no unpaid deposits as on March 31, 2005. Deposits aggregating to Rs. 36,000 remained unclaimed as on that date.

Since then one deposit of Rs. 14,000 has been claimed and repaid by the company.

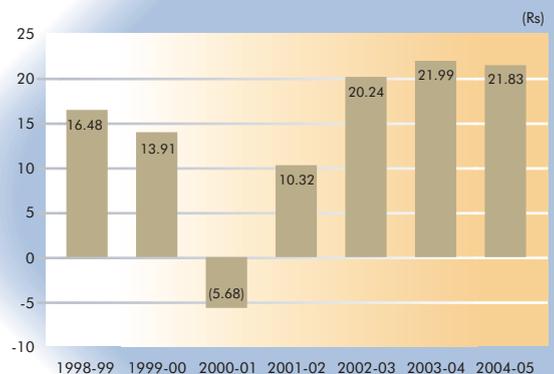
In terms of the provisions of Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, the company has transferred unclaimed dividend for the financial year 1996-97 amounting to Rs. 1,20,051 to the said Fund.

AWARDS AND RECOGNITION

Business Today-Mercer ranking

The 2004 Business Today-Mercer study of the Best Companies to Work for in India ranked

Earnings Per Share (EPS)



Thermax at number three among the top 10 companies. Thermax was the only capital goods company in the top ten listing.

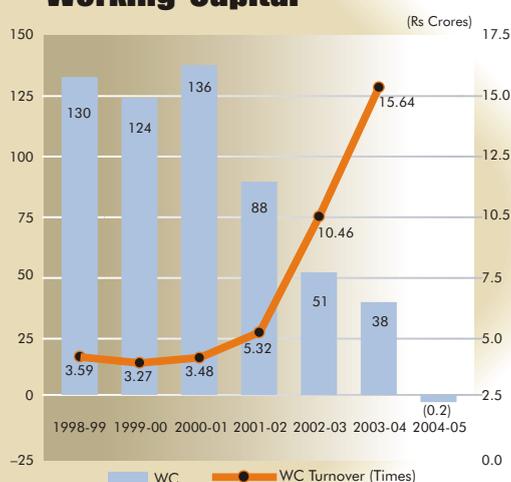
OHSAS Certification

The chemical plant of Thermax at Paudh, near Mumbai, has received the OHSAS 18001:1999 certification from BVQI for implementing the occupational health and safety management system.

Comfex award for Thermax

Comfex 2005 honoured Prakash Kulkarni, Managing Director of Thermax, with a special award for Thermax's contribution to the HVAC industry.

Working Capital



Recognition for Anu Aga

Former Chairperson Anu Aga was featured as one of the 25 Most Powerful Women in Indian Business in the special issue of Business Today, in September 2004.

HUMAN RESOURCES

As on March 31, 2005, the total number of employees on the rolls of the company was 2510.

PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956

A statement of the particulars required under Section 217(1) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of

Directors) Rules 1988, is annexed and forms part of this Report.

Particulars of the employees as required under Section 217(2A) of the Companies Act, 1956, read with the rules framed thereunder, is also annexed and forms part of this Report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mrs. Anu Aga and Mr. Tapan Mitra retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment as Directors.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors accept responsibility for the integrity and objectivity of the Profit & Loss Account for the financial year ended March 31, 2005 and the Balance Sheet as at that date ("financial statements") and confirm that:

The financial statements have been prepared on a going concern basis. In the preparation of the financial statements the generally accepted accounting principles (GAAP) of India and applicable accounting standards issued by The Institute of Chartered Accountants of India as also the guidelines issued by the Reserve Bank of India applicable to the company have been followed.

Appropriate accounting policies have been selected and applied consistently. Judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period. Significant accounting policies and other required disclosures have been made in Schedule 18 annexed to the Balance Sheet.

Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system, its inherent limitations should be recognised. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The company has an Internal Audit Department which co-ordinates the internal audit process. The Audit Committee of the Board meets at regular intervals to review the internal audit function.

The financial statements have been audited by

M/s. B. K. Khare & Co., the statutory auditors and their report is appended thereto.

AUDITORS

M/s. B. K. Khare & Co., Chartered Accountants, will retire as auditors at the ensuing Annual General Meeting and are eligible for reappointment.

ACKNOWLEDGEMENTS

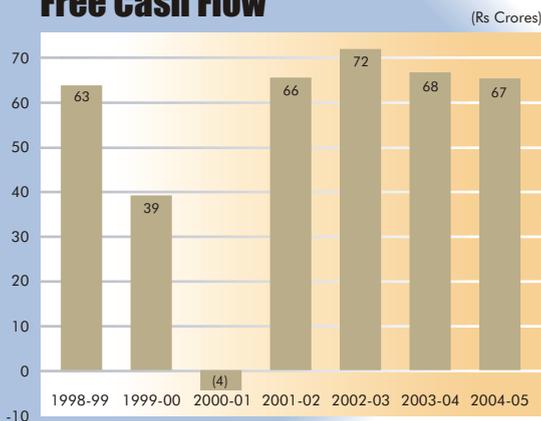
Your directors wish to place on record their appreciation of the company's clients, vendors, bankers and investors for their continued support during the year. Your directors also wish to place on record their deep appreciation of the dedication and contributions made by employees at all levels, who through their competence, hard work and support have enabled the company to achieve better performance and look forward to their continued support in future as well.

For and on behalf of the Board

Meher Pudumjee
Chairperson

Place: Pune
Date: May 11, 2005

Free Cash Flow



Annexure to the Report of the Board of Directors as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, for the year ended March 31, 2005

A. CONSERVATION OF ENERGY

The company undertook the following measures for conservation of energy during the year ended March 31, 2005:

- a. Adding of power factor control panel and capacitors has improved the power factor from 0.96 to 0.99. This has reduced the maximum demand charges and the company is eligible for power factor incentive.
- b. Replacement of old welding machines with inverter based welding machines using new technology has helped in reducing load losses.
- c. The company has undertaken harmonic analysis throughout the Chinchwad Works to analyse quality of power and cable losses.
- d. Use of variable frequency drives in new machines (Rotators and Saw welding machines) has improved electricity savings.

Environmental improvements

- a. An estimated 7000 cubic meters of wood, worth Rs. 11.3 lakhs, has been reused for packing of products.
- b. To contribute to a safer and healthier work environment, a new Occupational Health & Safety System has been introduced at the manufacturing facilities.

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

1. **Specific areas in which R&D is carried out by the company:**

Horizontal Thermosyphon: A new design of thermosyphon with horizontal configuration was successfully conceptualized and

piloted during the year. This alternative overcomes the limitations of the existing vertical configuration, as it will broaden the application base.

Vertical shell boiler on solid fuels: This new concept was piloted during the year, with different fuels. After review, an upgraded version was manufactured and tested successfully.

Extended Supermax non-IBR boiler: Additional work was carried out on this boiler to explore the possibility of further enhancing capacity. The pilot project is in progress.

Spentwash Incineration: A new concept for concentrated liquid spent wash incineration was successfully developed and piloted during the year. This is now being explored for commercial applications in the distillery sector.

Ammonia absorption system: In ammonia absorption systems, development was undertaken for the GAX cycle to improve efficiency of the system. The pilot project is on.

Electro-chlorinator: An improved version of Ecocell, the packaged wastewater treatment system, was conceptualized during the year, for both capital and operating cost competitiveness. A substantial reduction in the overall size will be the major new feature. The pilot is in progress.

2. **Benefits derived as a result of the above R&D:**

The concept of spentwash incineration opens up business opportunities in the distillery sector, as it will meet the proposed pollution norms of zero liquid discharge.

The new development on absorption systems, both in lithium bromide as well as ammonia cycles, contributes towards increasing the competitiveness of such offerings in the market.

The developments carried out in wastewater treatment complement the existing systems and increase the effectiveness of the total solution.

3. Future plan of action:

Building on the basic developments done during the year, in various areas, R&D will continue to focus on multiplying the application base and creating competitive solutions. It is also envisaged that towards meeting the long-term perspective, a joint development model would be pursued with national / international technical institutes for breakthrough technologies in specific areas.

4. Expenditure on R&D:

- (a) Capital : Rs. Nil
- (b) Recurring : Rs. 2.9 crores
- (c) Total : Rs. 2.9 crores
- (d) Total R&D expenditure as a percentage of turnover : 0.3%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

All the technologies procured from foreign collaborators, upto 2002, have been absorbed and suitably incorporated in the development of products.

2. Benefits derived as a result of the above efforts – product improvement, cost reduction, product development and import substitution:

With the technology absorbed, the in-house R&D set up has developed new products and has effected many product improvements. These have addressed customer requirements and have helped the company contribute to energy conservation and

environment preservation.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information is furnished:

Technology imported	Year of import	Has technology been fully absorbed	If not fully absorbed reason thereof & future plan of action
1. Scrubbers, absorber and gas cleaning plants	2002	Yes	
2. Cyclones/ fully evaporative agglomeration spray systems	2004	Partly	Technology implementation process commenced in January 2005 and absorption is expected to be completed in the coming year

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives to increase exports, development of new export markets for products and services and export plans have been covered in the Management's Discussion and Analysis Report.

During the year under review the company was a net foreign exchange earner of Rs. 65.8 crores.

The details on foreign exchange earnings and outgo are given in the Note 6 Schedule 18 to the Accounts, which form part of the Annual Report.

Statement of particulars of employees pursuant to the provisions of section 217(2A) of the Companies Act,1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 2005

Sr. No.	Name	Designation	Qualification	Age	Date of joining	Experience (Years)	Total Remu-neration	Previous Employment – Designation
1	Advani R	Executive Vice President – ESD	B. E. (Hons). (Mech), PGDBM	55	1 May- 00	33	26,33,575	Thermax Babcock & Wilcox Ltd. Gen Mgr (Mktg)
2	Joshipura S	Executive Vice President – PHD	B. E. (Mech).	43	1-Mar-03	21	25,22,875	Thermax Energy Performance Services Ltd. CEO
3	Kulkarni P M	Managing Director	B.E. (Mech)	57	01-Jul-99	37	74,70,663	Thermax Babcock & Wilcox Ltd. Managing Director
4	Mukhopadhyay A	Executive Vice President & CFO	B. Sc. (Hons), C A	40	24-Oct-01	16	26,44,413	IFB Industries Ltd. V. P. Finance
5	Unnikrishnan M S	Executive Vice President	B.E. (Mech)	44	01-Aug-97	23	31,11,196	Terrazzo Ltd., Asst. General Manager
List of employees who were in employment for part of the year								
1	Chavan D A	Asst. Manager-	D. M. E.	40	1-Sept-84	20	3,97,625	—
2	Joshi N D	Business Executive	M. Tech., Ph. D.	60	1-Feb-72	33	68,99,028	—
3	Mathew Verghese	Senior Manager	B.A.(Eco), LLB. MPM	48	18-Oct-99	30	9,07,587	Thermax Babcock & Wilcox Ltd., Sr. Manager
4	Paranjape C V	Divisional Manager	B. E. (Elec) M. E. (Elec)	53	21-May-84	29	9,55,590	Bharat Forge Ltd., Elec. Engineer
5	Sinha R P	Manager	B. E. (Mech)	36	2- Aug-91	14	3,72,213	—
6	Solanki S P	Deputy Manager	B. E. (Mech)	34	2- Aug-93	11	2,48,564	—
7	Swami S V	Deputy Manager	B. E. (Elec) DBM, MMS	34	20-Apr-01	10	3,24,202	Thermax Electronics Ltd., Senior Executive
8	Venkataraman S S	Manager	Dip. Mech	56	23-Nov-81	33	7,02,982	Ion Exchange (India) Ltd., Field Engineer

Notes:

1. Remuneration above includes salary, commission, medical expenses, allowances and company's contribution to Provident and Superannuation Fund.
2. The employees are also entitled to gratuity, in addition to the above remuneration
3. Experience includes number of years of service both within the company and elsewhere, wherever applicable.
4. The nature of employment in all cases is contractual.
5. None of the employees above is a relative of any director of the company.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

With a buoyant economy, 2004-05 continued to be a year of growth for your company. The iron and steel, textile, food, pharma and the refining sectors, major components of your company's market base, performed well. The capital goods industry grew by 12.8 percent.

In 2004-05, the Electricity Act, 2003 began to get implemented and the National Electricity Policy was declared. This provided a fillip to the captive power generation sector, which offers exciting opportunities for your company.

The year also witnessed continuing rise in the prices of commodities. Oil prices touched new heights, which has resulted in a marked shift to solid fuels and opened new opportunities for your company. The unprecedented rise in the prices of input raw materials, especially of steel and derived petroleum products like styrene, put pressure on the margins of your company. The demand, especially for boilers and heaters, far exceeded company estimates and stretched its manufacturing and delivery capabilities. But it also stimulated the urgency of the transformation exercise that the company has initiated.

The outlook for your company continues to be positive. It is expected that the growth in textile, food, iron and steel, chemical, pharma, edible oil, hospitality and health sectors –

steady customers of Thermax's products and services – will continue. The Asian markets are opting for substantial capacity building that will have positive spin offs for your company.

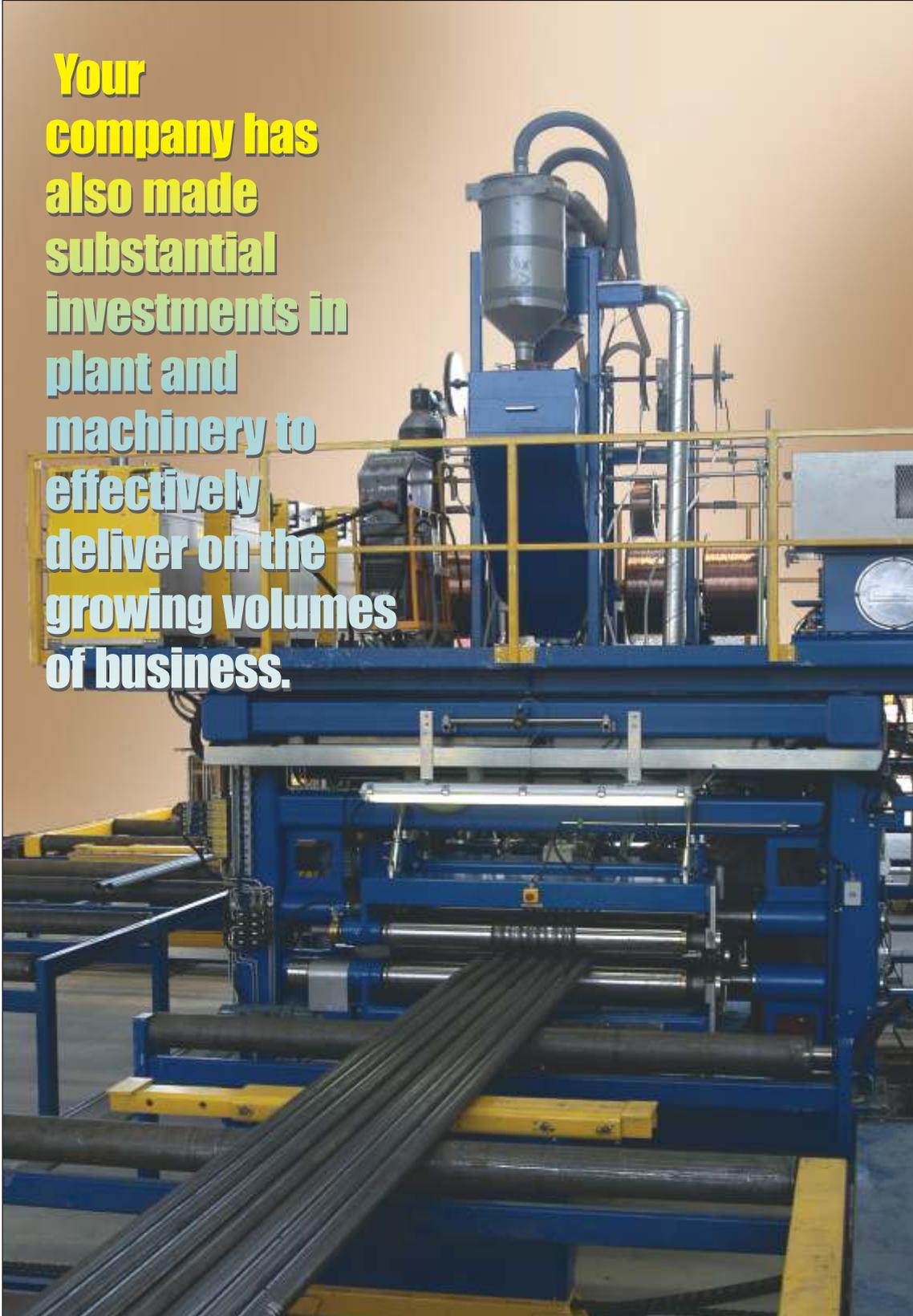
There is an upsurge in demand from rural markets across India that is bound to fuel rising consumption and increased economic activity. It is expected that the new Value Added Tax (VAT) will simplify and rationalise the indirect tax regime, facilitating and supporting economic growth.

The global manufacturing shift to Asia (China and India) heralds new opportunities for your company. Globally, investments in the hydrocarbon sector are increasing, both upstream and downstream. These will continue to help Thermax in gaining new business.

However, the cost of raw material and spiralling oil prices are areas of concern.

Internally, Thermax is engaged in a company-wide transformation initiative with the help of an international consultant to change, fundamentally, the way it is doing business. Substantial resources are being invested in attaining operational excellence – focusing on processes and systems that impact cost, quality, lead-time and on-time performance. This agenda of your company is being driven by two initiatives – Thermax Operating System (TOS) and Integrated Cost Reduction (ICR).

**Your
company has
also made
substantial
investments in
plant and
machinery to
effectively
deliver on the
growing volumes
of business.**



Thermax Operating System (TOS) will make Thermax's manufacturing and delivery system responsive, lean and agile. It will help your company to come up with quicker throughput, despatch and commissioning schedules to match the changing requirements of the customer. A pilot project carried out in one of the boiler plants has taken the company closer to the target of manufacturing a boiler a day in that plant.

Integrated Cost Reduction (ICR) is under way to achieve leadership through end-to-end cost reduction. Several products are being redesigned on the 'design to cost' principle. The company is also adopting the route of global sourcing for raw materials and components.

Your company has put extra emphasis on innovation. The launch of several new products during the year under review added muscle to our businesses. Your company is revamping its Research & Development.

Review of Operations

During 2004-05, all the business divisions of Thermax registered growth. The company's net sales touched Rs. 915.9 crores, contributed mainly by an accelerated growth from the following business divisions: Cogen, Enviro, Water and Waste Solutions and Energy Systems. Your company completed the year with a carry forward order book of Rs.773 crores.

Increase in raw material cost put pressure on margins and depressed operating profit margins by 1.6 percent.

During the year, Thermax absorbed and acquired new technologies to offer better products and systems. Your company has also made substantial investments in plant and machinery to effectively deliver on the growing volumes of business.

Thermax also successfully introduced several new products that gained acceptance from diverse market segments. Supermax, a new packaged boiler, offers the highest efficiency in the non-IBR range of boilers. EcoCell, the packaged sewage treatment system, was well received by hotels and garages. Thermosiphon, an eco-friendly and cost-effective substitute for steam and hot air heating is positioned for the food and edible oil industry. Your company also introduced direct exhaust gas fired chillers for gas engine based power plants. This new chiller directly converts exhaust gas to steam for cooling and has already won several customers. A compact electrostatic precipitator was introduced to tackle emissions from smaller solid fuel fired boilers.

Energy Segment Analysis

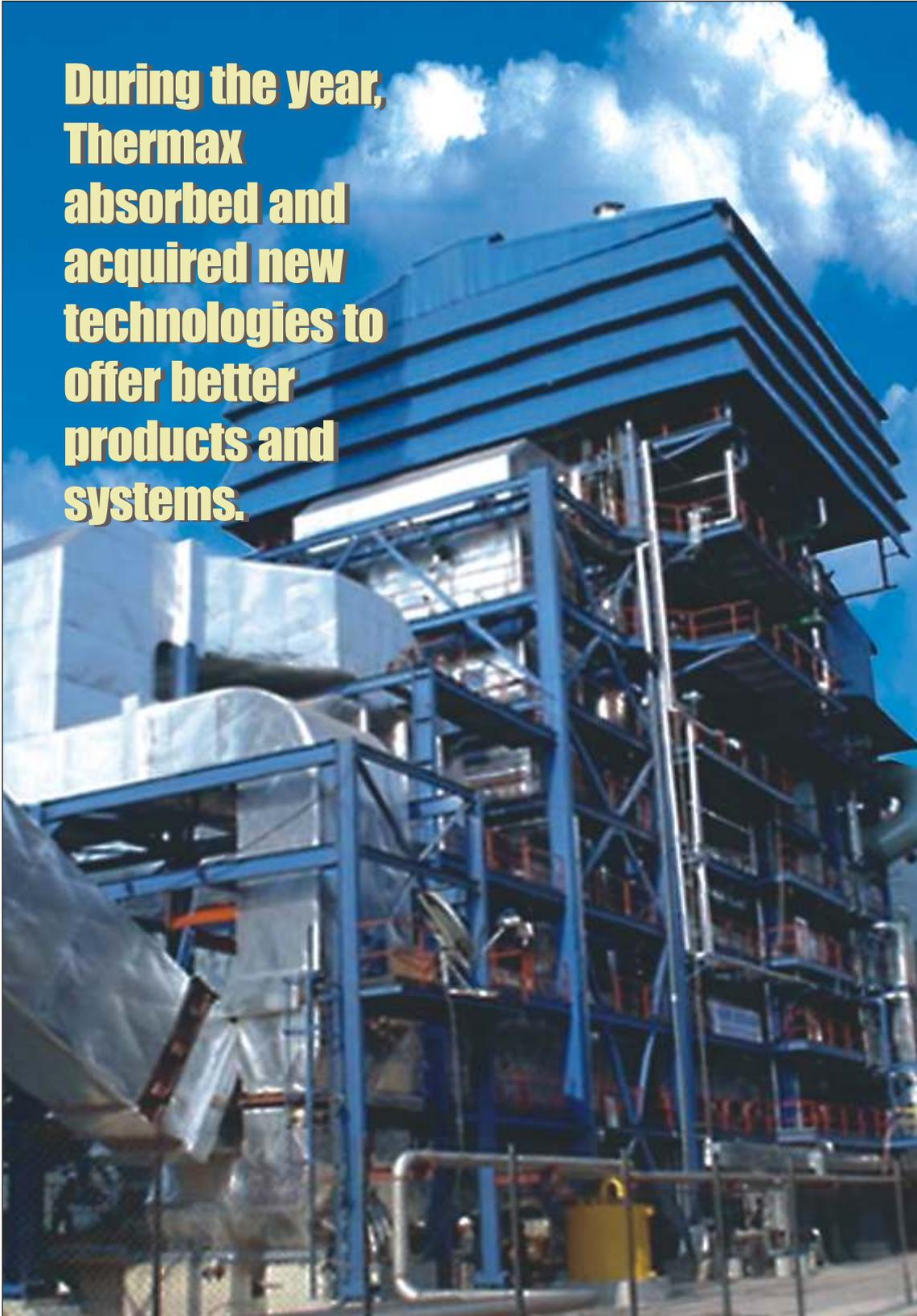
Your company achieved a major consolidation with the buyout of the 40 percent stake held by Babcock & Wilcox International Investment Inc., in the joint venture Thermax Babcock & Wilcox Ltd. (TBW). As a result, TBW is now a fully owned subsidiary of Thermax. The company also upgraded its equipment offerings through a partnership with a Finnish burner manufacturer. Thermax boilers would now be equipped with these state-of-the-art burners, offering better value to customers.

Process Heat Division

The packaged boiler and heaters business earned revenues of Rs. 230.4 crores, a growth of 29.6 percent. It introduced new products and gained significant export orders.

Exports show 34 per cent growth over the previous year. In the domestic market, order intake through the channel network grew by 30 percent. Working closely with Thermax's UK subsidiary, the division entered the Western European market for shell boilers. In South East Asia, among the major orders, was the largest

**During the year,
Thermax
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acquired new
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offer better
products and
systems.**



ever biomass-fired heater supplied to an edible oil manufacturer.

The outlook for this business remains positive, both in Indian and export markets.

Net sales and percentage of export figures for 2004-05 and four previous years are given below:

Process Heat Division	Net Sales (excl. excise duty) Rs. crores	Growth % Year on Year	% Exports	Exports Growth % YoY
2000-01	139.7	6.0	23.2	18.9
2001-02	132.9	(4.9)	27.1	11.3
2002-03	140.1	5.4	34.0	32.1
2003-04	177.8	26.9	27.4	2.4
2004-05	230.4	29.6	28.4	34.3

Energy Systems Division

The division posted revenues of Rs. 145.3 crores, a 49 percent increase over the previous year. Exports went up by 109.9 percent.

The iron and steel industry continues to drive growth in this business. Globally, the pursuit of green fuel through sulphur removal also generated business in waste heat recovery systems for the division.

As Indian industry is clamping down on energy costs, there is increasing demand for waste heat recovery equipment, exhaust gas fired heating systems and biomass combustion systems. This is consolidating Therman's status as the market leader in energy conservation systems.

During the year, the division executed a large value order for waste heat recovery for captive power generation, in the coke ovens of a steel major. It also commissioned projects in Greece, Saudi Arabia and Qatar.

Captive power also continues to be a key driver of this business with a new focus on the cement sector. Considering the buoyancy in the Indian market the thrust of this business is in the domestic sector.

The outlook for this business remains positive.

Net sales and percentage of export figures for 2004-05 and four previous years are given below:

Energy Systems Division	Net Sales (excl. excise duty) Rs. crores	Growth % Year on Year	% Exports	Exports Growth % YoY
2000-01	68.1	107.6	3.5	4218.7
2001-02	57.5	(15.5)	14.0	241.7
2002-03	44.8	(22.1)	8.5	(52.4)
2003-04	97.5	117.6	9.0	125.6
2004-05	145.3	49.0	12.5	109.9

Absorption Cooling Division

The division recorded its best ever growth of 25.4 percent with revenues at Rs.107.6 crores in 2004-05, growing both in the domestic and international markets. Food and chemicals were the main growth areas during the year.

The company has successfully commissioned seven heat pump installations in Scandinavia to pump up low-grade geothermal heat for district heating. In the US, the recovery in the cogeneration market and new opportunities from the oil and gas industry in Texas, augur well for this business.

China, which is the world's largest market for absorption cooling, is being explored for business potential. Therman Hong Kong Limited, a wholly owned subsidiary, will front-end this market development.

**Thermax also
successfully
introduced
several new
products that
gained
acceptance
from diverse
market segments**

SUPERMAX



ECOCELL



The outlook for this business continues to be positive, both in Indian and overseas markets.

Net sales and percentage of export figures for 2004-05 and four previous years are given below:

Absorption Cooling Division	Net Sales (excl. excise duty) Rs. crores	Growth % Year on Year	% Exports	Exports Growth % YoY
2000-01	65.8	13.3	39.5	29.0
2001-02	73.2	11.2	38.7	9.0
2002-03	75.6	3.3	44.1	17.6
2003-04	85.8	13.5	36.2	(6.7)
2004-05	107.6	25.4	39.9	38.1

Cogen Division

With revenues of Rs. 136.9 crores, 2004-05 was a good year for the division as it progressed its captive power projects scheduled for completion in 2005.

Thermax's reputation as a significant player in the captive power business is by now well established. Through seven turnkey projects Thermax has added 144 MW of captive power using a variety of fuels including pet coke, biomass and waste heat. Among the orders the division bagged during the year, a contract to set up a captive power plant for a cement major in Chattisgarh, is noteworthy.

The outlook for this business remains positive aided by the emerging energy efficiency initiatives of Indian industry and the new opportunities offered by the power policy environment. The division has a healthy order carry forward of Rs. 272.1 crores.

Net sales figures for 2004-05 and three previous years are given alongside:

Cogen Division	Net Sales (excl. excise duty) Rs. crores
2001-02	10.8
2002-03	85.6
2003-04	17.0
2004-05	136.9

Environmental Segment Analysis

The rapid degradation in the quality of water and air are major concerns in India and the world. These issues continue to drive the business of Thermax's environment segment. Global competitiveness is also pushing industry to go for recycling and product recovery.

The environment segment captured several path-breaking orders. These include water treatment systems for nearly 200 gas stations coming up on the highways of Gujarat and Rajasthan; a prestigious project to clean the sewage and revive the Dal Lake in J&K; and a coal injection system for a steel major to enhance productivity.

Water and Waste Solutions

The division had a turnover of Rs. 89.8 crores, an increase of 79.2 percent over the previous year. The year also saw the realigning of its core strengths and a focus on new areas and applications.

The division completed a number of projects for sewage treatment, and with public demand for conservation of water bodies, this trend is expected to continue. On the anvil are product extensions of Ecocell, the popular packaged sewage treatment system that is fast gaining market acceptance.

The outlook for this business continues to be positive.

**China,
which is
the largest
market
for absorption
cooling,
is being
explored
for business
potential**



Net sales figures for 2004-05 and four previous years are given below:

Water & Waste Solutions	Net Sales (excl excise duty) Rs crores	Growth % YoY
2000-01	54.8	(3.9)
2001-02	45.1	(17.7)
2002-03	59.2	31.3
2003-04	50.1	(15.4)
2004-05	89.8	79.2

Enviro Division

The spurt in investments in sponge iron and steel, cement and power sectors helped Thermax's air pollution control business to post an all-time high revenue of Rs.118.0 crores in 2004-05.

Export orders from the Middle East, Africa and SAARC countries was a distinct feature of the division's performance during the year.

The division aims to be a major player in the retrofit and revamp business and plans to extend its expertise in coal injection to small and medium blast furnaces and in the non-ferrous segments.

The outlook for this business remains positive.

Net sales figures for 2004-05 and four previous years are given below:

Enviro Division	Net Sales (excl. excise duty) Rs. crore	Growth % Year YoY
2000-01	35.8	61.3
2001-02	33.4	(6.7)
2002-03	30.4	(9.0)
2003-04	58.0	90.8
2004-05	118.0	103.4

Chemical Division

The division's revenues grew by 13.4 percent during the year to Rs. 88.0 crores. The year saw the division arresting its decline in the US market and reviving its sales. However, a steep increase in prices of major raw materials affected margins.

During the year, Thermax became the leading resin manufacturer in India. The division has emerged as the preferred manufacturer of value added resins for a global major. The specialty resins business has grown by 20 percent.

Arrangements with other leading OEMs and process licensors have also yielded increased business.

The business in fireside and cooling water chemicals registered a growth of 16 percent and 25 percent, respectively.

The division has been leveraging the Thermax Channel network for its growth. Its focus on the US and other export markets will continue. To derive maximum advantage of the opportunities, the front-end team in the US has been considerably strengthened.

The manufacturing plant at Paudh (near Mumbai) has got the OHSAS 18001:1999 certification for its occupational health and safety management system.

With encouraging developments in key markets, the outlook for the division remains positive.

Net sales and percentage of export figures for 2004-05 and four previous years are given overleaf:

Chemical Division	Net Sales (excl. excise duty) Rs. crores	Growth % Year on Year	% Exports	Exports Growth % YoY
2000-01	77.3	9.0	46.6	68.8
2001-02	87.1	12.7	36.5	(11.8)
2002-03	78.0	(10.4)	36.1	(11.4)
2003-04	77.6	(0.1)	37.7	4.4
2004-05	88.0	13.4	42.5	27.7

Risk Management

The company recognises that risk is inevitable and believes in having an optimum, well-defined and integrated risk management strategy. It also believes that proper risk identification, evaluation and mitigation would help to achieve its target of sustainable growth and profitability.

Business risk

Risk of cyclical business

The company operates in the capital goods sector, where business, inherently, is of cyclical nature. While the project business has higher cyclical volatility, it is lower for the product business. Faced with this risk, the company is focussing on internationalisation. Revenues from exports and the oil & gas sectors have been steadily going up from Rs 151 crores in FY02 to Rs 352 crores in FY05. The company has also taken measures to increase revenue from service business and by taking up revamp and retrofit jobs. The company's attempt at derisking also includes expansion of products like absorption chillers, packaged boilers and chemicals which are less cyclical.

Risk of concentration in one business segment

The company operates in both the energy and the environment segments. In each of these, it

offers a wide range of products. The energy segment constitutes 68 percent of total revenue and the offerings are under four major product divisions as discussed earlier. Similarly the environment segment comprises of Enviro (Air Pollution Control), Water & Waste Solutions and Chemicals Divisions; and these three groups constitute 40 percent, 30 percent and 30 percent respectively, of the total revenue of this segment.

Four years ago the company exited unrelated non-core businesses. Thus the company's present business portfolio is diversified, yet the businesses are synergistic.

Customer concentration risk

The company recognises the risk associated with over dependence on any single customer or any single project. Its business is well spread amongst numerous customers and no single customer accounts for more than 15 percent of the company's turnover. Similarly no single order is more than 15 percent of the company's turnover.

During the year investments in steel, power and oil & gas sectors had a positive impetus on the company's business and this trend is expected to continue.

Credit risk

The company perceives the risk of substantial outstanding from any single customer or segment. Its customers are large and reputed organisations. It has a well-documented credit policy for evaluation and authorisation of all large credit exposures. Also credits are monitored through reporting and review; and in case of delays and defaults, the company imposes stricter payment terms. For large value orders and export transactions, letters of credit is the preferred mode of payment. The company has also implemented strict provisioning norms for accounts receivable.

Energy price fluctuations

The company recognises that fluctuations in fuel and energy prices change the viability of projects and also drives the use of alternate energy / fuel sources. It believes that the management of this risk can only be attained through developing capability and expertise on combustion of a variety of fuels. It has proven capability of handling a large number of fuels including solid fuel, liquid fuel as well as gas. The combustion expertise for solid fuel includes all varieties of coal and coke; and a wide range of biomass. The company's Energy Systems Division and the Absorption Cooling Division use waste heat as a source of energy. This expertise helps the company not merely to mitigate risk, but also provides it the ability to leverage its knowledge and experience to derisk oil and coal based energy systems.

Raw material price fluctuations

Increase in raw material prices adversely affects profitability. Hence the company constantly monitors raw material prices and accordingly revises the selling price of its products. In large project jobs, normally the contracts do not provide for any input price linked escalation. In such cases the increase in raw material prices can have a substantial impact on profitability. To minimise this risk, the company has a system of obtaining back-to-back quotations for large project jobs and it also carries out price finalisation with major vendors during the initial months of project commencement. However during the year under review, escalation in prices of steel, non-ferrous metals and petroleum based bulk chemicals had eroded margins.

Risk from imports

The import duty rates have decreased

substantially and are likely to go down further. The company recognises that falling tariff barriers will result in intensified global competition. The company exports to US, Europe and other demanding markets. In these markets it is competing with suppliers from across the globe and has established its competitiveness. The company has initiated steps to further improve its competitiveness through operational excellence.

Project management risk

The company has a robust and well-documented system in place for reporting, evaluating and monitoring project risks at regular intervals. The company faces various risks in the execution of large projects and these risks can result in substantial financial impact as well as customer dissatisfaction. These risks are monitored through out the life cycle of projects from pre-order to commissioning and completion. Proper estimation and evaluation systems provide major risk management tools. During execution, cost and progress of the project are regularly monitored through a well-defined framework.

Exchange fluctuations and interest rate risks

The company is a net exporter. Exports are largely denominated in US dollars and hence are subject to the risk of exchange fluctuations. The company has a well-defined foreign exchange risk management policy with a conservative bias, and it is regularly monitored.

The company has no borrowings. A major portion of its investments is in debt funds leading to a high sensitivity to interest rate fluctuations. Interest rate movements are continuously tracked and based on trends,



The company would be focusing on talent retention and acquisition of qualified professionals

average portfolio maturity is decided. The company has a documented investment policy and performance of the treasury portfolio is regularly monitored and reviewed.

Human Resources

Thermax's HR philosophy and practices were recognised when it was ranked # 3 among the best places to work. The only capital goods company to make it to the top 10, Thermax was selected by the Business Today-Mercer survey of Indian corporates in 2004.

Preparing for business transformation, Thermax has initiated a leadership development programme. Last year some of the company's young professionals attended an intensive Management Development Programme designed to groom talent for the future.

The company would be focusing on talent retention and acquisition of qualified professionals through a planned exercise in career development and succession planning.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

CORPORATE GOVERNANCE REPORT

COMPANY PHILOSOPHY

Thermax Limited is committed to high standards of corporate governance. In all its operations and processes, the company adheres to stringent governance norms to ensure superior financial performance for its stakeholders.

Through its corporate governance measures, the company aims to maintain transparency in its financial reporting and keep all its stakeholders informed about its policies, performance and developments. By adopting and implementing good practices, which is at the heart of effective corporate governance, Thermax will sustain stakeholder confidence.

Your company's Board has empowered responsible persons to implement policies

and guidelines related to the key elements of corporate governance – transparency, disclosure, supervision and internal controls, risk management, internal and external communications, high standards of safety, accounting fidelity, product and service quality. It has also set up adequate review processes.

COMPLIANCE OF CORPORATE GOVERNANCE AS PER CODE

A) BOARD OF DIRECTORS AND PROCEDURES

The Board of your company at present comprises eight directors – three non-executive promoter directors, one managing director and four non-executive independent directors. The table gives the composition of the Board and inter alia the outside directorships held by each of the directors.

a) Composition of the Board

Name of the Director	Category	Pecuniary or business relationship with the Company	Relationship with other Directors	Number of other Directorships @	Committee position (excluding private, foreign and section 25 companies)	
					Chairperson	Member
Mrs. Meher Pudumjee	Non-executive	None except *	Yes	17	3	3
Mrs. Anu Aga	Non-executive	None except *	Yes	13	1	1
Mr. Prakash Kulkarni	Executive	N.A.	No	13	1	5
Mr. Pheroze Pudumjee	Non-executive	None	Yes	8	2	3
Mr. Tapan Mitra	Non-executive Independent	None	No	2	3	2
Dr. Manu Seth	Non-executive Independent	None	No	5	—	2
Dr. Jairam Varadaraj	Non-executive Independent	None	No	13	—	4
Mr. Ravi Venkatesan	Non-executive Independent	None	No	—	1	1

@ Includes private and foreign companies

* During the year, the company has paid Rs. 3,48,000/- to Mrs. Aga and Rs. 60,000/- to Mrs. Pudumjee as rent for premises taken on lease. The company has maintained security deposit of Rs. 40,00,000/- to Mrs. Aga for the premises taken on lease.

Non-executive Directors are entitled to reimbursement of expenses incurred in performance of the duties as Directors, members of the committees appointed by the Board and as directors on the boards of subsidiary/joint venture companies.

Note: The expression independent director means director who apart from receiving director's remuneration, does not have any other material pecuniary relationship or transaction with the company, its promoters, its management or its subsidiaries, which in the judgement of the board may affect the independence of judgement of the director.

As per the requirements of the Listing Agreement, none of the Directors of the Board serve as members of more than 10 committees nor are they Chairman / Chairperson of more than five committees.

The Board met seven times during the financial year 2004-05 on the following dates: 26.05.2004, 27.07.2004, 30.09.2004, 01.10.2004, 09.11.2004, 30.01.2005 and 31.01.2005. The maximum time gap between any two meetings was not more than four calendar months.

b) Attendance and remuneration of each Director on the Board of Directors

Name of the Director	Total Attendance of Board Meeting during FY 2004-05	Whether attended the AGM held on 27.07.2004	Sitting fees * (Rs.)	Salary and perquisites (Rs.)	Commission (Rs.)	Total remuneration (Rs.)
Mrs. Meher Pudumjee	7	Yes	2,80,000	NA	—	2,80,000
Mrs. A. R. Aga	7	Yes	1,60,000	NA	—	1,60,000
Mr. Prakash Kulkarni	7	Yes	NA	49,70,663	30,00,000	79,70,663
Mr. Pheroz Pudumjee	7	Yes	2,40,000	NA	—	2,40,000
Mr. Tapan Mitra	5	Yes	2,00,000	NA	—	2,00,000
Dr. Manu Seth	6	Yes	2,00,000	NA	—	2,00,000
Mr. Ravi Venkatesan	4	No	80,000	NA	—	80,000
Dr. Jairam Varadaraj	6	Yes	1,20,000	NA	—	1,20,000

NA = Not applicable

* Note: Sitting fees include payments for Board appointed committee meetings also. The Company has not issued any ESOP to any Director.

c) Information placed before the Board of Directors

The following information forms part of the Board meeting papers:

1. Annual Business Plan that includes Capital Expenditure Budget. The capital expenditure proposals sanctioned and actual amounts incurred are reported to the Board on a quarterly basis.
2. Exception Reporting on Expenditure items for
 - a) single item of expense of amount greater than Rs. 1 crore.
 - b) expenses in excess of 10 percent of quarterly budget for any division/ business.
3. Information on recruitment of senior executives just below board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
4. Report on matters relating to foreign collaborations/ joint-ventures/ acquisitions/ mergers/ opening of overseas offices, etc.
5. At every Board meeting, a report on Treasury operations is presented. This report comprises of the investment portfolio, details of foreign exchange exposures and steps taken to mitigate the risks of adverse exchange movements, if material.
6. Report on statutory compliance highlighting defaults, show cause notices, penalties, suits filed by/against the company, etc.
7. Quarterly results with division-wise analysis for the company and for the Group companies.
8. Report on write-off of fixed assets and current assets of the company.

9. Minutes of the meetings of Committees of the Board, namely
 - Audit Committee
 - Human Resources Committee
 - Share Transfer and Shareholders' Grievance Committee
 - Borrowing & Investments Committee
 - Strategic Business Development Committee
 - Overseas Investment Committee
10. Significant labour problems and their proposed solutions, wage agreements, VRS, etc.
11. Fatal or serious accidents in the plants, dangerous occurrences, any material effluent or pollution problems.
12. Any material default in financial obligations to and by the company.
13. Any issue, which involves possible public or product liability claims of a substantial nature, including any judgement or order, which may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.

B) BOARD COMMITTEES

1) Audit Committee

The Audit Committee was constituted by the Board of Directors at its meeting held on 15.01.2001. The Committee comprises of three non-executive directors. The Chairman of the Committee, Mr. Tapan Mitra, is a Fellow Member of The Institute of Chartered Accountants of India.

The present composition of the Audit Committee and the details of meetings attended by the Members thereof are as follows:

Name of the Committee Member	Category	No. of meetings attended
Mr. Tapan Mitra	Non-executive Independent	5
Dr. Manu Seth	Non-executive Independent	4
Mrs. Meher Pudumjee #	Non-executive	4
Mr. Pheroze Pudumjee #	Non-executive	1

Mrs. Meher Pudumjee resigned as a member of the Committee with effect from 09.11.2004 and Mr. Pheroze Pudumjee was inducted as a member in her place.

As against the requirement of minimum three meetings required to be held as per the Listing Agreement, the Committee has met five times during the financial year 2004-05 on following dates: 25.05.2004, 26.07.2004, 26.08.2004, 08.11.2004 and 29.01.2005

The constitution of the Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956.

The Audit Committee reviews, on a regular basis, various aspects of internal audit control system and financial and risk management policies as per the finalised schedule. The management presents before the Audit Committee the observations and recommendations of the auditors and also issues having an impact on control system and compliance. The Internal Auditor and the Statutory Auditors are permanent invitees and attend all the meetings of the Committee. The Company Secretary acts as the Secretary of the Committee.

The terms of reference of the Audit Committee broadly includes:

- ▶ Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- ▶ Reviewing with management and external auditors the financial statements before submission to the Board, focussing 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
 - 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 the promoters or the management, their subsidiaries or relatives etc. that may cause potential conflict with the interests of the company
 - reviewing with the management, external and internal auditors the adequacy of internal control systems including management information system
- ▶ Reviewing the company's financial and risk management policies
- ▶ Looking into the reasons for substantial defaults in payments to depositors, debenture holders, shareholders and creditors
- ▶ Recommending the appointment and

removal of external auditor, determine audit fee and also approve payment for any other services

- ▶ Discussing with external auditors, before the audit commences, the nature and scope of audit. Also conduct post-audit discussion to ascertain any area of concern
- ▶ Reviewing the scope and the adequacy of internal audit function, including the system, its quality, coverage and effectiveness in terms of follow-up, the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. Outsourcing to firms specialised in carrying out internal audit services, detailing their scope of work and deciding their professional charges
- ▶ Reviewing the annual plan of work of the internal audit function
- ▶ Discussing with internal auditors significant audit findings and follow up actions initiated thereon
- ▶ Assigning and 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
- ▶ Any other matter that may be referred by the Board from time to time

2) Human Resources Committee

The Remuneration and Human Resources Committee has been re-christened as the Human Resources Committee effective 09.11.2004. The modified terms of reference of the Human Resources Committee:

- ▶ Review the human resource (HR) and

industrial relations (IR) policies of the company including capability building/ succession planning of senior management employees within the company

- Recommend necessary changes to the policies

The Committee comprises of six non-executive directors – Mrs. Anu Aga (Chairperson), Mr. Ravi Venkatesan, Dr. Manu Seth, Mr. Pheroze Pudumjee, Dr. Jairam Varadaraj and Mr. Tapan Mitra. Mr. Mitra has been inducted as a member of the Committee effective 01.02.2005.

During the financial year, the Committee met once on 25.05.2004, where Mrs. Anu Aga and Mr. Pheroze Pudumjee were present.

3) Share Transfer and Shareholders' Grievance Committee

The Company has a Share Transfer and Shareholders' Grievance Committee comprising of three members, namely, Mr. Pheroze Pudumjee (Chairman), Mrs. Meher Pudumjee and Mr. Prakash Kulkarni. The Company Secretary is the Compliance Officer.

The Committee oversees redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of declared dividend, etc. and also recommends measures to improve the performance of investor services.

Procedure of share transfer

The Board has empowered the Committee, inter alia, to approve the share transfers. The Committee members generally meet every fortnight to carry out the delegated responsibilities. The Committee met 24 times during the year and approved share transfers and resolved complaints to the satisfaction of the investors.

As per the certificate issued by the Registrar & Transfer Agents MCS Limited, 84 complaints were received from the shareholders/ investors during the financial year ended 31.03.2005, of which 78 were pertaining to non receipt of Dividend and 6 for non-receipt of Share Certificates lodged for transfer. All complaints were replied to/ resolved to the satisfaction of the shareholders and no complaints had remained unattended / pending for more than 30 days as on 31.03.2005.

During the year the company processed 130 physical transfers comprising of 7,19,651 number of equity shares.

4) Borrowing and Investments Committee

The Committee comprises of two members, Mrs. Meher Pudumjee, Chairperson and Mr. Prakash Kulkarni.

The mandate of this Committee is to review the treasury operations, lay down funds deployment policy and monitor that investments are made in accordance with the policy.

The Committee met twice during the financial year on 08.10.2004 and 31.03.2005 where both the members were present.

5) Strategic Business Development Committee

The Strategic Business Development Committee was constituted by the Board of Directors at its meeting held on 30.01.2002 with the primary objective to review and monitor the strategic initiatives for the businesses of the company.

This Committee, headed by an independent director consists of following directors:

Mr. Ravi Venkatesan – Chairman

Mr. Prakash Kulkarni

Mrs. Meher Pudumjee

Mr. Pheroze Pudumjee

No meetings of the Committee were held during the financial year.

6) Overseas Investment Committee

The Committee comprises of two members

Mr. Pheroze Pudumjee, Chairman and
Mr. Prakash Kulkarni.

The purpose of the Committee is to:

- ▶ ensure corporate governance in the operations of the overseas wholly owned subsidiaries (WOS)
- ▶ check the reliability and adequacy of financial information, control systems and internal accounting
- ▶ act as a link between the management of WOS and the Board of Directors of Thermax Limited

The Terms of Reference of this committee, assigned by the Board:

1. Oversee the Subsidiaries' financial reporting process and the disclosure of its financial information to ensure integrity and credibility of financial statements. Half-yearly review with management and external auditors of the financial statements, focusing primarily on:

- any changes in accounting policies and practices
- major accounting entries based on exercise of judgment by management
- qualifications in audit report
- significant audit observations and adjustments arising out of audit

- compliance with accounting standards, corporate laws and transfer pricing policy and corporate governance of both the host country and India

2. Review with the management, external and internal auditors, if any, the adequacy of internal control systems including management information system.
3. Review the company's financial and risk management policies.
4. Advise WOS on matters that create charge/expense of a permanent or long-term nature, including product and service liabilities.
5. Review remuneration of the senior managers of the WOS.
6. Review Compliance Certificate of the laws of the State/Country.
7. Any other matter that may be referred by the Board of Thermax Limited, from time to time.

The Committee met twice during the financial year – on 30.08.2004 and 22.02.2005 where both the members were present.

C) OTHER DISCLOSURES RECOMMENDED BY SEBI

i) Annual General Meeting

The last three Annual General Meetings of the company were held as under:

Year	Location	Date	Time
2001-02	Firodia Hall, The Institution of Engineers, 1332, J.M.Road, Shivajinagar Pune - 411 005	27.09.2002	11.00 am
2002-03	Same as above	31.07.2003	11.00 am
2003-04	Same as above	27.07.2004	11.00 am

No special resolutions were required to be put through postal ballot last year. Similarly, there is no proposal to pass any special resolution requiring a postal ballot for the upcoming AGM.

ii) Disclosures

1. Related party transactions during the year have been disclosed as part of accounts as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India.
2. There were no instances of non-compliance by the company or penalties, strictures imposed on the company by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets, during the last three years.

iii) Means of Communication

1. As the company publishes the quarterly and half-yearly results in prominent newspapers and also displays them on its website, they are not being sent separately to the individual shareholders. The quarterly and half-yearly financial results and the quarterly shareholding pattern are also posted on the EDIFAR website i.e. www.sebidifar.nic.in
2. Quarterly results are published in prominent daily newspapers like The Economic Times, Financial Express, Business Standard, Hindu Business Line, Maharashtra Times, Times of India, Indian Express, Loksatta, Sakal, and the Asian Age. The annual results are also made available on the Company's website.
3. All vital information and official press releases and presentations made to the media, analysts and institutional investors, are displayed on the website for the benefit of the public at large.

4. Management Discussion and Analysis forms part of the annual report.

The company's website can be accessed at www.thermaxindia.com.

iv) Code for Prevention of Insider Trading

The company has adopted a Code for Prevention of Insider Trading in the securities of the company. The Code prohibits an 'Insider' from buying or selling shares of the company either on his/her own or on behalf of another person when in possession of unpublished price sensitive information.

D) SHAREHOLDER INFORMATION

i) Annual General Meeting

Date and Time : July 26, 2005
at 11.00 a.m.

Venue : Firodia Hall,
The Institution
of Engineers,
1332, Jangli Maharaj
Road, Shivajinagar,
Pune - 411 005.

ii) Financial Calendar (indicative)

Financial Year: April 1st to March 31st

For the year-ended on March 31, 2005 the financial results were announced on:

	(As indicated)	(Actual Date)
Quarter ended June 2004	July 27, 2004	July 27, 2004
Quarter ended September 2004	November 16, 2004	November 9, 2004
Quarter ended December 2004	January 31, 2005	January 31, 2005
Year ended March 2005	End May 2005	May 11, 2005

For the year-ending on March 31, 2006 the tentative dates are:

Results for the quarter ended June 2005	July 26, 2005
Mailing of Annual Reports	Last week of June 2005
Results for the quarter : ended September 2005	November 17, 2005
Results for the quarter ended December 2005	January 31, 2006
Results for the year ended March 2006	End May 2006

iii) Book Closure Date

The Company's Share Transfer Books and Register of Members of Equity & Preference shares shall remain closed from July 16, 2005 to July 26, 2005 (both days inclusive), to determine the entitlement of equity and preference shareholders to receive dividend for the year ended March 31, 2005. The book closure shall also be applicable for entitlement to receive redemption amount of preference share capital and pro-rata dividend thereon upto the date of redemption, i.e. July 26, 2005.

iv) Listing

The company's securities are listed on two stock

exchanges –The National Stock Exchange of India (NSE) and The Stock Exchange, Mumbai (BSE).

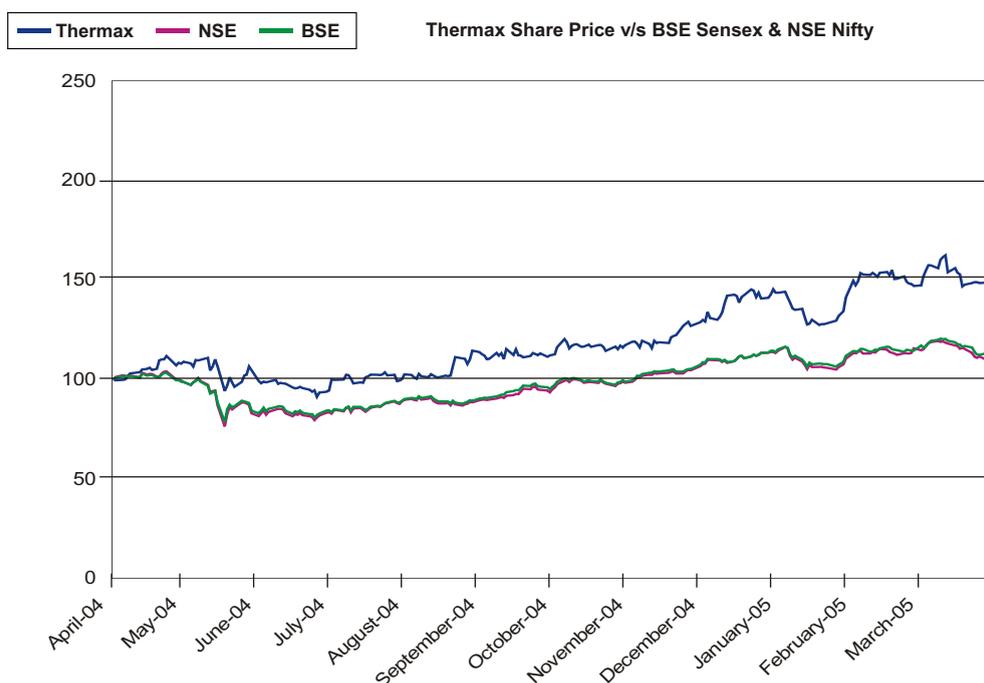
The company has paid listing fees to both the Stock Exchanges for the year 2005-06.

During the year under review, the Company's applications for voluntary delisting of its securities were approved by the Stock Exchanges at Pune, Ahmedabad and Delhi with effect from September 22, 2004, October 15, 2004 and December 11, 2004 respectively. The application for delisting is pending with the Stock Exchange at Kolkata for which follow-up is being done.

Stock Codes

Name of the exchange	Equity Shares	6% Red. Pref. Shares
National Stock Exchange of India Ltd.	Thermax EQ	Thermax P1
The Stock Exchange, Mumbai	500411	700084
ISIN No. for securities	INE 152A01011	INE 152A04015

Stock Performance



Stock Data

Month	MKT QUOTE - NSE		MKT QUOTE - BSE	
	High	Low	High	Low
Apr. 2004	430.00	371.00	445.80	376.10
May 2004	425.00	340.10	425.00	316.90
June 2004	390.05	340.00	410.00	342.00
July 2004	405.00	360.65	398.95	353.90
Aug. 2004	450.00	370.10	450.00	365.00
Sep. 2004	440.00	415.10	443.00	408.25
Oct. 2004	465.00	416.00	464.00	418.10
Nov. 2004	494.75	440.55	532.00	415.00
Dec.2004	560.00	475.00	560.00	475.00
Jan. 2005	575.80	471.00	628.00	472.20
Feb. 2005	619.90	550.00	618.40	531.00
Mar. 2005	660.00	522.00	645.00	550.00

v) Registrar & Share Transfer Agents

MCS Limited
 116-118 Akshay Complex
 Off Dhole Patil Road
 Pune - 411001.
 Telefax: 020 2612 9597
 E-mail: mcspune@vsnl.net

vi) Share Transfer System

The Company's shares are traded on the stock exchanges only in the electronic mode. Shares received for transfer by the company or the Share Transfer Agents in physical mode are processed and all valid transfers are approved. The share certificates duly transferred and despatched within a period of 15 to 20 days from the date of receipt.

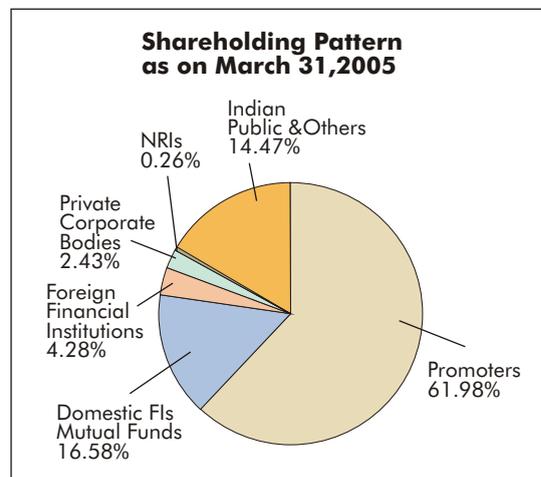
vii) Shareholding Pattern

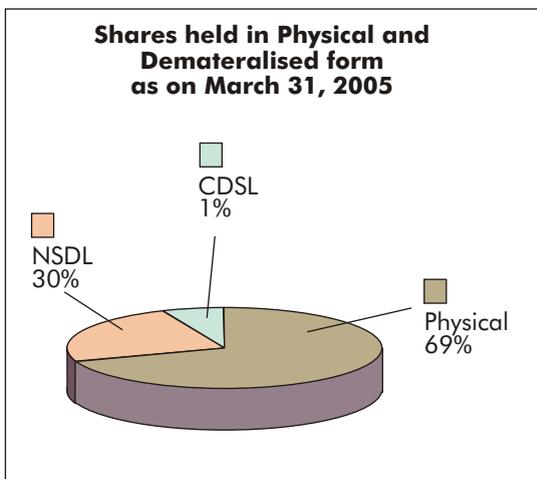
Distribution of equity shareholding as on March 31, 2005

No. of Shares	No. of Shareholders	%	No. of Shares held	% of Shareholding
1 - 500	9,763	93.45	10,21,464	4.29
501 - 1000	266	2.55	2,05,008	0.86
1001 - 2000	140	1.34	2,09,086	0.88
2001 - 3000	62	0.59	1,60,886	0.67
3001 - 4000	14	0.14	49,567	0.21
4000 - 5000	19	0.18	87,716	0.37
5001 - 10000	48	0.46	3,73,049	1.56
10001 & above	135	1.29	2,17,24,484	91.16
	10,447	100.00	2,38,31,260	100.00

Category of equity shareholders as on March 31, 2005

Category	No. of Shares held	% Shareholding
Promoters		
Promoters' holding	1,47,71,061	61.98
Non-Promoters' Holding		
1. Mutual Funds, Banks, Financial Institutions, Insurance Companies, etc.	39,50,044	16.58
2. FIIs	10,18,894	4.28
3. Private Corporate Bodies	5,78,692	2.43
4. NRIs	60,882	0.26
5. Indian public & Others	34,51,687	14.47
Total	2,38,31,260	100.00





viii) Details of Dematerialisation

The company's equity shares are under compulsory demat trading by all the investors. As on March 31, 2005, a total of 73,37,185 shares have been dematerialised which account for 30.79 percent of the total equity.

ix) Plant Locations

D-13, MIDC Industrial Area
R. D. Aga Road
Chinchwad, Pune - 411 019
Maharashtra State.

Paudh Works
At Poudh, Post Mazgaon
Tal. Khalapur
Dist. Raigad
Maharashtra State.

x) Address for correspondence

Investors' correspondence should be addressed to:

MCS Limited
116-118 Akshay Complex
Off Dhole Patil Road
Pune - 411001.
Telefax: 020 2612 9597
email: mcspune@vsnl.net

Shareholders holding shares in dematerialised form should address their queries such as change in bank account details, address nomination, etc., to their respective Depository Participants (DPs).

Queries relating to the Annual Report may be addressed to:

The Company Secretary
Thermax Limited
Thermax House
4, Mumbai-Pune Road, Shivajinagar
Pune - 411 005.

Email: slalai@thermaxindia.com

E) NON-MANDATORY REQUIREMENTS

The company has also adopted part of the non-mandatory code of corporate governance recommended under clause 49 of the Listing Agreement.

The Chairperson's office is maintained at company's expense, which is equipped with all required facilities. The Chairperson is also allowed reimbursement of expenses incurred in performance of her duties.

SHAREHOLDER REFERENCE

Unclaimed Dividend

As per the provisions of Section 205C of the Companies Act, 1956, companies are required to transfer dividend unclaimed for seven years from the date of their payment, to the Investor Education and Protection Fund (IEPF) constituted and administered by the Central Government. Unclaimed dividends for the financial years 1995-96 and 1996-97 have been transferred to the IEPF.

The company has transferred unclaimed dividend for the years prior to and including the financial year 1994-95 to the General Revenue Account of the Central Government pursuant to Section 205A of the Companies Act, 1956.

Financial year	Dividend	Date of declaration	Total dividend amount (Rs. Crores)	Unclaimed Dividend as on 31.3.2005		Due for transfer to IEPF on
				(Rs.)	%	
1997-98	Final	02.09.1998	8.14	1,61,964	0.20	16.10.2005
1998-99	Final	20.09.1999	8.14	2,32,349	0.29	05.11.2006
1999-00	Interim	25.05.2000	8.14	2,37,204	0.29	12.07.2007
2000-01	Final	05.09.2001	2.33	1,10,793	0.48	10.10.2008
2001-02	Final	27.09.2002	11.63	3,61,255	0.31	30.10.2009
2002-03	Final	31.07.2003	28.60	9,78,000	0.34	04.09.2010
2003-04	Final	27.07.2004	Equity: 28.60	8,33,004	0.29	02.09.2011
			RPS : 1.50	96,370	0.64	

Bank details

Shareholders holding shares in physical form are requested to notify / send the following information to the Registrar & Transfer Agents of the Company:

- Any change in their address / mandate / bank details etc.
- Particulars of the bank account in which they wish their dividend to be credited, in case the same has not been furnished earlier and should include the following particulars namely, Bank Name, Branch Name, Account Type, Account Number and MICR Code (9 digit).

Nomination facility

Shareholders, holding shares in physical form and desirous of submitting / changing nomination in respect of their shareholding in the Company may submit Form 2B (in duplicate) as per the provisions of Section 109A of the Companies Act, 1956 to the Company's Registrar & Transfer Agents.

Electronic Clearing Service (ECS) facility

The Company proposes to pay dividend for the year 2004-05 through ECS i.e. by crediting the shareholders' bank account directly.

Members holding shares in PHYSICAL FORM and who want to avail this facility are requested to send their details in ECS mandate form. The ECS mandate form has been sent to all shareholders of the Company. In case of non-receipt, the same may be collected from the Company's Corporate Office or its Registrar & Transfer Agents or may be downloaded from the Company's website (www.thermaxindia.com).

Members holding shares of the Company in DEMATERIALISED (electronic) form are requested to intimate all changes pertaining to their bank account details, ECS mandates, nominations, power of attorney, change of address/name etc., to their Depository Participant (DP) only **and not to the Company or its Registrar & Transfer Agents**. Changes intimated to the DP would be downloaded and updated in the Company's records for disbursement of dividend or any corporate benefits.

AUDITORS' CERTIFICATE

To the Members of Thermax Limited

1. We have examined the compliance of conditions of Corporate Governance by Thermax Limited for the year ended on March 31, 2005, as stipulated in clause 49 of the Listing Agreement of the said company with the Stock Exchanges.
2. 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 conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. In our opinion and to the best of 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.
4. We state that in respect of investor grievances during the year ended March 31, 2005, no grievances are pending for a period exceeding one month against the company as per the records maintained by the Share Transfer and Shareholders' Grievance Committee.
5. 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 and on behalf of
B. K. Khare & Co.
Chartered Accountants

H.P. Mahajani
Partner
(Membership no. 30168)

Place: Pune
Date: May 11, 2005

CHAIRPERSONS
MESSAGE
MANAGEMENT
DISCUSSION & ANALYSIS
BALANCE SHEET
CORPORATE GOVERNANCE
RISK ANALYSIS
SOURCE

GRAND BALANCE SHEET
PROFIT & LOSS ACCOUNT
AUDIT REPORT
CORPORATE PERFORMANCE
MESSAGE
ION & BALANCE SHEET
PROFIT & LOSS ACCOUNT
& CHAIRPERSONS MESSAGE



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PERFORMANCE
REPORT
COUNT

Auditors' Report

To the Members of Thermax Limited

1. We have audited the attached Balance Sheet of Thermax Limited as at 31st March 2005, the relative Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (the "Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account have been kept by the Company as required by law, so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act;
 - (e) On the basis of written representations received from the Directors, as on 31st March 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, together with the Notes thereon and attached thereto, give, in the prescribed manner, the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2005;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For B.K. Khare & Company
Chartered Accountants

H.P. Mahajani
Partner
(Membership no. 30168)

Place: Pune
Date: May 11, 2005

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.
(b) The fixed assets of the Company have been physically verified by the management at reasonable intervals during the year and the discrepancies noticed have been properly dealt with in the books of account.
(c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The inventory of the Company has been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noticed on physical verification between the physical stocks and the book records were not material.
3. The Company has neither granted nor taken loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. As the Company has not granted/taken any loans, secured or unsecured, to/from companies, firms etc., listed in the register maintained under Section 301 of the Act, paragraphs 4(iii)(a) to (g) of the Order, are not applicable.
4. In our opinion and having regard to the explanation that certain items purchased / sold are of a special nature in respect of which suitable alternative sources do not exist for obtaining comparative quotations in general, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Further, during the course of our audit we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) On the basis of our examination of the books of account, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.
(b) In our opinion, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the market prices prevailing at the relevant time as evaluated on the basis of quotations obtained from parties / prices charged by the Company in case of similar transactions during the year and considering that having regard to certain items purchased / sold are of a special nature in respect of which suitable alternative sources do not exist for obtaining comparative quotations in general.
6. The Company has not accepted any deposits under the provisions of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
8. The maintenance of cost records has not been prescribed under Section 209 (1) for any of the products of the Company.
9. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues as applicable, have generally been regularly deposited by the Company during the year with the appropriate authorities.
(b) As at March 31, 2005, according to the records of the Company and the information and explanations given to us, the following are the particulars of disputed dues on account of Sales-tax, Income-tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and cess matters that have not been deposited on account of a dispute:

Name of the Statute	Amount (Rs. in crores)	Forum where dispute is pending
Central Sales Tax and other State Sales Tax Act	0.64 0.25	1st Appeal 2nd Appeal
Excise Duty	0.86 2.26	1st Appeal 2nd Appeal
Customs Duty	0.20	1st Appeal
Service Tax	1.91	1st Appeal
ESIC Act	0.76 0.01	1st Appeal 2nd Appeal
Industrial Disputes Act	0.10 0.31 0.74	1st Appeal 2nd Appeal High Court

10. The Company has neither accumulated losses as at 31st March 2005, nor it has incurred any cash loss either during the financial year ended on that date or in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the Management, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or bank or to debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. However, in respect of transactions relating to investment in certain securities, the Company has maintained proper records of transactions and contracts during the year and timely entries have been made therein. Further, such securities have been held by the Company in its own name.
15. Based on the information and explanations given to us, in our opinion, the terms and conditions on which the Company has given counter guarantees / corporate guarantees on behalf of its subsidiaries to the banks during the year, are not prima facie prejudicial to the interest of the Company.
16. The Company has not taken any term loan during the year.
17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not been used for long term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. No debentures have been issued during the year.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the Management.

For B.K. Khare & Company
Chartered Accountants

H.P. Mahajani
Partner

(Membership no. 30168)

Place: Pune
Date: May 11, 2005

Balance Sheet as at March 31, 2005

	Schedule	Sch 18 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SOURCES OF FUNDS				
Shareholders' Funds:				
Share Capital	1		71.49	71.49
Reserves & Surplus	2		338.60	319.17
			<u>410.09</u>	<u>390.66</u>
Loan Funds:				
Secured Loans	3		—	—
			<u>—</u>	<u>—</u>
Deferred Tax Liability:				
Deferred Tax Liabilities			16.10	16.19
Deferred Tax Assets			(7.90)	(8.42)
			<u>8.20</u>	<u>7.77</u>
Total Funds Employed			<u>418.29</u>	<u>398.43</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	4		176.71	165.23
Less: Depreciation			84.07	84.43
Net Block			<u>92.64</u>	<u>80.80</u>
Capital Work-in-progress			8.98	2.16
Investments	5	1 (f)	316.16	276.08
Current Assets, Loans & Advances:				
Inventories	6		85.92	59.51
Contracts in Progress		7	19.65	11.54
Sundry Debtors	7		172.86	117.99
Cash & Bank Balances	8		11.15	18.63
Other Current Assets			8.48	6.83
Loans & Advances	9		69.96	50.29
			<u>368.02</u>	<u>264.79</u>
Less: Current Liabilities & Provisions:				
Current Liabilities	10		297.15	168.82
Contracts in Progress		7	29.43	19.59
Provisions	11		41.64	38.11
			<u>368.22</u>	<u>226.52</u>
Net Current Assets			(0.20)	38.27
Miscellaneous Expenditure to the extent not written off or adjusted	12		0.71	1.12
			<u>418.29</u>	<u>398.43</u>
Notes to Accounts	18			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner
Membership No. : 30168

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

Profit and Loss Account for the year ended March 31, 2005

	Schedule	Sch 18 Note No. Reference	Year ended March 31, 2005 Rs. Crores	Year ended March 31, 2004 Rs. Crores
INCOME				
Sales and Other Income	13		<u>941.16</u>	<u>603.81</u>
EXPENDITURE				
Materials	14		630.45	351.12
Personnel	15		83.27	68.04
Other Expenses	16		133.69	96.63
Excise Duty (Net)			0.88	0.59
Depreciation		1 (d)	9.20	8.78
Interest	17		0.65	0.40
			<u>858.14</u>	<u>525.56</u>
Profit Before Tax & Extra Ordinary Items			83.02	78.25
Extra-ordinary Items of Income / (Expenses)				
Voluntary Retirement Expenses (VRS) written off			—	(5.80)
Profit Before Tax			83.02	72.45
Less : Provision for Taxation		1 (o)		
Current Tax			(27.30)	(20.00)
Deferred Tax		8	(0.43)	1.64
Profit After Tax			55.29	54.09
Balance carried forward from last year			37.35	22.51
Transferred from Foreign Project Reserve			—	0.15
Profit available for appropriation			<u>92.64</u>	<u>76.75</u>
Appropriations				
Proposed Equity Dividend			28.60	28.60
Proposed Preference Dividend			2.86	1.50
Provision for Tax on Dividend			4.41	3.85
General Reserve			5.60	5.45
Balance Carried to Balance Sheet			51.17	37.35
			<u>92.64</u>	<u>76.75</u>
Basic / Diluted Earnings Per Share (EPS) - Rs. (Per Equity Share of Rs. 10/- each)		20	21.83	21.99
Weighted average number of Equity Shares			23831260	23831260
Notes to Accounts	18			

As per our report of even date
For B. K. Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner
Membership No. : 30168

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Sch 18 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
2,50,00,000	Equity Shares of Rs. 10/- each	25.00	25.00
5,00,00,000	Redeemable Preference Shares of Rs. 10/- each	50.00	50.00
		<u>75.00</u>	<u>75.00</u>
Issued, Subscribed & Paid Up			
2,38,31,260	Equity Shares of Rs. 10/- each, fully paid-up	9 23.83	23.83
4,76,62,520	6% Redeemable Preference Shares of Rs. 10/- each, fully paid-up (Allotted as Bonus Shares by capitalisation of Share Premium)	9 47.66	47.66
		<u>71.49</u>	<u>71.49</u>
SCHEDULE 2			
RESERVES & SURPLUS			
Capital Redemption Reserve			
	Per Last Balance Sheet	2.68	2.68
Share Premium Account			
	Per Last Balance Sheet	61.13	108.79
	Less: Issue of Bonus Preference Shares	—	(47.66)
		<u>61.13</u>	<u>61.13</u>
Capital Reserve			
	Per Last Balance Sheet	8.00	8.00
Foreign Projects Reserve			
	Per Last Balance Sheet	—	0.15
	Less: Transferred to Profit & Loss A/c	—	0.15
		<u>—</u>	<u>—</u>
General Reserve			
	Per Last Balance Sheet	203.02	197.57
	Add: Transferred from Profit & Loss A/c	5.60	5.45
		<u>208.62</u>	<u>203.02</u>
Amalgamation Reserve			
	Per Last Balance Sheet	7.00	7.00
Balance in Profit & Loss A/c			
		<u>51.17</u>	<u>37.35</u>
		<u>338.60</u>	<u>319.17</u>

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

Sch 18	As at	As at
Note No.	March 31, 2005	March 31, 2004
Reference	Rs. Crores	Rs. Crores

**SCHEDULE 3
SECURED LOANS**

Borrowings from Banks for Working Capital (including Working Capital Term Loans)	10	—	—
	—	—	—
	—	—	—

**SCHEDULE 4
FIXED ASSETS
(Refer Note 1 (c), (d) and 16 of Schedule 18)**

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1.4.2004	Additions During the Year	Deductions/ Adjustments During the Year	Total Cost as at 31.3.2005	Upto 31.03.2004	Deductions/ Adjustments During the Year	Provisions During the Year	Total as at 31.3.2005	As at 31.03.2005	As at 31.03.2004
TANGIBLE :										
A. Land-Freehold	7.44	—	0.08	7.36	—	—	—	—	7.36	7.44
B. Land-Leasehold	1.98	—	0.02	1.96	—	—	—	—	1.96	1.98
C. Building	21.44	0.77	(0.06)	22.27	5.30	0.01	0.56	5.85	16.42	16.14
D. Plant & Machinery	86.67	11.48	1.11	97.04	48.25	0.75	5.12	52.61	44.43	38.42
E. Machinery given on Lease	2.56	—	2.10	0.46	2.41	1.99	0.01	0.43	0.03	0.14
F. Electrical Installation	4.07	0.27	(0.25)	4.59	2.24	0.06	0.26	2.44	2.15	1.84
G. Furniture, Fixtures, Computers & Office Equipment	37.01	3.92	6.74	34.19	25.02	6.36	2.58	21.24	12.95	11.99
H. Vehicles	4.06	4.69	0.78	7.97	1.21	0.39	0.49	1.32	6.65	2.85
INTANGIBLE :										
A. Software	—	0.52	—	0.52	—	—	0.06	0.06	0.46	—
B. Technical Know-how	—	0.35	—	0.35	—	—	0.12	0.12	0.23	—
Total	165.23	22.00	10.52	176.71	84.43	9.56	9.20	84.07	92.64	80.80
Previous Year	165.84	10.80	11.41	165.23	86.21	10.56	8.78	84.43	80.80	79.63
Capital W.I.P									8.98	2.16

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Face Value Rs. Crores	As at March 31,2005 Rs. Crores	As at March 31,2004 Rs. Crores
SCHEDULE 5			
Investments (See note 1 (f) of Schedule 18)			
Non Trade (Long Term)			
Government Securities			
1 National Savings Certificates	0.00	0.00	0.00
Units			
2 Nil (Previous year 61,044) units of Chola Triple Ace Regular Plan of Chola Mutual Fund	Nil	Nil	0.11
3 Nil (Previous year 3,92,995) units of Chola Triple Ace Bonus Plan of Chola Mutual Fund	Nil	Nil	0.44
4 Nil (Previous year 1,04,25,934) units of Templeton India IBA Plan of Templeton Investments	Nil	Nil	15.00
5 Nil (Previous year 18,26,851) units of Templeton India IBA Institutional Plan of Templeton Investments	Nil	Nil	2.00
6 Nil (Previous year 97,22,897) units of Grindlays Dynamic Bond Fund Plan of Standard Chartered Mutual Fund	Nil	Nil	10.00
7 Nil (Previous year 49,92,776) units of GSSIF Short Term Plan of Standard Chartered Mutual Fund	Nil	Nil	5.14
8 Nil (Previous year 1,24,70,879) units of GSSIF Short Term Plan of Standard Chartered Mutual Fund	Nil	Nil	12.85
9 Nil (Previous year 2,39,18,204) units of HDFC High Interest Fund Short Term of HDFC Mutual Fund	Nil	Nil	25.15
10 Nil (Previous year 48,34,432) units of HSBC Income Short Term Fund of HSBC Mutual Fund	Nil	Nil	5.10
11 Nil (Previous year 50,40,533) units of JM Short Term Fund of JM Mutual Fund	Nil	Nil	5.07
12 Nil (Previous year 93,81,259) units of Prudential ICICI Short Term Plan of Prudential ICICI Mutual fund	Nil	Nil	10.20
13 Nil (Previous year 1,01,76,675) units of Reliance Short Term Fund of Reliance Mutual Fund	Nil	Nil	10.30
14 Nil (Previous year 49,859) units of Templeton India STIP Templeton Investments	Nil	Nil	5.12
15 Nil (Previous year 45,08,179) units of Birla Bond Plus of Birla Mutual Fund	Nil	Nil	4.70
16 Nil (Previous year 2,75,98,780) units of Birla Cash Plus of Birla Mutual Fund	Nil	Nil	29.78
17 Nil (Previous year 49,24,577) units of DSPML Liquid Fund of DSP Merrill Lynch Mutual Fund	Nil	Nil	6.11
18 Nil (Previous year 18,96,234) units of Grindlays Cash Manager Fund of Standard Chartered Mutual Fund	Nil	Nil	2.01
19 Nil (Previous year 7,40,174) units of IL & FS Liquid Fund of IL & FS Fund	Nil	Nil	0.74
20 Nil (Previous year 11,72,557) units of JM High Liquidity Fund Institutional Plan of JM Mutual Fund	Nil	Nil	1.18
21 Nil (Previous year 28,42,491) units of JM High Liquidity Fund Institutional Plan of JM Mutual Fund	Nil	Nil	2.85
22 1,11,24,470 (Previous year 1,13,69,091) units of Alliance Cash Manager of Alliance Capital Mutual Fund	11.13	11.13	11.38

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Face Value Rs. Crores	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
23 4,09,13,509 (<i>Previous year 1,49,26,475</i>) Units of Kotak Liquid Institutional Premium Plan of Kotak Mahindra Mutual Fund	40.91	41.03	14.97
24 Nil (<i>Previous year 79,916</i>) units of Prudential ICICI Liquid Plan of Prudential ICICI Mutual fund	Nil	Nil	0.09
25 Nil (<i>Previous year 23,98,286</i>) units of Prudential ICICI Liquid Institutional Plus Plan of Prudential ICICI Mutual fund	Nil	Nil	2.84
26 1,86,73,148 (<i>Previous year 1,56,52,473</i>) units of Prudential ICICI Liquid Institutional Plus Plan of Prudential ICICI Mutual fund	18.67	22.14	18.56
27 1,81,48,367 (<i>Previous year Nil</i>) units of Birla Cash Plus Institutional Premium Plan of Birla Mutual Fund	18.15	18.20	Nil
28 52,78,790 (<i>Previous year Nil</i>) units of Chola Liquid Institutional Plus Plan of Chola Mutual Fund	5.28	6.08	Nil
29 1,05,166 (<i>Previous year Nil</i>) units of Chola Liquid Institutional Plus Cumulative Plan of Chola Mutual Fund	0.11	0.14	Nil
30 64,32,988 (<i>Previous year Nil</i>) units of HSBC Cash Fund Institutional Plus Plan of HSBC Mutual Fund	6.43	6.44	Nil
31 1,20,22,242 (<i>Previous year Nil</i>) units of Grindlays Cash Manager Institutional Plan C of Standard Chartered Mutual Fund	12.02	12.03	Nil
32 1,52,44,878 (<i>Previous year Nil</i>) units of JM Short Term Floater of JM Mutual Fund	15.24	15.33	Nil
33 Nil (<i>Previous year 32,85,223</i>) units of Reliance Liquid Fund Treasury Plan of Reliance Mutual Fund	Nil	Nil	5.01
34 Nil (<i>Previous year 12,29,166</i>) units of Reliance Liquid Institutional Treasury Plan of Reliance Mutual Fund	Nil	Nil	1.88
35 Nil (<i>Previous year 28,33,489</i>) units of Sundaram Money Fund of Sundaram Mutual Fund	Nil	Nil	2.84
36 Nil (<i>Previous year 16,507</i>) units of Templeton India Liquid Plan of Templeton Investments	Nil	Nil	2.05
37 Nil (<i>Previous year 1,00,00,000</i>) units of JM Fixed Maturity Plan of JM Mutual Fund	Nil	Nil	10.00
38 1,50,00,000 (<i>Previous year Nil</i>) units of JM Fixed Maturity Quarterly Plan QSF 5 of JM Mutual Fund	15.00	15.00	Nil
39 1,50,00,000 (<i>Previous year Nil</i>) units of JM Fixed Maturity Quarterly Plan QSF 5 of JM Mutual Fund	15.00	15.00	Nil
40 Nil (<i>Previous year 8,00,000</i>) units of Prudential ICICI Fixed Maturity Quarterly Plan Series XXIV of Prudential ICICI Mutual fund	Nil	Nil	8.00
41 1,50,00,000 (<i>Previous year Nil</i>) units of Prudential ICICI Fixed Maturity Quarterly Plan Series XXVI of Prudential ICICI Mutual fund	15.00	15.00	Nil
42 Nil (<i>Previous year 1,00,00,000</i>) units of Reliance Fixed Maturity Monthly Plan 6 of Reliance Mutual Fund	Nil	Nil	10.00
43 1,50,00,000 (<i>Previous year Nil</i>) units of Reliance Fixed Maturity Monthly Plan 18 of Reliance Mutual Fund	15.00	15.00	Nil
44 1,00,00,000 (<i>Previous year Nil</i>) units of Grindlays Fixed Maturity Quarterly Plan 10th of Standard Chartered Mutual Fund	10.00	10.00	Nil
45 1,49,91,605 (<i>Previous year Nil</i>) units of Birla Fixed Maturity Quarterly Plan of Birla Sunlife Mutual Fund	14.99	15.00	Nil

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Face Value Rs. Crores	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
46 1,00,00,000 (Previous year Nil) units of Prudential ICICI Fixed Maturity Yearly Plan VI of Prudential ICICI Mutual fund	10.00	10.00	Nil
47 1,51,62,229 (Previous Year Nil) units of Prudential ICICI Fixed Maturity Quarterly Plan of Pru-ICICI Mutual Fund	15.16	15.18	Nil
48 1,00,00,000 (Previous year Nil) units of Reliance Fixed Maturity Quarterly Plan 7 of Reliance Mutual Fund	10.00	10.00	Nil
49 1,50,00,000 (Previous year Nil) units of Reliance Fixed Maturity Quarterly Plan 8 of Reliance Mutual Fund	15.00	15.00	Nil
50 9,38,761 (Previous Year Nil) units of Reliance Power Sector Fund Growth Plan of Reliance Mutual Fund	0.94	1.32	Nil
51 5,00,000 (Previous Year Nil) units of Sundaram S.M.I.L.E. Fund Dividend Plan of Sundaram Mutual Fund	0.50	0.50	Nil
52 20,00,000 (Previous Year Nil) units of JM Equity & Derivative Fund Growth Plan of JM Mutual Fund	2.00	2.00	Nil
Quoted-Equity Shares (fully paid up)			
53 450 (Previous Year 450) Equity Shares of Rs. 10/- each in Sudarshan Chemical Industries Ltd.	0.00	0.00	0.00
54 2,500 (Previous Year 2,500) Equity Shares of Rs. 10/- each in Global Boards Ltd.	0.00	0.00	0.00
55 9,700 (Previous Year 9,700) Equity Shares of Rs.10/- each in Sanghvi Movers Ltd.	0.01	0.08	0.08
56 40,462 (Previous Year 40,462) equity shares of Rs.10/- each in Recron Synthetics Ltd.	0.04	0.04	0.04
Quoted Equity Shares(partly paid up)			
57 1,25,000 (Previous Year 1,25,000) Equity Shares of Rs.10/- each Rs.2.50 paid up in Parasrampuria Synthetics Ltd.	0.13	0.06	0.06
Unquoted Equity Shares (fully paid up)			
58 1,375 (Previous Year 1,375) Equity Shares of Rs.20/-each in Cosmos Co-operative Bank Ltd.	0.00	0.00	0.00
Unquoted Preference Shares (fully paid up)			
59 21,800 (Previous Year 21,800) 18% Redeemable Cumulative Preference Shares of Rs.10/- each in Indian Food Fermentation Limited	0.02	0.02	0.02
60 Nil (Previous Year 2,00,000) 13.25% Redeemable Cumulative Preference Shares of Rs.100/- each in KEC International Ltd. (Partly Redeemed)	Nil	Nil	0.25
In Subsidiary Companies (fully paid up)			
61 50,00,000 (Previous Year 30,00,000) Equity Shares of Rs. 10/- each in Thermax Babcock & Wilcox Ltd.	5.00	10.75	3.00
62 7,50,000 (Previous Year 7,50,000) Equity Shares of Rs. 10/-each in Thermax Surface Coatings Ltd.	0.75	0.45	0.45
63 1,50,00,000 (Previous Year 1,50,00,000) Equity Shares of Rs.10/- each in Thermax Capital Ltd.	15.00	15.00	15.00
64 15,00,000 (Previous Year 15,00,000) Equity Shares of Rs.10/- each in Thermax Engineering Construction Company Ltd.	1.50	1.50	1.50
65 10,00,000 (Previous Year 10,00,000) Equity Shares of Rs.10/- each in Thermax Electronics Ltd.	1.00	1.00	1.00
66 90,00,000 (Previous Year 90,00,000) Equity Shares of Rs.10/- each in Thermax Instrumentation Ltd.	9.00	4.59	4.59

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Face Value Rs. Crores	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
67 2,00,000 (Previous Year 2,00,000) Ordinary Shares of GBP 1/- each in Thermax Europe Ltd.	1.17	1.17	1.17
68 50 (Previous Year 50) Ordinary Shares of 6,000 Roubles each in Thermax (Rus) Ltd.	0.20	0.20	0.20
69 50,000 (Previous Year 50,000) Equity Shares of Rs.10/- each in Winman Gas Ltd.	0.05	3.06	3.06
70 5,00,000 (Previous Year 5,00,000) Equity Shares of Rs.10/- each in Thermax Co-gen Ltd.	0.50	0.50	0.50
71 9,88,776 (Previous Year 9,88,776) Equity Shares of Rs.10/- each in Thermax Energy Performance Services Ltd.*	0.99	0.99	0.99
72 14,55,000 (Previous Year 14,55,000) Equity Shares of USD 1/- each in Thermax International Mauritius Ltd.	6.78	6.78	6.78
73 8,50,300 (Previous Year 5,83,999) Equity Shares of Brazilian Real 1/- each in Thermax do Brasil - Energia e Equipamentos Ltda.	1.35	1.35	0.91
74 32,16,608 (Previous Year 10,000) Equity Shares of HKD 1/- each in Thermax Hong Kong Ltd.	1.91	1.91	0.01
Application Money			
Towards Shares	Nil	Nil	0.06
	311.93	320.97	281.14
Less: Provision for diminution in value of investments		4.81	5.06
		316.16	276.08

* Subject to the terms and conditions of Shareholders' Agreement

	As at March 31, 2005		As at March 31, 2004	
	Cost Rs. Crores	Market Value Rs. Crores	Cost Rs. Crores	Market Value Rs. Crores
Aggregate Value of Quoted Investments	271.70	278.67	241.64	241.74
Aggregate Value of Un-quoted Investments	49.27	—	39.50	—

Following investments were purchased and sold during the year :

Name Units	No of Units in Crores	Face Value Rs. Crores	Cost of Acquisition Rs. Crores
Birla Cash Plus Institutional Premium Daily Dividend Plan of Birla Sunlife Mutual Fund	3.70	37.05	37.07
HDFC Savings Plus Plan of HDFC Mutual Fund	2.57	25.73	25.75
HSBC Cash fund Institutional Plan of HSBC Mutual Fund	0.97	9.75	10.18
Grindlays Cash Manager Institutional Plan B Weekly Dividend Plan of Standard Chartered Mutual Fund	0.39	3.90	4.02
Grindlays Cash Manager Super Institutional Plan C Weekly Dividend Plan of Standard Chartered Mutual Fund	3.23	32.32	32.33
Grindlays Cash Manager Institutional Plan B of Standard Chartered Mutual Fund	1.44	14.35	14.79

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

Name Units	No of Units in Crores	Face Value Rs. Crores	Cost of Acquisition Rs. Crores
Grindlays Cash Manager Institutional Plan C Daily Dividend option of Standard Chartered Mutual Fund	1.00	10.02	10.02
JM high liquid-Super Institutional Plan Dividend option of JM Mutual Fund	1.42	14.21	14.24
Templeton liquid-Treasury Mgmt Account of Templeton Mutual Fund	0.03	27.80	27.81
Reliance Treasury Institutional Plan Dividend Option of Reliance Mutual Fund	0.66	6.57	10.03
Reliance Fixed Term Scheme Monthly Plan 7 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Monthly Plan 8 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Monthly Plan 9 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
JM Fixed Maturity Scheme Quarterly Plan QSA 3 Dividend option of JM Mutual Fund	0.50	5.00	5.00
Pru-ICICI Fixed Maturity Scheme Quarterly Plan 26 Dividend option of Pru-ICICI Mutual Fund	1.10	11.00	11.00
JM Fixed Maturity Scheme Quarterly Plan QSB 3 Dividend option of JM Mutual Fund	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan 10 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Quarterly Plan 5 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Birla Fixed Term Scheme Quarterly Series 1 Plan A Dividend option of Birla Sunlife Mutual Fund	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan 12 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
JM Fixed Term Scheme Quarterly Plan QSA 4 Dividend option of JM Mutual Fund	0.50	5.00	5.00
Birla Fixed Term Scheme Quarterly Series 3 Plan A Dividend option of Birla Sunlife Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Monthly Plan 13 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Quarterly Plan 7 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Birla Fixed Term Scheme Quarterly Series 2 Plan A Dividend option of Birla Sunlife Mutual Fund	1.50	15.00	15.00
Pru-ICICI Fixed Term Scheme Quarterly Plan Series XXV Dividend option of Pru-ICICI Mutual Fund	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan 14 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Grindlays Fixed Term Scheme Quarterly Plan 3 Dividend option of Standard Chartered Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Monthly Plan 15 Dividend option of Reliance Mutual Fund	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan 16 Dividend option of Reliance Mutual Fund	1.50	15.00	15.00
JM Fixed Term Scheme Quarterly Plan QSG 4 Dividend option of JM Mutual Fund	1.50	15.00	15.00
Reliance Vision Fund Growth option of Reliance Mutual Fund	0.02	0.15	1.15
Equity Shares of National Thermal Power Corporation	0.01	0.07	0.42
Total		417.92	423.81

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Sch 18 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 6			
INVENTORIES			
(As valued and certified by Management)			
	1 (g)		
Raw Materials and Components [Including Rs.5.56 Crores Goods in Transit (Previous year Rs. 3.75 Crores)]		58.84	34.29
Work-in-Progress		12.08	11.87
Finished Goods		11.03	10.01
Stores, Spare Parts and Tools		3.97	3.34
		<u>85.92</u>	<u>59.51</u>
SCHEDULE 7			
SUNDRY DEBTORS			
Unsecured			
Debts Outstanding for a period exceeding six months			
Considered good		17.74	6.66
Considered doubtful		15.16	11.46
Less : provided for		15.16	11.46
Other Debts		155.12	111.33
		<u>172.86</u>	<u>117.99</u>
SCHEDULE 8			
CASH & BANK BALANCES			
Cash in hand		0.50	0.42
Bank Balances & remittances in transit :			
With Scheduled banks :			
In Current accounts		8.89	16.43
In Deposit accounts		0.01	0.01
With Other Banks: In Current Accounts			
Bangkok Bank - Bangkok [Maximum balance during the year Rs. 0.09 Crores (Previous year Rs. 0.05 Crores)]		0.01	0.01
PT Bank Mandiri - Indonesia [Maximum balance during the year Rs. 0.16 Crores (Previous year Rs. 0.10 Crores)]		0.03	0.04
Bank Bumiputra - Malaysia [Maximum balance during the year Rs. 0.11 Crores (Previous year Rs. 0.11 Crores)]		0.03	0.03
Bank Austria - Moscow [Maximum balance during the year Rs. 0.07 Crores (Previous year Rs. 0.11 Crores)]		0.02	0.05
Standard Chartered Grindlays Bank - Bangladesh [Maximum balance during the year Rs. 0.08 Crores (Previous year Rs. 0.07 Crores)]		0.05	0.06
Remittance in Transit		1.61	1.58
		<u>11.15</u>	<u>18.63</u>

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Sch 18 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 9			
LOANS & ADVANCES			
Unsecured, considered good			
Advances recoverable in cash or in kind or for value to be received		37.94	14.53
Advances for Capital Expenditure		0.44	0.17
Loans & Advances to Subsidiary Companies (Net of dues Rs. Nil)	12	5.45	3.86
Advances to Staff and Workers [Including Advances to Directors & Officers Rs. Nil (Previous year Rs. Nil)] [Maximum balance Rs. Nil (Previous year Rs. Nil)]		4.03	3.91
Balance in Central Excise & Customs Accounts		1.20	2.31
Sundry Deposits [Including Deposits with Directors Rs. 0.40 Crores (Previous year Rs. 0.40 Crores)] [Maximum balance Rs. 0.40 Crores (Previous year Rs.0.40 Crores)]		6.49	7.59
Advance Payment of Income Tax and Wealth Tax [Net of Provision of Rs. 178.25 Crores (Previous year Rs.150.95 Crores)]		14.41	17.92
		69.96	50.29
SCHEDULE 10			
CURRENT LIABILITIES			
Acceptances		5.46	7.56
Customer Advances		123.31	66.56
Sundry Creditors	3	131.84	65.63
Other Liabilities	11	35.32	27.55
Trade Deposits		1.22	1.52
		297.15	168.82

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Sch 18 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 11			
PROVISIONS			
	1(j)		
Proposed Equity Dividend		28.60	28.60
Proposed Preference Dividend		2.86	1.50
Provision for Tax on Dividend		4.41	3.85
Provision for Employee Retirement & Other Benefits	1(i) & 22	5.77	4.16
		<u>41.64</u>	<u>38.11</u>
SCHEDULE 12			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
	1(h)		
A. Technical Know-how			
Per last Balance Sheet		1.03	1.65
Add: Incurred during the period		—	—
		<u>1.03</u>	<u>1.65</u>
Less: Amortised during the period		0.32	0.62
	(A)	<u>0.71</u>	<u>1.03</u>
B. Software Expenses			
Per last Balance Sheet		0.09	0.20
Add: Incurred during the period		—	—
		<u>0.09</u>	<u>0.20</u>
Less: Amortised during the period		0.09	0.11
	(B)	<u>—</u>	<u>0.09</u>
C. Voluntary Retirement Scheme Expenses			
Per last Balance Sheet		—	5.80
Add: Incurred during the period		—	—
		<u>—</u>	<u>5.80</u>
Less: Amortised during the period		—	5.80
	(C)	<u>—</u>	<u>—</u>
	(A+B+C)	<u>0.71</u>	<u>1.12</u>

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2005

	Sch 18 Note No. Reference	Year ended March 31, 2005 Rs. Crores	Year ended March 31, 2004 Rs. Crores
SCHEDULE 13			
SALES AND OTHER INCOME			
I. Sales	1(k) & 7		
(i) Domestic		784.94	494.51
Less: Excise Duty		48.25	34.86
Net Sales		736.69	459.65
Add : Closing CIP		(11.42)	(14.22)
Less : Opening CIP		(14.22)	—
		739.49	445.43
(ii) Exports		179.91	110.84
Add : Closing CIP		1.63	6.17
Less : Opening CIP		6.17	—
		175.37	117.01
(iii) Trading Exports		1.02	1.44
Total Sales	(I)	915.88	563.88
II. Other Income from Operations			
(i) Claims and Refunds		0.27	0.36
(ii) Balances Earlier Written Off Now Recovered		0.43	0.68
(iii) Profit on Sale of Assets		0.13	—
(iv) Commission		1.99	2.87
(v) Sale of Scrap		5.58	3.07
(vi) Exchange Difference Income	1(m) & 14	2.55	—
(vii) Provision for Doubtful Debt Written-Back		—	3.16
(viii) Premium on Forward Contracts (net)	1(m) & 14	0.02	—
(ix) Miscellaneous Income		3.77	9.28
Total Other Income from Operations	(II)	14.74	19.42
III. Other Income			
A. From Investments			
(i) Dividend from subsidiaries		0.60	—
(ii) Dividend - others		9.18	18.69
(iii) Interest		0.25	2.61
(iv) Profit/(Loss) on Sale of Investment		0.24	(1.29)
(v) Provision for Diminution in value of Investments Written Back		0.25	0.12
(vi) Miscellaneous Income		—	0.03
Total Income from Investments	A	10.52	20.16
B. From Leasing			
Lease Rentals	1 (n)(ii)	0.02	0.35
[Net of Lease Equalisation Rs. 0.01 Crores (Previous year Rs. 0.01 Crores)]			
Total Income from Leasing	B	0.02	0.35
Total Other Income	(III)(A+B)	10.54	20.51
	(I+II+III)	941.16	603.81

**Schedules attached to and forming part of the Profit and Loss Account for the year ended
March 31, 2005**

	Sch 18 Note No. Reference	Year ended March 31, 2005 Rs. Crores	Year ended March 31, 2004 Rs. Crores
SCHEDULE 14			
MATERIALS			
A. Consumption of raw materials and components	1 (g)		
Opening Stocks		33.88	25.22
Add: Purchases (Including cost of goods resold)		654.95	359.92
		688.83	385.14
Less: Closing Stocks		57.15	33.88
	(A)	631.68	351.26
B. (Increase)/Decrease in stocks			
Opening Stocks:			
Work-in-Progress		11.87	9.25
Finished Goods		10.01	12.49
		21.88	21.74
Less: Closing Stocks :			
Work-in-Progress		12.08	11.87
Finished Goods		11.03	10.01
		23.11	21.88
	(B)	(1.23)	(0.14)
	(A)+(B)	630.45	351.12
SCHEDULE 15			
PERSONNEL			
Salaries, wages , bonus, testimonials and allowances	4	69.11	56.64
Gratuity		3.08	2.45
Contribution to Provident and other Funds		6.88	5.64
Staff Welfare Expenses		4.20	3.31
		83.27	68.04

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2005

	Sch 18 Note No. Reference	Year ended March 31, 2005 Rs. Crores	Year ended March 31, 2004 Rs. Crores
SCHEDULE 16			
OTHER EXPENSES			
a.		6.60	4.98
b.		6.31	5.83
c.		6.03	5.16
d.		4.77	3.50
e.		1.19	1.20
f.		0.04	0.21
g.		0.57	0.56
h.		1.68	1.07
i.			
Building		1.22	1.83
Plant and Machinery		2.56	2.24
Others		3.11	2.61
j.		4.53	4.00
k.		18.66	16.80
l.		1.24	1.23
m.		8.20	4.69
n.		8.21	7.49
o.		9.76	7.16
p.		6.63	4.82
q.		3.24	2.08
r.		18.92	7.64
s.		1.90	1.60
t.		0.24	0.06
u.		1.90	1.78
v.		3.88	—
w.	1(p)(ii)	3.67	0.93
x.	1(p)(i)	0.88	0.36
y.		0.29	0.18
z.		0.00	—
aa.		—	0.03
ab.		0.52	0.39
ac.	5	6.53	5.57
ad.	1(h)	0.41	0.63
		133.69	96.63
SCHEDULE 17			
INTEREST			
Interest on:			
Fixed Period Loans		—	—
Others		0.65	0.40
		0.65	0.40

Schedules forming part of the Accounts

SCHEDULE 18

NOTES TO ACCOUNTS

1. Significant Accounting Policies

a) Basis for Preparation of Financial Statements

The financial statements have been prepared under historical cost convention on accrual basis and comply with Accounting Standards referred to in section 211(3C) and other relevant provisions of the Companies Act, 1956.

b) Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

c) Fixed Assets – Tangible and Intangible Assets

- i. Tangible fixed assets are stated at cost (net of refundable taxes or levies) and include any other attributable cost for bringing the assets to working condition for their intended use.
- ii. Borrowing costs, if any, attributable to fixed assets, are capitalised.
- iii. Machinery specific spares other than those required for regular maintenance are capitalised as a part of the tangible fixed assets.
- iv. Expenditure incurred on acquisition or development of goodwill, technical know-how, software, patents, research and development and such other intangibles are recognised as Intangible Asset, if it is expected that such assets will generate sufficient future economic benefits.
- v. Exchange differences on liability relating to imported fixed assets are adjusted in the carrying cost of the respective fixed assets.

d) Depreciation

- i. Cost incurred on Leasehold land is amortised over the period of lease.
- ii. Depreciation on all tangible fixed assets is provided by the straight line method in the manner and at the rates prescribed in

Schedule XIV to the Companies Act, 1956, except in case of data processing equipments/computers, which are depreciated at a higher rate of 33.33% as compared to 16.21% provided in Schedule XIV.

- iii. Depreciation in respect of capitalized machinery specific spares, whose use is expected to be irregular, is charged over the remaining useful life of the related item of plant and machinery. The written down value of such spares is charged to profit and loss account when issued for consumption.
- iv. Intangible assets are amortised by straight line method over the estimated useful life of such asset. The useful life is estimated based on the evaluation of future economic benefits expected of such assets.
- v. Depreciation on exchange rate variance capitalized as a part of the fixed assets, is provided prospectively over the remaining useful life of the related assets.
- vi. Depreciation on the entire plant and machinery of chemical division is charged considering the chemical plant as a “Continuous Process Plant”.

e) Asset Impairment

Provision for impairment loss is recognized to the extent by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is determined on the basis of the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

f) Investments

Investments classified as Long-term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary in nature, in the carrying amount of such long-term investments.

g) Inventories

- i. Inventories are valued at lower of cost and estimated net realisable value.

- ii. Cost of raw materials, components, consumables, tools, stores & spares is arrived at on the basis of weighted average cost.
- iii. Cost of finished goods & work in progress is arrived at on the basis of weighted average cost of raw materials & the cost of conversion thereof for bringing the inventories upto their present location and condition.
- iv. Inventory obsolescence is provided for on the basis of standard norms.

h) Deferred Revenue Expenditure

Expenditure incurred up to 31st March 2003, on research and development, technical know-how and software, other than those capitalised as fixed asset or expensed out as revenue expenditure, are being amortised over a period of time (maximum six years) depending upon the nature of the expenditure and evaluation of future benefits there from.

i) Retirement and other Employee Benefits

- i. Contributions to approved Provident and Superannuation Funds, being defined contribution schemes, are made on actual liability basis calculated as a percentage of salary.
- ii. Contribution to Gratuity Fund, being a defined benefit scheme, is paid by way of premium under Group Gratuity – cum – Life Assurance Policy (Cash accumulation) administered by Life Insurance Corporation of India (LIC), at the rate computed by LIC. Therefore, no note is taken of the difference in the amount of actuarial liability and the balance in the fund account with LIC.
- iii. Leave encashment benefit is provided on the basis of actuarial valuation.
- iv. Liability on account of company's obligations under employees' medical reimbursement scheme and leave travel assistance scheme is provided on actual basis

j) Provisions and Contingent Liabilities

- i. Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation.
- ii. The Company provides for warranty obligations on substantial completion of contracts based on technical evaluation

and past experience. The expenditure on warranty claims is included in the cost of material consumed during the year.

- iii. Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

k) Revenue Recognition

- i. Revenue in respect of products is recognized on dispatch of goods to the customer or when they are unconditionally appropriated to the contract.
- ii. Revenue in respect of projects for construction of plants and systems, execution of which is spread over different accounting periods is recognized on the basis of percentage of completion method.
- iii. Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.
- iv. Difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sale is disclosed as contract in progress.
- v. Determination of revenues under the percentage of completion method necessarily involves making estimates by the company, some of which are of a technical nature, concerning where relevant, the percentage of completion, costs to completion, the expected revenue from the contract and the foreseeable losses to completion.
- vi. Supply of spare parts and services are accounted on 'as billed' basis.
- vii. Revenue in respect of long-term service contracts / maintenance contracts is recognized on the basis of stage of completion.
- viii. Dividend from investments is recognized when the company's right to receive is established.

l) Borrowing Costs

- i. Borrowing costs on working capital is charged to profit and loss statement in the year of incurrence.
- ii. Borrowing costs that are attributable to the acquisition of tangible fixed assets are

capitalized till the date of substantial completion of the activities necessary to prepare the relevant asset for its intended use.

- iii. Borrowing costs that are attributable to the acquisition or development of intangible assets are capitalized till the date they are put to use.

m) Foreign Currency Transactions

- i. Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.
- ii. Difference between the forward exchange rate and exchange rate prevailing at the inception of the forward exchange contract is recognised as income or expense over the life of the contract or adjusted in the carrying amount of fixed assets depending upon the nature of transaction.
- iii. Exchange difference is either adjusted in the carrying amount of imported fixed assets or dealt with in the Profit & Loss Account, depending upon the nature of transaction.
- iv. Assets (other than fixed assets) and liabilities denominated in foreign currency are translated at the closing exchange rates, or in cases covered by forward exchange contracts, at the spot exchange rate prevailing at the inception of the forward exchange contract.
- v. Revenue items of foreign branches are translated at weighted average rate.

n) Leases

- i. **Leases Acquired:** Assets acquired under finance leases are recognised at lower of the fair value of the leased assets at inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction in the outstanding liability. The finance charge is allocated to the periods during the lease term at a constant periodic interest on the remaining balance of the liability.
- ii. **Leases Given :**
 - a) For assets manufactured by the Company and given on finance lease upto 31st March, 2001, lease rentals are accounted for on accrual basis, except in cases where there is significant

uncertainty regarding ultimate collection in which case they are accounted for as and when received. Finance income on the lease transaction is calculated by applying the interest rate implicit in the lease to the cost of the leased assets.

- b) Assets manufactured by the Company and leased under finance lease up to and including F.Y. 2000-01 are shown at cost as "Machinery given on Lease" under the head Fixed Assets. The cost of the assets leased is charged to the Profit & Loss Account over the primary lease period. This annual charge comprises of depreciation provided for on straight-line method as per the rates prescribed in Schedule XIV of the Companies Act, 1956 and a lease equalisation charge.
- c) Assets manufactured by the Company and given on finance lease on or after 1st April 2001 have been accounted for in accordance with Accounting Standard 19 (AS 19) issued by The Institute of Chartered Accountants of India where in assets given under finance lease have been appropriately recognised as a receivable and finance income is recognised at an appropriate rate of return on the outstanding net investment.

o) Taxes on Income

- i. Current tax is provided on the basis of estimated tax liability, computed as per applicable provisions of the Income Tax Act, 1961.
- ii. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

p) Others

- i. Liquidated damages are charged to Profit & Loss Account, on the basis of deduction made by customers.
- ii. Provision for doubtful debts is made on the basis of standard norms in respect of Debtors outstanding beyond predefined period.

2. Contingent Liability

- a) Disputed demands in respect of Excise, Customs Duty, Sales Tax and other Statutes Rs. 8.78 crores (*Previous Year Rs. 8.58 crores*)
- b) Income Tax
 - i) Demands disputed in appellate proceedings Rs. 21.43 crores (*Previous Year Rs. 22.73 crores*). The appeals filed by the Company involving disputed demands of Rs.19.06 crores have recently been decided. This is likely to substantially reduce the amount of disputed demands. The Income Tax department is yet to give effect to these orders, pending which, no change has been made in the said amount of disputed demands.
 - ii) References/Appeals preferred by Income Tax department in respect of which, should the ultimate decision be unfavourable to the Company, the liability is estimated to be Rs. 8.89 crores (*Previous Year Rs. 6.03 crores*).
- c) Guarantee of Rs. 0.01 crores given to Government of Haryana in respect of Thermax Capital Ltd., a subsidiary of the Company (*Previous Year Rs. 0.01crores*).
- d) Counter Guarantees given by the Company to the banks on behalf of group companies :

Rs. 6.74 crores on behalf of Thermax Engineering Construction Co. Ltd and Rs. 3.96 crores on behalf of ME Engineering Ltd, towards securing advances received from clients and performance of contracts (*Previous Year Rs. 2.41 crores for Thermax Engineering Construction Co. Ltd and Rs. 1.92 crores for ME Engineering Ltd.*)
- e) Counter Guarantees given to the banks for guarantees issued by them on Company's behalf Rs. 137.61 crores (*Previous Year Rs. 92.20 crores*).
- f) Indemnity Bonds/Corporate Guarantees given by the Company to the customers on behalf of ME Engineering Ltd. Rs. 2.78 crores (*Previous Year Rs. 1.65 crores*) and for securing banking facilities obtained by ME Engineering Ltd. Rs. 16.95 crores (*Previous Year Rs. 16.60 crores*).
- g) Indemnity Bonds/Corporate guarantees given to Customs, other Government departments and various customers Rs. 16.22 crores (*Previous Year Rs. 11.29 crores*)
- h) Liability for unexpired export obligations Rs. 5.28 crores (*Previous Year Rs. 0.31 crores*)

- i) Claims against the Company not acknowledged as debts Rs. 0.18 crores (*Previous Year Rs. 0.18 crores*).
- j) Bills Discounted with banks Rs. 12.69 crores (*Previous Year Rs. 12.08 crores*).
- k) Liability in respect of partly paid shares in Parasrampuriah Synthetics Ltd. Rs. 0.19 crores (*Previous Year Rs. 0.19 crores*).
- l) Future lease obligations in respect of vehicles and computers taken on lease Rs. Nil (*Previous Year Rs. 0.01 crores*).

3. Small Scale Industries

Dues to Small Scale Industrial (SSI) Undertakings have been worked out on the basis of information available with the Company, regarding status of the suppliers and has been relied upon by the auditors.

Sundry Creditors include Rs. 22.30 crores (*Previous Year Rs. 7.60 crores*) due to SSI Undertakings. Out of this, Rs. 21.62 crores (*Previous Year Rs. 5.66 crores*) are due to SSI Undertakings, listed below, each outstanding for more than Rs. 1 lac, within the agreed terms:

A K Industries, Abhiraj Plastic Industries, Alfa Plast, Alliance Engineering Co, Anand Udyog, Anuradha Industries, Anvin Engineers & Instruments, Asco (India) Ltd, Associated Engineers, Autoswitch Engineers (I) Pvt Ltd, Ayushi Abhiyanta Pvt Ltd, Basava Engineers, Bestall Engineering Works, Bonduct Processors Pvt Ltd, Britex Engineering Works, Chaitraa Engineers, Citizen Engineering Works, Creative Moulding Industries, D K Industries, Dalvi Enterprises, Dandekar Industries, Dhanlaxmi Industries, Electro Fab, Fab Electronic Engineers Pvt. Ltd, Finlay Insulations, G L Engineers, Gauges Bourden (India)Pvt Ltd, Grace Fabricators, Grace Metal Works, Guddi Plastics Private Limited, Har Har Udyog, Hrithik Tools Pvt Ltd, Indmark Formtech Pvt Ltd, Indus Metal Works, Kaj Engineering Works, Kiran Engineering Works, Levcon Valves Pvt Ltd, Marvellous Plastics, Master Fab Engineers, Mech Tech Engineers, Metal Arts, Metapow Industries, Mhetre Industries, Mortex India, Nutech Engineers, P K Industries, Parekh Engineering, Perfect Engineering Works, Praxair India Pvt Ltd, Prompt Engineering Works, R R Industries, Radhika Fabricators, Rashmi Fabricators, Rushas Engineering Co Ltd, Sai Tech Engineers, Sampradeep Engineering Company, Screw Tech Engineering Pvt Ltd, Shembekar Foundry Pvt Ltd, Shree Fabricators, Shree Ganesh Engineering Works, Shri Swami Samarth Engg, Shubham Engineering Works, Soor Neogi Coomar & Co Pvt Ltd, Stacil Engineering Pvt Ltd, Standard

Equipments Pvt Ltd, Star-Mech Controls (I) Pvt Ltd, Sunbeam Rubber Linings, Systems Technologies, Tanna Udyog, Texas Engineering, Thermal Associate Pvt Ltd, Universal Engineering Works, Utility Projects And Services, Varnna Fabricators, Venkateshwara Automation & Controls P Ltd, Venkateshwara Micropans Pvt Ltd, Vikrant Industries, Waghole Engineering Projects, Waghole Udyog, Western Rubber Works Pvt Ltd, Winner Engineers.

4. Managerial Remuneration

a) Managerial Remuneration : **

	Rs. Crores	
	2004 - 05	2003 - 04
(i) Salary	0.65@	0.49 @
(ii) Contribution to Provident & other funds	0.09	0.06
(iii) Perquisites in cash or in kind	0.06	0.03

** Within the limits specified by Schedule XIII of the Companies Act, 1956.

@ includes Rs. 0.30 crores (Previous Year Rs. 0.25 crores) commission payable to the Managing Director.

b) Computation of Net Profit in accordance with Section 198 and 309(5) of the Companies Act, 1956.

	Rs. Crores	
	2004 - 05	2003 - 04
(A) Profit Before Tax and Extra Ordinary Items	83.02	78.25
(B) Add:		
Remuneration to Directors	0.80	0.58
Directors sitting fees	0.13	0.08
Loss on sale of investment	Nil	1.29
Provision for diminution in investment	Nil	Nil
Loss on discarded assets	0.65	0.36
Loss on sale of assets	0.23	Nil
	B	
	<u>1.81</u>	<u>2.31</u>
	(A+B)	
	<u>84.83</u>	<u>80.56</u>
(C) Less:		
Profit on sale of assets	0.13	Nil
Profit on sale of investment	0.24	Nil
Write-back of provision for diminution in the value of investments	0.25	0.12
	C	
	<u>0.62</u>	<u>0.12</u>
Net profit as per Section 349 & 350 of the Companies Act, 1956	(A+B-C)	
	<u>84.21</u>	<u>80.44</u>
Remuneration to Whole-time Director(s) restricted to	<u>4.21</u>	<u>4.02</u>

5. Auditors' Remuneration & Directors fees

Miscellaneous expenses include:

	Rs. Crores	
	2004 - 05	2003 - 04
a) Auditors' Remuneration (excluding service tax)		
i) As Auditors	0.18	0.15
ii) For Taxation matters (including tax audit)	0.04	0.04
iii) Company Law and allied matters	0.02	Nil
iv) Certification Fees	0.01	Nil
v) Reimbursement of expenses	0.01	0.01
b) Directors' fees	0.13	0.08

6. Additional Information under Part II of Schedule VI to the Companies Act, 1956

(Value in Rs. Crores)

A) Production and Stock

Particulars	Units	Installed Capacity	Prod. Qty.		Closing stock as on 31.03.2005		Closing stock as on 31.03.2004	
			2004-2005	2003-2004	Qty.	Value	Qty.	Value
Energy Products & Systems	Nos.	4,300	1,887	1,751	131	8.17	142	6.15
Environmental Products & Systems :								
a) Air Pollution Control Plants & Systems	Nos.	-	426	393	-	-	46	0.56
b) Water & Waste Treatment Plants	Nos.	-	1,182	899	-	-	1	0.05
c) Ion Exchange Resins & Chemicals	M.Ton	33,191	11,414	11,279	703	2.86	684	3.25
Components & Spares	Numerous					3.97		3.34
Total						15.00		13.35

Note: Installed capacity has been certified by the management and has been accepted by the Auditors without verification, this being a technical matter.

B) Turnover of goods manufactured & traded (Net of Excise)

Particulars	Unit	2004-05		2003-04	
		Qty.	Value	Qty.	Value
Energy Products & Systems	Nos.				
(i) Completed		1,884	334.71	1,778	230.49
(ii) Ongoing		71	237.34	31	105.03
Environmental Products & Systems	Nos.				
a) Air Pollution Control Plants & Systems					
(i) Completed		329	75.34	248	11.06
(ii) Ongoing		16	38.81	54	44.21
b) Water & Waste Treatment Plants	Nos.				
(i) Completed		1,066	42.26	816	22.48
(ii) Ongoing		37	46.08	66	26.65
c) Ion Exchange Resins & Chemicals	M.Tons	10,908	84.45	10,616	72.17
Goods traded in	Numerous		9.65		12.02
Accessories, spares, erection, commissioning, services etc.			47.24		39.77
Total			915.88		563.88

Notes:

- 1) Quantitative turnover figures are excluding sales returns and trading quantities
- 2) a) Energy Products & Systems :
 - i) 4 nos. scrapped during the year (Previous Year 2 nos.)
 - ii) 6 nos. used for captive consumption (Previous Year 7 nos.)
 - iii) 4 nos. free replacements (Previous Year 6 nos.)
- b) Environmental Products & Systems :
 1. Air Pollution Control Plants & Systems
143 nos. used for captive consumption (Previous Year 132 nos.)
 2. Water & Waste Treatment Plants
117 nos. used for captive consumption (Previous Year 82 nos.)
 3. Ion Exchange Resins & Chemicals
 - i) 475 M.Tons used for captive consumption (Previous Year 272 M. Tons)
 - ii) 11 M.Tons free replacements (Previous Year 18 M. Tons)

C) Consumption of Raw Materials, Components etc.

Particulars	Unit	2004-05		2003-04	
		Qty.	Value	Qty.	Value
Ferrous Sheets, Plates	M. Tons	8,384	28.50	6,104	18.31
Ferrous Tubes	Numerous		34.71		29.31
Fabricated Items	Numerous		272.03		151.69
Chemical	M. Tons	18,802	60.58	17,653	49.69
Purchase of goods for resale	Numerous		6.97		5.52
Others	Numerous		227.66		96.60
Total			630.45		351.12

D) Value of Imported & Indigenous Raw Materials, Components & Spare Parts consumed

Particulars	%	2004-05	%	2003-04
(i) Imported	14	88.57	17	58.79
(ii) Indigenous	86	541.88	83	292.33
Total	100	630.45	100	351.12

E) CIF Value of Imports

Particulars	2004-05	2003-04
a) Raw Materials	53.34	37.69
b) Components & Spares	37.50	23.21
c) Consumables	0.67	0.27
d) Capital Goods	6.87	0.73
Total	98.38	61.90

F) Earnings in Foreign Currency (on accrual basis)

Particulars	2004-05	2003-04
a) Exports of goods on FOB	178.92	111.57
b) Know-how	0.10	0.21
c) Others	1.85	1.30
Total	180.87	113.08

G) Expenditure in Foreign Currency (on accrual basis)

Particulars	2004-05	2003-04
a) Technical fees	1.10	1.58
b) Expenses at foreign offices	5.06	4.42
c) Royalty	1.56	1.59
d) Travelling, Commission on sales, etc.	8.67	7.60
e) Capital Expenditure at foreign offices	0.29	0.22
Total	16.68	15.41

7. Contracts in Progress (CIP)

Particulars	Rs. Crores	
	2004-05	2003-04
A Aggregate amount recognised as Contract Revenue	472.16	211.18
B In respect of Contracts in Progress as on 31.03.2005 :		
i) Aggregate amount of Costs incurred and recognised profits (less recognised losses) up to 31.03.2005	561.08	201.43
ii) Amount of Customer Advances received	101.05	72.79
iii) Amount of Retentions	20.65	7.85
C Gross amount due from customers for contract work	19.65	11.54
D Gross amount due to customers for contract work	29.43	19.59

8. Deferred Tax

Particulars	Rs. Crores	
	2004 - 05	2003 - 04
Major components of deferred tax asset:		
i) Provision for Doubtful Debts	5.10	4.11
ii) Diminution in Value of Investments	0.54	0.52
iii) Others	2.26	3.79
Total	<u>7.90</u>	<u>8.42</u>
Major components of deferred tax liability:		
i) Depreciation on Fixed Assets	15.84	15.65
ii) Capital Expenditure on R & D Assets	0.65	0.70
iii) Others	(0.39)	(0.16)
Total	<u>16.10</u>	<u>16.19</u>
Net Deferred Tax Liability	<u>8.20</u>	<u>7.77</u>

Deferred tax debit of Rs. 0.43 crores for the year (*Previous Year credit Rs.1.64 crores*) has been recognised in the Profit & Loss Account of the year.

9. Share Capital

Issued, Subscribed & Paid up Equity Capital includes 21,35,640 Equity Shares of Rs.10/- each allotted as fully paid up for consideration other than cash as per various schemes of amalgamation and 34,27,500 shares of Rs.10/- each issued by way of bonus shares on capitalisation of General Reserve.

Issued, Subscribed & Paid up Preference Capital represents 6% Redeemable Preference Shares (RPS) of Rs.10/- each issued by way of bonus shares on capitalisation of Share Premium. These RPS are redeemable not later than three years from the date of allotment, as may be decided by the Company.

10. Secured Loan

Borrowing for working capital (packing credits, shipping loans, cash credits & overdrafts) from banks is secured by hypothecation of present and future stock of raw materials, consumables, spares, semi-finished goods, finished goods & book debts.

11. Other Liabilities

Other Liabilities include following amounts which will be credited to Investors Education and Protection Fund (on expiry of the specified period, if the amount remains unclaimed at that time):-

	Rs. Crores	
	As on 31.03.2005	As on 31.03.2004
i) Unclaimed Dividend	0.30	0.28
ii) Unclaimed Matured Deposits	0.01	0.01

12. Disclosure of amounts at the year end and the maximum amount of loans / advances / investments outstanding during the year

Loans and Advances in the nature of loans to subsidiaries :

Rs. Crores

	Name of subsidiary	Bal. Outstanding As on 31.3.2005	Maximum Bal. Outstanding During the Year
1.	Thermax Energy Performance Services Ltd.*	0.58	0.58
2.	Winman Gas Ltd.*	1.77	1.77
3.	Thermax Hong Kong Ltd.*	0.04	0.04
4.	Thermax Surface Coatings Ltd.	1.78	1.78
5.	Thermax (Rus) Ltd.*	—	0.03

* Loans and Advances in the nature of loans where there is :

- i) no repayment schedule or repayment beyond seven years or
- ii) no interest or interest below section 372A of the Companies Act, 1956.

13. In cases where letters of confirmation have been received from parties, book balances have been generally reconciled and adjusted, if required. In other cases, balances in accounts of sundry debtors, sundry creditors and advances or deposits have been taken as per books of account.

14. Foreign Exchange Transactions

- a) Net foreign exchange gain dealt with in the Profit & Loss Account is Rs. 2.55 crores (*Previous Year loss Rs. 0.03 crores*).
- b) The net amount of foreign exchange difference (income) in respect of forward exchange contracts to be recognised in subsequent accounting period is Rs. 0.02 crores (*Previous Year Rs. 0.01 crores*).
- c) The net amount of foreign exchange difference (expense) in respect of forward exchange contracts to be accounted for in subsequent accounting period is Rs. 0.01 crores (*Previous Year Rs. 0.01 crores*).

15. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 2.31 crores (*Previous Year Rs. 3.19 crores*).

16. Capitalisation of expenses

- a) Machinery given on lease (prior to 1.4.2001) Rs. 0.46 crores (*Previous Year Rs. 2.51 crores*) represents raw materials and other costs capitalised. Depreciation thereon comprises of statutory depreciation Rs. 0.11 crores and lease equalisation Rs. 0.32 crores (*Previous Year Rs. 0.39 crores and Rs. 2.02 crores respectively*).
- b) Raw materials, labour and overheads capitalised in respect of other Plant & Machinery Rs. 0.02 crores (*Previous Year Rs. Nil*).
- c) Foreign exchange fluctuation capitalised during the year amounted to Rs. 0.11 crores (*Previous Year Rs. 0.02 crores*).

17. Previous year's expenses / income included under various heads of accounts

	Rs. Crores
Drawing, Design and Technical Service Charges	0.03
Legal & Professional Charges	0.03
Other Selling & Distribution Expenses	0.05
Miscellaneous Income	0.01

18. Segment Reporting

- i. The Company has disclosed Business Segment as the primary segment. Segments have been identified by the management taking into account the nature of the products, manufacturing process, customer profiles, risk and reward parameters and other relevant factors.

The Company's operations have been mainly classified between two primary segments, 'Energy' and 'Environment'. Composition of business segments is as follows :

Segment Products Covered

a) Energy	Boilers and Heaters, Absorption Chillers/Heat Pumps, Power Plants.
b) Environment	Air Pollution Control Equipments/ Systems, Water & Waste Recycle Plants, Ion Exchange Resins & Performance Chemicals.

- ii. Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis.

The expenses, which are not directly attributable to the business segment, are shown as unallocated cost.

Assets and Liabilities that cannot be allocated between the segments are shown as a part of unallocated Assets and Liabilities respectively.

- iii. Secondary segments have been identified with reference to geographical location of external customers. Composition of secondary segment is as follows:

- a) India
b) Outside India

- iv. Inter-segment transfer price is arrived at on the basis of cost plus a reasonable mark-up.

D) Information about Primary Business Segments

Rs. Crores

Particulars	2004-05		
	Energy	Environment	Total
Revenue:			
Gross Revenue	639.42	326.23	965.65
Less : Inter-segment Revenue	7.42	27.61	35.03
Net Revenue	632.00	298.62	930.62
Result:			
Segment Result	69.61	31.40	101.01
Unallocated expenses net of unallocated income			17.34
Operating Profit			83.67
Interest expenses			0.65
Taxation for the year			27.73
Profit after taxation and before exceptional items			55.29
Extra-ordinary items of expenses			-
Net Profit			55.29
Other Information:			
Segment Assets	291.16	155.30	446.46
Unallocated Corporate Assets			339.95
Total Assets			786.41
Segment Liabilities	232.79	91.09	323.88
Unallocated Corporate Liabilities			52.45
Total Liabilities			376.33
Capital Expenditure	12.43	3.59	16.02
Depreciation	5.52	3.00	8.52
Non-cash expenses other than depreciation	0.25	0.16	0.41

Rs. Crores

Particulars	2003-04		
	Energy	Environment	Total
Revenue:			
Gross Revenue	398.06	207.71	605.77
Less : Inter-segment Revenue	5.94	16.53	22.47
Net Revenue	392.12	191.18	583.30
Result:			
Segment Result	52.08	25.79	77.87
Unallocated expenses net of unallocated income			(0.78)
Operating Profit			78.65
Interest expenses			0.40
Taxation for the year			18.36
Profit after taxation and before exceptional items			59.89
Extra-ordinary items of expenses			5.80
Net Profit			54.09
Other Information:			
Segment Assets	165.28	101.84	267.12
Unallocated Corporate Assets			357.84
Total Assets			624.96
Segment Liabilities	130.67	58.36	189.03
Unallocated Corporate Liabilities			45.26
Total Liabilities			234.29
Capital Expenditure	4.26	3.43	7.69
Depreciation	3.98	2.53	6.51
Non-cash expenses other than depreciation	0.25	0.34	0.59

II) Information about Secondary Segments:

Rs. Crores

Particulars	2004-05	2003-04
Revenue:		
India	754.23	464.85
Outside India	176.39	118.45
Total Revenue	930.62	583.30
Carrying Amount of Segment Assets :		
India	405.26	235.06
Outside India	41.20	32.07
Addition to Fixed Assets :		
India	15.68	7.47
Outside India	0.34	0.22

19. Related Party Disclosures

Related party disclosures as required under Accounting Standard 18 issued by The Institute of Chartered Accountants of India are given below:

Relationship

A) Enterprises controlled by the Company

Subsidiary Companies:

i. Domestic:

Thermax Babcock & Wilcox Ltd.
Thermax Energy Performance Services Ltd.
Thermax Electronics Ltd.
Thermax Engineering Construction Co. Ltd.
Thermax Instrumentation Ltd.

Thermax Surface Coatings Ltd.
Thermax Capital Ltd.
Winman Gas Ltd.
Thermax Co-gen Ltd.

ii. Overseas:

Thermax Europe Ltd., U.K.	Thermax (Rus) Ltd., Russia
Thermax International Ltd., Mauritius	ME Engineering Ltd., U.K.
Thermax Inc., U.S.A.	Thermax Hong Kong Ltd., Hong Kong
Thermax do Brasil Energia e Equipamentos Ltda., Brazil	

B) Individuals having control or significant influence over the Company by reason of voting power and their relatives:

Mrs. Meher Pudumjee – Chairperson
 Mrs. Anu Aga – Director
 Mr. Pheroj Pudumjee – Director

C) Key Management Personnel

Mr. Prakash Kulkarni (Managing Director)

The following transactions were carried out during the year with related parties in the ordinary course of business:

1) Details of transactions with Subsidiary Companies [Refer Note 19 (A) (i) and (ii)]

Particulars	Rs. Crores	
	2004-05	2003-04
I Sales, Services, Other Income & Sale of Fixed Asset		
Sale of Goods:		
Thermax Babcock & Wilcox Ltd	8.06	8.16
Thermax Europe Ltd.	12.28	6.08
Thermax Inc.	25.61	13.59
Others	1.21	1.19
Total	47.16	29.02
Rendering of Services	1.41	2.18
Rent Income	-	0.09
Interest Income	0.04	0.03
Commission	0.12	-
Reimbursement of Expenses/cost of materials/stores	1.72	0.53
Management contracts including for deputation of employees	0.24	0.32
II Purchase of Material/Assets		
Purchase of Goods:		
Thermax Babcock & Wilcox Ltd.	42.13	4.15
Thermax Engineering Construction Co. Ltd.	4.84	4.96
Others	0.56	0.04
Total	47.53	9.15
Purchase of Fixed Assets		
Thermax Babcock & Wilcox Ltd.	-	0.01
III Expenses		
Receiving of Services	0.32	0.88
Leasing Charges	-	0.22
Reimbursement of Expenses	0.73	0.41
Liquidated Damages Paid	0.09	-
Bad Debts / Provision for Doubtful Debts	0.03	-
Management contracts including for deputation of employees	0.45	0.15
Other Expenses	-	0.07

Particulars	Rs. Crores	
	2004-05	2003-04
IV Finance (Including Loan/Equity Contribution) :		
Equity Contribution		
i Thermax do Brasil -Energia e Equipamentos Ltda.	0.44	0.91
ii Thermax Hong Kong Ltd.	1.84	0.07
Total	2.28	0.98
Loans / Advances given		
i Thermax Surface Coatings Limited	1.78	-
ii Thermax Hong Kong Ltd.	0.05	-
Others	0.02	0.33
Total	1.85	0.33
Receipt towards Loan/Advance repayment		
i Thermax Energy Performance Services Ltd.	-	0.50
ii Thermax (Rus) Ltd.	-	0.28
Total	-	0.78
Loans / Advances Written off	0.03	-
Guarantees/Bond/ Collaterals given		
i ME Engineering Ltd.	3.92	1.91
ii Thermax Engineering Construction Co. Ltd.	5.64	2.42
Total	9.56	4.33
Amount Outstanding- Receivable		
Loan / Advances Outstanding		
i Thermax Instrumentation Ltd.	1.27	1.27
ii Winman Gas Ltd.	1.77	1.75
iii Thermax Energy Performance Services Ltd.	0.58	0.57
iv Thermax Surface Coatings Limited	1.79	0.01
v Thermax Hong Kong Ltd.	0.04	-
Total	5.45	3.60
Accounts Receivable	21.24	9.71
Trade Advances Paid	7.16	3.86
Amount Outstanding- Payable		
Accounts Payable	7.53	2.16
Trade Advances Received	1.63	0.14
2) Details of Transaction relating to the Persons referred to in note 19 (B) and (C)		
Nature Of Transaction	2004-05	2003-04
Managerial Remuneration	0.80	0.58
Director Sitting Fees	0.07	0.04
Rent Paid to Directors	0.04	0.04
Loan, Advance/Deposits Outstanding at the end of the year	0.40	0.40

20. Earnings Per Share (EPS)

Earnings per share calculated in accordance with Accounting Standard 20 issued by The Institute of Chartered Accountants of India.

Particulars	2004 - 05	2003 - 04
Profit After Tax (Rs. Crores)	55.29	54.09
Dividend (Including tax on dividend) on Preference Shares (Rs. Crores)	3.26	1.70
Net Profit available for Equity Shareholders (Rs. Crores)	52.03	52.39
Weighted average number of Equity Shares of Rs. 10/- each	23831260	23831260
Basic & Diluted Earnings Per Share (Rs.)	21.83	21.99

21. Disclosure as required by AS – 28 (Impairment of Assets)

In terms of Accounting Standard 28 (AS-28) there was no impairment loss on assets as on 1.04.2004 and also during the year under report.

22. Disclosure as required by AS – 29 (Contingent Liabilities and Provisions)

Particulars	Warranty Provision	Leave Encashment Provision
Opening Balance (April 01, 2004)	3.62	3.11
Additions during the year	5.55	0.99
Utilisation during the year	0.85	-
Reversals during the year	1.80	-
Closing Balance (March 31, 2005)	<u>6.52</u>	<u>4.10</u>

23. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

24. Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. : 22787 State Code : 11
Balance Sheet Date : 31st March, 2005

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue : Nil Rights Issue : Nil
Bonus Issue : Nil Private Placement (including share premium) : Nil

III. Position of Mobilisation & Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities : 7865047 Total Assets : 7865047

Sources of Funds

Paid up Capital : 714938 Reserves & Surplus : 3385918
Secured Loans : Nil Unsecured Loans : Nil

Application of Funds

Net Fixed Assets : 1016202 Investments : 3161564
Net Current Assets : (1984) Misc. Expenditure : 7096
Accumulated Losses : Nil

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover : 9411603 Total Expenditure : 8581383
Profit Before Tax / (Loss) : 830220 Profit After Tax / (Loss) : 552920
Earnings Per Share (in Rs.) : 21.83

V. Generic Names of three Principal Products / Services of the Company (As per monetary terms)

Item Code no. (ITC Code) : 8402.10
Product Description : Steam or other Vapour Generating Boilers
Item Code no. (ITC Code) : 8421.10
Product Description : Purifying Machinery for Liquid or Gases
Item Code no. (ITC Code) : Not Applicable
Product Description : Power Plant

As per our report of even date

For B.K.Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H.P. Mahajani
Partner
Membership No.: 30168

Amitabha Mukhopadhyay
*Exe. Vice President- Finance
& Chief Financial Officer*

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

CASH FLOW STATEMENT

Rs. Crores

	2004-05	2003-04
A Cash flow from Operating Activities		
Net profit before tax	83.02	72.45
<i>Add: Adjustments for</i>		
Depreciation	9.20	8.78
Amortisation of deferred revenue expenses	0.41	0.73
Net Provision for doubtful debts	3.70	(3.21)
Interest (expense)	0.65	0.40
Lease rentals paid	0.04	0.21
Amortisation of VRS expenses	–	5.80
<i>Less: Adjustments for</i>		
Interest / Dividend / Brokerage income	(10.04)	(21.33)
(Profit)/Loss on sale of investment	(0.24)	1.29
(Profit)/Loss on sale of assets	0.74	0.36
Provision for long term investments written back	(0.25)	(0.12)
Lease Rentals received	(0.02)	(0.35)
Operating profit before working capital changes	87.21	65.01
<i>Adjustments for</i>		
Trade and other receivables	(25.22)	11.16
Inventories	(26.41)	(12.55)
Trade payables	73.17	7.37
Contract in progress	1.74	8.05
Cash generated from operations	110.49	79.04
Direct taxes paid	(23.79)	(21.20)
Net cash from operating activities	86.70	57.84
B Cash flow from Investing Activities		
Purchase of fixed assets	(28.60)	(10.91)
Advance for capital expenditure	(0.28)	0.09
Investments in subsidiaries / group companies	(10.03)	(0.98)
Purchase of other investments	(868.79)	(464.95)
Proceeds from sale of investments	839.23	428.32
Loans and Advance to subsidiaries	(1.59)	1.42
Interest / Dividend / Brokerage received	10.48	21.31
Lease Rental received	0.02	0.36
Net cash from investing activities	(59.56)	(25.34)

C Cash flow from Financing Activities

Lease rentals paid	(0.04)	(0.21)
Interest paid	(0.65)	(0.40)
Dividend paid and tax thereon	(33.93)	(32.19)
Net cash from financing activities	(34.62)	(32.80)
Net (decrease)/increase in cash & cash equivalents	(7.48)	(0.30)
Opening cash & bank balances	18.63	18.93
Closing cash & bank balances	11.15	18.63

As per our report of even date
For B. K. Khare & Co.
Chartered Accountants

H. P. Mahajani
Partner
Membership No. : 30168

Pune, May 11, 2005

Meher Pudumjee
Chairperson

Amitabha Mukhopadhyay
*Exe. Vice President - Finance
& Chief Financial Officer*

Prakash Kulkarni
Managing Director

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Statement pursuant to Section 212 of the Companies Act 1956, relating to subsidiary companies.

Amount in Crores

Name of the Subsidiary	Financial Year ending of the Subsidiary	Holding Com-pany's interest in Equity Capital	Currency	For Financial Year of the Subsidiary		For the previous Financial Years of the Subsidiary	
				Net aggregate of Profits or Losses so far it concern the members of the Holding Company and dealt with in the books of Account of the Holding Company	Net aggregate of Profits or Losses so far it concern the members of the Holding Company and not dealt with in the books of Account of the Holding Company	Net aggregate of Profits or Losses so far it concern the members of the Holding Company and dealt with in the books of Account of the Holding Company	Net aggregate of Profits or Losses so far it concern the members of the Holding Company and not dealt with in the books of Account of the Holding Company
Thermax Babcock & Wilcox Ltd.	March 31, 05	100%	Rs.	-	14.34	14.12	22.85
Thermax Energy Performance Services Ltd.	March 31, 05	51%	Rs.	-	(0.03)	-	(1.31)
Thermax Surface Coatings Ltd.	March 31, 05	100%	Rs.	-	(0.07)	2.06	(0.29)
Thermax Capital Ltd.	March 31, 05	100%	Rs.	-	1.01	5.10	0.13
Thermax Electronics Ltd.	March 31, 05	100%	Rs.	-	(0.04)	0.22	(0.77)
Thermax Engineering Construction Co. Ltd.	March 31, 05	100%	Rs.	-	0.89	1.53	1.35
Thermax Instrumentation Ltd.	March 31, 05	100%	Rs.	-	(0.09)	(4.88)	(7.74)
Thermax Co-gen Ltd.	March 31, 05	100%	Rs.	-	0.05	-	0.01
Winman Gas Ltd.	March 31, 05	100%	Rs.	-	(0.04)	-	(0.44)
Thermax International Ltd. (Mauritius)	March 31, 05	100%	USD	-	(0.03)	-	(0.00)
Thermax Europe Ltd. (U.K.)	March 31, 05	100%	GBP	-	0.01	-	0.00
Thermax (Rus) Ltd. (Russia)	December 31, 04	100%	Roubles	-	-	-	0.08
Thermax Hong Kong Ltd (Hong Kong)	March 31, 05	100%	HKD	-	(0.12)	-	(0.00)
Thermax do Brasil-Energia e Equipamentos Ltda (Brazil)	March 31, 05	100%	Brasillian Real	-	(0.03)	-	(0.01)
ME Engineering Ltd. (U.K.) *	March 31, 05	100%	GBP	-	(0.02)	-	0.03
Thermax Inc. (U.S.A.) *	March 31, 05	100%	USD	-	0.01	-	0.03

* These companies are subsidiaries of Thermax International Ltd. (Mauritius) and hence subsidiaries of the Company.

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Thermax Limited

Consolidated

Balance Sheet

and

Profit & Loss Account

AUDITORS' REPORT

Auditors' Report to the Board of Directors of Thermax Limited on the Consolidated Financial Statements of Thermax Limited and its Subsidiaries

1. We have examined the attached Consolidated Balance Sheet of Thermax Limited and its subsidiaries (therein referred to as "Thermax group") as at 31st March 2005, the relative Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date.
2. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statement one domestic subsidiary and seven foreign subsidiaries, whose financial statements reflect total assets of Rs. 91.46 crores as at 31st March 2005 and total revenues of Rs. 149.34 crores for the year then ended (before giving effect to the consolidation adjustments). These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it related to the amounts included in respect of subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, issued by The Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Thermax Limited and its subsidiaries included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit report of the individual financial statements of Thermax Limited and its subsidiaries, we are of the opinion:
 - (a) the Consolidated Balance Sheet, gives a true and fair view of the consolidated state of affairs of Thermax Group as at 31st March 2005;
 - (b) the Consolidated Profit and Loss Account, gives a true and fair view of the consolidated results of operations of Thermax Group for the year ended on that date; and
 - (c) the Consolidated Cash Flow Statement, gives a true and fair view of the consolidated cash flows for the year ended on that date.

For B.K. Khare & Company
Chartered Accountants

H.P. Mahajani
Partner
(Membership no.: 30168)

Place: Pune
Date: May 11, 2005.

Consolidated Balance Sheet as at March 31, 2005

	Schedule	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SOURCES OF FUNDS				
Shareholders' Funds :				
Share Capital	1		71.49	71.49
Reserves & Surplus	2		384.97	344.14
			<u>456.46</u>	<u>415.63</u>
Loan Funds :				
Secured Loans	3	7	6.64	9.00
Unsecured Loans	4		0.07	0.11
			<u>6.71</u>	<u>9.11</u>
Minority Interest			(0.31)	16.93
Deferred Tax Liability:				
Deferred Tax Liabilities		6	18.39	18.14
Deferred Tax Assets			(11.53)	(11.68)
			<u>6.86</u>	<u>6.46</u>
Total Funds Employed			<u>469.72</u>	<u>448.13</u>
APPLICATION OF FUNDS				
Fixed Assets:				
Gross Block	5	3 (d)	231.79	207.31
Less : Depreciation			107.59	107.64
Net Block			<u>124.20</u>	<u>99.67</u>
Capital Work in Progress			9.57	2.54
Investments	6	3 (h)	318.43	286.53
Current Assets, Loans & Advances :				
Inventories	7	3(i)	104.20	72.06
Contracts in Progress			57.79	34.49
Sundry Debtors	8		260.53	176.64
Cash & Bank Balances	9		28.05	32.73
Other Current Assets	10		8.79	8.21
Loans & Advances	11		76.18	54.82
			<u>535.54</u>	<u>378.95</u>
Less : Current Liabilities & Provisions :				
Current Liabilities	12		441.22	255.46
Contracts in Progress			31.15	24.59
Provisions	13		46.36	40.63
			<u>518.73</u>	<u>320.68</u>
Net Current Assets			16.81	58.27
Miscellaneous Expenditure to the extent not written off or adjusted	14	3 (j)	0.71	1.12
Total Funds Applied			<u>469.72</u>	<u>448.13</u>
Notes to Accounts	19			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner
Membership No.: 30168

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

Consolidated Profit and Loss Account for the year ended March 31, 2005

	Schedule	Sch. 19 Note No. Reference	Year Ended March 31, 2005 Rs. Crores	Year Ended March 31, 2004 Rs. Crores
INCOME	15			
Sales and Other Income			1281.36	828.65
EXPENDITURE				
Materials	16		821.90	469.00
Personnel	17		114.55	94.90
Other Expenses	18		227.39	156.21
Excise Duty (Net)			0.92	0.65
Depreciation			11.92	12.29
Interest			0.97	0.52
			1177.65	733.57
Profit Before Tax and Extra-ordinary items			103.71	95.08
Extra-ordinary items of Income / Expenses				
Voluntary Retirement Expenses written off			-	6.38
Profit before Tax and after Extra-ordinary Items			103.71	88.70
Provision for Taxation		3 (f) & 6		
Current Tax			(36.11)	(25.44)
Deferred Tax			(0.40)	2.20
Profit After Tax			67.20	65.46
Less : Minority Interest			(1.08)	3.30
Profit After Tax and Minority Interest			68.28	62.16
Balance carried forward from last year			29.08	6.81
Transferred from Foreign Project Reserve			-	0.15
Profit available for Appropriation			97.36	69.12
Appropriations				
Proposed Equity Dividend			28.60	28.60
Proposed Preference Dividend			2.86	1.50
Provision for Tax on Dividend			4.49	3.93
General Reserve			5.69	5.53
Reserve Fund under RBI			0.20	0.48
Balance carried to Balance Sheet			55.52	29.08
			97.36	69.12
Basic / Diluted Earnings Per Share (EPS) - Rs. [Per Equity Share of Rs. 10/- Each]		10	27.28	25.37
Weighted Average number of Equity Shares			23831260	23831260

Notes to Accounts

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As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner
Membership No.: 30168

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2005

	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
2,50,00,000	Equity Shares of Rs. 10/- each	25.00	25.00
5,00,00,000	6% Redeemable Preference Shares of Rs. 10/- each	50.00	50.00
		<u>75.00</u>	<u>75.00</u>
Issued, Subscribed & Paid Up			
2,38,31,260	Equity Shares of Rs.10/- each, fully paid up	23.83	23.83
4,76,62,520	6% Redeemable Preference Shares of Rs.10/- each, fully paid up (Alloted as Bonus shares by capitalisation of Share Premium)	47.66	47.66
		<u>71.49</u>	<u>71.49</u>
SCHEDULE 2			
RESERVES & SURPLUS			
a. Capital Redemption Reserve			
Per last Balance Sheet		2.68	2.68
b. Capital Reserve			
Per last Balance Sheet		19.21	19.21
c. Capital Reserve on Consolidation			
Capital Reserve (on investment in Subsidiaries)		13.77	5.36
Less : Goodwill (on investment in subsidiaries)		3.16	3.16
		<u>10.61</u>	<u>2.20</u>
d. Share Premium			
Per last Balance Sheet		61.13	108.79
Less: Issue of Bonus Preference Shares		-	47.66
		<u>61.13</u>	<u>61.13</u>
e. Foreign Project Reserve			
Per last Balance Sheet		-	0.15
Less: Transferred to Profit and Loss A/c		-	0.15
		<u>-</u>	<u>-</u>
f. Reserve under RBI Act			
Per last Balance Sheet		2.75	2.27
Add : Transferred from Profit & Loss A/c		0.20	0.48
		<u>2.95</u>	<u>2.75</u>
g. General Reserve			
Per last Balance Sheet		220.02	223.27
Add: Transferred from Profit & Loss A/c		5.69	5.53
Less: Minority Interest		0.00	8.78
		<u>225.71</u>	<u>220.02</u>
h. Amalgamation Reserve			
Per last Balance Sheet		7.00	7.00
i. Foreign Currency Translation Reserve	3 (e)	0.16	0.07
j. Balance in Profit & Loss A/c		55.52	29.08
		<u>384.97</u>	<u>344.14</u>

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2005

	Sch. 19 Note No. Reference	As at March 31,2005 Rs. Crores	As at March 31,2004 Rs. Crores
SCHEDULE 3			
SECURED LOANS			
Borrowing from Banks for Working Capital (including Working Capital Term Loans)	7	6.64	9.00
		<u>6.64</u>	<u>9.00</u>
SCHEDULE 4			
UNSECURED LOANS			
Security Deposits (as per lease and hire purchase agreement)		0.07	0.11
		<u>0.07</u>	<u>0.11</u>

**SCHEDULE 5
FIXED ASSETS**

Rs. Crores

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 01.04.2004	Additions During the year	Deductions/ Adjustments During the year	Total Cost as at 31.03.2005	Upto 31.03.2004	Deductions/ Adjustments During the year	Provisions During the year	Total as at 31.03.2005	As at 31.03.2005	As at 31.03.2004
TANGIBLE:										
A. Land - Freehold	7.44	-	0.08	7.36	-	-	-	-	7.36	7.44
B. Land - Leasehold	3.30	-	0.03	3.27	0.21	-	0.02	0.23	3.04	3.09
C. Building	29.70	3.19	(0.06)	32.95	7.12	0.01	0.83	7.94	25.01	22.58
D. Plant & Machinery	95.26	20.12	1.84	113.54	52.97	1.40	5.76	57.33	56.21	42.29
E. Assets given on Lease	11.02	0.70	3.33	8.39	10.64	3.18	0.21	7.67	0.72	0.38
F. Electrical Installation	4.47	0.27	(0.25)	4.99	2.32	0.06	0.28	2.54	2.45	2.15
G. Furniture, Fixtures, Computers & Office Equipments	50.31	6.76	7.39	49.68	32.43	6.86	3.96	29.53	20.15	17.88
H. Vehicles	5.46	5.98	1.11	10.33	1.65	0.57	0.68	1.76	8.57	3.81
INTANGIBLE:										
A. Goodwill	0.41	-	-	0.41	0.33	-	0.08	0.41	-	0.08
B. Software	-	0.52	-	0.52	-	-	0.06	0.06	0.46	-
C. Technical Know-how	-	0.35	-	0.35	-	-	0.12	0.12	0.23	-
Total	207.37	37.89	13.47	231.79	107.67	12.08	12.00	107.59	124.20	99.70
Previous Year	214.53	13.92	21.14	207.31	114.36	19.08	12.37	107.64	99.67	100.18
Capital WIP									9.57	2.54

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2005

	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 6			
INVESTMENTS			
A) Non Trade (Long Term)			
a. Government Securities		0.78	0.88
b. Units		272.16	242.06
c. Bonds		-	0.10
d. Quoted Equity Shares (fully paid up)		0.13	0.13
e. Quoted Equity Shares (partly paid up)		0.06	0.06
f. Unquoted Equity Shares (fully paid up)		1.45	1.44
g. Unquoted Preference Shares (fully paid up)		0.02	0.27
		274.60	244.94
Less: Provision for Diminution in value of long-term investments		1.64	0.47
	(A)	272.96	244.47
B) Current Investments			
a. Unquoted Equity Shares		0.03	0.02
b. Quoted Equity Shares		0.01	0.01
c. Units		45.43	42.03
	(B)	45.47	42.06
	(A+B)	318.43	286.53

	As at March 31, 2005		As at March 31, 2004	
	Cost	Market Value	Cost	Market Value
	Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores
Aggregate Value of Quoted Long Term Investments	273.13	273.89	243.23	244.37
Aggregate Value of Unquoted Long Term Investments	1.47	-	1.71	-

	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 7			
INVENTORIES			
(As valued & certified by Management)			
a. Raw Material & Components		71.34	42.77
b. Work in Progress		12.36	12.21
c. Finished Goods		16.11	13.16
d. Stores, Spare Parts & Tools		4.39	3.92
		104.20	72.06

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2005

	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 8			
SUNDRY DEBTORS			
Unsecured			
Debts Outstanding for a period exceeding six months			
Considered good		25.89	16.92
Considered doubtful		25.07	13.34
Less: Provided for		25.07	13.34
Other Debts		234.64	159.72
		<u>260.53</u>	<u>176.64</u>
SCHEDULE 9			
CASH & BANK BALANCES			
A. Cash in Hand		0.53	0.46
B. Bank Balances & Remittances in Transit :			
With Scheduled Banks :			
a. In Current Accounts		18.94	20.22
b. In Deposit Accounts		0.32	2.64
With Foreign Banks			
a. In Current Accounts		4.93	3.78
b. In Deposit Accounts		1.72	0.47
Remittances in Transit		1.61	5.16
		<u>28.05</u>	<u>32.73</u>
SCHEDULE 10			
OTHER CURRENT ASSETS			
a. Duty Drawback Receivable		1.81	2.73
b. Excise Recoverable		4.49	3.02
c. Accrued Interest		0.04	0.06
d. Other Current Assets		2.45	2.40
		<u>8.79</u>	<u>8.21</u>
SCHEDULE 11			
LOANS & ADVANCES			
Unsecured, considered good :			
a. Advances recoverable in Cash or in Kind or for value to be received		43.24	18.76
b. Advances for Capital Expenditure		1.20	0.17
c. Advances to Staff & Workers		4.67	4.44
d. Balance in Central Excise & Customs Accounts		2.05	2.96
e. Sundry Deposits		6.95	8.02
f. Advance Payment of Income Tax (Net of Provision of Tax)		17.92	19.23
g. Others		0.15	1.24
		<u>76.18</u>	<u>54.82</u>

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2005

	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 12			
CURRENT LIABILITIES			
a. Acceptances		5.46	7.83
b. Customer Advances		182.83	98.66
c. Sundry Creditors		207.19	111.11
d. Other Liabilities		44.51	36.28
e. Trade Deposits		1.23	1.53
f. Hire Purchase/Lease Rentals received in advance		-	0.05
		<u>441.22</u>	<u>255.46</u>
SCHEDULE 13			
PROVISIONS			
a. Proposed Equity Dividend	3 (l)	28.60	28.60
b. Proposed Preference Dividend		2.86	1.50
c. Provision for Tax on Dividend		4.49	3.93
d. Provision for Employee Retirement & Other Benefits	3 (k)	7.32	5.50
e. Provision for Contingencies		3.09	0.63
f. Provision for Leased Assets		-	0.47
		<u>46.36</u>	<u>40.63</u>
SCHEDULE 14			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
A. Technical Know-how			
Per last Balance Sheet		1.03	1.65
Add : Incurred during the year		-	0.00
		<u>1.03</u>	<u>1.65</u>
Less : Written off during the year		0.32	0.62
	(A)	<u>0.71</u>	<u>1.03</u>
B. Software Expenses			
Per last Balance Sheet		0.09	0.20
Add : Incurred during the year		-	0.00
		<u>0.09</u>	<u>0.20</u>
Less : Amortised during the year		0.09	0.11
	(B)	<u>-</u>	<u>0.09</u>
C. Voluntary Retirement Scheme Expenses			
Per last Balance Sheet		-	6.38
Add : Incurred during the year		-	-
		<u>-</u>	<u>6.38</u>
Less : Amortised during the year		-	6.38
	(C)	<u>-</u>	<u>-</u>
d. Preliminary Expenses			
Per last Balance Sheet		0.00	0.00
Add : Incurred during the year		-	-
		<u>0.00</u>	<u>0.00</u>
Less : Amortised during the year		0.00	0.00
	(D)	<u>0.00</u>	<u>0.00</u>
	(A+B+C+D)	<u>0.71</u>	<u>1.12</u>

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2005

	Sch. 19 Note No. Reference	Year Ended March 31, 2005 Rs. Crores	Year Ended March 31, 2004 Rs. Crores
SCHEDULE 15			
SALES AND OTHER INCOME			
I Sales & Services :	3 (m)		
a. India		949.35	614.38
Less: Excise Duty		57.39	34.86
		891.96	579.52
Add: Closing Contracts in Progress		(10.59)	(13.71)
Less: Opening Contracts in Progress		(13.71)	(4.20)
		895.08	570.01
b. Outside India		337.34	191.83
Add: Closing Contracts in Progress		37.29	23.61
Less: Opening Contracts in Progress		23.61	10.01
		351.02	205.43
c. Outside India - Trading		1.02	1.74
Total Sales & Services	(I)	1247.12	777.18
II Other Income from Operations			
a. Claims & Refunds		0.27	0.40
b. Balances earlier written off now recovered		0.94	1.31
c. Profit on Sale of Assets		0.23	0.02
d. Commission		1.87	2.87
e. Sale of Scrap		5.62	3.37
f. Interest Income (Operations)		0.24	0.35
g. Exchange Difference (net)		3.26	1.09
h. Balances/Excess Provision Written Back		2.22	1.69
i. Provision for Doubtful Debt Written Back		0.49	3.16
j. Premium on Forward Contracts (net)		0.02	-
k. Miscellaneous Income		7.28	12.27
Total Other Income from Operations	(II)	22.44	26.53
III Other Income			
A) From Investments			
a. Dividend		9.73	19.83
b. Interest (on investments)		1.33	2.80
c. Profit/(Loss) on Sales of Current Investments		0.15	(1.29)
d. Profit/(Loss) on Sales of Long Term Investments		0.32	2.98
e. Prov. for Diminution in value of Investment Written Back		0.25	0.12
f. Other Income from Investment		-	0.15
	(A)	11.78	24.59

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2005

	Sch. 19 Note No. Reference	Year Ended March 31, 2005 Rs. Crores	Year Ended March 31, 2004 Rs. Crores
B) From Other Activities			
Lease Rentals (Net of Lease Equalisation)		0.02	0.35
	(B)	<u>0.02</u>	<u>0.35</u>
Total Other Income	(III)(A+B)	11.80	24.94
Total Income from Sales and other activities	(I+II+III)	1281.36	828.65
SCHEDULE 16			
MATERIALS			
(A) Consumption of Raw Material & Components			
Opening Stock		42.40	29.43
Add : Purchases		852.27	481.45
		<u>894.67</u>	<u>510.88</u>
Less : Closing Stock		69.67	42.40
	(A)	825.00	468.48
(B) (Increase) / Decrease in Stock			
Opening Stock :			
Work-in-Progress		12.21	9.25
Finished Goods		13.16	16.64
		<u>25.37</u>	<u>25.89</u>
Less : Closing Stock			
Work-in-Progress		12.36	12.21
Finished Goods		16.11	13.16
		<u>28.47</u>	<u>25.37</u>
	(B)	(3.11)	0.52
	(A+B)	821.90	469.00
SCHEDULE 17			
PERSONNEL			
a. Salaries, Wages, Bonus, Testimonials & Allowances		95.70	79.09
b. Gratuity		3.40	2.80
c. Contribution to Provident & Other Funds		8.39	6.96
d. Staff Welfare Expenses		7.06	6.05
		<u>114.55</u>	<u>94.90</u>

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2005

	Sch. 19 Note No. Reference	Year Ended March 31, 2005 Rs. Crores	Year Ended March 31, 2004 Rs. Crores
SCHEDULE 18			
OTHER EXPENSES			
a.		11.39	6.50
b.		7.54	6.79
c.		14.08	11.36
d.		6.78	5.07
e.		29.71	17.02
f.		2.70	2.59
g.		0.37	0.57
h.		0.79	0.79
i.		3.47	2.54
j.			
Building		1.52	2.05
Plant & Machinery		2.99	2.49
Others		4.61	4.02
k.		6.31	5.28
l.		27.65	23.26
m.		1.46	1.56
n.		9.98	5.34
o.		10.11	10.10
p.		18.88	10.41
q.	3(p)(ii)	6.71	5.40
r.		3.84	2.57
s.		19.75	9.48
t.		2.16	2.42
u.		0.24	0.06
v.		2.79	2.95
w.		9.21	0.02
x.	3(p)(i)	6.15	3.95
y.		0.01	0.27
z.		0.91	0.37
aa.		0.30	0.23
ab.		0.01	-
ac.		0.19	0.23
ad.		0.50	0.39
ae.		12.24	8.56
af.		0.41	0.63
ag.		0.08	0.08
ah.		1.48	-
ai.		0.01	0.07
aj.		-	0.15
ak.		0.06	0.64
		227.39	156.21

Schedules forming part of the Consolidated Accounts

SCHEDULE 19

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

1. The Consolidated Financial Statements (CFS) pertains to Thermax Ltd. and its sixteen subsidiaries of which seven are overseas subsidiaries. In the Consolidated Financial Statements, the term “Parent” refers to Thermax Ltd. and “Group” refers to the Parent along with its subsidiaries.
2. The CFS envisage combining of financial statements of Thermax Ltd. and its following domestic and foreign subsidiaries:

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	% voting power held by Parent as on 31 st March, 2005
1	Thermax Babcock & Wilcox Limited*	India	100
2	Thermax Energy Performance Services Limited	India	51
3	Thermax Surface Coatings Limited	India	100
4	Thermax Capital Limited	India	100
5	Thermax Electronics Limited	India	100
6	Thermax Engineering Construction Co. Limited	India	100
7	Thermax Instrumentation Limited	India	100
8	Thermax Co-gen Limited	India	100
9	Winman Gas Limited	India	100
10	Thermax International Limited	Mauritius	100
11	Thermax (Rus) Limited @	Russia	100
12	Thermax Europe Limited	UK	100
13	ME Engineering Limited	UK	100
14	Thermax Inc.	USA	100
15	Thermax Hong Kong Limited	Hong Kong	100
16	Thermax do Brasil Energia e Equipamentos Ltda.	Brazil	100

*During the year Parent acquired the 40% shares of Thermax Babcock & Wilcox Limited (TBW) making it a wholly owned subsidiary.

@ Accounts have been consolidated for 12 month period ended 31st December 2004.

3. Significant Accounting Policies

a. Basis for Preparation of Accounts

Accounts of the Parent & its subsidiaries have been prepared under historical cost convention and accrual basis and comply with applicable accounting standards.

b. Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

c. Principles of Consolidation

- a) The financial statements of the Parent and its subsidiaries have been consolidated on a line-by-line basis by adding together the book value of like item of assets, liabilities, income and expenses, after eliminating intra group balance and unrealised profit / losses on intra group transaction, and are presented to the extent possible, in the same manner as the Parent’s independent financial statements.
- b) The excess / deficit of cost to the Parent of its investment over its portion of equity in the subsidiary at the respective dates on which the investment in such Subsidiary was made is recognised in CFS as goodwill/ capital reserve.

- c) Minority interest in the net assets of CFS is disclosed separately, which comprises of :
- I. the amount of equity attributable to minority at the date on which investment in subsidiary is made and
 - II. the minority share of movement in equity since the date the parent – subsidiary relationship came in existence.

d. Fixed Assets – Tangible and Intangible Assets & Depreciation

- a) Tangible fixed assets are stated at cost (net of refundable taxes and levies) and include any other attributable cost for bringing the assets to working condition for their intended use.
- b) Borrowing costs, if any, attributable to fixed assets, are capitalised.
- c) Expenditure incurred on acquisition or development of goodwill, technical know-how, software, patents, research and development and such other intangibles are recognised as Intangible Asset, if it is expected that such assets will generate sufficient future economic benefits.
- d) Exchange difference on liability relating to imported fixed assets, except in the case of overseas subsidiaries, is adjusted in the carrying cost of the respective fixed assets.
- e) Depreciation on all fixed assets is provided by the domestic companies on straight line method at the rates and in the manner prescribed by Schedule XIV of the Companies Act, 1956. Further, no depreciation is charged on assets sold during the year.
- f) Depreciation has been provided by overseas subsidiaries on method and at rates required / permissible by the local laws so as to write off the assets over the useful life.
- g) Depreciation on exchange rate variance capitalized as a part of the fixed assets, is provided prospectively over the remaining useful life of the related asset.
- h) Amount paid in respect of leasehold land is being amortised over the period of lease.

e. Foreign Currency Translation

Indian Rupee is the reporting currency for Thermax Group. However the local currency of overseas subsidiaries is different from the reporting currency of the Thermax Group. All the overseas subsidiaries have been classified as non-integral operation according to Accounting Standard 11. Therefore, in respect of overseas subsidiaries, all the assets and liabilities are translated using exchange rate prevailing at the respective Balance Sheet date and revenue, cost and expenses are translated using average exchange rate prevailing during the reporting period. The resultant translation exchange gain / loss have been disclosed as “Foreign Currency Translation Reserve” under the Reserves & Surplus.

f. Taxes on Income

- a) Current tax is provided on the basis of estimated tax liability, computed as per applicable tax regulation.
- b) Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

g. Assets Impairment

Provision for impairment loss is recognized to the extent by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset’s net selling price and its value in use. Value in use is determined on the basis of the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

h. Investments

- a) Investments classified as current investments are valued at lower of cost and fair value.
- b) Investments classified as long-term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary in nature, in the carrying amount of such long-term investments.

i. Inventories

- a) Inventories are valued at lower of cost and net realisable value.
- b) Cost of raw materials, components, consumables, stores & spares, patterns & tools are valued at weighted average cost.
- c) Cost of finished goods & work in progress is arrived at on the basis of weighted average cost of raw materials & the cost of conversion thereof for bringing the inventories to their present location and condition.
- d) Inventory obsolescence is provided for on the basis of standard norms, except in case of overseas subsidiaries.

j. Deferred Revenue Expenditure

In case of Parent Company expenditure incurred up to 31st March 2003, on research and development, technical know-how and software, other than those capitalised as fixed asset or expensed out as revenue expenditure, are being amortised over a period of time (maximum six years) depending upon the nature of the expenditure and evaluation of future benefits there from.

k. Retirement and other Employee Benefits

- a) Contributions to defined contribution schemes, such as approved Provident and Superannuation Funds, are charged to Profit & Loss statement on actual liability basis.
- b) In respect of gratuity, the Group has adopted a cash accumulation scheme with insurance companies. Contributions to the Gratuity Fund are paid at the rate of contribution computed by such insurance companies. Therefore, no note is taken of the difference in the amount of actuarial liability and the balances in the fund accounts with insurance companies.
- c) Leave encashment benefit is provided on the basis of actuarial valuation.
- d) Liability on account of company's obligations under employee's medical reimbursement scheme and leave travel assistance scheme is provided on actual basis.

l. Provisions and Contingent Liabilities

- a) Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation.
- b) Group provides for warranty obligations on substantial completion of contracts based on technical evaluation and past experience. The expenditure on warranty claims is included in the cost of material consumed during the year.
- c) Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

m. Revenue Recognition

- a) Revenue in respect of products is recognized on dispatch of goods to the customer or when they are unconditionally appropriated to the contract.
- b) Revenue in respect of projects for construction of plants and systems, execution of which is spread over different accounting periods, is recognized on the basis of percentage of completion method.
- c) Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.
- d) Difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sale is disclosed as contract in progress.
- e) Determination of revenues under the percentage of completion method necessarily involves making estimates by the company, some of which are of a technical nature, concerning where relevant, the percentage of completion, costs to completion, the expected revenue from the contract and the foreseeable losses to completion.

- f) Supply of spare parts and services are accounted on 'as billed' basis.
- g) Revenue in respect of long-term service contracts / maintenance contracts is recognized on the basis of stage of completion.
- h) Dividend from investments is recognized when the company's right to receive is established.

n. Borrowing Costs

- a) Borrowing costs on working capital are charged to profit and loss statement in the year of incurrence.
- b) Borrowing costs that are attributable to the acquisition of tangible fixed assets are capitalized till the date of substantial completion of the activities necessary to prepare the relevant asset for its intended use.
- c) Borrowing costs that are attributable to the acquisition or development of intangible assets are capitalized till the date they are put to use.

o. Foreign Currency Transactions

- a) Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.
- b) Difference between the forward exchange rate and exchange rate prevailing at the inception of the forward exchange contract is recognised as income or expense over the life of the contract or adjusted in the carrying amount of fixed assets depending upon the nature of relatable transaction.
- c) Exchange difference is either adjusted in the carrying amount of imported fixed assets, except in case of overseas subsidiaries, or dealt with in the Profit & Loss Account, depending upon the nature of transaction.
- d) Assets (other than fixed assets) and liabilities denominated in foreign currency are translated at the closing exchange rates, or in cases covered by forward exchange contracts, at the spot exchange rate prevailing at the inception of the forward exchange contract.
- e) Revenue items of foreign branches are translated at weighted average rate.

p. Others

- a) Liquidated damages are charged to Profit & Loss account, on the basis of deduction made by customers.
- b) In respect of supply, construction and related service contracts, provision is made for estimated cost of warranty and other free of cost supplies, such estimation being based on past experience and / or commitments / expected commitments in the matter.
- c) In cases where letters of confirmation have been received from parties, book balances have been generally reconciled and adjusted. In other cases, balances in accounts of sundry debtors, sundry creditors and advances or deposits have been taken as per books of account.

4. The effect of acquisition of stake in Thermax Babcock & Wilcox Limited during the year on the consolidated financial statement is as under:

Rs. crores

2004-05		2003-04	
Increase in Group Profit after Minority Interest	Increase in net Assets	Effect on Group Profit after Minority Interest	Increase in net Assets
6.39	8.41	-	-

5. Contingent Liabilities not provided for

- a) Disputed demands in respect of Excise, Customs Duty, Sales Tax and other Statutes Rs. 12.58 crores (*Previous Year Rs.10.71 crores*).
- b) i) Income Tax demands disputed in appellate proceedings Rs. 25.63 crores (*Previous Year Rs. 27.13 crores*).
- ii) References / Appeals preferred by Income Tax department in respect of which, should the ultimate decision be unfavorable to the Group, the liability is estimated to be Rs. 9.44 crores (*Previous Year Rs. 6.58 crores*).

- c) Counter Guarantees given to the banks for guarantees issued by them on Group's behalf Rs. 218.55 crores (Previous Year Rs.159.67 crores).
- d) Indemnity Bonds/Corporate Guarantees given to Customs, other Government departments and various customers Rs. 20.42 crores (Previous Year Rs.11.29 crores).
- e) Liability for unexpired export obligations Rs. 5.28 crores (Previous Year Rs.0.31 crores).
- f) Claims against Group not acknowledged as debts Rs. 0.18 Crores (Previous Year Rs. 4.11 crores).
- g) Bills Discounted with banks Rs. 12.69 crores (Previous Year Rs. 12.08 crores).
- h) Liability in respect of partly paid shares Rs. 0.19 crores (Previous Year Rs. 0.19 crores).
- i) Future Lease obligations payable on non-cancellable operating leases Rs. 0.55 crores (Previous Year Rs. 1.67 crores).
- j) Saving guarantees given to the customers through Master Energy Services Agreements (MESA) for projects completed Rs. 16.23 crores (Previous Year Rs. 23.03 crores).

6. Deferred Taxation

Particulars	Rs. Crores	
	2004-05	2003-04
Major components of deferred tax asset are:		
i) Provision for Doubtful Debts	7.38	5.02
ii) Diminution in Value of Investments	0.54	0.52
iii) Others	3.61	6.14
Total	11.53	11.68
Major components of deferred tax liability are :		
i) Depreciation on Fixed Assets	18.13	17.60
ii) Capital Expenditure on R & D Assets	0.65	0.70
iii) Others	(0.39)	(0.16)
Total	18.39	18.14

Deferred tax debit of Rs. 0.40 crores for the year (Previous Year credit of Rs. 2.20 crores) has been recognised in the Profit & Loss Account of the year.

7. Secured Loans

Borrowing for working capital (packing credits, shipping loans, cash credits & overdrafts) from banks is secured by hypothecation of present and future stock of raw materials, consumables, spares, semi finished goods, finished goods & book debts.

8. Segment Reporting

- a) The Group has disclosed Business Segment as the primary segment. Segments have been identified by the Management taking into account the nature of the products, manufacturing process, customer profiles, risk and reward parameters and other relevant factors.

The Group's operations can be mainly classified into two primary segments, 'Energy' and 'Environment'. Composition of business segments is as follows:

Segment	Products Covered
a) Energy	Boilers and Heaters, Absorption Chillers/Heat Pumps, Power Plants.
b) Environment	Air Pollution Control Equipments/ Systems, Water & Waste Recycle Plants, Ion Exchange Resins & Performance Chemicals.

Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis.

The expenses, which are not directly attributable to the business segment, are shown as unallocated cost.

Assets and Liabilities that cannot be allocated between the segments are shown as a part of unallocated Assets and Liabilities respectively.

- b) Secondary segments have been identified with reference to the geographical location of external customers. Composition of secondary segments is as follows:

India

Outside India

a) Information about Primary Business Segments

Rs. Crores

Particulars	2004-05			
	Energy	Environment	Others	Total
Revenue :				
Gross Revenue	1075.92	334.67	1.67	1412.26
Less : Inter segment Revenue	91.81	50.85	0.04	142.70
Net Revenue	984.11	283.82	1.63	1269.56
Result :				
Segment Result	90.21	31.95	(0.69)	121.47
Unallocated expenses net of unallocated income				16.74
Operating Profit				104.73
Interest expenses				1.02
Extra-ordinary items of expenses				-
Taxation for the year				36.51
Net Profit				67.20
Other Information :				
Segment Assets	492.11	151.08	19.90	663.09
Unallocated Corporate Assets				325.26
Total Assets				988.35
Segment Liabilities	389.80	84.67	(3.35)	471.12
Unallocated Corporate Liabilities				61.08
Total Liabilities				532.20
Capital expenditure	28.32	3.59	5.98	37.89
Depreciation	7.83	3.04	1.05	11.92
Non-cash expenses other than Depreciation	0.34	0.15	-	0.49

a) **Information about Primary Business Segments**

Rs. Crores

Particulars	2003-04			
	Energy	Environment	Others	Total
Revenue :				
Gross Revenue	641.11	227.39	4.54	873.04
Less : Inter segment Revenue	38.65	30.36	0.32	69.33
Net Revenue	602.46	197.03	4.22	803.71
Result :				
Segment Result	62.90	26.80	2.13	91.83
Unallocated expenses net of unallocated income				(3.77)
Operating Profit				95.60
Interest expenses				0.52
Extra-ordinary items of expenses				6.38
Taxation for the year				23.24
Net Profit				65.46
Other Information :				
Segment Assets	288.51	105.64	21.91	416.06
Unallocated Corporate Assets				352.68
Total Assets				768.74
Segment Liabilities	222.64	58.47	2.74	283.85
Unallocated Corporate Liabilities				52.40
Total Liabilities				336.25
Capital expenditure	7.38	3.43	-	10.81
Depreciation	5.67	2.61	1.73	10.01
Non-cash expenses other than Depreciation	0.92	0.34	-	1.26

b) **Information about Secondary Segments :**

Rs. Crores

Particulars	2004-05	2003-04
Revenue :		
India	915.24	594.51
Outside India	354.32	209.20
Total	1269.56	803.71
Carrying amount of Segment Assets :		
India	579.70	341.50
Outside India	83.38	74.53
Additions to Fixed assets :		
India	37.26	10.36
Outside India	0.63	0.46

9. Related Party Disclosures

Related party disclosures as required under Accounting Standard 18 issued by The Institute of Chartered Accountants of India are given below:

a) Relationship

- i) Individuals having control or significant influence over the Group by reason of voting power and their relatives :

Mrs. Anu Aga, Mrs. Meher Pudumjee, Mr. Pheroz Pudumjee

- ii) Key Management Personnel :

Mr. P.M. Kulkarni

- b) The following transactions were carried out during the year with Related Parties in the ordinary course of business:

Nature of Transactions

	Rs. Crores	
	2004-05	2003-04
Rent Paid	0.04	0.04
Managerial Remuneration	0.80	0.58
Sitting Fees	0.07	0.04
Loan, Advance/ Deposits Outstanding at the end of the year - Deposits	0.40	0.40

10. Earnings Per Share (EPS)

Earnings per share calculated in accordance with Accounting Standard 20 issued by The Institute of Chartered Accountants of India.

	Rs. Crores	
Particulars	2004-05	2003-04
Profit After Tax	68.28	62.16
Dividend (Including tax on dividend) on Preference Shares	3.26	1.70
Net Profit available for Equity Shareholders	65.02	60.46
Weighted average number of Equity shares of Rs. 10/- each	23831260	23831260
Basic & Diluted Earnings Per Share (Rs.)	27.28	25.37

11. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 2.76 crores (*Previous Year Rs. 3.56 crores*).

12. Foreign exchange fluctuation capitalised during the year amounted to Rs. 0.11 crores (*Previous Year de-capitalised Rs. 0.02 crores*).

13. Previous year's figures have been regrouped wherever necessary to confirm to this year's classification.

As per our report of even date

For B.K.Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H.P. Mahajani
Partner
Membership No.: 30168

Amitabha Mukhopadhyay
*Exe. Vice President- Finance &
Chief Financial Officer*

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

CONSOLIDATED CASH FLOW STATEMENT

Rs. Crores

	2004-05	2003-04
A Cash flow from Operating Activities		
Net profit before tax	103.71	88.70
<i>Add: Adjustments for :</i>		
Depreciation	11.92	12.29
Amortisation of deferred revenue expenses	0.41	0.73
Amortisation of Goodwill	0.08	0.08
Provision for Doubtful Debts	8.90	(3.72)
Interest (expense)	0.98	0.52
Lease rentals paid	0.38	0.57
Amortisation of VRS Expenses	-	6.38
Loss on Sale of Investments	-	0.14
Loss on Preclosure of Lease	0.00	0.27
Diminution in value of Investments	1.49	0.07
<i>Less: Adjustments for :</i>		
Interest / Dividend / Brokerage (Income received)	(11.07)	(22.78)
(Profit)/Loss on Sale of Investment	(0.47)	(1.69)
(Profit)/Loss on Sale of assets	0.87	0.58
Provision for Long Term Investments-Written Back	(0.25)	(0.12)
Lease Rentals Received	(0.02)	(0.35)
Operating profit before working capital changes	116.93	81.67
<i>Adjustments for</i>		
Trade and Other Receivables	(34.08)	1.63
Inventories	(32.14)	(16.73)
Trade Payables	108.21	19.69
Contracts in Progress	(16.74)	(4.08)
Cash generated from Operations (After Extra Ordinary Items and before tax)	142.18	82.18
Direct taxes paid	(34.79)	(27.53)
Net cash from operating activities (after tax)	107.39	54.65

Rs. Crores

	2004-05	2003-04
B Cash flow from Investing Activities		
Purchase of Fixed Assets	(45.48)	(13.59)
Purchase of Investments	(33.14)	(44.27)
Acquisition of Additional stake in Subsidiary	(7.75)	-
Exchange Rate Fluctuation	0.08	0.11
Profit/(Loss) on Sale of Investments	0.47	1.54
Interest / Dividend / Brokerage received	11.49	22.76
Lease Rentals Received	0.02	0.35
Net cash from Investing activities	(74.31)	(33.10)
C Cash flow from Financing activities		
Repayment of borrowings	(2.40)	7.42
Lease Rentals paid	(0.38)	(0.57)
Interest paid	(0.97)	(0.52)
Dividend paid and Tax thereon	(34.01)	(32.19)
Net cash from Financing activities	(37.76)	(25.86)
Net (decrease)/increase in cash & cash equivalents	(4.68)	(4.31)
Opening cash & bank balances	32.73	37.04
Closing cash & bank balances	28.05	32.73

As per our report of even date
For B.K.Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H.P. Mahajani
Partner
Membership No. 30168

Amitabha Mukhopadhyay
*Exe. Vice President- Finance &
Chief Financial Officer*

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

THERMAX LIMITED
TWENTY FOURTH ANNUAL REPORT 2004-2005

Summarised statement of financials of Subsidiary Companies pursuant to approval under Section 212(8) of the Companies Act, 1956.

Sr No.	Particulars	Thermax Bobcock & Wilcox Ltd.	Thermax Energy Performance Services Ltd.	Thermax Surface Coatings Ltd.	Thermax Capital Ltd.	Thermax Electronics Ltd.	Thermax Engineering Construction Co. Ltd.	Thermax Instrumentation Ltd.	Thermax Co-gen Ltd.	Winman Gas Ltd.	Thermax International Ltd. (Mauritius)	Thermax (Rus) Ltd. (Russia)	Thermax Europe Ltd. (U.K.)	ME Engineering Ltd. (U.K.)	Thermax Inc. (U.S.A.)	Thermax Hong Kong Ltd. (Hong Kong)	Thermax do Brasil Energia e Equipamentos Ltda. (Brazil)
		04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04
1	Capital	5.00	5.00	1.94	1.94	0.75	0.75	15.00	15.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50
2	Reserves	51.36	38.09	(2.61)	(2.57)	(0.36)	(0.29)	1.14	0.13	(0.81)	(0.77)	1.56	1.35	(7.83)	(7.74)	9.00	9.00
3	Total Assets	162.76	119.62	0.51	0.56	2.46	1.71	16.36	15.69	0.20	0.23	23.51	13.70	2.96	3.15	6.34	6.34
4	Total Liabilities	106.40	76.53	1.18	1.19	2.07	1.25	0.22	0.56	0.02	0.02	10.85	1.79	1.89	0.01	0.02	0.02
5	Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	A) Long Term (Non-Trade Investments)																
	a. Government Securities	-	-	-	-	-	-	0.78	0.88	-	-	-	-	-	-	-	-
	b. Units	-	-	-	-	-	-	0.10	0.10	-	-	-	-	-	-	-	-
	c. Bonds	-	-	-	-	-	-	-	0.10	-	-	-	-	-	-	-	-
	f. Unquoted Equity Shares (fully paid up)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Less: Provision for Diminution in value of long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Long Term (Non Trade) Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B) Current Investments																
	a. Unquoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b. Quoted Equity Shares	25.08	27.83	-	-	-	-	13.36	12.68	-	-	6.99	1.53	-	-	-	-
	c. Units	25.08	27.83	-	-	-	-	13.41	12.71	-	-	6.99	1.53	-	-	-	-
	Total Current Investments	25.08	27.83	-	-	-	-	14.26	13.72	-	-	6.99	1.53	-	-	-	-
	Total Investments (A+B)	250.49	156.87	0.22	0.73	0.19	0.36	1.81	5.32	0.10	0.12	45.99	27.09	0.08	0.00	0.00	0.00
6	Turnover	20.91	12.67	(0.04)	(0.56)	(0.07)	(0.13)	1.28	2.53	(0.04)	(0.04)	1.36	1.06	(0.09)	(0.15)	0.07	(0.01)
7	Profit Before Tax	(7.64)	(3.73)	-	-	-	-	(0.28)	(0.50)	-	-	(0.47)	(0.28)	-	-	-	-
8	Provision for tax	13.27	8.94	(0.04)	(0.56)	(0.07)	(0.13)	1.00	2.03	(0.04)	(0.04)	0.89	0.78	(0.09)	(0.15)	0.06	(0.01)
9	Profit After Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Proposed Dividend (Excluding Tax on Dividend)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Original Currency	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR
12	Exchange rate as on 31st March in INR	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

* Exchange Rate as on 31.12.04

Exchange Rate as on 31.12.03

Note : The annual accounts of the above Subsidiary Companies and related information will be made available to any investor. The annual accounts of the Subsidiary Companies are also open for inspection by any investor at the Company's Corporate Office and the Registered Office of the respective subsidiary companies.

Rs. Crores

THERMAX LIMITED – FINANCIAL DATA AT A GLANCE

	Rs. Crores									
PARTICULARS	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
Domestic Sales (including excise duty)	788	480	423	359	372	329	370	402	420	378
Exports	176	118	116	107	101	76	96	95	71	71
% to Total Sales	18%	20%	21%	23%	21%	19%	21%	19%	15%	16%
Total Sales	964	599	539	466	473	406	466	497	491	449
% Growth	61%	11%	16%	-1%	16%	-13%	-6%	1%	9%	33%
Other Income	25	40	39	36	32	92	42	33	31	21
Total Income	989	639	577	502	504	498	508	530	522	470
Total Expenses	897	551	498	448	497	434	443	458	451	401
Profit before Depreciation, Interest, Extra Ordinary Items and Tax	93	87	80	54	8	64	65	72	72	70
% to Total Income	9%	14%	14%	11%	2%	13%	13%	14%	14%	15%
Depreciation	9	9	10	12	12	12	10	10	9	6
Interest	1	0	1	3	4	3	5	5	9	6
Except.& Extra-ordinary Items	0	6	6	7	3	6	0	0	0	0
Profit before Tax/Loss	83	72	64	31	-10	42	50	56	54	57
% to Total Income	8%	11%	11%	6%	-2%	9%	10%	11%	10%	12%
Tax	28	18	15	7	3	10	12	11	11	12
Profit after Tax/Loss	55	54	48	24	-13	32	38	45	44	45
% to Total Income	6%	8%	8%	5%	-3%	6%	8%	9%	8%	10%
Gross Block	177	165	166	167	168	167	161	153	136	114
Net Block	102	83	81	87	99	109	112	114	105	93
Investments	316	276	240	189	158	161	113	80	83	63
Current Assets	368	265	201	232	254	258	245	293	291	279
Current Liabilities	368	227	150	145	118	133	115	141	161	131
Net Current Assets	0	38	51	88	136	124	130	152	130	148
Deferred Revenue Expenses	1	1	8	14	4	15	9	10	5	3
Capital Employed	402	383	356	344	393	394	355	345	318	304
Equity Share Capital	24	24	24	24*	23	23	23	23	23	23
Preference Share Capital \$	48	48	0	0	0	0	0	0	0	0
Reserves and Surplus	332	312	340	324	331	347	324	295	258	223
Networth	355	335	356	333	350	355	339	308	277	244
Loan Funds	0	0	0	11	43	39	17	37	41	60
Fixed Asset Turnover Ratio	9.49	7.22	6.63	5.36	4.78	3.72	4.15	4.36	4.66	4.85
Working Capital Turnover Ratio	—	15.64	10.46	5.32	3.48	3.27	3.59	3.27	3.78	3.04
Debt-Equity Ratio	0.00	0.00	0.00	0.03	0.12	0.11	0.05	0.12	0.15	0.24
Current Ratio	1.00	1.17	1.34	1.60	2.15	1.93	2.12	2.08	1.80	2.13
Return on Capital Employed	21%	19%	18%	10%	-2%	12%	15%	18%	20%	21%
Return on Net Worth	15%	16%	14%	7%	-4%	9%	11%	15%	16%	19%
Cash Earnings per Share (Rs.)	25.87	25.67	24.31	15.27	-0.63	18.76	20.34	23.23	21.97	21.68
Earnings Per Share (Rs.)	21.83	21.99	20.24	10.32	-5.68	13.91	16.48	19.49	18.74	19.43
Dividend(%)	120%	120%	120%	50%	10%	35%	35%	35%	35%	35%
Book Value per Share (Rs.)	149	141	149	140	147	149	142	129	116	102

* During the year the company had allotted 5,81,250 equity shares of face value Rs.10/- each to the Trustees of Thermax ESOP Trust for implementing ESOP scheme of the company.

\$ Issued bonus 6% Redeemable Preference Share (RPS) of face value Rs. 10/- each in the ratio of two RPS for every equity share held.

Note : Figures of previous years have been regrouped to confirm to this years classification.

Sustainable Solutions in Energy and Environment



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HIGHLIGHTS OF THE YEAR

- ▶ The company has posted a record top line during the year with total sales revenue and income at Rs. 941 crores, up from Rs. 604 crores in the previous year.
- ▶ During the year exports have increased to Rs. 176 crores, up from Rs. 118 crores in the previous year.
- ▶ The consolidated revenue of the Thermax Group has gone up by 55 percent to Rs. 1281 crores.
- ▶ The company's order book stood at Rs.773 crores at the end of the year, and the consolidated order book was Rs. 1123 crores.
- ▶ The international business of the Group has gone up by 70 percent to Rs 352 crores.
- ▶ The demand, especially for boilers and heaters, far exceeded company estimates and stretched its manufacturing and delivery capabilities. But it also stimulated the urgency of the transformation exercise that Thermax has initiated.
- ▶ Oil prices touched new heights, which has resulted in a marked shift to solid fuels and opened new opportunities for your company.
- ▶ The unprecedented rise of input raw materials, especially steel and derived petroleum products like styrene, put pressure on the margins of your company.

VISION

To be a globally respected high performance organisation offering sustainable solutions in energy and environment

Meher Pudumjee Chairperson

Prakash Kulkarni
Managing Director

Directors

Anu Aga
Tapan Mitra
Pheroze Pudumjee
Dr. Manu Seth
Dr. Jairam Varadaraj
Ravi Venkatesan

Executive Council

Ravinder Advani
Prashant Ahir
Shishir Joshipura
Prakash Kulkarni
Amitabha Mukhopadhyay
M. S. Unnikrishnan

Officers of the Company

Amitabha Mukhopadhyay
Executive Vice President
& CFO

Sunil Lalai
Company Secretary

REGISTERED OFFICE

D-13, M.I.D.C. Industrial Area,
R. D. Aga Road, Chinchwad,
Pune 411019
Ph.: 020-27475941
Fax.: 020-27472049

CORPORATE OFFICE

Thermax House
4, Mumbai-Pune Road,
Shivajinagar, Pune 411005
Ph.: 020-25512122
Fax.: 020-25511226

BANKERS

Union Bank of India
Bank of Baroda
Canara Bank
Citibank N.A.
Corporation Bank
Standard Chartered Bank

AUDITORS

B.K. Khare & Co.,
Chartered Accountants
706/707, Sharda Chambers
New Marine Lines
Mumbai 400020

SOLICITORS

J. Sagar Associates
Vakils House, 1st floor,
18 Sprott Road,
Ballard Estate,
Mumbai 400001

REGISTRARS & SHARE TRANSFER AGENT

MCS Limited
116-118, Akshay Complex,
Off Dhole Patil Road,
Pune 411001
Telefax: 020-26129597

SUBSIDIARY COMPANIES

Thermax Babcock & Wilcox Limited
Thermax Energy Performance
Services Limited
Thermax Surface Coatings Limited
Thermax Capital Limited
Thermax Electronics Limited
Thermax Engineering Construction
Company Limited
Thermax Instrumentation Limited
Thermax Co-gen Limited
Winman Gas Limited

OVERSEAS

Thermax International Limited, Mauritius
Thermax (Rus) Limited, Russia
Thermax Europe Limited, U.K.
ME Engineering Limited, U.K.
Thermax Inc., U.S.A.
Thermax do Brasil Energia e
Equipamentos Ltda, Brazil
Thermax Hong Kong Limited, Hong Kong

WEBSITES

www.thermaxindia.com
www.tbwindia.com

THERMAX LIMITED
24th ANNUAL REPORT
2004-2005





SHAPING UP

Thermax is currently engaged in a company-wide exercise to shape up the organisation as a model of operational excellence.

It is focusing on processes and systems that impact cost, quality and on-time performance.

The shape of things to come is driven by motivated teams of people who bring their talent, skills, energy and focus on the task at hand.

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HIGHLIGHTS OF THE YEAR

- ▶ The company has posted a record top line during the year with total sales revenue and income at Rs. 941 crores, up from Rs. 604 crores in the previous year.
- ▶ During the year exports have increased to Rs. 176 crores, up from Rs. 118 crores in the previous year.
- ▶ The consolidated revenue of the Thermax Group has gone up by 55 percent to Rs. 1281 crores.
- ▶ The company's order book stood at Rs.773 crores at the end of the year, and the consolidated order book was Rs. 1123 crores.
- ▶ The international business of the Group has gone up by 70 percent to Rs 352 crores.
- ▶ The demand, especially for boilers and heaters, far exceeded company estimates and stretched its manufacturing and delivery capabilities. But it also stimulated the urgency of the transformation exercise that Thermax has initiated.
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Thermax do Brasil Energia e
Equipamentos Ltda, Brazil
Thermax Hong Kong Limited, Hong Kong

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CHAIRPERSON'S MESSAGE

Dear Shareholder,

This is the first Annual Report I have the privilege of presenting to you as Chairperson of your company.

When I took over from Anu Aga, the flood of letters, emails and phone calls from various people made me feel very supported and touched and this has enhanced my confidence and resolve to take on the challenges of this office. I want to thank all of you for your good wishes and look forward to your continued support.

This is the 24th Annual Report of your company. Revenue-wise, 2004-05 was a good year for Thermax. Resonating with the buoyancy of the economy, the top line grew 62 percent and the Thermax Group turnover crossed the Rs. 1000 crores milestone. Orders on hand at the year end was a healthy Rs. 773 crores.

On behalf of Thermax and its shareholders, I take this opportunity to congratulate the Managing Director, Prakash Kulkarni, his management team and all members of the Thermax Group.

However, the sharp growth trajectory of business in India and overseas led to an escalation in the cost of steel, copper and oil and its derivatives like styrene which are our raw materials. This had a negative impact on our operating margins. The company also faced difficulties in increasing the capacity, both in our supplier base and recruitment of talent, owing to the sudden buoyancy.

Nevertheless, we are confident in facing the future because of the initiatives launched in 2004-05.

Firstly, we have carried out a major consolidation of our energy business by buying out the 40 percent stake of Babcock & Wilcox (B&W), USA in the joint venture, Thermax Babcock & Wilcox (TBW). TBW is now a wholly owned subsidiary of your company. As per the terms, B&W will allow us to retain the name, technology and access to certain foreign markets. This acquisition equips us to become a "one stop shop" for the complete range of industrial boilers including captive power.

Secondly, in May 2004, your Directors along with the top management team started work with an internationally renowned consultant to transform Thermax – a process which would consolidate our position in India and prepare us for global leadership in our chosen fields. This initiative, named Project Evergreen, we believe will:

- ❑ make our operating systems globally competitive in satisfying our customers in terms of quality, delivery and cost
- ❑ build successive bands of leadership to ensure that Thermax will continue to be one of the best companies to work for
- ❑ focus our service on optimizing customer equipment uptime while reducing their running costs
- ❑ aggressively build leadership in chosen domestic market segments through the joint efforts of the company and its dealer network and simultaneously pursue growth in targeted global markets, and



- reinvigorate the famous Thermax innovation engine.

In his letter, Prakash Kulkarni has spelt out the milestones of this journey, so that you can follow your company's progress in the days to come.

Every member of the Thermax team has resolved to drive Project Evergreen, which will ensure sustainable and profitable growth of Thermax in the future, and at the same time, achieve the committed annual numbers.

I believe these initiatives will unleash the tremendous potential that is latent in the system and will position Thermax strongly in customer satisfaction, revenues and profits, while ensuring that it continues to be an organisation that cares.

As we grow and become robust we will always keep in mind our obligation to society and the community in which we operate. Over the last two years, the Board has allocated one percent of our profits after tax for social causes. To begin with, your company has identified two projects. We have identified a village 70 km from Pune to implement a water-harvesting programme in this very rain deficit area of the State. We are partnering with CII and another

I believe these initiatives will unleash the tremendous potential that is latent in the system and will position Thermax strongly in customer satisfaction, revenues and profits, while ensuring that it continues to be an organisation that cares.

NGO for this initiative. The second project is in collaboration with Intach and the River Action Group, two Pune-based NGOs, to clean up two nallahs that discharge untreated effluent into the Mula Mutha river. Our Director and former Chairperson, Anu Aga, is taking a keen interest in these initiatives. Our long-term plan is to make a difference not just by writing out a cheque, but hopefully involving our employees in this sphere. Besides helping the community this will also sensitise our minds and hearts to the problems of the underprivileged.

It is very heartening to have received the support and encouragement of many people. A group that has been my pillar of strength and whom I would like to thank specially are the members of the Board. Their wise counsel and dedicated support has been very beneficial to all of us in the organisation.

The exciting, evergreen journey of Thermax has just begun. The best is yet to come.

With best wishes,

Meher Pudumjee

CHAIRPERSONS MESSAGE MANAGEMENT SHEET DISCUSSION BALANCE SHEET PROFIT & LOSS ACCOUNT CORPORATE GOVERNANCE

LETTER FROM THE MANAGING DIRECTOR



Dear Shareholder,

It is a matter of satisfaction that your company has posted good results for fiscal 2004-05. My compliments to the business heads, to all our employees, channel associates, suppliers and business partners for aligning their energy and focus with the challenging targets to achieve these results. I am also happy about the healthy inflow of orders in the energy and environment businesses.

During the year, all the business divisions registered growth and your company achieved a top line of Rs. 916 crores, a 62 percent increase over the previous year. The group turnover touched Rs. 1247 crores, a 60 percent increase over last year. However, with escalating prices of inputs, our margins were under pressure.

The prospects for the coming year are promising as your company ended the year with a comfortable order book of Rs. 773 crores, and as a Group Rs. 1123 crores.

A buoyant market also brought in its share of internal infrastructure problems. The large influx of orders, especially in the boiler and heater business, put a strain on the manufacturing and delivery systems of your company. This is being addressed by streamlining existing manufacturing plants and investments in new capacity to cope with the on-time throughput of the increasing volume of business.



I would like to assure you that you would see a stronger and more vibrant Thermax as we cover more ground, in the next couple of years.

The environment-related businesses of your company also performed well with several major projects getting completed.

The turnaround phase of your company is now clearly over. We are now on the ambitious journey of transformation for which an international consulting firm is partnering us. Each business has its own set of specific strategies and action agendas but there are some initiatives that run across the company and we are pursuing these with a hard focus.

To achieve all-round operational excellence, your company is investing substantial resources to make the manufacturing, quality and delivery systems lean and responsive with quicker throughput, despatch and commissioning schedules to match the changing requirements of the customer. This will also enable your company to meet the quality and delivery schedules of demanding international markets. This will be done in conjunction with developing a strong supply chain.

An integrated cost reduction programme is also under way to achieve cost leadership in the company's product and project offerings and is focused on cost reduction across major heads – materials, purchase price and overheads. The accruals from this exercise will make a positive impact on the bottom line in the current year.

Our focus in the current year is to extend the reach of these initiatives to all our businesses and to embed new capabilities and processes to sustain the benefits in the coming years. We will also be launching initiatives to increase our innovation efficiency, to strengthen our service offerings and grow our international business.

The biggest challenge your company is facing, like most other corporates, is in the area of talent management and leadership capability building. Preparing for the ambitious growth plans, your company has initiated a comprehensive leadership development programme with a clear focus on career development and leadership building. Last year, 36 young professionals attended an intensive in-house management development programme designed to groom talent for the future.

I would like to assure you that you would see a stronger and more vibrant Thermax as we cover more ground, in the next couple of years. And as always, I count on the goodwill and support of our customers, employees, shareholders and business partners to help us achieve greater heights.

With best regards,

Prakash Kulkarni

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Twenty-fourth Annual Report together with the audited accounts of your company for the year ended March 31, 2005.

FINANCIAL RESULTS

(Rupees in crores)

	2004-2005	2003-2004
Total Income	941.16	603.81
Profit Before Interest, Depreciation, Tax and Extraordinary items	92.87	87.43
Interest & Depreciation	9.85	9.18
Profit before tax	83.02	78.25
Extraordinary Expenses	—	(5.80)
Provision for Taxation	(27.73)	(18.36)
Profit after tax & extraordinary items	55.29	54.09
Balance carried forward from last year	37.35	22.51
Transferred from foreign project reserve	—	0.15
Profit Available for Appropriation (Cumulative)	92.64	76.75
Proposed Dividend & Tax thereon	35.87	33.95
Transfer to General Reserves	5.60	5.45
Surplus carried forward	51.17	37.35

PERFORMANCE

Your company has posted good results in 2004-05 with total sales revenue and other income increasing by 55.9 percent to Rs. 941.2 crores up from Rs 603.8 crores in the previous year. Profit before tax and extraordinary items is up at Rs. 83.0 crores (Rs. 78.3 crores in the previous year). Profit after tax is marginally higher at Rs. 55.3 crores from Rs. 54.1 crores in the previous year. Earnings per share (EPS) is marginally lower at Rs. 21.8 than last year's Rs. 22.0 mainly due to the dividend on Preference Shares.

During the year exports have increased to Rs. 176.4 crores from Rs. 118.5 crores in the previous year.

A detailed review of the company's performance and future prospects is included in Management Discussion and Analysis in this Annual Report.

DIVIDEND

The Directors recommend payment of six percent dividend on the Redeemable Preference Shares (RPS) for the year 2004-05.

They also recommend payment of 120 percent dividend on equity shares (Rs. 12/- per share of Rs. 10/- each) for the financial year 2004-2005.

If approved, this will entail a total outgo of Rs. 35.9 crores towards dividend payout (including Tax on dividend). Dividend on equity shares represents a payout ratio of 62.7 percent.

REDEMPTION OF REDEEMABLE PREFERENCE SHARES

The Company had issued 4,76,62,520 six percent Redeemable Preference Shares (RPS) of face value Rs. 10 each aggregating to Rs. 47.7 crores as bonus shares, during the

financial year 2003-04 by capitalising the Share Premium Account. The RPS had been issued in the ratio of two for every equity share held. These RPS were redeemable within a period of three years from the date allotment – any time before September 22, 2006.

Considering the company's fund availability and immediate investment plans, the Board considers it desirable to redeem these RPS at an early date.

The RPS would be redeemed on July 26, 2005 and redemption amount would be payable to



the eligible holders. The total outgo towards redemption would be Rs. 54.4 crores, including distribution tax on redemption.

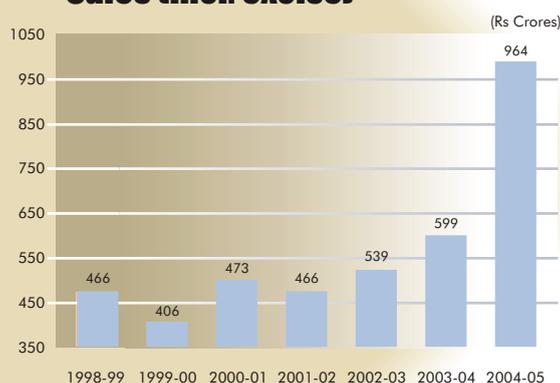
CONSOLIDATED RESULTS

The consolidated revenue of the Thermax Group has gone up by 54.6 percent to Rs. 1281.4 crores. Income from international business has increased to Rs. 352.0 crores from Rs. 207.2 crores and represents 28.2 percent of the total consolidated revenue. Profit before tax has increased 16.9 percent to Rs. 103.7 crores

and profit after tax and minority interest has increased 9.8 percent to Rs. 68.3 crores. Earnings per share (EPS) on a consolidated basis is Rs. 27.3 as compared to Rs. 25.4 in the previous year.

In terms of approval granted by the Central Government pursuant to the provisions of Section 212(8) of the Companies Act, 1956,

Sales (incl. excise)



copies of the Balance Sheet and Profit and Loss Account, Report of Directors and the Report of the Auditors of the subsidiary companies have not been attached to the Balance Sheet of the company. The audited consolidated financial results presented by the company include the financial information of all its subsidiary companies and have been prepared in compliance with the Accounting Standard 21 (AS 21) issued by The Institute of Chartered Accountants of India. The company will make available the annual accounts of any of its subsidiaries at its registered office upon request by any member of the company / statutory authority interested in obtaining the same.

SUBSIDIARIES

Thermax Babcock & Wilcox Limited

During the year, your company has bought the 40 percent equity stake held by Babcock & Wilcox International Investments Co, USA, in their erstwhile joint venture Thermax Babcock & Wilcox Limited (TBW). Consequently, TBW has become a wholly owned subsidiary of Thermax. It continues to operate under its present name and the agreement will continue to support technology transfer, revamp and retrofit in the utility market and help in augmenting business in the international market.

During the year, the revenues of Thermax Babcock & Wilcox have gone up by 59.8 percent to Rs. 250.5 crores. Order booking has also improved by 26.4 percent to Rs. 309.7 crores. Focus on project exports has resulted in export revenues going up by 140.6 percent to Rs. 77.0 crores. Net profit increased by 49.4 percent to Rs.13.4 crores.

Growth in the steel sector and major orders from refinery and cement industries has contributed to TBW's revenue growth. Major orders received include a breakthrough order from a steel major for an AFBC boiler of 165-tph capacity.

ME Engineering Limited, U.K.

During the year the turnover of this wholly owned subsidiary, which is in the business of energy-related systems and standardized products, more than doubled to GBP 11.4 million. However, the sharp increase in the prices of steel and other materials significantly eroded margins. Additionally, operational problems arising from sharp growth together with investment in new business development have resulted in a net loss of GBP 0.2 million as

compared to a net loss of GBP 0.1 million last year.

A focus on improved project execution, stricter financial controls and cost reduction will see a better performance.

During the year a new initiative has been taken up to explore and develop the Western European market for packaged boilers. This initiative together with related product support and service business would lay the foundation for the Thermax Group in packaged boilers, both in the UK and EU markets.

Thermax Inc., U.S.A.

This wholly owned subsidiary continues to act as an exclusive front-end value chain for the core businesses of the company in North and South America. During the year its total revenues increased to USD 8.2 million from USD 6.4 million. The company has recently started reinforcing its front-end team for the chemical business, which should enable its accelerated growth in the coming years. For the absorption chiller business, the investment cycle has shown an improvement both in the co-generation market in California and the oil and gas markets in Texas.

Thermax Europe Ltd., U.K.

This wholly owned subsidiary continues to be a front-end value chain for the absorption chiller business in Europe. During the year its turnover has grown by 66.4 percent to GBP 1.9 million as compared to GBP 1.1 million in the previous year. The year saw positive movement in the small and mid-size co-generation sector, which is the prime market for absorption chillers in the UK and EU markets.

At present, the subsidiary dominates the district heating market, using absorption technology to pump up low-grade geothermal heat in the district heating line.

Thermax Energy Performance Services Ltd.

Thermax Energy Performance Services Ltd. (TEPS) is a joint venture between Thermax Limited and EPS Asia Inc (EPS), with 51 and 49 percent share holding respectively. This joint venture continues to idle due to lack of market acceptance of its business model.

During the year under review, the gross revenue of TEPS was Rs. 0.2 crores (Rs. 0.7 crores in the previous year). Net loss was Rs. 0.1 crores (loss of Rs. 0.6 crores). The net worth of the subsidiary stands eroded on the balance sheet

International Business (Thermax Group)



date. TEPS has a contingent liability of Rs. 16.2 crores arising out of contractual agreements with customers for guaranteed savings.

Your company believes that TEPS is unlikely to be turned around due to major differences between JV partners regarding business models and technical and financial issues which have resulted in the JV partners approaching the Company Law Board (CLB). The outcome of the CLB decision, in all probability, may result in the voluntary winding up of TEPS.

TEPS is currently in the process of foreclosure of contracts to wind up operations and mitigate further losses.

Thermax Engineering Construction Co. Ltd.

Thermax Engineering Construction Co. Ltd. (TECC), a wholly owned subsidiary of your company undertakes and executes engineering construction projects mainly for captive

the equity capital base of THKL.

Thermax do Brasil Energia e Equipamentos Ltda., Brazil

Thermax do Brasil Energia e Equipamentos Ltda. (TdB) has been successful in initiating sales for absorption chillers in Brazil during the year under review. The company has initiated close co-operation with local gas companies to offer gas fired chillers at competitive life cycle costs. TdB is also promoting co-generation and combined heating and cooling packages.

During the year under review, Thermax Limited invested Rs. 0.4 crores in the equity capital base of the subsidiary.

TdB achieved revenues of BRL 362,768 (Rs. 0.6 crores) during its first full year of operations.

Return on Capital Employed



divisions. During the year under review, TECC increased its revenue by 69.8 percent to Rs. 46.0 crores from Rs. 27.1 crores in the previous year. Profit after tax improved to Rs. 0.9 crores from Rs. 0.8 crores.

Thermax Hong Kong Limited, Hong Kong

Thermax Hong Kong Limited (THKL), a wholly owned overseas subsidiary was set up last year, to focus on China with a range of absorption chillers. During the first year the subsidiary has commenced its operations in China with a representative office at Shanghai. Business prospecting and promotional activities are currently underway. During the year under review, your company invested Rs. 1.9 crores in

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis, highlighting the performance and prospects of the company's energy and environment businesses, is attached and forms part of this Report.

CORPORATE GOVERNANCE

It has been the endeavour of your company to follow and put into practice the code of corporate governance, in letter and spirit. A detailed Corporate Governance Report is attached.

A certificate from the Auditors of the company regarding compliance of the conditions of corporate governance as required under clause 49 of the Listing Agreement, forms part of this Report.

DELISTING FROM FOUR STOCK EXCHANGES

Consequent upon the application for delisting of the Company's Equity Shares and the 6% Redeemable Preference Shares (6% RPS) – the "securities" – the company has been granted delisting permission from the stock exchanges at Pune, Ahmedabad and Delhi. Approval for delisting from the stock exchange at Kolkata is awaited.

The company's securities continue to be listed on the National Stock Exchange of India (NSE) and the Bombay Stock Exchange (BSE), Mumbai.

FINANCE, ACCOUNTS AND SYSTEMS

Cash generated from operations during the year improved to Rs. 86.7 crores as compared to Rs. 57.7 crores in the previous year. The company maintained its debt-free status and was a net foreign exchange earner of Rs. 65.8 crores during the year.

In managing its treasury / investment portfolio the company has adopted a conservative approach based on safety, liquidity and return. To achieve this objective, the investment portfolio has been maintained with 99 percent of the treasury investments in debt funds. Based on the management's perception of interest rate movement, the entire debt funds are kept in liquid funds or short-term fixed maturity plans.

The company continues to have P1+ rating by CRISIL for its commercial paper programme. During the year it has not borrowed on this account.

The company had no unpaid deposits as on March 31, 2005. Deposits aggregating to Rs. 36,000 remained unclaimed as on that date.

Since then one deposit of Rs. 14,000 has been claimed and repaid by the company.

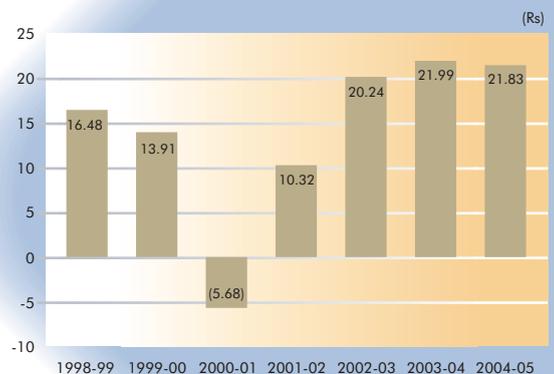
In terms of the provisions of Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, the company has transferred unclaimed dividend for the financial year 1996-97 amounting to Rs. 1,20,051 to the said Fund.

AWARDS AND RECOGNITION

Business Today-Mercer ranking

The 2004 Business Today-Mercer study of the Best Companies to Work for in India ranked

Earnings Per Share (EPS)



Thermax at number three among the top 10 companies. Thermax was the only capital goods company in the top ten listing.

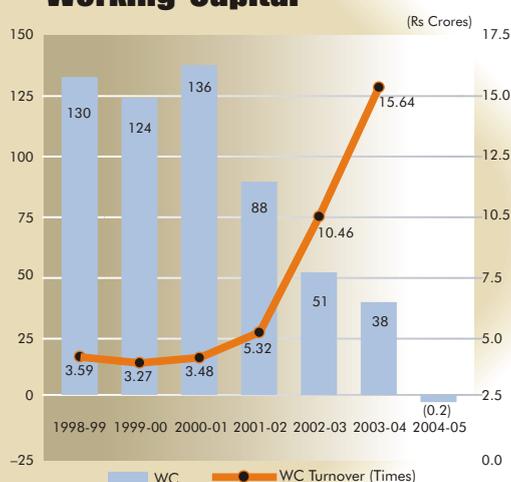
OHSAS Certification

The chemical plant of Thermax at Paudh, near Mumbai, has received the OHSAS 18001:1999 certification from BVQI for implementing the occupational health and safety management system.

Comfex award for Thermax

Comfex 2005 honoured Prakash Kulkarni, Managing Director of Thermax, with a special award for Thermax's contribution to the HVAC industry.

Working Capital



Recognition for Anu Aga

Former Chairperson Anu Aga was featured as one of the 25 Most Powerful Women in Indian Business in the special issue of Business Today, in September 2004.

HUMAN RESOURCES

As on March 31, 2005, the total number of employees on the rolls of the company was 2510.

PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956

A statement of the particulars required under Section 217(1) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of

Directors) Rules 1988, is annexed and forms part of this Report.

Particulars of the employees as required under Section 217(2A) of the Companies Act, 1956, read with the rules framed thereunder, is also annexed and forms part of this Report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mrs. Anu Aga and Mr. Tapan Mitra retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment as Directors.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors accept responsibility for the integrity and objectivity of the Profit & Loss Account for the financial year ended March 31, 2005 and the Balance Sheet as at that date ("financial statements") and confirm that:

The financial statements have been prepared on a going concern basis. In the preparation of the financial statements the generally accepted accounting principles (GAAP) of India and applicable accounting standards issued by The Institute of Chartered Accountants of India as also the guidelines issued by the Reserve Bank of India applicable to the company have been followed.

Appropriate accounting policies have been selected and applied consistently. Judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period. Significant accounting policies and other required disclosures have been made in Schedule 18 annexed to the Balance Sheet.

Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system, its inherent limitations should be recognised. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The company has an Internal Audit Department which co-ordinates the internal audit process. The Audit Committee of the Board meets at regular intervals to review the internal audit function.

The financial statements have been audited by

M/s. B. K. Khare & Co., the statutory auditors and their report is appended thereto.

AUDITORS

M/s. B. K. Khare & Co., Chartered Accountants, will retire as auditors at the ensuing Annual General Meeting and are eligible for reappointment.

ACKNOWLEDGEMENTS

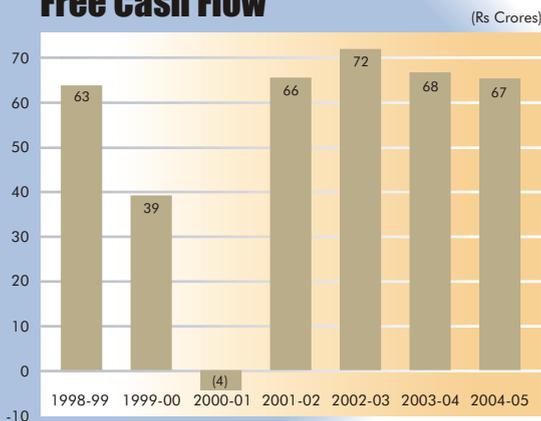
Your directors wish to place on record their appreciation of the company's clients, vendors, bankers and investors for their continued support during the year. Your directors also wish to place on record their deep appreciation of the dedication and contributions made by employees at all levels, who through their competence, hard work and support have enabled the company to achieve better performance and look forward to their continued support in future as well.

For and on behalf of the Board

Meher Pudumjee
Chairperson

Place: Pune
Date: May 11, 2005

Free Cash Flow



Annexure to the Report of the Board of Directors as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, for the year ended March 31, 2005

A. CONSERVATION OF ENERGY

The company undertook the following measures for conservation of energy during the year ended March 31, 2005:

- a. Adding of power factor control panel and capacitors has improved the power factor from 0.96 to 0.99. This has reduced the maximum demand charges and the company is eligible for power factor incentive.
- b. Replacement of old welding machines with inverter based welding machines using new technology has helped in reducing load losses.
- c. The company has undertaken harmonic analysis throughout the Chinchwad Works to analyse quality of power and cable losses.
- d. Use of variable frequency drives in new machines (Rotators and Saw welding machines) has improved electricity savings.

Environmental improvements

- a. An estimated 7000 cubic meters of wood, worth Rs. 11.3 lakhs, has been reused for packing of products.
- b. To contribute to a safer and healthier work environment, a new Occupational Health & Safety System has been introduced at the manufacturing facilities.

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

1. **Specific areas in which R&D is carried out by the company:**

Horizontal Thermosyphon: A new design of thermosyphon with horizontal configuration was successfully conceptualized and

piloted during the year. This alternative overcomes the limitations of the existing vertical configuration, as it will broaden the application base.

Vertical shell boiler on solid fuels: This new concept was piloted during the year, with different fuels. After review, an upgraded version was manufactured and tested successfully.

Extended Supermax non-IBR boiler: Additional work was carried out on this boiler to explore the possibility of further enhancing capacity. The pilot project is in progress.

Spentwash Incineration: A new concept for concentrated liquid spent wash incineration was successfully developed and piloted during the year. This is now being explored for commercial applications in the distillery sector.

Ammonia absorption system: In ammonia absorption systems, development was undertaken for the GAX cycle to improve efficiency of the system. The pilot project is on.

Electro-chlorinator: An improved version of Ecocell, the packaged wastewater treatment system, was conceptualized during the year, for both capital and operating cost competitiveness. A substantial reduction in the overall size will be the major new feature. The pilot is in progress.

2. **Benefits derived as a result of the above R&D:**

The concept of spentwash incineration opens up business opportunities in the distillery sector, as it will meet the proposed pollution norms of zero liquid discharge.

The new development on absorption systems, both in lithium bromide as well as ammonia cycles, contributes towards increasing the competitiveness of such offerings in the market.

The developments carried out in wastewater treatment complement the existing systems and increase the effectiveness of the total solution.

3. Future plan of action:

Building on the basic developments done during the year, in various areas, R&D will continue to focus on multiplying the application base and creating competitive solutions. It is also envisaged that towards meeting the long-term perspective, a joint development model would be pursued with national / international technical institutes for breakthrough technologies in specific areas.

4. Expenditure on R&D:

- (a) Capital : Rs. Nil
- (b) Recurring : Rs. 2.9 crores
- (c) Total : Rs. 2.9 crores
- (d) Total R&D expenditure as a percentage of turnover : 0.3%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

All the technologies procured from foreign collaborators, upto 2002, have been absorbed and suitably incorporated in the development of products.

2. Benefits derived as a result of the above efforts – product improvement, cost reduction, product development and import substitution:

With the technology absorbed, the in-house R&D set up has developed new products and has effected many product improvements. These have addressed customer requirements and have helped the company contribute to energy conservation and

environment preservation.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information is furnished:

Technology imported	Year of import	Has technology been fully absorbed	If not fully absorbed reason thereof & future plan of action
1. Scrubbers, absorber and gas cleaning plants	2002	Yes	
2. Cyclones/ fully evaporative agglomeration spray systems	2004	Partly	Technology implementation process commenced in January 2005 and absorption is expected to be completed in the coming year

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives to increase exports, development of new export markets for products and services and export plans have been covered in the Management's Discussion and Analysis Report.

During the year under review the company was a net foreign exchange earner of Rs. 65.8 crores.

The details on foreign exchange earnings and outgo are given in the Note 6 Schedule 18 to the Accounts, which form part of the Annual Report.

Statement of particulars of employees pursuant to the provisions of section 217(2A) of the Companies Act,1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 2005

Sr. No.	Name	Designation	Qualification	Age	Date of joining	Experience (Years)	Total Remu-neration	Previous Employment – Designation
1	Advani R	Executive Vice President – ESD	B. E. (Hons). (Mech), PGDBM	55	1 May- 00	33	26,33,575	Thermax Babcock & Wilcox Ltd. Gen Mgr (Mktg)
2	Joshipura S	Executive Vice President – PHD	B. E. (Mech).	43	1-Mar-03	21	25,22,875	Thermax Energy Performance Services Ltd. CEO
3	Kulkarni P M	Managing Director	B.E. (Mech)	57	01-Jul-99	37	74,70,663	Thermax Babcock & Wilcox Ltd. Managing Director
4	Mukhopadhyay A	Executive Vice President & CFO	B. Sc. (Hons), C A	40	24-Oct-01	16	26,44,413	IFB Industries Ltd. V. P. Finance
5	Unnikrishnan M S	Executive Vice President	B.E. (Mech)	44	01-Aug-97	23	31,11,196	Terrazzo Ltd., Asst. General Manager
List of employees who were in employment for part of the year								
1	Chavan D A	Asst. Manager-	D. M. E.	40	1-Sept-84	20	3,97,625	—
2	Joshi N D	Business Executive	M. Tech., Ph. D.	60	1-Feb-72	33	68,99,028	—
3	Mathew Verghese	Senior Manager	B.A.(Eco), LLB. MPM	48	18-Oct-99	30	9,07,587	Thermax Babcock & Wilcox Ltd., Sr. Manager
4	Paranjape C V	Divisional Manager	B. E. (Elec) M. E. (Elec)	53	21-May-84	29	9,55,590	Bharat Forge Ltd., Elec. Engineer
5	Sinha R P	Manager	B. E. (Mech)	36	2- Aug-91	14	3,72,213	—
6	Solanki S P	Deputy Manager	B. E. (Mech)	34	2- Aug-93	11	2,48,564	—
7	Swami S V	Deputy Manager	B. E. (Elec) DBM, MMS	34	20-Apr-01	10	3,24,202	Thermax Electronics Ltd., Senior Executive
8	Venkataraman S S	Manager	Dip. Mech	56	23-Nov-81	33	7,02,982	Ion Exchange (India) Ltd., Field Engineer

Notes:

1. Remuneration above includes salary, commission, medical expenses, allowances and company's contribution to Provident and Superannuation Fund.
2. The employees are also entitled to gratuity, in addition to the above remuneration
3. Experience includes number of years of service both within the company and elsewhere, wherever applicable.
4. The nature of employment in all cases is contractual.
5. None of the employees above is a relative of any director of the company.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

With a buoyant economy, 2004-05 continued to be a year of growth for your company. The iron and steel, textile, food, pharma and the refining sectors, major components of your company's market base, performed well. The capital goods industry grew by 12.8 percent.

In 2004-05, the Electricity Act, 2003 began to get implemented and the National Electricity Policy was declared. This provided a fillip to the captive power generation sector, which offers exciting opportunities for your company.

The year also witnessed continuing rise in the prices of commodities. Oil prices touched new heights, which has resulted in a marked shift to solid fuels and opened new opportunities for your company. The unprecedented rise in the prices of input raw materials, especially of steel and derived petroleum products like styrene, put pressure on the margins of your company. The demand, especially for boilers and heaters, far exceeded company estimates and stretched its manufacturing and delivery capabilities. But it also stimulated the urgency of the transformation exercise that the company has initiated.

The outlook for your company continues to be positive. It is expected that the growth in textile, food, iron and steel, chemical, pharma, edible oil, hospitality and health sectors –

steady customers of Thermax's products and services – will continue. The Asian markets are opting for substantial capacity building that will have positive spin offs for your company.

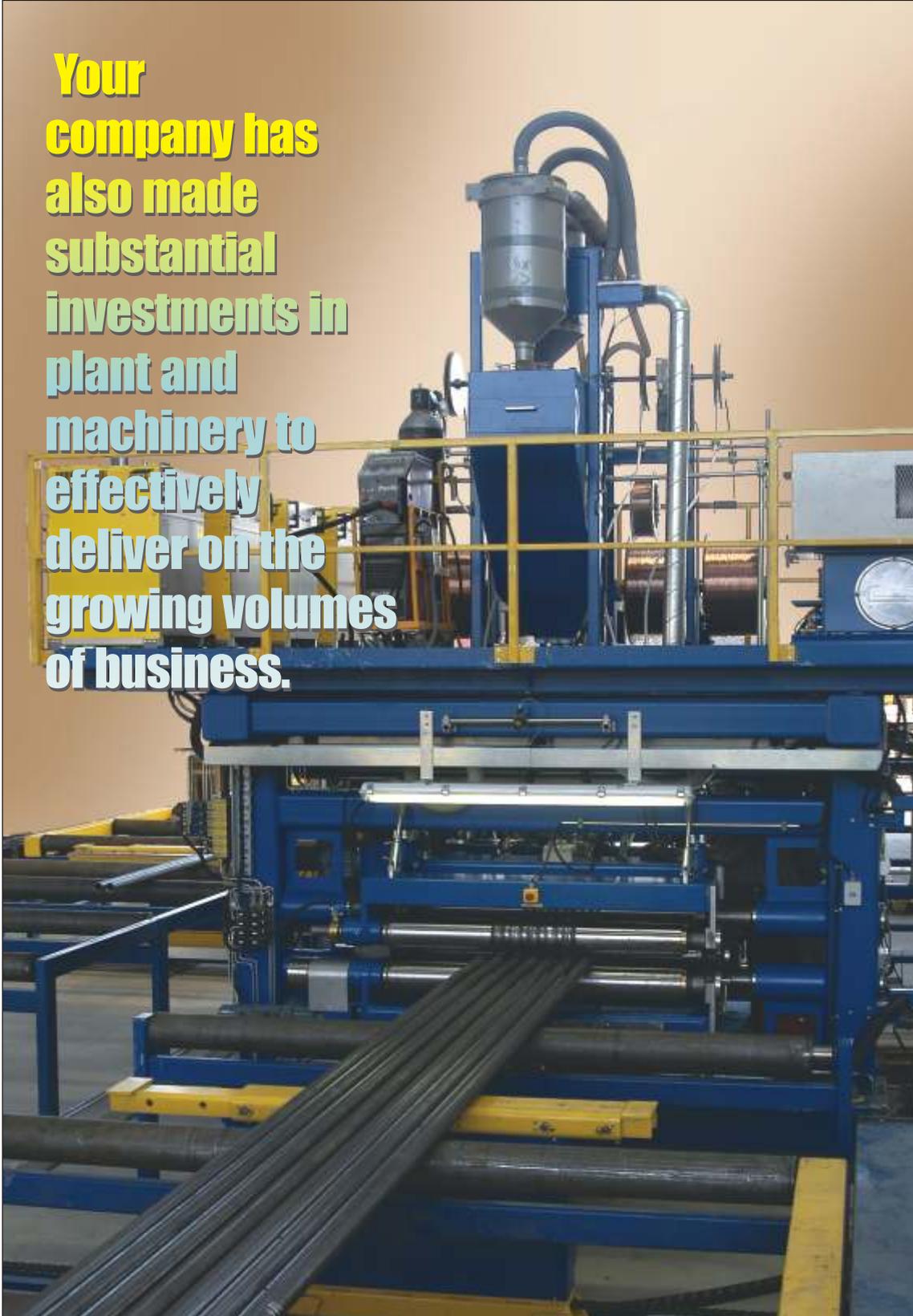
There is an upsurge in demand from rural markets across India that is bound to fuel rising consumption and increased economic activity. It is expected that the new Value Added Tax (VAT) will simplify and rationalise the indirect tax regime, facilitating and supporting economic growth.

The global manufacturing shift to Asia (China and India) heralds new opportunities for your company. Globally, investments in the hydrocarbon sector are increasing, both upstream and downstream. These will continue to help Thermax in gaining new business.

However, the cost of raw material and spiralling oil prices are areas of concern.

Internally, Thermax is engaged in a company-wide transformation initiative with the help of an international consultant to change, fundamentally, the way it is doing business. Substantial resources are being invested in attaining operational excellence – focusing on processes and systems that impact cost, quality, lead-time and on-time performance. This agenda of your company is being driven by two initiatives – Thermax Operating System (TOS) and Integrated Cost Reduction (ICR).

**Your
company has
also made
substantial
investments in
plant and
machinery to
effectively
deliver on the
growing volumes
of business.**



Thermax Operating System (TOS) will make Thermax's manufacturing and delivery system responsive, lean and agile. It will help your company to come up with quicker throughput, despatch and commissioning schedules to match the changing requirements of the customer. A pilot project carried out in one of the boiler plants has taken the company closer to the target of manufacturing a boiler a day in that plant.

Integrated Cost Reduction (ICR) is under way to achieve leadership through end-to-end cost reduction. Several products are being redesigned on the 'design to cost' principle. The company is also adopting the route of global sourcing for raw materials and components.

Your company has put extra emphasis on innovation. The launch of several new products during the year under review added muscle to our businesses. Your company is revamping its Research & Development.

Review of Operations

During 2004-05, all the business divisions of Thermax registered growth. The company's net sales touched Rs. 915.9 crores, contributed mainly by an accelerated growth from the following business divisions: Cogen, Enviro, Water and Waste Solutions and Energy Systems. Your company completed the year with a carry forward order book of Rs.773 crores.

Increase in raw material cost put pressure on margins and depressed operating profit margins by 1.6 percent.

During the year, Thermax absorbed and acquired new technologies to offer better products and systems. Your company has also made substantial investments in plant and machinery to effectively deliver on the growing volumes of business.

Thermax also successfully introduced several new products that gained acceptance from diverse market segments. Supermax, a new packaged boiler, offers the highest efficiency in the non-IBR range of boilers. EcoCell, the packaged sewage treatment system, was well received by hotels and garages. Thermosiphon, an eco-friendly and cost-effective substitute for steam and hot air heating is positioned for the food and edible oil industry. Your company also introduced direct exhaust gas fired chillers for gas engine based power plants. This new chiller directly converts exhaust gas to steam for cooling and has already won several customers. A compact electrostatic precipitator was introduced to tackle emissions from smaller solid fuel fired boilers.

Energy Segment Analysis

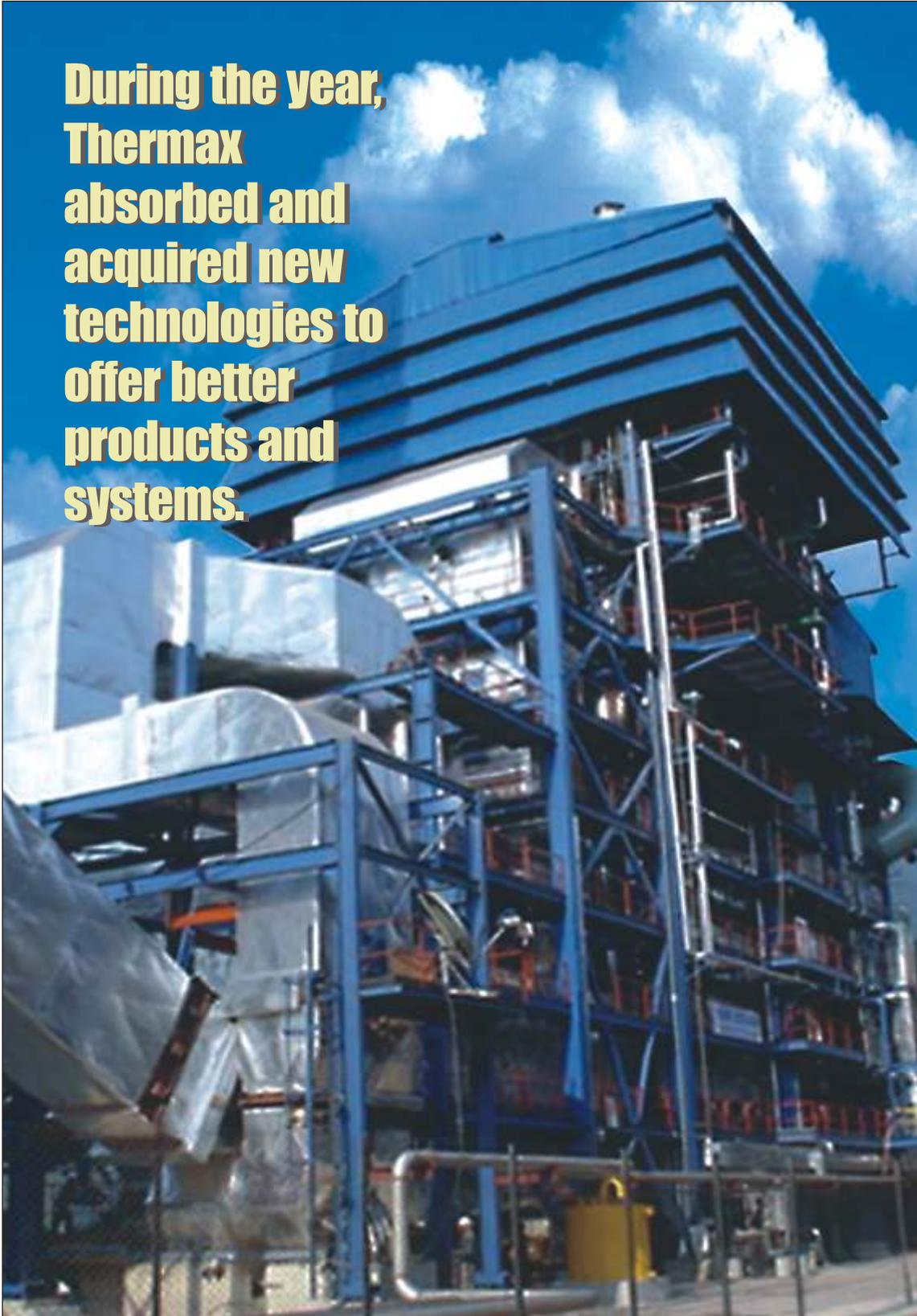
Your company achieved a major consolidation with the buyout of the 40 percent stake held by Babcock & Wilcox International Investment Inc., in the joint venture Thermax Babcock & Wilcox Ltd. (TBW). As a result, TBW is now a fully owned subsidiary of Thermax. The company also upgraded its equipment offerings through a partnership with a Finnish burner manufacturer. Thermax boilers would now be equipped with these state-of-the-art burners, offering better value to customers.

Process Heat Division

The packaged boiler and heaters business earned revenues of Rs. 230.4 crores, a growth of 29.6 percent. It introduced new products and gained significant export orders.

Exports show 34 per cent growth over the previous year. In the domestic market, order intake through the channel network grew by 30 percent. Working closely with Thermax's UK subsidiary, the division entered the Western European market for shell boilers. In South East Asia, among the major orders, was the largest

**During the year,
Thermax
absorbed and
acquired new
technologies to
offer better
products and
systems.**



ever biomass-fired heater supplied to an edible oil manufacturer.

The outlook for this business remains positive, both in Indian and export markets.

Net sales and percentage of export figures for 2004-05 and four previous years are given below:

Process Heat Division	Net Sales (excl. excise duty) Rs. crores	Growth % Year on Year	% Exports	Exports Growth % YoY
2000-01	139.7	6.0	23.2	18.9
2001-02	132.9	(4.9)	27.1	11.3
2002-03	140.1	5.4	34.0	32.1
2003-04	177.8	26.9	27.4	2.4
2004-05	230.4	29.6	28.4	34.3

Energy Systems Division

The division posted revenues of Rs. 145.3 crores, a 49 percent increase over the previous year. Exports went up by 109.9 percent.

The iron and steel industry continues to drive growth in this business. Globally, the pursuit of green fuel through sulphur removal also generated business in waste heat recovery systems for the division.

As Indian industry is clamping down on energy costs, there is increasing demand for waste heat recovery equipment, exhaust gas fired heating systems and biomass combustion systems. This is consolidating Therman's status as the market leader in energy conservation systems.

During the year, the division executed a large value order for waste heat recovery for captive power generation, in the coke ovens of a steel major. It also commissioned projects in Greece, Saudi Arabia and Qatar.

Captive power also continues to be a key driver of this business with a new focus on the cement sector. Considering the buoyancy in the Indian market the thrust of this business is in the domestic sector.

The outlook for this business remains positive.

Net sales and percentage of export figures for 2004-05 and four previous years are given below:

Energy Systems Division	Net Sales (excl. excise duty) Rs. crores	Growth % Year on Year	% Exports	Exports Growth % YoY
2000-01	68.1	107.6	3.5	4218.7
2001-02	57.5	(15.5)	14.0	241.7
2002-03	44.8	(22.1)	8.5	(52.4)
2003-04	97.5	117.6	9.0	125.6
2004-05	145.3	49.0	12.5	109.9

Absorption Cooling Division

The division recorded its best ever growth of 25.4 percent with revenues at Rs.107.6 crores in 2004-05, growing both in the domestic and international markets. Food and chemicals were the main growth areas during the year.

The company has successfully commissioned seven heat pump installations in Scandinavia to pump up low-grade geothermal heat for district heating. In the US, the recovery in the cogeneration market and new opportunities from the oil and gas industry in Texas, augur well for this business.

China, which is the world's largest market for absorption cooling, is being explored for business potential. Therman Hong Kong Limited, a wholly owned subsidiary, will front-end this market development.

**Thermax also
successfully
introduced
several new
products that
gained
acceptance
from diverse
market segments**



SUPERMAX

ECOCELL



The outlook for this business continues to be positive, both in Indian and overseas markets.

Net sales and percentage of export figures for 2004-05 and four previous years are given below:

Absorption Cooling Division	Net Sales (excl. excise duty) Rs. crores	Growth % Year on Year	% Exports	Exports Growth % YoY
2000-01	65.8	13.3	39.5	29.0
2001-02	73.2	11.2	38.7	9.0
2002-03	75.6	3.3	44.1	17.6
2003-04	85.8	13.5	36.2	(6.7)
2004-05	107.6	25.4	39.9	38.1

Cogen Division

With revenues of Rs. 136.9 crores, 2004-05 was a good year for the division as it progressed its captive power projects scheduled for completion in 2005.

Thermax's reputation as a significant player in the captive power business is by now well established. Through seven turnkey projects Thermax has added 144 MW of captive power using a variety of fuels including pet coke, biomass and waste heat. Among the orders the division bagged during the year, a contract to set up a captive power plant for a cement major in Chattisgarh, is noteworthy.

The outlook for this business remains positive aided by the emerging energy efficiency initiatives of Indian industry and the new opportunities offered by the power policy environment. The division has a healthy order carry forward of Rs. 272.1 crores.

Net sales figures for 2004-05 and three previous years are given alongside:

Cogen Division	Net Sales (excl. excise duty) Rs. crores
2001-02	10.8
2002-03	85.6
2003-04	17.0
2004-05	136.9

Environmental Segment Analysis

The rapid degradation in the quality of water and air are major concerns in India and the world. These issues continue to drive the business of Thermax's environment segment. Global competitiveness is also pushing industry to go for recycling and product recovery.

The environment segment captured several path-breaking orders. These include water treatment systems for nearly 200 gas stations coming up on the highways of Gujarat and Rajasthan; a prestigious project to clean the sewage and revive the Dal Lake in J&K; and a coal injection system for a steel major to enhance productivity.

Water and Waste Solutions

The division had a turnover of Rs. 89.8 crores, an increase of 79.2 percent over the previous year. The year also saw the realigning of its core strengths and a focus on new areas and applications.

The division completed a number of projects for sewage treatment, and with public demand for conservation of water bodies, this trend is expected to continue. On the anvil are product extensions of Ecocell, the popular packaged sewage treatment system that is fast gaining market acceptance.

The outlook for this business continues to be positive.

**China,
which is
the largest
market
for absorption
cooling,
is being
explored
for business
potential**



Net sales figures for 2004-05 and four previous years are given below:

Water & Waste Solutions	Net Sales (excl excise duty) Rs crores	Growth % YoY
2000-01	54.8	(3.9)
2001-02	45.1	(17.7)
2002-03	59.2	31.3
2003-04	50.1	(15.4)
2004-05	89.8	79.2

Enviro Division

The spurt in investments in sponge iron and steel, cement and power sectors helped Thermax's air pollution control business to post an all-time high revenue of Rs.118.0 crores in 2004-05.

Export orders from the Middle East, Africa and SAARC countries was a distinct feature of the division's performance during the year.

The division aims to be a major player in the retrofit and revamp business and plans to extend its expertise in coal injection to small and medium blast furnaces and in the non-ferrous segments.

The outlook for this business remains positive.

Net sales figures for 2004-05 and four previous years are given below:

Enviro Division	Net Sales (excl. excise duty) Rs. crore	Growth % Year YoY
2000-01	35.8	61.3
2001-02	33.4	(6.7)
2002-03	30.4	(9.0)
2003-04	58.0	90.8
2004-05	118.0	103.4

Chemical Division

The division's revenues grew by 13.4 percent during the year to Rs. 88.0 crores. The year saw the division arresting its decline in the US market and reviving its sales. However, a steep increase in prices of major raw materials affected margins.

During the year, Thermax became the leading resin manufacturer in India. The division has emerged as the preferred manufacturer of value added resins for a global major. The specialty resins business has grown by 20 percent.

Arrangements with other leading OEMs and process licensors have also yielded increased business.

The business in fireside and cooling water chemicals registered a growth of 16 percent and 25 percent, respectively.

The division has been leveraging the Thermax Channel network for its growth. Its focus on the US and other export markets will continue. To derive maximum advantage of the opportunities, the front-end team in the US has been considerably strengthened.

The manufacturing plant at Paudh (near Mumbai) has got the OHSAS 18001:1999 certification for its occupational health and safety management system.

With encouraging developments in key markets, the outlook for the division remains positive.

Net sales and percentage of export figures for 2004-05 and four previous years are given overleaf:

Chemical Division	Net Sales (excl. excise duty) Rs. crores	Growth % Year on Year	% Exports	Exports Growth % YoY
2000-01	77.3	9.0	46.6	68.8
2001-02	87.1	12.7	36.5	(11.8)
2002-03	78.0	(10.4)	36.1	(11.4)
2003-04	77.6	(0.1)	37.7	4.4
2004-05	88.0	13.4	42.5	27.7

Risk Management

The company recognises that risk is inevitable and believes in having an optimum, well-defined and integrated risk management strategy. It also believes that proper risk identification, evaluation and mitigation would help to achieve its target of sustainable growth and profitability.

Business risk

Risk of cyclical business

The company operates in the capital goods sector, where business, inherently, is of cyclical nature. While the project business has higher cyclical volatility, it is lower for the product business. Faced with this risk, the company is focussing on internationalisation. Revenues from exports and the oil & gas sectors have been steadily going up from Rs 151 crores in FY02 to Rs 352 crores in FY05. The company has also taken measures to increase revenue from service business and by taking up revamp and retrofit jobs. The company's attempt at derisking also includes expansion of products like absorption chillers, packaged boilers and chemicals which are less cyclical.

Risk of concentration in one business segment

The company operates in both the energy and the environment segments. In each of these, it

offers a wide range of products. The energy segment constitutes 68 percent of total revenue and the offerings are under four major product divisions as discussed earlier. Similarly the environment segment comprises of Enviro (Air Pollution Control), Water & Waste Solutions and Chemicals Divisions; and these three groups constitute 40 percent, 30 percent and 30 percent respectively, of the total revenue of this segment.

Four years ago the company exited unrelated non-core businesses. Thus the company's present business portfolio is diversified, yet the businesses are synergistic.

Customer concentration risk

The company recognises the risk associated with over dependence on any single customer or any single project. Its business is well spread amongst numerous customers and no single customer accounts for more than 15 percent of the company's turnover. Similarly no single order is more than 15 percent of the company's turnover.

During the year investments in steel, power and oil & gas sectors had a positive impetus on the company's business and this trend is expected to continue.

Credit risk

The company perceives the risk of substantial outstanding from any single customer or segment. Its customers are large and reputed organisations. It has a well-documented credit policy for evaluation and authorisation of all large credit exposures. Also credits are monitored through reporting and review; and in case of delays and defaults, the company imposes stricter payment terms. For large value orders and export transactions, letters of credit is the preferred mode of payment. The company has also implemented strict provisioning norms for accounts receivable.

Energy price fluctuations

The company recognises that fluctuations in fuel and energy prices change the viability of projects and also drives the use of alternate energy / fuel sources. It believes that the management of this risk can only be attained through developing capability and expertise on combustion of a variety of fuels. It has proven capability of handling a large number of fuels including solid fuel, liquid fuel as well as gas. The combustion expertise for solid fuel includes all varieties of coal and coke; and a wide range of biomass. The company's Energy Systems Division and the Absorption Cooling Division use waste heat as a source of energy. This expertise helps the company not merely to mitigate risk, but also provides it the ability to leverage its knowledge and experience to derisk oil and coal based energy systems.

Raw material price fluctuations

Increase in raw material prices adversely affects profitability. Hence the company constantly monitors raw material prices and accordingly revises the selling price of its products. In large project jobs, normally the contracts do not provide for any input price linked escalation. In such cases the increase in raw material prices can have a substantial impact on profitability. To minimise this risk, the company has a system of obtaining back-to-back quotations for large project jobs and it also carries out price finalisation with major vendors during the initial months of project commencement. However during the year under review, escalation in prices of steel, non-ferrous metals and petroleum based bulk chemicals had eroded margins.

Risk from imports

The import duty rates have decreased

substantially and are likely to go down further. The company recognises that falling tariff barriers will result in intensified global competition. The company exports to US, Europe and other demanding markets. In these markets it is competing with suppliers from across the globe and has established its competitiveness. The company has initiated steps to further improve its competitiveness through operational excellence.

Project management risk

The company has a robust and well-documented system in place for reporting, evaluating and monitoring project risks at regular intervals. The company faces various risks in the execution of large projects and these risks can result in substantial financial impact as well as customer dissatisfaction. These risks are monitored through out the life cycle of projects from pre-order to commissioning and completion. Proper estimation and evaluation systems provide major risk management tools. During execution, cost and progress of the project are regularly monitored through a well-defined framework.

Exchange fluctuations and interest rate risks

The company is a net exporter. Exports are largely denominated in US dollars and hence are subject to the risk of exchange fluctuations. The company has a well-defined foreign exchange risk management policy with a conservative bias, and it is regularly monitored.

The company has no borrowings. A major portion of its investments is in debt funds leading to a high sensitivity to interest rate fluctuations. Interest rate movements are continuously tracked and based on trends,



The company would be focusing on talent retention and acquisition of qualified professionals

average portfolio maturity is decided. The company has a documented investment policy and performance of the treasury portfolio is regularly monitored and reviewed.

Human Resources

Thermax's HR philosophy and practices were recognised when it was ranked # 3 among the best places to work. The only capital goods company to make it to the top 10, Thermax was selected by the Business Today-Mercer survey of Indian corporates in 2004.

Preparing for business transformation, Thermax has initiated a leadership development programme. Last year some of the company's young professionals attended an intensive Management Development Programme designed to groom talent for the future.

The company would be focusing on talent retention and acquisition of qualified professionals through a planned exercise in career development and succession planning.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

CORPORATE GOVERNANCE REPORT

COMPANY PHILOSOPHY

Thermax Limited is committed to high standards of corporate governance. In all its operations and processes, the company adheres to stringent governance norms to ensure superior financial performance for its stakeholders.

Through its corporate governance measures, the company aims to maintain transparency in its financial reporting and keep all its stakeholders informed about its policies, performance and developments. By adopting and implementing good practices, which is at the heart of effective corporate governance, Thermax will sustain stakeholder confidence.

Your company's Board has empowered responsible persons to implement policies

and guidelines related to the key elements of corporate governance – transparency, disclosure, supervision and internal controls, risk management, internal and external communications, high standards of safety, accounting fidelity, product and service quality. It has also set up adequate review processes.

COMPLIANCE OF CORPORATE GOVERNANCE AS PER CODE

A) BOARD OF DIRECTORS AND PROCEDURES

The Board of your company at present comprises eight directors – three non-executive promoter directors, one managing director and four non-executive independent directors. The table gives the composition of the Board and inter alia the outside directorships held by each of the directors.

a) Composition of the Board

Name of the Director	Category	Pecuniary or business relationship with the Company	Relationship with other Directors	Number of other Directorships @	Committee position (excluding private, foreign and section 25 companies)	
					Chairperson	Member
Mrs. Meher Pudumjee	Non-executive	None except *	Yes	17	3	3
Mrs. Anu Aga	Non-executive	None except *	Yes	13	1	1
Mr. Prakash Kulkarni	Executive	N.A.	No	13	1	5
Mr. Pheroze Pudumjee	Non-executive	None	Yes	8	2	3
Mr. Tapan Mitra	Non-executive Independent	None	No	2	3	2
Dr. Manu Seth	Non-executive Independent	None	No	5	—	2
Dr. Jairam Varadaraj	Non-executive Independent	None	No	13	—	4
Mr. Ravi Venkatesan	Non-executive Independent	None	No	—	1	1

@ Includes private and foreign companies

* During the year, the company has paid Rs. 3,48,000/- to Mrs. Aga and Rs. 60,000/- to Mrs. Pudumjee as rent for premises taken on lease. The company has maintained security deposit of Rs. 40,00,000/- to Mrs. Aga for the premises taken on lease.

Non-executive Directors are entitled to reimbursement of expenses incurred in performance of the duties as Directors, members of the committees appointed by the Board and as directors on the boards of subsidiary/joint venture companies.

Note: The expression independent director means director who apart from receiving director's remuneration, does not have any other material pecuniary relationship or transaction with the company, its promoters, its management or its subsidiaries, which in the judgement of the board may affect the independence of judgement of the director.

As per the requirements of the Listing Agreement, none of the Directors of the Board serve as members of more than 10 committees nor are they Chairman / Chairperson of more than five committees.

The Board met seven times during the financial year 2004-05 on the following dates: 26.05.2004, 27.07.2004, 30.09.2004, 01.10.2004, 09.11.2004, 30.01.2005 and 31.01.2005. The maximum time gap between any two meetings was not more than four calendar months.

b) Attendance and remuneration of each Director on the Board of Directors

Name of the Director	Total Attendance of Board Meeting during FY 2004-05	Whether attended the AGM held on 27.07.2004	Sitting fees * (Rs.)	Salary and perquisites (Rs.)	Commission (Rs.)	Total remuneration (Rs.)
Mrs. Meher Pudumjee	7	Yes	2,80,000	NA	—	2,80,000
Mrs. A. R. Aga	7	Yes	1,60,000	NA	—	1,60,000
Mr. Prakash Kulkarni	7	Yes	NA	49,70,663	30,00,000	79,70,663
Mr. Pheroz Pudumjee	7	Yes	2,40,000	NA	—	2,40,000
Mr. Tapan Mitra	5	Yes	2,00,000	NA	—	2,00,000
Dr. Manu Seth	6	Yes	2,00,000	NA	—	2,00,000
Mr. Ravi Venkatesan	4	No	80,000	NA	—	80,000
Dr. Jairam Varadaraj	6	Yes	1,20,000	NA	—	1,20,000

NA = Not applicable

* Note: Sitting fees include payments for Board appointed committee meetings also. The Company has not issued any ESOP to any Director.

c) Information placed before the Board of Directors

The following information forms part of the Board meeting papers:

1. Annual Business Plan that includes Capital Expenditure Budget. The capital expenditure proposals sanctioned and actual amounts incurred are reported to the Board on a quarterly basis.
2. Exception Reporting on Expenditure items for
 - a) single item of expense of amount greater than Rs. 1 crore.
 - b) expenses in excess of 10 percent of quarterly budget for any division/ business.
3. Information on recruitment of senior executives just below board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
4. Report on matters relating to foreign collaborations/ joint-ventures/ acquisitions/ mergers/ opening of overseas offices, etc.
5. At every Board meeting, a report on Treasury operations is presented. This report comprises of the investment portfolio, details of foreign exchange exposures and steps taken to mitigate the risks of adverse exchange movements, if material.
6. Report on statutory compliance highlighting defaults, show cause notices, penalties, suits filed by/against the company, etc.
7. Quarterly results with division-wise analysis for the company and for the Group companies.
8. Report on write-off of fixed assets and current assets of the company.

9. Minutes of the meetings of Committees of the Board, namely
 - Audit Committee
 - Human Resources Committee
 - Share Transfer and Shareholders' Grievance Committee
 - Borrowing & Investments Committee
 - Strategic Business Development Committee
 - Overseas Investment Committee
10. Significant labour problems and their proposed solutions, wage agreements, VRS, etc.
11. Fatal or serious accidents in the plants, dangerous occurrences, any material effluent or pollution problems.
12. Any material default in financial obligations to and by the company.
13. Any issue, which involves possible public or product liability claims of a substantial nature, including any judgement or order, which may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.

B) BOARD COMMITTEES

1) Audit Committee

The Audit Committee was constituted by the Board of Directors at its meeting held on 15.01.2001. The Committee comprises of three non-executive directors. The Chairman of the Committee, Mr. Tapan Mitra, is a Fellow Member of The Institute of Chartered Accountants of India.

The present composition of the Audit Committee and the details of meetings attended by the Members thereof are as follows:

Name of the Committee Member	Category	No. of meetings attended
Mr. Tapan Mitra	Non-executive Independent	5
Dr. Manu Seth	Non-executive Independent	4
Mrs. Meher Pudumjee #	Non-executive	4
Mr. Pheroj Pudumjee #	Non-executive	1

Mrs. Meher Pudumjee resigned as a member of the Committee with effect from 09.11.2004 and Mr. Pheroj Pudumjee was inducted as a member in her place.

As against the requirement of minimum three meetings required to be held as per the Listing Agreement, the Committee has met five times during the financial year 2004-05 on following dates: 25.05.2004, 26.07.2004, 26.08.2004, 08.11.2004 and 29.01.2005

The constitution of the Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956.

The Audit Committee reviews, on a regular basis, various aspects of internal audit control system and financial and risk management policies as per the finalised schedule. The management presents before the Audit Committee the observations and recommendations of the auditors and also issues having an impact on control system and compliance. The Internal Auditor and the Statutory Auditors are permanent invitees and attend all the meetings of the Committee. The Company Secretary acts as the Secretary of the Committee.

The terms of reference of the Audit Committee broadly includes:

- ▶ Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- ▶ Reviewing with management and external auditors the financial statements before submission to the Board, focussing 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
 - 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 the promoters or the management, their subsidiaries or relatives etc. that may cause potential conflict with the interests of the company
 - reviewing with the management, external and internal auditors the adequacy of internal control systems including management information system
- ▶ Reviewing the company's financial and risk management policies
- ▶ Looking into the reasons for substantial defaults in payments to depositors, debenture holders, shareholders and creditors
- ▶ Recommending the appointment and

removal of external auditor, determine audit fee and also approve payment for any other services

- ▶ Discussing with external auditors, before the audit commences, the nature and scope of audit. Also conduct post-audit discussion to ascertain any area of concern
- ▶ Reviewing the scope and the adequacy of internal audit function, including the system, its quality, coverage and effectiveness in terms of follow-up, the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. Outsourcing to firms specialised in carrying out internal audit services, detailing their scope of work and deciding their professional charges
- ▶ Reviewing the annual plan of work of the internal audit function
- ▶ Discussing with internal auditors significant audit findings and follow up actions initiated thereon
- ▶ Assigning and 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
- ▶ Any other matter that may be referred by the Board from time to time

2) Human Resources Committee

The Remuneration and Human Resources Committee has been re-christened as the Human Resources Committee effective 09.11.2004. The modified terms of reference of the Human Resources Committee:

- ▶ Review the human resource (HR) and

industrial relations (IR) policies of the company including capability building/ succession planning of senior management employees within the company

- Recommend necessary changes to the policies

The Committee comprises of six non-executive directors – Mrs. Anu Aga (Chairperson), Mr. Ravi Venkatesan, Dr. Manu Seth, Mr. Pheroze Pudumjee, Dr. Jairam Varadaraj and Mr. Tapan Mitra. Mr. Mitra has been inducted as a member of the Committee effective 01.02.2005.

During the financial year, the Committee met once on 25.05.2004, where Mrs. Anu Aga and Mr. Pheroze Pudumjee were present.

3) Share Transfer and Shareholders' Grievance Committee

The Company has a Share Transfer and Shareholders' Grievance Committee comprising of three members, namely, Mr. Pheroze Pudumjee (Chairman), Mrs. Meher Pudumjee and Mr. Prakash Kulkarni. The Company Secretary is the Compliance Officer.

The Committee oversees redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of declared dividend, etc. and also recommends measures to improve the performance of investor services.

Procedure of share transfer

The Board has empowered the Committee, inter alia, to approve the share transfers. The Committee members generally meet every fortnight to carry out the delegated responsibilities. The Committee met 24 times during the year and approved share transfers and resolved complaints to the satisfaction of the investors.

As per the certificate issued by the Registrar & Transfer Agents MCS Limited, 84 complaints were received from the shareholders/ investors during the financial year ended 31.03.2005, of which 78 were pertaining to non receipt of Dividend and 6 for non-receipt of Share Certificates lodged for transfer. All complaints were replied to/ resolved to the satisfaction of the shareholders and no complaints had remained unattended / pending for more than 30 days as on 31.03.2005.

During the year the company processed 130 physical transfers comprising of 7,19,651 number of equity shares.

4) Borrowing and Investments Committee

The Committee comprises of two members, Mrs. Meher Pudumjee, Chairperson and Mr. Prakash Kulkarni.

The mandate of this Committee is to review the treasury operations, lay down funds deployment policy and monitor that investments are made in accordance with the policy.

The Committee met twice during the financial year on 08.10.2004 and 31.03.2005 where both the members were present.

5) Strategic Business Development Committee

The Strategic Business Development Committee was constituted by the Board of Directors at its meeting held on 30.01.2002 with the primary objective to review and monitor the strategic initiatives for the businesses of the company.

This Committee, headed by an independent director consists of following directors:

Mr. Ravi Venkatesan – Chairman

Mr. Prakash Kulkarni

Mrs. Meher Pudumjee

Mr. Pheroze Pudumjee

No meetings of the Committee were held during the financial year.

6) Overseas Investment Committee

The Committee comprises of two members

Mr. Pheroze Pudumjee, Chairman and
Mr. Prakash Kulkarni.

The purpose of the Committee is to:

- ▶ ensure corporate governance in the operations of the overseas wholly owned subsidiaries (WOS)
- ▶ check the reliability and adequacy of financial information, control systems and internal accounting
- ▶ act as a link between the management of WOS and the Board of Directors of Thermax Limited

The Terms of Reference of this committee, assigned by the Board:

1. Oversee the Subsidiaries' financial reporting process and the disclosure of its financial information to ensure integrity and credibility of financial statements. Half-yearly review with management and external auditors of the financial statements, focusing primarily on:

- any changes in accounting policies and practices
- major accounting entries based on exercise of judgment by management
- qualifications in audit report
- significant audit observations and adjustments arising out of audit

- compliance with accounting standards, corporate laws and transfer pricing policy and corporate governance of both the host country and India

2. Review with the management, external and internal auditors, if any, the adequacy of internal control systems including management information system.
3. Review the company's financial and risk management policies.
4. Advise WOS on matters that create charge/expense of a permanent or long-term nature, including product and service liabilities.
5. Review remuneration of the senior managers of the WOS.
6. Review Compliance Certificate of the laws of the State/Country.
7. Any other matter that may be referred by the Board of Thermax Limited, from time to time.

The Committee met twice during the financial year – on 30.08.2004 and 22.02.2005 where both the members were present.

C) OTHER DISCLOSURES RECOMMENDED BY SEBI

i) Annual General Meeting

The last three Annual General Meetings of the company were held as under:

Year	Location	Date	Time
2001-02	Firodia Hall, The Institution of Engineers, 1332, J.M.Road, Shivajinagar Pune - 411 005	27.09.2002	11.00 am
2002-03	Same as above	31.07.2003	11.00 am
2003-04	Same as above	27.07.2004	11.00 am

No special resolutions were required to be put through postal ballot last year. Similarly, there is no proposal to pass any special resolution requiring a postal ballot for the upcoming AGM.

ii) Disclosures

1. Related party transactions during the year have been disclosed as part of accounts as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India.
2. There were no instances of non-compliance by the company or penalties, strictures imposed on the company by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets, during the last three years.

iii) Means of Communication

1. As the company publishes the quarterly and half-yearly results in prominent newspapers and also displays them on its website, they are not being sent separately to the individual shareholders. The quarterly and half-yearly financial results and the quarterly shareholding pattern are also posted on the EDIFAR website i.e. www.sebidifar.nic.in
2. Quarterly results are published in prominent daily newspapers like The Economic Times, Financial Express, Business Standard, Hindu Business Line, Maharashtra Times, Times of India, Indian Express, Loksatta, Sakal, and the Asian Age. The annual results are also made available on the Company's website.
3. All vital information and official press releases and presentations made to the media, analysts and institutional investors, are displayed on the website for the benefit of the public at large.

4. Management Discussion and Analysis forms part of the annual report.

The company's website can be accessed at www.thermaxindia.com.

iv) Code for Prevention of Insider Trading

The company has adopted a Code for Prevention of Insider Trading in the securities of the company. The Code prohibits an 'Insider' from buying or selling shares of the company either on his/her own or on behalf of another person when in possession of unpublished price sensitive information.

D) SHAREHOLDER INFORMATION

i) Annual General Meeting

Date and Time : July 26, 2005
at 11.00 a.m.

Venue : Firodia Hall,
The Institution
of Engineers,
1332, Jangli Maharaj
Road, Shivajinagar,
Pune - 411 005.

ii) Financial Calendar (indicative)

Financial Year: April 1st to March 31st

For the year-ended on March 31, 2005 the financial results were announced on:

	(As indicated)	(Actual Date)
Quarter ended June 2004	July 27, 2004	July 27, 2004
Quarter ended September 2004	November 16, 2004	November 9, 2004
Quarter ended December 2004	January 31, 2005	January 31, 2005
Year ended March 2005	End May 2005	May 11, 2005

For the year-ending on March 31, 2006 the tentative dates are:

Results for the quarter ended June 2005	July 26, 2005
Mailing of Annual Reports	Last week of June 2005
Results for the quarter : ended September 2005	November 17, 2005
Results for the quarter ended December 2005	January 31, 2006
Results for the year ended March 2006	End May 2006

iii) Book Closure Date

The Company's Share Transfer Books and Register of Members of Equity & Preference shares shall remain closed from July 16, 2005 to July 26, 2005 (both days inclusive), to determine the entitlement of equity and preference shareholders to receive dividend for the year ended March 31, 2005. The book closure shall also be applicable for entitlement to receive redemption amount of preference share capital and pro-rata dividend thereon upto the date of redemption, i.e. July 26, 2005.

iv) Listing

The company's securities are listed on two stock

exchanges –The National Stock Exchange of India (NSE) and The Stock Exchange, Mumbai (BSE).

The company has paid listing fees to both the Stock Exchanges for the year 2005-06.

During the year under review, the Company's applications for voluntary delisting of its securities were approved by the Stock Exchanges at Pune, Ahmedabad and Delhi with effect from September 22, 2004, October 15, 2004 and December 11, 2004 respectively. The application for delisting is pending with the Stock Exchange at Kolkata for which follow-up is being done.

Stock Codes

Name of the exchange	Equity Shares	6% Red. Pref. Shares
National Stock Exchange of India Ltd.	Thermax EQ	Thermax P1
The Stock Exchange, Mumbai	500411	700084
ISIN No. for securities	INE 152A01011	INE 152A04015

Stock Performance



Stock Data

Month	MKT QUOTE - NSE		MKT QUOTE - BSE	
	High	Low	High	Low
Apr. 2004	430.00	371.00	445.80	376.10
May 2004	425.00	340.10	425.00	316.90
June 2004	390.05	340.00	410.00	342.00
July 2004	405.00	360.65	398.95	353.90
Aug. 2004	450.00	370.10	450.00	365.00
Sep. 2004	440.00	415.10	443.00	408.25
Oct. 2004	465.00	416.00	464.00	418.10
Nov. 2004	494.75	440.55	532.00	415.00
Dec.2004	560.00	475.00	560.00	475.00
Jan. 2005	575.80	471.00	628.00	472.20
Feb. 2005	619.90	550.00	618.40	531.00
Mar. 2005	660.00	522.00	645.00	550.00

v) Registrar & Share Transfer Agents

MCS Limited
 116-118 Akshay Complex
 Off Dhole Patil Road
 Pune - 411001.
 Telefax: 020 2612 9597
 E-mail: mcspune@vsnl.net

vi) Share Transfer System

The Company's shares are traded on the stock exchanges only in the electronic mode. Shares received for transfer by the company or the Share Transfer Agents in physical mode are processed and all valid transfers are approved. The share certificates duly transferred and despatched within a period of 15 to 20 days from the date of receipt.

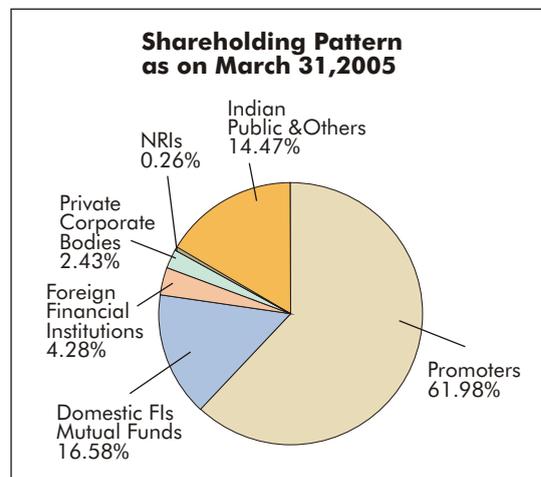
vii) Shareholding Pattern

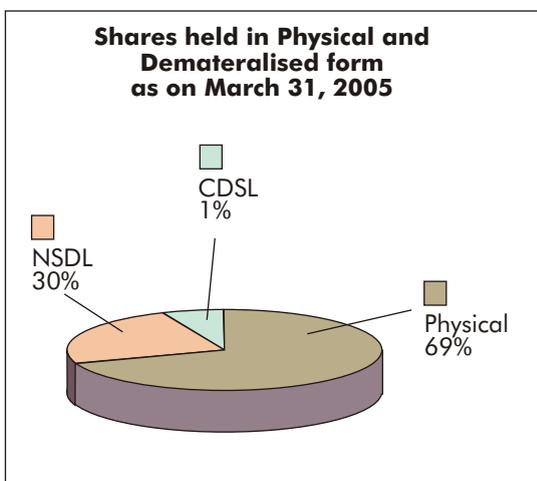
Distribution of equity shareholding as on March 31, 2005

No. of Shares	No. of Shareholders	%	No. of Shares held	% of Shareholding
1 - 500	9,763	93.45	10,21,464	4.29
501 - 1000	266	2.55	2,05,008	0.86
1001 - 2000	140	1.34	2,09,086	0.88
2001 - 3000	62	0.59	1,60,886	0.67
3001 - 4000	14	0.14	49,567	0.21
4000 - 5000	19	0.18	87,716	0.37
5001 - 10000	48	0.46	3,73,049	1.56
10001 & above	135	1.29	2,17,24,484	91.16
	10,447	100.00	2,38,31,260	100.00

Category of equity shareholders as on March 31, 2005

Category	No. of Shares held	% Shareholding
Promoters		
Promoters' holding	1,47,71,061	61.98
Non-Promoters' Holding		
1. Mutual Funds, Banks, Financial Institutions, Insurance Companies, etc.	39,50,044	16.58
2. FIIs	10,18,894	4.28
3. Private Corporate Bodies	5,78,692	2.43
4. NRIs	60,882	0.26
5. Indian public & Others	34,51,687	14.47
Total	2,38,31,260	100.00





viii) Details of Dematerialisation

The company's equity shares are under compulsory demat trading by all the investors. As on March 31, 2005, a total of 73,37,185 shares have been dematerialised which account for 30.79 percent of the total equity.

ix) Plant Locations

D-13, MIDC Industrial Area
R. D. Aga Road
Chinchwad, Pune - 411 019
Maharashtra State.

Paudh Works
At Poudh, Post Mazgaon
Tal. Khalapur
Dist. Raigad
Maharashtra State.

x) Address for correspondence

Investors' correspondence should be addressed to:

MCS Limited
116-118 Akshay Complex
Off Dhole Patil Road
Pune - 411001.
Telefax: 020 2612 9597
email: mcspune@vsnl.net

Shareholders holding shares in dematerialised form should address their queries such as change in bank account details, address nomination, etc., to their respective Depository Participants (DPs).

Queries relating to the Annual Report may be addressed to:

The Company Secretary
Thermax Limited
Thermax House
4, Mumbai-Pune Road, Shivajinagar
Pune - 411 005.

Email: slalai@thermaxindia.com

E) NON-MANDATORY REQUIREMENTS

The company has also adopted part of the non-mandatory code of corporate governance recommended under clause 49 of the Listing Agreement.

The Chairperson's office is maintained at company's expense, which is equipped with all required facilities. The Chairperson is also allowed reimbursement of expenses incurred in performance of her duties.

SHAREHOLDER REFERENCE

Unclaimed Dividend

As per the provisions of Section 205C of the Companies Act, 1956, companies are required to transfer dividend unclaimed for seven years from the date of their payment, to the Investor Education and Protection Fund (IEPF) constituted and administered by the Central Government. Unclaimed dividends for the financial years 1995-96 and 1996-97 have been transferred to the IEPF.

The company has transferred unclaimed dividend for the years prior to and including the financial year 1994-95 to the General Revenue Account of the Central Government pursuant to Section 205A of the Companies Act, 1956.

Financial year	Dividend	Date of declaration	Total dividend amount (Rs. Crores)	Unclaimed Dividend as on 31.3.2005		Due for transfer to IEPF on
				(Rs.)	%	
1997-98	Final	02.09.1998	8.14	1,61,964	0.20	16.10.2005
1998-99	Final	20.09.1999	8.14	2,32,349	0.29	05.11.2006
1999-00	Interim	25.05.2000	8.14	2,37,204	0.29	12.07.2007
2000-01	Final	05.09.2001	2.33	1,10,793	0.48	10.10.2008
2001-02	Final	27.09.2002	11.63	3,61,255	0.31	30.10.2009
2002-03	Final	31.07.2003	28.60	9,78,000	0.34	04.09.2010
2003-04	Final	27.07.2004	Equity: 28.60	8,33,004	0.29	02.09.2011
			RPS : 1.50	96,370	0.64	

Bank details

Shareholders holding shares in physical form are requested to notify / send the following information to the Registrar & Transfer Agents of the Company:

- Any change in their address / mandate / bank details etc.
- Particulars of the bank account in which they wish their dividend to be credited, in case the same has not been furnished earlier and should include the following particulars namely, Bank Name, Branch Name, Account Type, Account Number and MICR Code (9 digit).

Nomination facility

Shareholders, holding shares in physical form and desirous of submitting / changing nomination in respect of their shareholding in the Company may submit Form 2B (in duplicate) as per the provisions of Section 109A of the Companies Act, 1956 to the Company's Registrar & Transfer Agents.

Electronic Clearing Service (ECS) facility

The Company proposes to pay dividend for the year 2004-05 through ECS i.e. by crediting the shareholders' bank account directly.

Members holding shares in PHYSICAL FORM and who want to avail this facility are requested to send their details in ECS mandate form. The ECS mandate form has been sent to all shareholders of the Company. In case of non-receipt, the same may be collected from the Company's Corporate Office or its Registrar & Transfer Agents or may be downloaded from the Company's website (www.thermaxindia.com).

Members holding shares of the Company in DEMATERIALISED (electronic) form are requested to intimate all changes pertaining to their bank account details, ECS mandates, nominations, power of attorney, change of address/name etc., to their Depository Participant (DP) only **and not to the Company or its Registrar & Transfer Agents**. Changes intimated to the DP would be downloaded and updated in the Company's records for disbursement of dividend or any corporate benefits.

AUDITORS' CERTIFICATE

To the Members of Thermax Limited

1. We have examined the compliance of conditions of Corporate Governance by Thermax Limited for the year ended on March 31, 2005, as stipulated in clause 49 of the Listing Agreement of the said company with the Stock Exchanges.
2. 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 conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. In our opinion and to the best of 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.
4. We state that in respect of investor grievances during the year ended March 31, 2005, no grievances are pending for a period exceeding one month against the company as per the records maintained by the Share Transfer and Shareholders' Grievance Committee.
5. 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 and on behalf of
B. K. Khare & Co.
Chartered Accountants

H.P. Mahajani
Partner
(Membership no. 30168)

Place: Pune
Date: May 11, 2005

CHAIRPERSONS
MESSAGE
MANAGEMENT
DISCUSSION & ANALYSIS
BALANCE SHEET
CORPORATE GOVERNANCE
RISK ANALYSIS
SOURCE

GRAND BALANCE SHEET
PROFIT & LOSS ACCOUNT
AUDIT REPORT
CORPORATE PERFORMANCE
MESSAGE
ION & BALANCE SHEET
PROFIT & LOSS ACCOUNT
& CHAIRPERSONS MESSAGE



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PERFORMANCE
REPORT
COUNT

Auditors' Report

To the Members of Thermax Limited

1. We have audited the attached Balance Sheet of Thermax Limited as at 31st March 2005, the relative Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (the "Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account have been kept by the Company as required by law, so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act;
 - (e) On the basis of written representations received from the Directors, as on 31st March 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, together with the Notes thereon and attached thereto, give, in the prescribed manner, the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2005;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For B.K. Khare & Company
Chartered Accountants

H.P. Mahajani
Partner
(Membership no. 30168)

Place: Pune
Date: May 11, 2005

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.
(b) The fixed assets of the Company have been physically verified by the management at reasonable intervals during the year and the discrepancies noticed have been properly dealt with in the books of account.
(c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The inventory of the Company has been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noticed on physical verification between the physical stocks and the book records were not material.
3. The Company has neither granted nor taken loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. As the Company has not granted/taken any loans, secured or unsecured, to/from companies, firms etc., listed in the register maintained under Section 301 of the Act, paragraphs 4(iii)(a) to (g) of the Order, are not applicable.
4. In our opinion and having regard to the explanation that certain items purchased / sold are of a special nature in respect of which suitable alternative sources do not exist for obtaining comparative quotations in general, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Further, during the course of our audit we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) On the basis of our examination of the books of account, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.
(b) In our opinion, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the market prices prevailing at the relevant time as evaluated on the basis of quotations obtained from parties / prices charged by the Company in case of similar transactions during the year and considering that having regard to certain items purchased / sold are of a special nature in respect of which suitable alternative sources do not exist for obtaining comparative quotations in general.
6. The Company has not accepted any deposits under the provisions of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
8. The maintenance of cost records has not been prescribed under Section 209 (1) for any of the products of the Company.
9. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues as applicable, have generally been regularly deposited by the Company during the year with the appropriate authorities.
(b) As at March 31, 2005, according to the records of the Company and the information and explanations given to us, the following are the particulars of disputed dues on account of Sales-tax, Income-tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and cess matters that have not been deposited on account of a dispute:

Name of the Statute	Amount (Rs. in crores)	Forum where dispute is pending
Central Sales Tax and other State Sales Tax Act	0.64 0.25	1st Appeal 2nd Appeal
Excise Duty	0.86 2.26	1st Appeal 2nd Appeal
Customs Duty	0.20	1st Appeal
Service Tax	1.91	1st Appeal
ESIC Act	0.76 0.01	1st Appeal 2nd Appeal
Industrial Disputes Act	0.10 0.31 0.74	1st Appeal 2nd Appeal High Court

10. The Company has neither accumulated losses as at 31st March 2005, nor it has incurred any cash loss either during the financial year ended on that date or in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the Management, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or bank or to debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. However, in respect of transactions relating to investment in certain securities, the Company has maintained proper records of transactions and contracts during the year and timely entries have been made therein. Further, such securities have been held by the Company in its own name.
15. Based on the information and explanations given to us, in our opinion, the terms and conditions on which the Company has given counter guarantees / corporate guarantees on behalf of its subsidiaries to the banks during the year, are not prima facie prejudicial to the interest of the Company.
16. The Company has not taken any term loan during the year.
17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not been used for long term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. No debentures have been issued during the year.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the Management.

For B.K. Khare & Company
Chartered Accountants

H.P. Mahajani
Partner

(Membership no. 30168)

Place: Pune
Date: May 11, 2005

Balance Sheet as at March 31, 2005

	Schedule	Sch 18 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SOURCES OF FUNDS				
Shareholders' Funds:				
Share Capital	1		71.49	71.49
Reserves & Surplus	2		338.60	319.17
			<u>410.09</u>	<u>390.66</u>
Loan Funds:				
Secured Loans	3		—	—
			<u>—</u>	<u>—</u>
Deferred Tax Liability:				
Deferred Tax Liabilities			16.10	16.19
Deferred Tax Assets			(7.90)	(8.42)
			<u>8.20</u>	<u>7.77</u>
Total Funds Employed			<u>418.29</u>	<u>398.43</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	4		176.71	165.23
Less: Depreciation			84.07	84.43
Net Block			<u>92.64</u>	<u>80.80</u>
Capital Work-in-progress			8.98	2.16
Investments	5	1 (f)	316.16	276.08
Current Assets, Loans & Advances:				
Inventories	6		85.92	59.51
Contracts in Progress		7	19.65	11.54
Sundry Debtors	7		172.86	117.99
Cash & Bank Balances	8		11.15	18.63
Other Current Assets			8.48	6.83
Loans & Advances	9		69.96	50.29
			<u>368.02</u>	<u>264.79</u>
Less: Current Liabilities & Provisions:				
Current Liabilities	10		297.15	168.82
Contracts in Progress		7	29.43	19.59
Provisions	11		41.64	38.11
			<u>368.22</u>	<u>226.52</u>
Net Current Assets			(0.20)	38.27
Miscellaneous Expenditure to the extent not written off or adjusted	12		0.71	1.12
			<u>418.29</u>	<u>398.43</u>
Notes to Accounts	18			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner
Membership No. : 30168

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

Profit and Loss Account for the year ended March 31, 2005

	Schedule	Sch 18 Note No. Reference	Year ended March 31, 2005 Rs. Crores	Year ended March 31, 2004 Rs. Crores
INCOME				
Sales and Other Income	13		<u>941.16</u>	<u>603.81</u>
EXPENDITURE				
Materials	14		630.45	351.12
Personnel	15		83.27	68.04
Other Expenses	16		133.69	96.63
Excise Duty (Net)			0.88	0.59
Depreciation		1 (d)	9.20	8.78
Interest	17		0.65	0.40
			<u>858.14</u>	<u>525.56</u>
Profit Before Tax & Extra Ordinary Items			83.02	78.25
Extra-ordinary Items of Income / (Expenses)				
Voluntary Retirement Expenses (VRS) written off			—	(5.80)
			<u>83.02</u>	<u>72.45</u>
Profit Before Tax			83.02	72.45
Less : Provision for Taxation		1 (o)		
Current Tax			(27.30)	(20.00)
Deferred Tax		8	(0.43)	1.64
			<u>55.29</u>	<u>54.09</u>
Profit After Tax			55.29	54.09
Balance carried forward from last year			37.35	22.51
Transferred from Foreign Project Reserve			—	0.15
			<u>92.64</u>	<u>76.75</u>
Profit available for appropriation			<u>92.64</u>	<u>76.75</u>
Appropriations				
Proposed Equity Dividend			28.60	28.60
Proposed Preference Dividend			2.86	1.50
Provision for Tax on Dividend			4.41	3.85
General Reserve			5.60	5.45
Balance Carried to Balance Sheet			51.17	37.35
			<u>92.64</u>	<u>76.75</u>
Basic / Diluted Earnings Per Share (EPS) - Rs. (Per Equity Share of Rs. 10/- each)		20	21.83	21.99
Weighted average number of Equity Shares			23831260	23831260
Notes to Accounts	18			

As per our report of even date
For B. K. Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner
Membership No. : 30168

Amitabha Mukhopadhyay
*Exe. Vice President - Finance
& Chief Financial Officer*

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Sch 18 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
2,50,00,000	Equity Shares of Rs. 10/- each	25.00	25.00
5,00,00,000	Redeemable Preference Shares of Rs. 10/- each	50.00	50.00
		<u>75.00</u>	<u>75.00</u>
Issued, Subscribed & Paid Up			
2,38,31,260	Equity Shares of Rs. 10/- each, fully paid-up	9	23.83
4,76,62,520	6% Redeemable Preference Shares of Rs. 10/- each, fully paid-up (Allotted as Bonus Shares by capitalisation of Share Premium)	9	47.66
		<u>71.49</u>	<u>71.49</u>
SCHEDULE 2			
RESERVES & SURPLUS			
Capital Redemption Reserve			
	Per Last Balance Sheet	2.68	2.68
Share Premium Account			
	Per Last Balance Sheet	61.13	108.79
	Less: Issue of Bonus Preference Shares	—	(47.66)
		<u>61.13</u>	<u>61.13</u>
Capital Reserve			
	Per Last Balance Sheet	8.00	8.00
Foreign Projects Reserve			
	Per Last Balance Sheet	—	0.15
	Less: Transferred to Profit & Loss A/c	—	0.15
		<u>—</u>	<u>—</u>
General Reserve			
	Per Last Balance Sheet	203.02	197.57
	Add: Transferred from Profit & Loss A/c	5.60	5.45
		<u>208.62</u>	<u>203.02</u>
Amalgamation Reserve			
	Per Last Balance Sheet	7.00	7.00
Balance in Profit & Loss A/c			
		<u>51.17</u>	<u>37.35</u>
		<u>338.60</u>	<u>319.17</u>

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

Sch 18	As at	As at
Note No.	March 31, 2005	March 31, 2004
Reference	Rs. Crores	Rs. Crores

**SCHEDULE 3
SECURED LOANS**

Borrowings from Banks for Working Capital (including Working Capital Term Loans)	10	—	—
	—	—	—
	—	—	—

**SCHEDULE 4
FIXED ASSETS
(Refer Note 1 (c), (d) and 16 of Schedule 18)**

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1.4.2004	Additions During the Year	Deductions/ Adjustments During the Year	Total Cost as at 31.3.2005	Upto 31.03.2004	Deductions/ Adjustments During the Year	Provisions During the Year	Total as at 31.3.2005	As at 31.03.2005	As at 31.03.2004
TANGIBLE :										
A. Land-Freehold	7.44	—	0.08	7.36	—	—	—	—	7.36	7.44
B. Land-Leasehold	1.98	—	0.02	1.96	—	—	—	—	1.96	1.98
C. Building	21.44	0.77	(0.06)	22.27	5.30	0.01	0.56	5.85	16.42	16.14
D. Plant & Machinery	86.67	11.48	1.11	97.04	48.25	0.75	5.12	52.61	44.43	38.42
E. Machinery given on Lease	2.56	—	2.10	0.46	2.41	1.99	0.01	0.43	0.03	0.14
F. Electrical Installation	4.07	0.27	(0.25)	4.59	2.24	0.06	0.26	2.44	2.15	1.84
G. Furniture, Fixtures, Computers & Office Equipment	37.01	3.92	6.74	34.19	25.02	6.36	2.58	21.24	12.95	11.99
H. Vehicles	4.06	4.69	0.78	7.97	1.21	0.39	0.49	1.32	6.65	2.85
INTANGIBLE :										
A. Software	—	0.52	—	0.52	—	—	0.06	0.06	0.46	—
B. Technical Know-how	—	0.35	—	0.35	—	—	0.12	0.12	0.23	—
Total	165.23	22.00	10.52	176.71	84.43	9.56	9.20	84.07	92.64	80.80
Previous Year	165.84	10.80	11.41	165.23	86.21	10.56	8.78	84.43	80.80	79.63
Capital W.I.P									8.98	2.16

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Face Value Rs. Crores	As at March 31,2005 Rs. Crores	As at March 31,2004 Rs. Crores
SCHEDULE 5			
Investments (See note 1 (f) of Schedule 18)			
Non Trade (Long Term)			
Government Securities			
1 National Savings Certificates	0.00	0.00	0.00
Units			
2 Nil (Previous year 61,044) units of Chola Triple Ace Regular Plan of Chola Mutual Fund	Nil	Nil	0.11
3 Nil (Previous year 3,92,995) units of Chola Triple Ace Bonus Plan of Chola Mutual Fund	Nil	Nil	0.44
4 Nil (Previous year 1,04,25,934) units of Templeton India IBA Plan of Templeton Investments	Nil	Nil	15.00
5 Nil (Previous year 18,26,851) units of Templeton India IBA Institutional Plan of Templeton Investments	Nil	Nil	2.00
6 Nil (Previous year 97,22,897) units of Grindlays Dynamic Bond Fund Plan of Standard Chartered Mutual Fund	Nil	Nil	10.00
7 Nil (Previous year 49,92,776) units of GSSIF Short Term Plan of Standard Chartered Mutual Fund	Nil	Nil	5.14
8 Nil (Previous year 1,24,70,879) units of GSSIF Short Term Plan of Standard Chartered Mutual Fund	Nil	Nil	12.85
9 Nil (Previous year 2,39,18,204) units of HDFC High Interest Fund Short Term of HDFC Mutual Fund	Nil	Nil	25.15
10 Nil (Previous year 48,34,432) units of HSBC Income Short Term Fund of HSBC Mutual Fund	Nil	Nil	5.10
11 Nil (Previous year 50,40,533) units of JM Short Term Fund of JM Mutual Fund	Nil	Nil	5.07
12 Nil (Previous year 93,81,259) units of Prudential ICICI Short Term Plan of Prudential ICICI Mutual fund	Nil	Nil	10.20
13 Nil (Previous year 1,01,76,675) units of Reliance Short Term Fund of Reliance Mutual Fund	Nil	Nil	10.30
14 Nil (Previous year 49,859) units of Templeton India STIP Templeton Investments	Nil	Nil	5.12
15 Nil (Previous year 45,08,179) units of Birla Bond Plus of Birla Mutual Fund	Nil	Nil	4.70
16 Nil (Previous year 2,75,98,780) units of Birla Cash Plus of Birla Mutual Fund	Nil	Nil	29.78
17 Nil (Previous year 49,24,577) units of DSPML Liquid Fund of DSP Merrill Lynch Mutual Fund	Nil	Nil	6.11
18 Nil (Previous year 18,96,234) units of Grindlays Cash Manager Fund of Standard Chartered Mutual Fund	Nil	Nil	2.01
19 Nil (Previous year 7,40,174) units of IL & FS Liquid Fund of IL & FS Fund	Nil	Nil	0.74
20 Nil (Previous year 11,72,557) units of JM High Liquidity Fund Institutional Plan of JM Mutual Fund	Nil	Nil	1.18
21 Nil (Previous year 28,42,491) units of JM High Liquidity Fund Institutional Plan of JM Mutual Fund	Nil	Nil	2.85
22 1,11,24,470 (Previous year 1,13,69,091) units of Alliance Cash Manager of Alliance Capital Mutual Fund	11.13	11.13	11.38

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Face Value Rs. Crores	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
23 4,09,13,509 (<i>Previous year 1,49,26,475</i>) Units of Kotak Liquid Institutional Premium Plan of Kotak Mahindra Mutual Fund	40.91	41.03	14.97
24 Nil (<i>Previous year 79,916</i>) units of Prudential ICICI Liquid Plan of Prudential ICICI Mutual fund	Nil	Nil	0.09
25 Nil (<i>Previous year 23,98,286</i>) units of Prudential ICICI Liquid Institutional Plus Plan of Prudential ICICI Mutual fund	Nil	Nil	2.84
26 1,86,73,148 (<i>Previous year 1,56,52,473</i>) units of Prudential ICICI Liquid Institutional Plus Plan of Prudential ICICI Mutual fund	18.67	22.14	18.56
27 1,81,48,367 (<i>Previous year Nil</i>) units of Birla Cash Plus Institutional Premium Plan of Birla Mutual Fund	18.15	18.20	Nil
28 52,78,790 (<i>Previous year Nil</i>) units of Chola Liquid Institutional Plus Plan of Chola Mutual Fund	5.28	6.08	Nil
29 1,05,166 (<i>Previous year Nil</i>) units of Chola Liquid Institutional Plus Cumulative Plan of Chola Mutual Fund	0.11	0.14	Nil
30 64,32,988 (<i>Previous year Nil</i>) units of HSBC Cash Fund Institutional Plus Plan of HSBC Mutual Fund	6.43	6.44	Nil
31 1,20,22,242 (<i>Previous year Nil</i>) units of Grindlays Cash Manager Institutional Plan C of Standard Chartered Mutual Fund	12.02	12.03	Nil
32 1,52,44,878 (<i>Previous year Nil</i>) units of JM Short Term Floater of JM Mutual Fund	15.24	15.33	Nil
33 Nil (<i>Previous year 32,85,223</i>) units of Reliance Liquid Fund Treasury Plan of Reliance Mutual Fund	Nil	Nil	5.01
34 Nil (<i>Previous year 12,29,166</i>) units of Reliance Liquid Institutional Treasury Plan of Reliance Mutual Fund	Nil	Nil	1.88
35 Nil (<i>Previous year 28,33,489</i>) units of Sundaram Money Fund of Sundaram Mutual Fund	Nil	Nil	2.84
36 Nil (<i>Previous year 16,507</i>) units of Templeton India Liquid Plan of Templeton Investments	Nil	Nil	2.05
37 Nil (<i>Previous year 1,00,00,000</i>) units of JM Fixed Maturity Plan of JM Mutual Fund	Nil	Nil	10.00
38 1,50,00,000 (<i>Previous year Nil</i>) units of JM Fixed Maturity Quarterly Plan QSF 5 of JM Mutual Fund	15.00	15.00	Nil
39 1,50,00,000 (<i>Previous year Nil</i>) units of JM Fixed Maturity Quarterly Plan QSF 5 of JM Mutual Fund	15.00	15.00	Nil
40 Nil (<i>Previous year 8,00,000</i>) units of Prudential ICICI Fixed Maturity Quarterly Plan Series XXIV of Prudential ICICI Mutual fund	Nil	Nil	8.00
41 1,50,00,000 (<i>Previous year Nil</i>) units of Prudential ICICI Fixed Maturity Quarterly Plan Series XXVI of Prudential ICICI Mutual fund	15.00	15.00	Nil
42 Nil (<i>Previous year 1,00,00,000</i>) units of Reliance Fixed Maturity Monthly Plan 6 of Reliance Mutual Fund	Nil	Nil	10.00
43 1,50,00,000 (<i>Previous year Nil</i>) units of Reliance Fixed Maturity Monthly Plan 18 of Reliance Mutual Fund	15.00	15.00	Nil
44 1,00,00,000 (<i>Previous year Nil</i>) units of Grindlays Fixed Maturity Quarterly Plan 10th of Standard Chartered Mutual Fund	10.00	10.00	Nil
45 1,49,91,605 (<i>Previous year Nil</i>) units of Birla Fixed Maturity Quarterly Plan of Birla Sunlife Mutual Fund	14.99	15.00	Nil

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Face Value Rs. Crores	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
46 1,00,00,000 (<i>Previous year Nil</i>) units of Prudential ICICI Fixed Maturity Yearly Plan VI of Prudential ICICI Mutual fund	10.00	10.00	Nil
47 1,51,62,229 (<i>Previous Year Nil</i>) units of Prudential ICICI Fixed Maturity Quarterly Plan of Pru-ICICI Mutual Fund	15.16	15.18	Nil
48 1,00,00,000 (<i>Previous year Nil</i>) units of Reliance Fixed Maturity Quarterly Plan 7 of Reliance Mutual Fund	10.00	10.00	Nil
49 1,50,00,000 (<i>Previous year Nil</i>) units of Reliance Fixed Maturity Quarterly Plan 8 of Reliance Mutual Fund	15.00	15.00	Nil
50 9,38,761 (<i>Previous Year Nil</i>) units of Reliance Power Sector Fund Growth Plan of Reliance Mutual Fund	0.94	1.32	Nil
51 5,00,000 (<i>Previous Year Nil</i>) units of Sundaram S.M.I.L.E. Fund Dividend Plan of Sundaram Mutual Fund	0.50	0.50	Nil
52 20,00,000 (<i>Previous Year Nil</i>) units of JM Equity & Derivative Fund Growth Plan of JM Mutual Fund	2.00	2.00	Nil
Quoted-Equity Shares (fully paid up)			
53 450 (<i>Previous Year 450</i>) Equity Shares of Rs. 10/- each in Sudarshan Chemical Industries Ltd.	0.00	0.00	0.00
54 2,500 (<i>Previous Year 2,500</i>) Equity Shares of Rs. 10/- each in Global Boards Ltd.	0.00	0.00	0.00
55 9,700 (<i>Previous Year 9,700</i>) Equity Shares of Rs.10/- each in Sanghvi Movers Ltd.	0.01	0.08	0.08
56 40,462 (<i>Previous Year 40,462</i>) equity shares of Rs.10/- each in Recron Synthetics Ltd.	0.04	0.04	0.04
Quoted Equity Shares(partly paid up)			
57 1,25,000 (<i>Previous Year 1,25,000</i>) Equity Shares of Rs.10/- each Rs.2.50 paid up in Parasrampuria Synthetics Ltd.	0.13	0.06	0.06
Unquoted Equity Shares (fully paid up)			
58 1,375 (<i>Previous Year 1,375</i>) Equity Shares of Rs.20/-each in Cosmos Co-operative Bank Ltd.	0.00	0.00	0.00
Unquoted Preference Shares (fully paid up)			
59 21,800 (<i>Previous Year 21,800</i>) 18% Redeemable Cumulative Preference Shares of Rs.10/- each in Indian Food Fermentation Limited	0.02	0.02	0.02
60 Nil (<i>Previous Year 2,00,000</i>) 13.25% Redeemable Cumulative Preference Shares of Rs.100/- each in KEC International Ltd. (<i>Partly Redeemed</i>)	Nil	Nil	0.25
In Subsidiary Companies (fully paid up)			
61 50,00,000 (<i>Previous Year 30,00,000</i>) Equity Shares of Rs. 10/- each in Thermax Babcock & Wilcox Ltd.	5.00	10.75	3.00
62 7,50,000 (<i>Previous Year 7,50,000</i>) Equity Shares of Rs. 10/-each in Thermax Surface Coatings Ltd.	0.75	0.45	0.45
63 1,50,00,000 (<i>Previous Year 1,50,00,000</i>) Equity Shares of Rs.10/- each in Thermax Capital Ltd.	15.00	15.00	15.00
64 15,00,000 (<i>Previous Year 15,00,000</i>) Equity Shares of Rs.10/- each in Thermax Engineering Construction Company Ltd.	1.50	1.50	1.50
65 10,00,000 (<i>Previous Year 10,00,000</i>) Equity Shares of Rs.10/- each in Thermax Electronics Ltd.	1.00	1.00	1.00
66 90,00,000 (<i>Previous Year 90,00,000</i>) Equity Shares of Rs.10/- each in Thermax Instrumentation Ltd.	9.00	4.59	4.59

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Face Value Rs. Crores	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
67 2,00,000 (Previous Year 2,00,000) Ordinary Shares of GBP 1/- each in Thermax Europe Ltd.	1.17	1.17	1.17
68 50 (Previous Year 50) Ordinary Shares of 6,000 Roubles each in Thermax (Rus) Ltd.	0.20	0.20	0.20
69 50,000 (Previous Year 50,000) Equity Shares of Rs.10/- each in Winman Gas Ltd.	0.05	3.06	3.06
70 5,00,000 (Previous Year 5,00,000) Equity Shares of Rs.10/- each in Thermax Co-gen Ltd.	0.50	0.50	0.50
71 9,88,776 (Previous Year 9,88,776) Equity Shares of Rs.10/- each in Thermax Energy Performance Services Ltd.*	0.99	0.99	0.99
72 14,55,000 (Previous Year 14,55,000) Equity Shares of USD 1/- each in Thermax International Mauritius Ltd.	6.78	6.78	6.78
73 8,50,300 (Previous Year 5,83,999) Equity Shares of Brazilian Real 1/- each in Thermax do Brasil - Energia e Equipamentos Ltda.	1.35	1.35	0.91
74 32,16,608 (Previous Year 10,000) Equity Shares of HKD 1/- each in Thermax Hong Kong Ltd.	1.91	1.91	0.01
Application Money			
Towards Shares	Nil	Nil	0.06
	311.93	320.97	281.14
Less: Provision for diminution in value of investments		4.81	5.06
		316.16	276.08

* Subject to the terms and conditions of Shareholders' Agreement

	As at March 31, 2005		As at March 31, 2004	
	Cost Rs. Crores	Market Value Rs. Crores	Cost Rs. Crores	Market Value Rs. Crores
Aggregate Value of Quoted Investments	271.70	278.67	241.64	241.74
Aggregate Value of Un-quoted Investments	49.27	—	39.50	—

Following investments were purchased and sold during the year :

Name Units	No of Units in Crores	Face Value Rs. Crores	Cost of Acquisition Rs. Crores
Birla Cash Plus Institutional Premium Daily Dividend Plan of Birla Sunlife Mutual Fund	3.70	37.05	37.07
HDFC Savings Plus Plan of HDFC Mutual Fund	2.57	25.73	25.75
HSBC Cash fund Institutional Plan of HSBC Mutual Fund	0.97	9.75	10.18
Grindlays Cash Manager Institutional Plan B Weekly Dividend Plan of Standard Chartered Mutual Fund	0.39	3.90	4.02
Grindlays Cash Manager Super Institutional Plan C Weekly Dividend Plan of Standard Chartered Mutual Fund	3.23	32.32	32.33
Grindlays Cash Manager Institutional Plan B of Standard Chartered Mutual Fund	1.44	14.35	14.79

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

Name Units	No of Units in Crores	Face Value Rs. Crores	Cost of Acquisition Rs. Crores
Grindlays Cash Manager Institutional Plan C Daily Dividend option of Standard Chartered Mutual Fund	1.00	10.02	10.02
JM high liquid-Super Institutional Plan Dividend option of JM Mutual Fund	1.42	14.21	14.24
Templeton liquid-Treasury Mgmt Account of Templeton Mutual Fund	0.03	27.80	27.81
Reliance Treasury Institutional Plan Dividend Option of Reliance Mutual Fund	0.66	6.57	10.03
Reliance Fixed Term Scheme Monthly Plan 7 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Monthly Plan 8 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Monthly Plan 9 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
JM Fixed Maturity Scheme Quarterly Plan QSA 3 Dividend option of JM Mutual Fund	0.50	5.00	5.00
Pru-ICICI Fixed Maturity Scheme Quarterly Plan 26 Dividend option of Pru-ICICI Mutual Fund	1.10	11.00	11.00
JM Fixed Maturity Scheme Quarterly Plan QSB 3 Dividend option of JM Mutual Fund	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan 10 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Quarterly Plan 5 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Birla Fixed Term Scheme Quarterly Series 1 Plan A Dividend option of Birla Sunlife Mutual Fund	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan 12 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
JM Fixed Term Scheme Quarterly Plan QSA 4 Dividend option of JM Mutual Fund	0.50	5.00	5.00
Birla Fixed Term Scheme Quarterly Series 3 Plan A Dividend option of Birla Sunlife Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Monthly Plan 13 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Quarterly Plan 7 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Birla Fixed Term Scheme Quarterly Series 2 Plan A Dividend option of Birla Sunlife Mutual Fund	1.50	15.00	15.00
Pru-ICICI Fixed Term Scheme Quarterly Plan Series XXV Dividend option of Pru-ICICI Mutual Fund	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan 14 Dividend option of Reliance Mutual Fund	1.00	10.00	10.00
Grindlays Fixed Term Scheme Quarterly Plan 3 Dividend option of Standard Chartered Mutual Fund	1.00	10.00	10.00
Reliance Fixed Term Scheme Monthly Plan 15 Dividend option of Reliance Mutual Fund	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan 16 Dividend option of Reliance Mutual Fund	1.50	15.00	15.00
JM Fixed Term Scheme Quarterly Plan QSG 4 Dividend option of JM Mutual Fund	1.50	15.00	15.00
Reliance Vision Fund Growth option of Reliance Mutual Fund	0.02	0.15	1.15
Equity Shares of National Thermal Power Corporation	0.01	0.07	0.42
Total		417.92	423.81

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Sch 18 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 6			
INVENTORIES			
(As valued and certified by Management)			
	1 (g)		
Raw Materials and Components [Including Rs.5.56 Crores Goods in Transit (Previous year Rs. 3.75 Crores)]		58.84	34.29
Work-in-Progress		12.08	11.87
Finished Goods		11.03	10.01
Stores, Spare Parts and Tools		3.97	3.34
		85.92	59.51
SCHEDULE 7			
SUNDRY DEBTORS			
Unsecured			
Debts Outstanding for a period exceeding six months			
Considered good		17.74	6.66
Considered doubtful		15.16	11.46
Less : provided for		15.16	11.46
Other Debts		155.12	111.33
		172.86	117.99
SCHEDULE 8			
CASH & BANK BALANCES			
Cash in hand		0.50	0.42
Bank Balances & remittances in transit :			
With Scheduled banks :			
In Current accounts		8.89	16.43
In Deposit accounts		0.01	0.01
With Other Banks: In Current Accounts			
Bangkok Bank - Bangkok [Maximum balance during the year Rs. 0.09 Crores (Previous year Rs. 0.05 Crores)]		0.01	0.01
PT Bank Mandiri - Indonesia [Maximum balance during the year Rs. 0.16 Crores (Previous year Rs. 0.10 Crores)]		0.03	0.04
Bank Bumiputra - Malaysia [Maximum balance during the year Rs. 0.11 Crores (Previous year Rs. 0.11 Crores)]		0.03	0.03
Bank Austria - Moscow [Maximum balance during the year Rs. 0.07 Crores (Previous year Rs. 0.11 Crores)]		0.02	0.05
Standard Chartered Grindlays Bank - Bangladesh [Maximum balance during the year Rs. 0.08 Crores (Previous year Rs. 0.07 Crores)]		0.05	0.06
Remittance in Transit		1.61	1.58
		11.15	18.63

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Sch 18 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 9			
LOANS & ADVANCES			
Unsecured, considered good			
Advances recoverable in cash or in kind or for value to be received		37.94	14.53
Advances for Capital Expenditure		0.44	0.17
Loans & Advances to Subsidiary Companies (Net of dues Rs. Nil)	12	5.45	3.86
Advances to Staff and Workers [Including Advances to Directors & Officers Rs. Nil (Previous year Rs. Nil)] [Maximum balance Rs. Nil (Previous year Rs. Nil)]		4.03	3.91
Balance in Central Excise & Customs Accounts		1.20	2.31
Sundry Deposits [Including Deposits with Directors Rs. 0.40 Crores (Previous year Rs. 0.40 Crores)] [Maximum balance Rs. 0.40 Crores (Previous year Rs. 0.40 Crores)]		6.49	7.59
Advance Payment of Income Tax and Wealth Tax [Net of Provision of Rs. 178.25 Crores (Previous year Rs. 150.95 Crores)]		14.41	17.92
		69.96	50.29
SCHEDULE 10			
CURRENT LIABILITIES			
Acceptances		5.46	7.56
Customer Advances		123.31	66.56
Sundry Creditors	3	131.84	65.63
Other Liabilities	11	35.32	27.55
Trade Deposits		1.22	1.52
		297.15	168.82

Schedules attached to and forming part of the Balance Sheet as at March 31, 2005

	Sch 18 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 11			
PROVISIONS			
	1(j)		
Proposed Equity Dividend		28.60	28.60
Proposed Preference Dividend		2.86	1.50
Provision for Tax on Dividend		4.41	3.85
Provision for Employee Retirement & Other Benefits	1(i) & 22	5.77	4.16
		41.64	38.11
SCHEDULE 12			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
	1(h)		
A. Technical Know-how			
Per last Balance Sheet		1.03	1.65
Add: Incurred during the period		—	—
		1.03	1.65
Less: Amortised during the period		0.32	0.62
	(A)	0.71	1.03
B. Software Expenses			
Per last Balance Sheet		0.09	0.20
Add: Incurred during the period		—	—
		0.09	0.20
Less: Amortised during the period		0.09	0.11
	(B)	—	0.09
C. Voluntary Retirement Scheme Expenses			
Per last Balance Sheet		—	5.80
Add: Incurred during the period		—	—
		—	5.80
Less: Amortised during the period		—	5.80
	(C)	—	—
	(A+B+C)	0.71	1.12

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2005

	Sch 18 Note No. Reference	Year ended March 31, 2005 Rs. Crores	Year ended March 31, 2004 Rs. Crores
SCHEDULE 13			
SALES AND OTHER INCOME			
I. Sales	1(k) & 7		
(i) Domestic		784.94	494.51
Less: Excise Duty		48.25	34.86
Net Sales		736.69	459.65
Add : Closing CIP		(11.42)	(14.22)
Less : Opening CIP		(14.22)	—
		739.49	445.43
(ii) Exports		179.91	110.84
Add : Closing CIP		1.63	6.17
Less : Opening CIP		6.17	—
		175.37	117.01
(iii) Trading Exports		1.02	1.44
Total Sales	(I)	915.88	563.88
II. Other Income from Operations			
(i) Claims and Refunds		0.27	0.36
(ii) Balances Earlier Written Off Now Recovered		0.43	0.68
(iii) Profit on Sale of Assets		0.13	—
(iv) Commission		1.99	2.87
(v) Sale of Scrap		5.58	3.07
(vi) Exchange Difference Income	1(m) & 14	2.55	—
(vii) Provision for Doubtful Debt Written-Back		—	3.16
(viii) Premium on Forward Contracts (net)	1(m) & 14	0.02	—
(ix) Miscellaneous Income		3.77	9.28
Total Other Income from Operations	(II)	14.74	19.42
III. Other Income			
A. From Investments			
(i) Dividend from subsidiaries		0.60	—
(ii) Dividend - others		9.18	18.69
(iii) Interest		0.25	2.61
(iv) Profit/(Loss) on Sale of Investment		0.24	(1.29)
(v) Provision for Diminution in value of Investments Written Back		0.25	0.12
(vi) Miscellaneous Income		—	0.03
Total Income from Investments	A	10.52	20.16
B. From Leasing			
Lease Rentals	1 (n)(ii)	0.02	0.35
[Net of Lease Equalisation Rs. 0.01 Crores (Previous year Rs. 0.01 Crores)]			
Total Income from Leasing	B	0.02	0.35
Total Other Income	(III)(A+B)	10.54	20.51
	(I+II+III)	941.16	603.81

**Schedules attached to and forming part of the Profit and Loss Account for the year ended
March 31, 2005**

	Sch 18 Note No. Reference	Year ended March 31, 2005 Rs. Crores	Year ended March 31, 2004 Rs. Crores
SCHEDULE 14			
MATERIALS			
A. Consumption of raw materials and components	1 (g)		
Opening Stocks		33.88	25.22
Add: Purchases (Including cost of goods resold)		654.95	359.92
		688.83	385.14
Less: Closing Stocks		57.15	33.88
	(A)	631.68	351.26
B. (Increase)/Decrease in stocks			
Opening Stocks:			
Work-in-Progress		11.87	9.25
Finished Goods		10.01	12.49
		21.88	21.74
Less: Closing Stocks :			
Work-in-Progress		12.08	11.87
Finished Goods		11.03	10.01
		23.11	21.88
	(B)	(1.23)	(0.14)
	(A)+(B)	630.45	351.12
SCHEDULE 15			
PERSONNEL			
Salaries, wages , bonus, testimonials and allowances	4	69.11	56.64
Gratuity		3.08	2.45
Contribution to Provident and other Funds		6.88	5.64
Staff Welfare Expenses		4.20	3.31
		83.27	68.04

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2005

	Sch 18 Note No. Reference	Year ended March 31, 2005 Rs. Crores	Year ended March 31, 2004 Rs. Crores
SCHEDULE 16			
OTHER EXPENSES			
a. Consumables and Tools		6.60	4.98
b. Power and Fuel		6.31	5.83
c. Drawing, Design and Technical Service Charges		6.03	5.16
d. Site Expenses and Contract Labour Charges		4.77	3.50
e. Rent and Service Charges		1.19	1.20
f. Lease Rentals		0.04	0.21
g. Rates and Taxes		0.57	0.56
h. Insurance		1.68	1.07
i. Repairs and Maintenance:			
Building		1.22	1.83
Plant and Machinery		2.56	2.24
Others		3.11	2.61
j. Communication		4.53	4.00
k. Travelling and Conveyance		18.66	16.80
l. Advertising and Exhibition Expenses		1.24	1.23
m. Freight Outward		8.20	4.69
n. Commission on Sales		8.21	7.49
o. Other Selling and Distribution Expenses		9.76	7.16
p. Free of Cost Supplies and Modifications		6.63	4.82
q. Bank Charges		3.24	2.08
r. Legal & Professional Charges		18.92	7.64
s. Printing and Stationery		1.90	1.60
t. Donations		0.24	0.06
u. Bad Debts		1.90	1.78
v. Doubtful Debts	1(p)(ii)	3.88	—
w. Liquidated Damages	1(p)(i)	3.67	0.93
x. Loss on Assets sold/discarded (net)		0.88	0.36
y. Additional Sales Tax and Turnover Tax		0.29	0.18
z. Premium on Forward Contracts (net)		0.00	—
aa. Exchange Difference-Expenditure		—	0.03
ab. Balances Written Off		0.52	0.39
ac. Miscellaneous Expenses	5	6.53	5.57
ad. Deferred Revenue Expenditure	1(h)	0.41	0.63
		133.69	96.63
SCHEDULE 17			
INTEREST			
Interest on:			
Fixed Period Loans		—	—
Others		0.65	0.40
		0.65	0.40

Schedules forming part of the Accounts

SCHEDULE 18

NOTES TO ACCOUNTS

1. Significant Accounting Policies

a) Basis for Preparation of Financial Statements

The financial statements have been prepared under historical cost convention on accrual basis and comply with Accounting Standards referred to in section 211(3C) and other relevant provisions of the Companies Act, 1956.

b) Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

c) Fixed Assets – Tangible and Intangible Assets

i. Tangible fixed assets are stated at cost (net of refundable taxes or levies) and include any other attributable cost for bringing the assets to working condition for their intended use.

ii. Borrowing costs, if any, attributable to fixed assets, are capitalised.

iii. Machinery specific spares other than those required for regular maintenance are capitalised as a part of the tangible fixed assets.

iv. Expenditure incurred on acquisition or development of goodwill, technical know-how, software, patents, research and development and such other intangibles are recognised as Intangible Asset, if it is expected that such assets will generate sufficient future economic benefits.

v. Exchange differences on liability relating to imported fixed assets are adjusted in the carrying cost of the respective fixed assets.

d) Depreciation

i. Cost incurred on Leasehold land is amortised over the period of lease.

ii. Depreciation on all tangible fixed assets is provided by the straight line method in the manner and at the rates prescribed in

Schedule XIV to the Companies Act, 1956, except in case of data processing equipments/computers, which are depreciated at a higher rate of 33.33% as compared to 16.21% provided in Schedule XIV.

iii. Depreciation in respect of capitalized machinery specific spares, whose use is expected to be irregular, is charged over the remaining useful life of the related item of plant and machinery. The written down value of such spares is charged to profit and loss account when issued for consumption.

iv. Intangible assets are amortised by straight line method over the estimated useful life of such asset. The useful life is estimated based on the evaluation of future economic benefits expected of such assets.

v. Depreciation on exchange rate variance capitalized as a part of the fixed assets, is provided prospectively over the remaining useful life of the related assets.

vi. Depreciation on the entire plant and machinery of chemical division is charged considering the chemical plant as a “Continuous Process Plant”.

e) Asset Impairment

Provision for impairment loss is recognized to the extent by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is determined on the basis of the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

f) Investments

Investments classified as Long-term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary in nature, in the carrying amount of such long-term investments.

g) Inventories

i. Inventories are valued at lower of cost and estimated net realisable value.

- ii. Cost of raw materials, components, consumables, tools, stores & spares is arrived at on the basis of weighted average cost.
- iii. Cost of finished goods & work in progress is arrived at on the basis of weighted average cost of raw materials & the cost of conversion thereof for bringing the inventories upto their present location and condition.
- iv. Inventory obsolescence is provided for on the basis of standard norms.

h) Deferred Revenue Expenditure

Expenditure incurred up to 31st March 2003, on research and development, technical know-how and software, other than those capitalised as fixed asset or expensed out as revenue expenditure, are being amortised over a period of time (maximum six years) depending upon the nature of the expenditure and evaluation of future benefits there from.

i) Retirement and other Employee Benefits

- i. Contributions to approved Provident and Superannuation Funds, being defined contribution schemes, are made on actual liability basis calculated as a percentage of salary.
- ii. Contribution to Gratuity Fund, being a defined benefit scheme, is paid by way of premium under Group Gratuity – cum – Life Assurance Policy (Cash accumulation) administered by Life Insurance Corporation of India (LIC), at the rate computed by LIC. Therefore, no note is taken of the difference in the amount of actuarial liability and the balance in the fund account with LIC.
- iii. Leave encashment benefit is provided on the basis of actuarial valuation.
- iv. Liability on account of company's obligations under employees' medical reimbursement scheme and leave travel assistance scheme is provided on actual basis

j) Provisions and Contingent Liabilities

- i. Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation.
- ii. The Company provides for warranty obligations on substantial completion of contracts based on technical evaluation

and past experience. The expenditure on warranty claims is included in the cost of material consumed during the year.

- iii. Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

k) Revenue Recognition

- i. Revenue in respect of products is recognized on dispatch of goods to the customer or when they are unconditionally appropriated to the contract.
- ii. Revenue in respect of projects for construction of plants and systems, execution of which is spread over different accounting periods is recognized on the basis of percentage of completion method.
- iii. Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.
- iv. Difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sale is disclosed as contract in progress.
- v. Determination of revenues under the percentage of completion method necessarily involves making estimates by the company, some of which are of a technical nature, concerning where relevant, the percentage of completion, costs to completion, the expected revenue from the contract and the foreseeable losses to completion.
- vi. Supply of spare parts and services are accounted on 'as billed' basis.
- vii. Revenue in respect of long-term service contracts / maintenance contracts is recognized on the basis of stage of completion.
- viii. Dividend from investments is recognized when the company's right to receive is established.

l) Borrowing Costs

- i. Borrowing costs on working capital is charged to profit and loss statement in the year of incurrence.
- ii. Borrowing costs that are attributable to the acquisition of tangible fixed assets are

capitalized till the date of substantial completion of the activities necessary to prepare the relevant asset for its intended use.

- iii. Borrowing costs that are attributable to the acquisition or development of intangible assets are capitalized till the date they are put to use.

m) Foreign Currency Transactions

- i. Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.
- ii. Difference between the forward exchange rate and exchange rate prevailing at the inception of the forward exchange contract is recognised as income or expense over the life of the contract or adjusted in the carrying amount of fixed assets depending upon the nature of transaction.
- iii. Exchange difference is either adjusted in the carrying amount of imported fixed assets or dealt with in the Profit & Loss Account, depending upon the nature of transaction.
- iv. Assets (other than fixed assets) and liabilities denominated in foreign currency are translated at the closing exchange rates, or in cases covered by forward exchange contracts, at the spot exchange rate prevailing at the inception of the forward exchange contract.
- v. Revenue items of foreign branches are translated at weighted average rate.

n) Leases

- i. **Leases Acquired:** Assets acquired under finance leases are recognised at lower of the fair value of the leased assets at inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction in the outstanding liability. The finance charge is allocated to the periods during the lease term at a constant periodic interest on the remaining balance of the liability.
- ii. **Leases Given :**
 - a) For assets manufactured by the Company and given on finance lease upto 31st March, 2001, lease rentals are accounted for on accrual basis, except in cases where there is significant

uncertainty regarding ultimate collection in which case they are accounted for as and when received. Finance income on the lease transaction is calculated by applying the interest rate implicit in the lease to the cost of the leased assets.

- b) Assets manufactured by the Company and leased under finance lease up to and including F.Y. 2000-01 are shown at cost as "Machinery given on Lease" under the head Fixed Assets. The cost of the assets leased is charged to the Profit & Loss Account over the primary lease period. This annual charge comprises of depreciation provided for on straight-line method as per the rates prescribed in Schedule XIV of the Companies Act, 1956 and a lease equalisation charge.
- c) Assets manufactured by the Company and given on finance lease on or after 1st April 2001 have been accounted for in accordance with Accounting Standard 19 (AS 19) issued by The Institute of Chartered Accountants of India where in assets given under finance lease have been appropriately recognised as a receivable and finance income is recognised at an appropriate rate of return on the outstanding net investment.

o) Taxes on Income

- i. Current tax is provided on the basis of estimated tax liability, computed as per applicable provisions of the Income Tax Act, 1961.
- ii. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

p) Others

- i. Liquidated damages are charged to Profit & Loss Account, on the basis of deduction made by customers.
- ii. Provision for doubtful debts is made on the basis of standard norms in respect of Debtors outstanding beyond predefined period.

2. Contingent Liability

- a) Disputed demands in respect of Excise, Customs Duty, Sales Tax and other Statutes Rs. 8.78 crores (*Previous Year Rs. 8.58 crores*)
- b) Income Tax
 - i) Demands disputed in appellate proceedings Rs. 21.43 crores (*Previous Year Rs. 22.73 crores*). The appeals filed by the Company involving disputed demands of Rs.19.06 crores have recently been decided. This is likely to substantially reduce the amount of disputed demands. The Income Tax department is yet to give effect to these orders, pending which, no change has been made in the said amount of disputed demands.
 - ii) References/Appeals preferred by Income Tax department in respect of which, should the ultimate decision be unfavourable to the Company, the liability is estimated to be Rs. 8.89 crores (*Previous Year Rs. 6.03 crores*).
- c) Guarantee of Rs. 0.01 crores given to Government of Haryana in respect of Thermax Capital Ltd., a subsidiary of the Company (*Previous Year Rs. 0.01crores*).
- d) Counter Guarantees given by the Company to the banks on behalf of group companies :

Rs. 6.74 crores on behalf of Thermax Engineering Construction Co. Ltd and Rs. 3.96 crores on behalf of ME Engineering Ltd, towards securing advances received from clients and performance of contracts (*Previous Year Rs. 2.41 crores for Thermax Engineering Construction Co. Ltd and Rs. 1.92 crores for ME Engineering Ltd.*)
- e) Counter Guarantees given to the banks for guarantees issued by them on Company's behalf Rs. 137.61 crores (*Previous Year Rs. 92.20 crores*).
- f) Indemnity Bonds/Corporate Guarantees given by the Company to the customers on behalf of ME Engineering Ltd. Rs. 2.78 crores (*Previous Year Rs. 1.65 crores*) and for securing banking facilities obtained by ME Engineering Ltd. Rs. 16.95 crores (*Previous Year Rs. 16.60 crores*).
- g) Indemnity Bonds/Corporate guarantees given to Customs, other Government departments and various customers Rs. 16.22 crores (*Previous Year Rs. 11.29 crores*)
- h) Liability for unexpired export obligations Rs. 5.28 crores (*Previous Year Rs. 0.31 crores*)

- i) Claims against the Company not acknowledged as debts Rs. 0.18 crores (*Previous Year Rs. 0.18 crores*).
- j) Bills Discounted with banks Rs. 12.69 crores (*Previous Year Rs. 12.08 crores*).
- k) Liability in respect of partly paid shares in Parasrampuria Synthetics Ltd. Rs. 0.19 crores (*Previous Year Rs. 0.19 crores*).
- l) Future lease obligations in respect of vehicles and computers taken on lease Rs. Nil (*Previous Year Rs. 0.01 crores*).

3. Small Scale Industries

Dues to Small Scale Industrial (SSI) Undertakings have been worked out on the basis of information available with the Company, regarding status of the suppliers and has been relied upon by the auditors.

Sundry Creditors include Rs. 22.30 crores (*Previous Year Rs. 7.60 crores*) due to SSI Undertakings. Out of this, Rs. 21.62 crores (*Previous Year Rs. 5.66 crores*) are due to SSI Undertakings, listed below, each outstanding for more than Rs. 1 lac, within the agreed terms:

A K Industries, Abhiraj Plastic Industries, Alfa Plast, Alliance Engineering Co, Anand Udyog, Anuradha Industries, Anvin Engineers & Instruments, Asco (India) Ltd, Associated Engineers, Autoswitch Engineers (I) Pvt Ltd, Ayushi Abhiyanta Pvt Ltd, Basava Engineers, Bestall Engineering Works, Bonduct Processors Pvt Ltd, Britex Engineering Works, Chaitraa Engineers, Citizen Engineering Works, Creative Moulding Industries, D K Industries, Dalvi Enterprises, Dandekar Industries, Dhanlaxmi Industries, Electro Fab, Fab Electronic Engineers Pvt. Ltd, Finlay Insulations, G L Engineers, Gauges Bourden (India)Pvt Ltd, Grace Fabricators, Grace Metal Works, Guddi Plaston Private Limited, Har Har Udyog, Hrithik Tools Pvt Ltd, Indmark Formtech Pvt Ltd, Indus Metal Works, Kaj Engineering Works, Kiran Engineering Works, Levcon Valves Pvt Ltd, Marvellous Plastics, Master Fab Engineers, Mech Tech Engineers, Metal Arts, Metapow Industries, Mhetre Industries, Mortex India, Nutech Engineers, P K Industries, Parekh Engineering, Perfect Engineering Works, Praxair India Pvt Ltd, Prompt Engineering Works, R R Industries, Radhika Fabricators, Rashmi Fabricators, Rushas Engineering Co Ltd, Sai Tech Engineers, Sampradeep Engineering Company, Screw Tech Engineering Pvt Ltd, Shembekar Foundry Pvt Ltd, Shree Fabricators, Shree Ganesh Engineering Works, Shri Swami Samarth Engg, Shubham Engineering Works, Soor Neogi Coomar & Co Pvt Ltd, Stacil Engineering Pvt Ltd, Standard

Equipments Pvt Ltd, Star-Mech Controls (I) Pvt Ltd, Sunbeam Rubber Linings, Systems Technologies, Tanna Udyog, Texas Engineering, Thermal Associate Pvt Ltd, Universal Engineering Works, Utility Projects And Services, Varnna Fabricators, Venkateshwara Automation & Controls P Ltd, Venkateshwara Micropans Pvt Ltd, Vikrant Industries, Waghole Engineering Projects, Waghole Udyog, Western Rubber Works Pvt Ltd, Winner Engineers.

4. Managerial Remuneration

a) Managerial Remuneration : **

	2004 - 05	2003 - 04
(i) Salary	0.65@	0.49 @
(ii) Contribution to Provident & other funds	0.09	0.06
(iii) Perquisites in cash or in kind	0.06	0.03

** Within the limits specified by Schedule XIII of the Companies Act, 1956.

@ includes Rs. 0.30 crores (Previous Year Rs. 0.25 crores) commission payable to the Managing Director.

b) Computation of Net Profit in accordance with Section 198 and 309(5) of the Companies Act, 1956.

	2004 - 05	2003 - 04
(A) Profit Before Tax and Extra Ordinary Items	83.02	78.25
(B) Add:		
Remuneration to Directors	0.80	0.58
Directors sitting fees	0.13	0.08
Loss on sale of investment	Nil	1.29
Provision for diminution in investment	Nil	Nil
Loss on discarded assets	0.65	0.36
Loss on sale of assets	0.23	Nil
B	<u>1.81</u>	<u>2.31</u>
(A+B)	<u>84.83</u>	<u>80.56</u>
(C) Less:		
Profit on sale of assets	0.13	Nil
Profit on sale of investment	0.24	Nil
Write-back of provision for diminution in the value of investments	0.25	0.12
C	<u>0.62</u>	<u>0.12</u>
Net profit as per Section 349 & 350 of the Companies Act, 1956	<u>84.21</u>	<u>80.44</u>
Remuneration to Whole-time Director(s) restricted to	<u>4.21</u>	<u>4.02</u>

5. Auditors' Remuneration & Directors fees

Miscellaneous expenses include:

	2004 - 05	2003 - 04
a) Auditors' Remuneration (excluding service tax)		
i) As Auditors	0.18	0.15
ii) For Taxation matters (including tax audit)	0.04	0.04
iii) Company Law and allied matters	0.02	Nil
iv) Certification Fees	0.01	Nil
v) Reimbursement of expenses	0.01	0.01
b) Directors' fees	0.13	0.08

6. Additional Information under Part II of Schedule VI to the Companies Act, 1956

(Value in Rs. Crores)

A) Production and Stock

Particulars	Units	Installed Capacity	Prod. Qty.		Closing stock as on 31.03.2005		Closing stock as on 31.03.2004	
			2004-2005	2003-2004	Qty.	Value	Qty.	Value
Energy Products & Systems	Nos.	4,300	1,887	1,751	131	8.17	142	6.15
Environmental Products & Systems :								
a) Air Pollution Control Plants & Systems	Nos.	-	426	393	-	-	46	0.56
b) Water & Waste Treatment Plants	Nos.	-	1,182	899	-	-	1	0.05
c) Ion Exchange Resins & Chemicals	M.Ton	33,191	11,414	11,279	703	2.86	684	3.25
Components & Spares	Numerous					3.97		3.34
Total						15.00		13.35

Note: Installed capacity has been certified by the management and has been accepted by the Auditors without verification, this being a technical matter.

B) Turnover of goods manufactured & traded (Net of Excise)

Particulars	Unit	2004-05		2003-04	
		Qty.	Value	Qty.	Value
Energy Products & Systems	Nos.				
(i) Completed		1,884	334.71	1,778	230.49
(ii) Ongoing		71	237.34	31	105.03
Environmental Products & Systems	Nos.				
a) Air Pollution Control Plants & Systems					
(i) Completed		329	75.34	248	11.06
(ii) Ongoing		16	38.81	54	44.21
b) Water & Waste Treatment Plants	Nos.				
(i) Completed		1,066	42.26	816	22.48
(ii) Ongoing		37	46.08	66	26.65
c) Ion Exchange Resins & Chemicals	M.Tons	10,908	84.45	10,616	72.17
Goods traded in	Numerous		9.65		12.02
Accessories, spares, erection, commissioning, services etc.			47.24		39.77
Total			915.88		563.88

Notes:

- 1) Quantitative turnover figures are excluding sales returns and trading quantities
- 2) a) Energy Products & Systems :
 - i) 4 nos. scrapped during the year (Previous Year 2 nos.)
 - ii) 6 nos. used for captive consumption (Previous Year 7 nos.)
 - iii) 4 nos. free replacements (Previous Year 6 nos.)
- b) Environmental Products & Systems :
 1. Air Pollution Control Plants & Systems
143 nos. used for captive consumption (Previous Year 132 nos.)
 2. Water & Waste Treatment Plants
117 nos. used for captive consumption (Previous Year 82 nos.)
 3. Ion Exchange Resins & Chemicals
 - i) 475 M.Tons used for captive consumption (Previous Year 272 M. Tons)
 - ii) 11 M.Tons free replacements (Previous Year 18 M. Tons)

C) Consumption of Raw Materials, Components etc.

Particulars	Unit	2004-05		2003-04	
		Qty.	Value	Qty.	Value
Ferrous Sheets, Plates	M. Tons	8,384	28.50	6,104	18.31
Ferrous Tubes	Numerous		34.71		29.31
Fabricated Items	Numerous		272.03		151.69
Chemical	M. Tons	18,802	60.58	17,653	49.69
Purchase of goods for resale	Numerous		6.97		5.52
Others	Numerous		227.66		96.60
Total			630.45		351.12

D) Value of Imported & Indigenous Raw Materials, Components & Spare Parts consumed

Particulars	%	2004-05	%	2003-04
(i) Imported	14	88.57	17	58.79
(ii) Indigenous	86	541.88	83	292.33
Total	100	630.45	100	351.12

E) CIF Value of Imports

Particulars	2004-05	2003-04
a) Raw Materials	53.34	37.69
b) Components & Spares	37.50	23.21
c) Consumables	0.67	0.27
d) Capital Goods	6.87	0.73
Total	98.38	61.90

F) Earnings in Foreign Currency (on accrual basis)

Particulars	2004-05	2003-04
a) Exports of goods on FOB	178.92	111.57
b) Know-how	0.10	0.21
c) Others	1.85	1.30
Total	180.87	113.08

G) Expenditure in Foreign Currency (on accrual basis)

Particulars	2004-05	2003-04
a) Technical fees	1.10	1.58
b) Expenses at foreign offices	5.06	4.42
c) Royalty	1.56	1.59
d) Travelling, Commission on sales, etc.	8.67	7.60
e) Capital Expenditure at foreign offices	0.29	0.22
Total	16.68	15.41

7. Contracts in Progress (CIP)

Particulars	Rs. Crores	
	2004-05	2003-04
A Aggregate amount recognised as Contract Revenue	472.16	211.18
B In respect of Contracts in Progress as on 31.03.2005 :		
i) Aggregate amount of Costs incurred and recognised profits (less recognised losses) up to 31.03.2005	561.08	201.43
ii) Amount of Customer Advances received	101.05	72.79
iii) Amount of Retentions	20.65	7.85
C Gross amount due from customers for contract work	19.65	11.54
D Gross amount due to customers for contract work	29.43	19.59

8. Deferred Tax

Particulars	Rs. Crores	
	2004 - 05	2003 - 04
Major components of deferred tax asset:		
i) Provision for Doubtful Debts	5.10	4.11
ii) Diminution in Value of Investments	0.54	0.52
iii) Others	2.26	3.79
Total	<u>7.90</u>	<u>8.42</u>
Major components of deferred tax liability:		
i) Depreciation on Fixed Assets	15.84	15.65
ii) Capital Expenditure on R & D Assets	0.65	0.70
iii) Others	(0.39)	(0.16)
Total	<u>16.10</u>	<u>16.19</u>
Net Deferred Tax Liability	<u>8.20</u>	<u>7.77</u>

Deferred tax debit of Rs. 0.43 crores for the year (*Previous Year credit Rs.1.64 crores*) has been recognised in the Profit & Loss Account of the year.

9. Share Capital

Issued, Subscribed & Paid up Equity Capital includes 21,35,640 Equity Shares of Rs.10/- each allotted as fully paid up for consideration other than cash as per various schemes of amalgamation and 34,27,500 shares of Rs.10/- each issued by way of bonus shares on capitalisation of General Reserve.

Issued, Subscribed & Paid up Preference Capital represents 6% Redeemable Preference Shares (RPS) of Rs.10/- each issued by way of bonus shares on capitalisation of Share Premium. These RPS are redeemable not later than three years from the date of allotment, as may be decided by the Company.

10. Secured Loan

Borrowing for working capital (packing credits, shipping loans, cash credits & overdrafts) from banks is secured by hypothecation of present and future stock of raw materials, consumables, spares, semi-finished goods, finished goods & book debts.

11. Other Liabilities

Other Liabilities include following amounts which will be credited to Investors Education and Protection Fund (on expiry of the specified period, if the amount remains unclaimed at that time):-

	Rs. Crores	
	As on 31.03.2005	As on 31.03.2004
i) Unclaimed Dividend	0.30	0.28
ii) Unclaimed Matured Deposits	0.01	0.01

12. Disclosure of amounts at the year end and the maximum amount of loans / advances / investments outstanding during the year

Loans and Advances in the nature of loans to subsidiaries :

Rs. Crores

	Name of subsidiary	Bal. Outstanding As on 31.3.2005	Maximum Bal. Outstanding During the Year
1.	Thermax Energy Performance Services Ltd.*	0.58	0.58
2.	Winman Gas Ltd.*	1.77	1.77
3.	Thermax Hong Kong Ltd.*	0.04	0.04
4.	Thermax Surface Coatings Ltd.	1.78	1.78
5.	Thermax (Rus) Ltd.*	—	0.03

* Loans and Advances in the nature of loans where there is :

- i) no repayment schedule or repayment beyond seven years or
- ii) no interest or interest below section 372A of the Companies Act, 1956.

13. In cases where letters of confirmation have been received from parties, book balances have been generally reconciled and adjusted, if required. In other cases, balances in accounts of sundry debtors, sundry creditors and advances or deposits have been taken as per books of account.

14. Foreign Exchange Transactions

- a) Net foreign exchange gain dealt with in the Profit & Loss Account is Rs. 2.55 crores (*Previous Year loss Rs. 0.03 crores*).
- b) The net amount of foreign exchange difference (income) in respect of forward exchange contracts to be recognised in subsequent accounting period is Rs. 0.02 crores (*Previous Year Rs. 0.01 crores*).
- c) The net amount of foreign exchange difference (expense) in respect of forward exchange contracts to be accounted for in subsequent accounting period is Rs. 0.01 crores (*Previous Year Rs. 0.01 crores*).

15. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 2.31 crores (*Previous Year Rs. 3.19 crores*).

16. Capitalisation of expenses

- a) Machinery given on lease (prior to 1.4.2001) Rs. 0.46 crores (*Previous Year Rs. 2.51 crores*) represents raw materials and other costs capitalised. Depreciation thereon comprises of statutory depreciation Rs. 0.11 crores and lease equalisation Rs. 0.32 crores (*Previous Year Rs. 0.39 crores and Rs. 2.02 crores respectively*).
- b) Raw materials, labour and overheads capitalised in respect of other Plant & Machinery Rs. 0.02 crores (*Previous Year Rs. Nil*).
- c) Foreign exchange fluctuation capitalised during the year amounted to Rs. 0.11 crores (*Previous Year Rs. 0.02 crores*).

17. Previous year's expenses / income included under various heads of accounts

	Rs. Crores
Drawing, Design and Technical Service Charges	0.03
Legal & Professional Charges	0.03
Other Selling & Distribution Expenses	0.05
Miscellaneous Income	0.01

18. Segment Reporting

- i. The Company has disclosed Business Segment as the primary segment. Segments have been identified by the management taking into account the nature of the products, manufacturing process, customer profiles, risk and reward parameters and other relevant factors.

The Company's operations have been mainly classified between two primary segments, 'Energy' and 'Environment'. Composition of business segments is as follows :

Segment Products Covered

a) Energy	Boilers and Heaters, Absorption Chillers/Heat Pumps, Power Plants.
b) Environment	Air Pollution Control Equipments/ Systems, Water & Waste Recycle Plants, Ion Exchange Resins & Performance Chemicals.

- ii. Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis.

The expenses, which are not directly attributable to the business segment, are shown as unallocated cost.

Assets and Liabilities that cannot be allocated between the segments are shown as a part of unallocated Assets and Liabilities respectively.

- iii. Secondary segments have been identified with reference to geographical location of external customers. Composition of secondary segment is as follows:

- a) India
b) Outside India

- iv. Inter-segment transfer price is arrived at on the basis of cost plus a reasonable mark-up.

D) Information about Primary Business Segments

Rs. Crores

Particulars	2004-05		
	Energy	Environment	Total
Revenue:			
Gross Revenue	639.42	326.23	965.65
Less : Inter-segment Revenue	7.42	27.61	35.03
Net Revenue	632.00	298.62	930.62
Result:			
Segment Result	69.61	31.40	101.01
Unallocated expenses net of unallocated income			17.34
Operating Profit			83.67
Interest expenses			0.65
Taxation for the year			27.73
Profit after taxation and before exceptional items			55.29
Extra-ordinary items of expenses			-
Net Profit			55.29
Other Information:			
Segment Assets	291.16	155.30	446.46
Unallocated Corporate Assets			339.95
Total Assets			786.41
Segment Liabilities	232.79	91.09	323.88
Unallocated Corporate Liabilities			52.45
Total Liabilities			376.33
Capital Expenditure	12.43	3.59	16.02
Depreciation	5.52	3.00	8.52
Non-cash expenses other than depreciation	0.25	0.16	0.41

Rs. Crores

Particulars	2003-04		
	Energy	Environment	Total
Revenue:			
Gross Revenue	398.06	207.71	605.77
Less : Inter-segment Revenue	5.94	16.53	22.47
Net Revenue	392.12	191.18	583.30
Result:			
Segment Result	52.08	25.79	77.87
Unallocated expenses net of unallocated income			(0.78)
Operating Profit			78.65
Interest expenses			0.40
Taxation for the year			18.36
Profit after taxation and before exceptional items			59.89
Extra-ordinary items of expenses			5.80
Net Profit			54.09
Other Information:			
Segment Assets	165.28	101.84	267.12
Unallocated Corporate Assets			357.84
Total Assets			624.96
Segment Liabilities	130.67	58.36	189.03
Unallocated Corporate Liabilities			45.26
Total Liabilities			234.29
Capital Expenditure	4.26	3.43	7.69
Depreciation	3.98	2.53	6.51
Non-cash expenses other than depreciation	0.25	0.34	0.59

II) Information about Secondary Segments:

Rs. Crores

Particulars	2004-05	2003-04
Revenue:		
India	754.23	464.85
Outside India	176.39	118.45
Total Revenue	930.62	583.30
Carrying Amount of Segment Assets :		
India	405.26	235.06
Outside India	41.20	32.07
Addition to Fixed Assets :		
India	15.68	7.47
Outside India	0.34	0.22

19. Related Party Disclosures

Related party disclosures as required under Accounting Standard 18 issued by The Institute of Chartered Accountants of India are given below:

Relationship

A) Enterprises controlled by the Company

Subsidiary Companies:

i. Domestic:

Thermax Babcock & Wilcox Ltd.
Thermax Energy Performance Services Ltd.
Thermax Electronics Ltd.
Thermax Engineering Construction Co. Ltd.
Thermax Instrumentation Ltd.

Thermax Surface Coatings Ltd.
Thermax Capital Ltd.
Winman Gas Ltd.
Thermax Co-gen Ltd.

ii. Overseas:

Thermax Europe Ltd., U.K.	Thermax (Rus) Ltd., Russia
Thermax International Ltd., Mauritius	ME Engineering Ltd., U.K.
Thermax Inc., U.S.A.	Thermax Hong Kong Ltd., Hong Kong
Thermax do Brasil Energia e Equipamentos Ltda., Brazil	

B) Individuals having control or significant influence over the Company by reason of voting power and their relatives:

Mrs. Meher Pudumjee – Chairperson
 Mrs. Anu Aga – Director
 Mr. Pheroj Pudumjee – Director

C) Key Management Personnel

Mr. Prakash Kulkarni (Managing Director)

The following transactions were carried out during the year with related parties in the ordinary course of business:

1) Details of transactions with Subsidiary Companies [Refer Note 19 (A) (i) and (ii)]

Particulars	Rs. Crores	
	2004-05	2003-04
I Sales, Services, Other Income & Sale of Fixed Asset		
Sale of Goods:		
Thermax Babcock & Wilcox Ltd	8.06	8.16
Thermax Europe Ltd.	12.28	6.08
Thermax Inc.	25.61	13.59
Others	1.21	1.19
Total	47.16	29.02
Rendering of Services	1.41	2.18
Rent Income	-	0.09
Interest Income	0.04	0.03
Commission	0.12	-
Reimbursement of Expenses/cost of materials/stores	1.72	0.53
Management contracts including for deputation of employees	0.24	0.32
II Purchase of Material/Assets		
Purchase of Goods:		
Thermax Babcock & Wilcox Ltd.	42.13	4.15
Thermax Engineering Construction Co. Ltd.	4.84	4.96
Others	0.56	0.04
Total	47.53	9.15
Purchase of Fixed Assets		
Thermax Babcock & Wilcox Ltd.	-	0.01
III Expenses		
Receiving of Services	0.32	0.88
Leasing Charges	-	0.22
Reimbursement of Expenses	0.73	0.41
Liquidated Damages Paid	0.09	-
Bad Debts / Provision for Doubtful Debts	0.03	-
Management contracts including for deputation of employees	0.45	0.15
Other Expenses	-	0.07

Particulars	Rs. Crores	
	2004-05	2003-04
IV Finance (Including Loan/Equity Contribution) :		
Equity Contribution		
i Thermax do Brasil -Energia e Equipamentos Ltda.	0.44	0.91
ii Thermax Hong Kong Ltd.	1.84	0.07
Total	2.28	0.98
Loans / Advances given		
i Thermax Surface Coatings Limited	1.78	-
ii Thermax Hong Kong Ltd.	0.05	-
Others	0.02	0.33
Total	1.85	0.33
Receipt towards Loan/Advance repayment		
i Thermax Energy Performance Services Ltd.	-	0.50
ii Thermax (Rus) Ltd.	-	0.28
Total	-	0.78
Loans / Advances Written off	0.03	-
Guarantees/Bond/ Collaterals given		
i ME Engineering Ltd.	3.92	1.91
ii Thermax Engineering Construction Co. Ltd.	5.64	2.42
Total	9.56	4.33
Amount Outstanding- Receivable		
Loan / Advances Outstanding		
i Thermax Instrumentation Ltd.	1.27	1.27
ii Winman Gas Ltd.	1.77	1.75
iii Thermax Energy Performance Services Ltd.	0.58	0.57
iv Thermax Surface Coatings Limited	1.79	0.01
v Thermax Hong Kong Ltd.	0.04	-
Total	5.45	3.60
Accounts Receivable	21.24	9.71
Trade Advances Paid	7.16	3.86
Amount Outstanding- Payable		
Accounts Payable	7.53	2.16
Trade Advances Received	1.63	0.14
2) Details of Transaction relating to the Persons referred to in note 19 (B) and (C)		
Nature Of Transaction	2004-05	2003-04
Managerial Remuneration	0.80	0.58
Director Sitting Fees	0.07	0.04
Rent Paid to Directors	0.04	0.04
Loan, Advance/Deposits Outstanding at the end of the year	0.40	0.40

20. Earnings Per Share (EPS)

Earnings per share calculated in accordance with Accounting Standard 20 issued by The Institute of Chartered Accountants of India.

Particulars	2004 - 05	2003 - 04
Profit After Tax (Rs. Crores)	55.29	54.09
Dividend (Including tax on dividend) on Preference Shares (Rs. Crores)	3.26	1.70
Net Profit available for Equity Shareholders (Rs. Crores)	52.03	52.39
Weighted average number of Equity Shares of Rs. 10/- each	23831260	23831260
Basic & Diluted Earnings Per Share (Rs.)	21.83	21.99

21. Disclosure as required by AS – 28 (Impairment of Assets)

In terms of Accounting Standard 28 (AS-28) there was no impairment loss on assets as on 1.04.2004 and also during the year under report.

22. Disclosure as required by AS – 29 (Contingent Liabilities and Provisions)

Particulars	Warranty Provision	Leave Encashment Provision
Opening Balance (April 01, 2004)	3.62	3.11
Additions during the year	5.55	0.99
Utilisation during the year	0.85	-
Reversals during the year	1.80	-
Closing Balance (March 31, 2005)	<u>6.52</u>	<u>4.10</u>

23. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

24. Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. : 22787 State Code : 11
Balance Sheet Date : 31st March, 2005

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue : Nil Rights Issue : Nil
Bonus Issue : Nil Private Placement (including share premium) : Nil

III. Position of Mobilisation & Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities : 7865047 Total Assets : 7865047

Sources of Funds

Paid up Capital : 714938 Reserves & Surplus : 3385918
Secured Loans : Nil Unsecured Loans : Nil

Application of Funds

Net Fixed Assets : 1016202 Investments : 3161564
Net Current Assets : (1984) Misc. Expenditure : 7096
Accumulated Losses : Nil

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover : 9411603 Total Expenditure : 8581383
Profit Before Tax / (Loss) : 830220 Profit After Tax / (Loss) : 552920
Earnings Per Share (in Rs.) : 21.83

V. Generic Names of three Principal Products / Services of the Company (As per monetary terms)

Item Code no. (ITC Code) : 8402.10
Product Description : Steam or other Vapour Generating Boilers
Item Code no. (ITC Code) : 8421.10
Product Description : Purifying Machinery for Liquid or Gases
Item Code no. (ITC Code) : Not Applicable
Product Description : Power Plant

As per our report of even date

For B.K.Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H.P. Mahajani
Partner
Membership No.: 30168

Amitabha Mukhopadhyay
*Exe. Vice President- Finance
& Chief Financial Officer*

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

CASH FLOW STATEMENT

Rs. Crores

	2004-05	2003-04
A Cash flow from Operating Activities		
Net profit before tax	83.02	72.45
<i>Add: Adjustments for</i>		
Depreciation	9.20	8.78
Amortisation of deferred revenue expenses	0.41	0.73
Net Provision for doubtful debts	3.70	(3.21)
Interest (expense)	0.65	0.40
Lease rentals paid	0.04	0.21
Amortisation of VRS expenses	–	5.80
<i>Less: Adjustments for</i>		
Interest / Dividend / Brokerage income	(10.04)	(21.33)
(Profit)/Loss on sale of investment	(0.24)	1.29
(Profit)/Loss on sale of assets	0.74	0.36
Provision for long term investments written back	(0.25)	(0.12)
Lease Rentals received	(0.02)	(0.35)
Operating profit before working capital changes	87.21	65.01
<i>Adjustments for</i>		
Trade and other receivables	(25.22)	11.16
Inventories	(26.41)	(12.55)
Trade payables	73.17	7.37
Contract in progress	1.74	8.05
Cash generated from operations	110.49	79.04
Direct taxes paid	(23.79)	(21.20)
Net cash from operating activities	86.70	57.84
B Cash flow from Investing Activities		
Purchase of fixed assets	(28.60)	(10.91)
Advance for capital expenditure	(0.28)	0.09
Investments in subsidiaries / group companies	(10.03)	(0.98)
Purchase of other investments	(868.79)	(464.95)
Proceeds from sale of investments	839.23	428.32
Loans and Advance to subsidiaries	(1.59)	1.42
Interest / Dividend / Brokerage received	10.48	21.31
Lease Rental received	0.02	0.36
Net cash from investing activities	(59.56)	(25.34)

C Cash flow from Financing Activities

Lease rentals paid	(0.04)	(0.21)
Interest paid	(0.65)	(0.40)
Dividend paid and tax thereon	(33.93)	(32.19)
Net cash from financing activities	(34.62)	(32.80)
Net (decrease)/increase in cash & cash equivalents	(7.48)	(0.30)
Opening cash & bank balances	18.63	18.93
Closing cash & bank balances	11.15	18.63

As per our report of even date
For B. K. Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner
Membership No. : 30168

Amitabha Mukhopadhyay
*Exe. Vice President - Finance
& Chief Financial Officer*

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

Statement pursuant to Section 212 of the Companies Act 1956, relating to subsidiary companies.

Amount in Crores

Name of the Subsidiary	Financial Year ending of the Subsidiary	Holding Com-pany's interest in Equity Capital	Currency	For Financial Year of the Subsidiary		For the previous Financial Years of the Subsidiary	
				Net aggregate of Profits or Losses so far it concern the members of the Holding Company and dealt with in the books of Account of the Holding Company	Net aggregate of Profits or Losses so far it concern the members of the Holding Company and not dealt with in the books of Account of the Holding Company	Net aggregate of Profits or Losses so far it concerns the members of the Holding Company and dealt with in the books of Account of the Holding Company	Net aggregate of Profits or Losses so far it concern the members of the Holding Company and not dealt with in the books of Account of the Holding Company
Thermax Babcock & Wilcox Ltd.	March 31, 05	100%	Rs.	-	14.34	14.12	22.85
Thermax Energy Performance Services Ltd.	March 31, 05	51%	Rs.	-	(0.03)	-	(1.31)
Thermax Surface Coatings Ltd.	March 31, 05	100%	Rs.	-	(0.07)	2.06	(0.29)
Thermax Capital Ltd.	March 31, 05	100%	Rs.	-	1.01	5.10	0.13
Thermax Electronics Ltd.	March 31, 05	100%	Rs.	-	(0.04)	0.22	(0.77)
Thermax Engineering Construction Co. Ltd.	March 31, 05	100%	Rs.	-	0.89	1.53	1.35
Thermax Instrumentation Ltd.	March 31, 05	100%	Rs.	-	(0.09)	(4.88)	(7.74)
Thermax Co-gen Ltd.	March 31, 05	100%	Rs.	-	0.05	-	0.01
Winman Gas Ltd.	March 31, 05	100%	Rs.	-	(0.04)	-	(0.44)
Thermax International Ltd. (Mauritius)	March 31, 05	100%	USD	-	(0.03)	-	(0.00)
Thermax Europe Ltd. (U.K.)	March 31, 05	100%	GBP	-	0.01	-	0.00
Thermax (Rus) Ltd. (Russia)	December 31, 04	100%	Roubles	-	-	-	0.08
Thermax Hong Kong Ltd (Hong Kong)	March 31, 05	100%	HKD	-	(0.12)	-	(0.00)
Thermax do Brasil-Energia e Equipamentos Ltda (Brazil)	March 31, 05	100%	Brasillian Real	-	(0.03)	-	(0.01)
ME Engineering Ltd. (U.K.) *	March 31, 05	100%	GBP	-	(0.02)	-	0.03
Thermax Inc. (U.S.A.) *	March 31, 05	100%	USD	-	0.01	-	0.03

* These companies are subsidiaries of Thermax International Ltd. (Mauritius) and hence subsidiaries of the Company.

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Thermax Limited

Consolidated

Balance Sheet

and

Profit & Loss Account

AUDITORS' REPORT

Auditors' Report to the Board of Directors of Thermax Limited on the Consolidated Financial Statements of Thermax Limited and its Subsidiaries

1. We have examined the attached Consolidated Balance Sheet of Thermax Limited and its subsidiaries (therein referred to as "Thermax group") as at 31st March 2005, the relative Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date.
2. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statement one domestic subsidiary and seven foreign subsidiaries, whose financial statements reflect total assets of Rs. 91.46 crores as at 31st March 2005 and total revenues of Rs. 149.34 crores for the year then ended (before giving effect to the consolidation adjustments). These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it related to the amounts included in respect of subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, issued by The Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Thermax Limited and its subsidiaries included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit report of the individual financial statements of Thermax Limited and its subsidiaries, we are of the opinion:
 - (a) the Consolidated Balance Sheet, gives a true and fair view of the consolidated state of affairs of Thermax Group as at 31st March 2005;
 - (b) the Consolidated Profit and Loss Account, gives a true and fair view of the consolidated results of operations of Thermax Group for the year ended on that date; and
 - (c) the Consolidated Cash Flow Statement, gives a true and fair view of the consolidated cash flows for the year ended on that date.

For B.K. Khare & Company
Chartered Accountants

H.P. Mahajani
Partner
(Membership no.: 30168)

Place: Pune
Date: May 11, 2005.

Consolidated Balance Sheet as at March 31, 2005

	Schedule	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SOURCES OF FUNDS				
Shareholders' Funds :				
Share Capital	1		71.49	71.49
Reserves & Surplus	2		384.97	344.14
			<u>456.46</u>	<u>415.63</u>
Loan Funds :				
Secured Loans	3	7	6.64	9.00
Unsecured Loans	4		0.07	0.11
			<u>6.71</u>	<u>9.11</u>
Minority Interest			(0.31)	16.93
Deferred Tax Liability:				
Deferred Tax Liabilities		6	18.39	18.14
Deferred Tax Assets			(11.53)	(11.68)
			<u>6.86</u>	<u>6.46</u>
Total Funds Employed			<u>469.72</u>	<u>448.13</u>
APPLICATION OF FUNDS				
Fixed Assets:				
Gross Block	5	3 (d)	231.79	207.31
Less : Depreciation			107.59	107.64
Net Block			<u>124.20</u>	<u>99.67</u>
Capital Work in Progress			9.57	2.54
Investments	6	3 (h)	318.43	286.53
Current Assets, Loans & Advances :				
Inventories	7	3(i)	104.20	72.06
Contracts in Progress			57.79	34.49
Sundry Debtors	8		260.53	176.64
Cash & Bank Balances	9		28.05	32.73
Other Current Assets	10		8.79	8.21
Loans & Advances	11		76.18	54.82
			<u>535.54</u>	<u>378.95</u>
Less : Current Liabilities & Provisions :				
Current Liabilities	12		441.22	255.46
Contracts in Progress			31.15	24.59
Provisions	13		46.36	40.63
			<u>518.73</u>	<u>320.68</u>
Net Current Assets			16.81	58.27
Miscellaneous Expenditure to the extent not written off or adjusted	14	3 (j)	0.71	1.12
Total Funds Applied			<u>469.72</u>	<u>448.13</u>
Notes to Accounts	19			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner
Membership No.: 30168

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

Consolidated Profit and Loss Account for the year ended March 31, 2005

	Schedule	Sch. 19 Note No. Reference	Year Ended March 31, 2005 Rs. Crores	Year Ended March 31, 2004 Rs. Crores
INCOME	15			
Sales and Other Income			1281.36	828.65
EXPENDITURE				
Materials	16		821.90	469.00
Personnel	17		114.55	94.90
Other Expenses	18		227.39	156.21
Excise Duty (Net)			0.92	0.65
Depreciation			11.92	12.29
Interest			0.97	0.52
			1177.65	733.57
Profit Before Tax and Extra-ordinary items			103.71	95.08
Extra-ordinary items of Income / Expenses				
Voluntary Retirement Expenses written off			-	6.38
Profit before Tax and after Extra-ordinary Items			103.71	88.70
Provision for Taxation		3 (f) & 6		
Current Tax			(36.11)	(25.44)
Deferred Tax			(0.40)	2.20
Profit After Tax			67.20	65.46
Less : Minority Interest			(1.08)	3.30
Profit After Tax and Minority Interest			68.28	62.16
Balance carried forward from last year			29.08	6.81
Transferred from Foreign Project Reserve			-	0.15
Profit available for Appropriation			97.36	69.12
Appropriations				
Proposed Equity Dividend			28.60	28.60
Proposed Preference Dividend			2.86	1.50
Provision for Tax on Dividend			4.49	3.93
General Reserve			5.69	5.53
Reserve Fund under RBI			0.20	0.48
Balance carried to Balance Sheet			55.52	29.08
			97.36	69.12
Basic / Diluted Earnings Per Share (EPS) - Rs. [Per Equity Share of Rs. 10/- Each]		10	27.28	25.37
Weighted Average number of Equity Shares			23831260	23831260

Notes to Accounts

19

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner
Membership No.: 30168

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2005

	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
2,50,00,000	Equity Shares of Rs. 10/- each	25.00	25.00
5,00,00,000	6% Redeemable Preference Shares of Rs. 10/- each	50.00	50.00
		<u>75.00</u>	<u>75.00</u>
Issued, Subscribed & Paid Up			
2,38,31,260	Equity Shares of Rs.10/- each, fully paid up	23.83	23.83
4,76,62,520	6% Redeemable Preference Shares of Rs.10/- each, fully paid up (Alloted as Bonus shares by capitalisation of Share Premium)	47.66	47.66
		<u>71.49</u>	<u>71.49</u>
SCHEDULE 2			
RESERVES & SURPLUS			
a. Capital Redemption Reserve			
Per last Balance Sheet		2.68	2.68
b. Capital Reserve			
Per last Balance Sheet		19.21	19.21
c. Capital Reserve on Consolidation			
Capital Reserve (on investment in Subsidiaries)		13.77	5.36
Less : Goodwill (on investment in subsidiaries)		3.16	3.16
		<u>10.61</u>	<u>2.20</u>
d. Share Premium			
Per last Balance Sheet		61.13	108.79
Less: Issue of Bonus Preference Shares		-	47.66
		<u>61.13</u>	<u>61.13</u>
e. Foreign Project Reserve			
Per last Balance Sheet		-	0.15
Less: Transferred to Profit and Loss A/c		-	0.15
		<u>-</u>	<u>-</u>
f. Reserve under RBI Act			
Per last Balance Sheet		2.75	2.27
Add : Transferred from Profit & Loss A/c		0.20	0.48
		<u>2.95</u>	<u>2.75</u>
g. General Reserve			
Per last Balance Sheet		220.02	223.27
Add: Transferred from Profit & Loss A/c		5.69	5.53
Less: Minority Interest		0.00	8.78
		<u>225.71</u>	<u>220.02</u>
h. Amalgamation Reserve			
Per last Balance Sheet		7.00	7.00
i. Foreign Currency Translation Reserve	3 (e)	0.16	0.07
j. Balance in Profit & Loss A/c		55.52	29.08
		<u>384.97</u>	<u>344.14</u>

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2005

	Sch. 19 Note No. Reference	As at March 31,2005 Rs. Crores	As at March 31,2004 Rs. Crores
SCHEDULE 3			
SECURED LOANS			
Borrowing from Banks for Working Capital (including Working Capital Term Loans)	7	6.64	9.00
		<u>6.64</u>	<u>9.00</u>
SCHEDULE 4			
UNSECURED LOANS			
Security Deposits (as per lease and hire purchase agreement)		0.07	0.11
		<u>0.07</u>	<u>0.11</u>

**SCHEDULE 5
FIXED ASSETS**

Rs. Crores

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 01.04.2004	Additions During the year	Deductions/ Adjustments During the year	Total Cost as at 31.03.2005	Upto 31.03.2004	Deductions/ Adjustments During the year	Provisions During the year	Total as at 31.03.2005	As at 31.03.2005	As at 31.03.2004
TANGIBLE:										
A. Land - Freehold	7.44	-	0.08	7.36	-	-	-	-	7.36	7.44
B. Land - Leasehold	3.30	-	0.03	3.27	0.21	-	0.02	0.23	3.04	3.09
C. Building	29.70	3.19	(0.06)	32.95	7.12	0.01	0.83	7.94	25.01	22.58
D. Plant & Machinery	95.26	20.12	1.84	113.54	52.97	1.40	5.76	57.33	56.21	42.29
E. Assets given on Lease	11.02	0.70	3.33	8.39	10.64	3.18	0.21	7.67	0.72	0.38
F. Electrical Installation	4.47	0.27	(0.25)	4.99	2.32	0.06	0.28	2.54	2.45	2.15
G. Furniture, Fixtures, Computers & Office Equipments	50.31	6.76	7.39	49.68	32.43	6.86	3.96	29.53	20.15	17.88
H. Vehicles	5.46	5.98	1.11	10.33	1.65	0.57	0.68	1.76	8.57	3.81
INTANGIBLE:										
A. Goodwill	0.41	-	-	0.41	0.33	-	0.08	0.41	-	0.08
B. Software	-	0.52	-	0.52	-	-	0.06	0.06	0.46	-
C. Technical Know-how	-	0.35	-	0.35	-	-	0.12	0.12	0.23	-
Total	207.37	37.89	13.47	231.79	107.67	12.08	12.00	107.59	124.20	99.70
Previous Year	214.53	13.92	21.14	207.31	114.36	19.08	12.37	107.64	99.67	100.18
Capital WIP									9.57	2.54

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2005

	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 6			
INVESTMENTS			
A) Non Trade (Long Term)			
a. Government Securities		0.78	0.88
b. Units		272.16	242.06
c. Bonds		-	0.10
d. Quoted Equity Shares (fully paid up)		0.13	0.13
e. Quoted Equity Shares (partly paid up)		0.06	0.06
f. Unquoted Equity Shares (fully paid up)		1.45	1.44
g. Unquoted Preference Shares (fully paid up)		0.02	0.27
		274.60	244.94
Less: Provision for Diminution in value of long-term investments		1.64	0.47
	(A)	272.96	244.47
B) Current Investments			
a. Unquoted Equity Shares		0.03	0.02
b. Quoted Equity Shares		0.01	0.01
c. Units		45.43	42.03
	(B)	45.47	42.06
	(A+B)	318.43	286.53

	As at March 31, 2005		As at March 31, 2004	
	Cost	Market Value	Cost	Market Value
	Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores
Aggregate Value of Quoted Long Term Investments	273.13	273.89	243.23	244.37
Aggregate Value of Unquoted Long Term Investments	1.47	-	1.71	-

	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 7			
INVENTORIES			
(As valued & certified by Management)			
a. Raw Material & Components		71.34	42.77
b. Work in Progress		12.36	12.21
c. Finished Goods		16.11	13.16
d. Stores, Spare Parts & Tools		4.39	3.92
		104.20	72.06

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2005

	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 8			
SUNDRY DEBTORS			
Unsecured			
Debts Outstanding for a period exceeding six months			
Considered good		25.89	16.92
Considered doubtful		25.07	13.34
Less: Provided for		25.07	13.34
Other Debts		234.64	159.72
		<u>260.53</u>	<u>176.64</u>
SCHEDULE 9			
CASH & BANK BALANCES			
A. Cash in Hand		0.53	0.46
B. Bank Balances & Remittances in Transit :			
With Scheduled Banks :			
a. In Current Accounts		18.94	20.22
b. In Deposit Accounts		0.32	2.64
With Foreign Banks			
a. In Current Accounts		4.93	3.78
b. In Deposit Accounts		1.72	0.47
Remittances in Transit		1.61	5.16
		<u>28.05</u>	<u>32.73</u>
SCHEDULE 10			
OTHER CURRENT ASSETS			
a. Duty Drawback Receivable		1.81	2.73
b. Excise Recoverable		4.49	3.02
c. Accrued Interest		0.04	0.06
d. Other Current Assets		2.45	2.40
		<u>8.79</u>	<u>8.21</u>
SCHEDULE 11			
LOANS & ADVANCES			
Unsecured, considered good :			
a. Advances recoverable in Cash or in Kind or for value to be received		43.24	18.76
b. Advances for Capital Expenditure		1.20	0.17
c. Advances to Staff & Workers		4.67	4.44
d. Balance in Central Excise & Customs Accounts		2.05	2.96
e. Sundry Deposits		6.95	8.02
f. Advance Payment of Income Tax (Net of Provision of Tax)		17.92	19.23
g. Others		0.15	1.24
		<u>76.18</u>	<u>54.82</u>

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2005

	Sch. 19 Note No. Reference	As at March 31, 2005 Rs. Crores	As at March 31, 2004 Rs. Crores
SCHEDULE 12			
CURRENT LIABILITIES			
a. Acceptances		5.46	7.83
b. Customer Advances		182.83	98.66
c. Sundry Creditors		207.19	111.11
d. Other Liabilities		44.51	36.28
e. Trade Deposits		1.23	1.53
f. Hire Purchase/Lease Rentals received in advance		-	0.05
		<u>441.22</u>	<u>255.46</u>
SCHEDULE 13			
PROVISIONS			
a. Proposed Equity Dividend	3 (l)	28.60	28.60
b. Proposed Preference Dividend		2.86	1.50
c. Provision for Tax on Dividend		4.49	3.93
d. Provision for Employee Retirement & Other Benefits	3 (k)	7.32	5.50
e. Provision for Contingencies		3.09	0.63
f. Provision for Leased Assets		-	0.47
		<u>46.36</u>	<u>40.63</u>
SCHEDULE 14			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
A. Technical Know-how			
Per last Balance Sheet		1.03	1.65
Add : Incurred during the year		-	0.00
		<u>1.03</u>	<u>1.65</u>
Less : Written off during the year		0.32	0.62
	(A)	<u>0.71</u>	<u>1.03</u>
B. Software Expenses			
Per last Balance Sheet		0.09	0.20
Add : Incurred during the year		-	0.00
		<u>0.09</u>	<u>0.20</u>
Less : Amortised during the year		0.09	0.11
	(B)	<u>-</u>	<u>0.09</u>
C. Voluntary Retirement Scheme Expenses			
Per last Balance Sheet		-	6.38
Add : Incurred during the year		-	-
		<u>-</u>	<u>6.38</u>
Less : Amortised during the year		-	6.38
	(C)	<u>-</u>	<u>-</u>
d. Preliminary Expenses			
Per last Balance Sheet		0.00	0.00
Add : Incurred during the year		-	-
		<u>0.00</u>	<u>0.00</u>
Less : Amortised during the year		0.00	0.00
	(D)	<u>0.00</u>	<u>0.00</u>
	(A+B+C+D)	<u>0.71</u>	<u>1.12</u>

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2005

	Sch. 19 Note No. Reference	Year Ended March 31, 2005 Rs. Crores	Year Ended March 31, 2004 Rs. Crores
SCHEDULE 15			
SALES AND OTHER INCOME			
I Sales & Services :	3 (m)		
a. India		949.35	614.38
Less: Excise Duty		57.39	34.86
		891.96	579.52
Add: Closing Contracts in Progress		(10.59)	(13.71)
Less: Opening Contracts in Progress		(13.71)	(4.20)
		895.08	570.01
b. Outside India		337.34	191.83
Add: Closing Contracts in Progress		37.29	23.61
Less: Opening Contracts in Progress		23.61	10.01
		351.02	205.43
c. Outside India - Trading		1.02	1.74
Total Sales & Services	(I)	1247.12	777.18
II Other Income from Operations			
a. Claims & Refunds		0.27	0.40
b. Balances earlier written off now recovered		0.94	1.31
c. Profit on Sale of Assets		0.23	0.02
d. Commission		1.87	2.87
e. Sale of Scrap		5.62	3.37
f. Interest Income (Operations)		0.24	0.35
g. Exchange Difference (net)		3.26	1.09
h. Balances/Excess Provision Written Back		2.22	1.69
i. Provision for Doubtful Debt Written Back		0.49	3.16
j. Premium on Forward Contracts (net)		0.02	-
k. Miscellaneous Income		7.28	12.27
Total Other Income from Operations	(II)	22.44	26.53
III Other Income			
A) From Investments			
a. Dividend		9.73	19.83
b. Interest (on investments)		1.33	2.80
c. Profit/(Loss) on Sales of Current Investments		0.15	(1.29)
d. Profit/(Loss) on Sales of Long Term Investments		0.32	2.98
e. Prov. for Diminution in value of Investment Written Back		0.25	0.12
f. Other Income from Investment		-	0.15
	(A)	11.78	24.59

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2005

	Sch. 19 Note No. Reference	Year Ended March 31, 2005 Rs. Crores	Year Ended March 31, 2004 Rs. Crores
B) From Other Activities			
Lease Rentals (Net of Lease Equalisation)		0.02	0.35
	(B)	<u>0.02</u>	<u>0.35</u>
Total Other Income	(III)(A+B)	11.80	24.94
Total Income from Sales and other activities	(I+II+III)	<u>1281.36</u>	<u>828.65</u>
SCHEDULE 16			
MATERIALS			
(A) Consumption of Raw Material & Components			
Opening Stock		42.40	29.43
Add : Purchases		852.27	481.45
		<u>894.67</u>	<u>510.88</u>
Less : Closing Stock		69.67	42.40
	(A)	<u>825.00</u>	<u>468.48</u>
(B) (Increase) / Decrease in Stock			
Opening Stock :			
Work-in-Progress		12.21	9.25
Finished Goods		13.16	16.64
		<u>25.37</u>	<u>25.89</u>
Less : Closing Stock			
Work-in-Progress		12.36	12.21
Finished Goods		16.11	13.16
		<u>28.47</u>	<u>25.37</u>
	(B)	<u>(3.11)</u>	<u>0.52</u>
	(A+B)	<u>821.90</u>	<u>469.00</u>
SCHEDULE 17			
PERSONNEL			
a. Salaries, Wages, Bonus, Testimonials & Allowances		95.70	79.09
b. Gratuity		3.40	2.80
c. Contribution to Provident & Other Funds		8.39	6.96
d. Staff Welfare Expenses		7.06	6.05
		<u>114.55</u>	<u>94.90</u>

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2005

	Sch. 19 Note No. Reference	Year Ended March 31, 2005 Rs. Crores	Year Ended March 31, 2004 Rs. Crores
SCHEDULE 18			
OTHER EXPENSES			
a.		11.39	6.50
b.		7.54	6.79
c.		14.08	11.36
d.		6.78	5.07
e.		29.71	17.02
f.		2.70	2.59
g.		0.37	0.57
h.		0.79	0.79
i.		3.47	2.54
j.			
Building		1.52	2.05
Plant & Machinery		2.99	2.49
Others		4.61	4.02
k.		6.31	5.28
l.		27.65	23.26
m.		1.46	1.56
n.		9.98	5.34
o.		10.11	10.10
p.		18.88	10.41
q.	3(p)(ii)	6.71	5.40
r.		3.84	2.57
s.		19.75	9.48
t.		2.16	2.42
u.		0.24	0.06
v.		2.79	2.95
w.		9.21	0.02
x.	3(p)(i)	6.15	3.95
y.		0.01	0.27
z.		0.91	0.37
aa.		0.30	0.23
ab.		0.01	-
ac.		0.19	0.23
ad.		0.50	0.39
ae.		12.24	8.56
af.		0.41	0.63
ag.		0.08	0.08
ah.		1.48	-
ai.		0.01	0.07
aj.		-	0.15
ak.		0.06	0.64
		227.39	156.21

Schedules forming part of the Consolidated Accounts

SCHEDULE 19

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

- The Consolidated Financial Statements (CFS) pertains to Thermax Ltd. and its sixteen subsidiaries of which seven are overseas subsidiaries. In the Consolidated Financial Statements, the term “Parent” refers to Thermax Ltd. and “Group” refers to the Parent along with its subsidiaries.
- The CFS envisage combining of financial statements of Thermax Ltd. and its following domestic and foreign subsidiaries:

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	% voting power held by Parent as on 31 st March, 2005
1	Thermax Babcock & Wilcox Limited*	India	100
2	Thermax Energy Performance Services Limited	India	51
3	Thermax Surface Coatings Limited	India	100
4	Thermax Capital Limited	India	100
5	Thermax Electronics Limited	India	100
6	Thermax Engineering Construction Co. Limited	India	100
7	Thermax Instrumentation Limited	India	100
8	Thermax Co-gen Limited	India	100
9	Winman Gas Limited	India	100
10	Thermax International Limited	Mauritius	100
11	Thermax (Rus) Limited @	Russia	100
12	Thermax Europe Limited	UK	100
13	ME Engineering Limited	UK	100
14	Thermax Inc.	USA	100
15	Thermax Hong Kong Limited	Hong Kong	100
16	Thermax do Brasil Energia e Equipamentos Ltda.	Brazil	100

*During the year Parent acquired the 40% shares of Thermax Babcock & Wilcox Limited (TBW) making it a wholly owned subsidiary.

@ Accounts have been consolidated for 12 month period ended 31st December 2004.

3. Significant Accounting Policies

a. Basis for Preparation of Accounts

Accounts of the Parent & its subsidiaries have been prepared under historical cost convention and accrual basis and comply with applicable accounting standards.

b. Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

c. Principles of Consolidation

- The financial statements of the Parent and its subsidiaries have been consolidated on a line-by-line basis by adding together the book value of like item of assets, liabilities, income and expenses, after eliminating intra group balance and unrealised profit / losses on intra group transaction, and are presented to the extent possible, in the same manner as the Parent’s independent financial statements.
- The excess / deficit of cost to the Parent of its investment over its portion of equity in the subsidiary at the respective dates on which the investment in such Subsidiary was made is recognised in CFS as goodwill/ capital reserve.

- c) Minority interest in the net assets of CFS is disclosed separately, which comprises of :
 - I. the amount of equity attributable to minority at the date on which investment in subsidiary is made and
 - II. the minority share of movement in equity since the date the parent – subsidiary relationship came in existence.

d. Fixed Assets – Tangible and Intangible Assets & Depreciation

- a) Tangible fixed assets are stated at cost (net of refundable taxes and levies) and include any other attributable cost for bringing the assets to working condition for their intended use.
- b) Borrowing costs, if any, attributable to fixed assets, are capitalised.
- c) Expenditure incurred on acquisition or development of goodwill, technical know-how, software, patents, research and development and such other intangibles are recognised as Intangible Asset, if it is expected that such assets will generate sufficient future economic benefits.
- d) Exchange difference on liability relating to imported fixed assets, except in the case of overseas subsidiaries, is adjusted in the carrying cost of the respective fixed assets.
- e) Depreciation on all fixed assets is provided by the domestic companies on straight line method at the rates and in the manner prescribed by Schedule XIV of the Companies Act, 1956. Further, no depreciation is charged on assets sold during the year.
- f) Depreciation has been provided by overseas subsidiaries on method and at rates required / permissible by the local laws so as to write off the assets over the useful life.
- g) Depreciation on exchange rate variance capitalized as a part of the fixed assets, is provided prospectively over the remaining useful life of the related asset.
- h) Amount paid in respect of leasehold land is being amortised over the period of lease.

e. Foreign Currency Translation

Indian Rupee is the reporting currency for Thermax Group. However the local currency of overseas subsidiaries is different from the reporting currency of the Thermax Group. All the overseas subsidiaries have been classified as non-integral operation according to Accounting Standard 11. Therefore, in respect of overseas subsidiaries, all the assets and liabilities are translated using exchange rate prevailing at the respective Balance Sheet date and revenue, cost and expenses are translated using average exchange rate prevailing during the reporting period. The resultant translation exchange gain / loss have been disclosed as “Foreign Currency Translation Reserve” under the Reserves & Surplus.

f. Taxes on Income

- a) Current tax is provided on the basis of estimated tax liability, computed as per applicable tax regulation.
- b) Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

g. Assets Impairment

Provision for impairment loss is recognized to the extent by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset’s net selling price and its value in use. Value in use is determined on the basis of the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

h. Investments

- a) Investments classified as current investments are valued at lower of cost and fair value.
- b) Investments classified as long-term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary in nature, in the carrying amount of such long-term investments.

i. Inventories

- a) Inventories are valued at lower of cost and net realisable value.
- b) Cost of raw materials, components, consumables, stores & spares, patterns & tools are valued at weighted average cost.
- c) Cost of finished goods & work in progress is arrived at on the basis of weighted average cost of raw materials & the cost of conversion thereof for bringing the inventories to their present location and condition.
- d) Inventory obsolescence is provided for on the basis of standard norms, except in case of overseas subsidiaries.

j. Deferred Revenue Expenditure

In case of Parent Company expenditure incurred up to 31st March 2003, on research and development, technical know-how and software, other than those capitalised as fixed asset or expensed out as revenue expenditure, are being amortised over a period of time (maximum six years) depending upon the nature of the expenditure and evaluation of future benefits there from.

k. Retirement and other Employee Benefits

- a) Contributions to defined contribution schemes, such as approved Provident and Superannuation Funds, are charged to Profit & Loss statement on actual liability basis.
- b) In respect of gratuity, the Group has adopted a cash accumulation scheme with insurance companies. Contributions to the Gratuity Fund are paid at the rate of contribution computed by such insurance companies. Therefore, no note is taken of the difference in the amount of actuarial liability and the balances in the fund accounts with insurance companies.
- c) Leave encashment benefit is provided on the basis of actuarial valuation.
- d) Liability on account of company's obligations under employee's medical reimbursement scheme and leave travel assistance scheme is provided on actual basis.

l. Provisions and Contingent Liabilities

- a) Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation.
- b) Group provides for warranty obligations on substantial completion of contracts based on technical evaluation and past experience. The expenditure on warranty claims is included in the cost of material consumed during the year.
- c) Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

m. Revenue Recognition

- a) Revenue in respect of products is recognized on dispatch of goods to the customer or when they are unconditionally appropriated to the contract.
- b) Revenue in respect of projects for construction of plants and systems, execution of which is spread over different accounting periods, is recognized on the basis of percentage of completion method.
- c) Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.
- d) Difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sale is disclosed as contract in progress.
- e) Determination of revenues under the percentage of completion method necessarily involves making estimates by the company, some of which are of a technical nature, concerning where relevant, the percentage of completion, costs to completion, the expected revenue from the contract and the foreseeable losses to completion.

- f) Supply of spare parts and services are accounted on 'as billed' basis.
- g) Revenue in respect of long-term service contracts / maintenance contracts is recognized on the basis of stage of completion.
- h) Dividend from investments is recognized when the company's right to receive is established.

n. Borrowing Costs

- a) Borrowing costs on working capital are charged to profit and loss statement in the year of incurrence.
- b) Borrowing costs that are attributable to the acquisition of tangible fixed assets are capitalized till the date of substantial completion of the activities necessary to prepare the relevant asset for its intended use.
- c) Borrowing costs that are attributable to the acquisition or development of intangible assets are capitalized till the date they are put to use.

o. Foreign Currency Transactions

- a) Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.
- b) Difference between the forward exchange rate and exchange rate prevailing at the inception of the forward exchange contract is recognised as income or expense over the life of the contract or adjusted in the carrying amount of fixed assets depending upon the nature of relatable transaction.
- c) Exchange difference is either adjusted in the carrying amount of imported fixed assets, except in case of overseas subsidiaries, or dealt with in the Profit & Loss Account, depending upon the nature of transaction.
- d) Assets (other than fixed assets) and liabilities denominated in foreign currency are translated at the closing exchange rates, or in cases covered by forward exchange contracts, at the spot exchange rate prevailing at the inception of the forward exchange contract.
- e) Revenue items of foreign branches are translated at weighted average rate.

p. Others

- a) Liquidated damages are charged to Profit & Loss account, on the basis of deduction made by customers.
- b) In respect of supply, construction and related service contracts, provision is made for estimated cost of warranty and other free of cost supplies, such estimation being based on past experience and / or commitments / expected commitments in the matter.
- c) In cases where letters of confirmation have been received from parties, book balances have been generally reconciled and adjusted. In other cases, balances in accounts of sundry debtors, sundry creditors and advances or deposits have been taken as per books of account.

4. The effect of acquisition of stake in Therman Babcock & Wilcox Limited during the year on the consolidated financial statement is as under:

2004-05		2003-04	
Increase in Group Profit after Minority Interest	Increase in net Assets	Effect on Group Profit after Minority Interest	Increase in net Assets
6.39	8.41	-	-

Rs. crores

5. Contingent Liabilities not provided for

- a) Disputed demands in respect of Excise, Customs Duty, Sales Tax and other Statutes Rs. 12.58 crores (*Previous Year Rs.10.71 crores*).
- b) i) Income Tax demands disputed in appellate proceedings Rs. 25.63 crores (*Previous Year Rs. 27.13 crores*).
- ii) References / Appeals preferred by Income Tax department in respect of which, should the ultimate decision be unfavorable to the Group, the liability is estimated to be Rs. 9.44 crores (*Previous Year Rs. 6.58 crores*).

- c) Counter Guarantees given to the banks for guarantees issued by them on Group's behalf Rs. 218.55 crores (Previous Year Rs.159.67 crores).
- d) Indemnity Bonds/Corporate Guarantees given to Customs, other Government departments and various customers Rs. 20.42 crores (Previous Year Rs.11.29 crores).
- e) Liability for unexpired export obligations Rs. 5.28 crores (Previous Year Rs.0.31 crores).
- f) Claims against Group not acknowledged as debts Rs. 0.18 Crores (Previous Year Rs. 4.11 crores).
- g) Bills Discounted with banks Rs. 12.69 crores (Previous Year Rs. 12.08 crores).
- h) Liability in respect of partly paid shares Rs. 0.19 crores (Previous Year Rs. 0.19 crores).
- i) Future Lease obligations payable on non-cancellable operating leases Rs. 0.55 crores (Previous Year Rs. 1.67 crores).
- j) Saving guarantees given to the customers through Master Energy Services Agreements (MESA) for projects completed Rs. 16.23 crores (Previous Year Rs. 23.03 crores).

6. Deferred Taxation

Particulars	Rs. Crores	
	2004-05	2003-04
Major components of deferred tax asset are:		
i) Provision for Doubtful Debts	7.38	5.02
ii) Diminution in Value of Investments	0.54	0.52
iii) Others	3.61	6.14
Total	11.53	11.68
Major components of deferred tax liability are :		
i) Depreciation on Fixed Assets	18.13	17.60
ii) Capital Expenditure on R & D Assets	0.65	0.70
iii) Others	(0.39)	(0.16)
Total	18.39	18.14

Deferred tax debit of Rs. 0.40 crores for the year (Previous Year credit of Rs. 2.20 crores) has been recognised in the Profit & Loss Account of the year.

7. Secured Loans

Borrowing for working capital (packing credits, shipping loans, cash credits & overdrafts) from banks is secured by hypothecation of present and future stock of raw materials, consumables, spares, semi finished goods, finished goods & book debts.

8. Segment Reporting

- a) The Group has disclosed Business Segment as the primary segment. Segments have been identified by the Management taking into account the nature of the products, manufacturing process, customer profiles, risk and reward parameters and other relevant factors.

The Group's operations can be mainly classified into two primary segments, 'Energy' and 'Environment'. Composition of business segments is as follows:

Segment	Products Covered
a) Energy	Boilers and Heaters, Absorption Chillers/Heat Pumps, Power Plants.
b) Environment	Air Pollution Control Equipments/ Systems, Water & Waste Recycle Plants, Ion Exchange Resins & Performance Chemicals.

Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis.

The expenses, which are not directly attributable to the business segment, are shown as unallocated cost.

Assets and Liabilities that cannot be allocated between the segments are shown as a part of unallocated Assets and Liabilities respectively.

- b) Secondary segments have been identified with reference to the geographical location of external customers. Composition of secondary segments is as follows:

India

Outside India

a) Information about Primary Business Segments

Rs. Crores

Particulars	2004-05			
	Energy	Environment	Others	Total
Revenue :				
Gross Revenue	1075.92	334.67	1.67	1412.26
Less : Inter segment Revenue	91.81	50.85	0.04	142.70
Net Revenue	984.11	283.82	1.63	1269.56
Result :				
Segment Result	90.21	31.95	(0.69)	121.47
Unallocated expenses net of unallocated income				16.74
Operating Profit				104.73
Interest expenses				1.02
Extra-ordinary items of expenses				-
Taxation for the year				36.51
Net Profit				67.20
Other Information :				
Segment Assets	492.11	151.08	19.90	663.09
Unallocated Corporate Assets				325.26
Total Assets				988.35
Segment Liabilities	389.80	84.67	(3.35)	471.12
Unallocated Corporate Liabilities				61.08
Total Liabilities				532.20
Capital expenditure	28.32	3.59	5.98	37.89
Depreciation	7.83	3.04	1.05	11.92
Non-cash expenses other than Depreciation	0.34	0.15	-	0.49

a) **Information about Primary Business Segments**

Rs. Crores

Particulars	2003-04			
	Energy	Environment	Others	Total
Revenue :				
Gross Revenue	641.11	227.39	4.54	873.04
Less : Inter segment Revenue	38.65	30.36	0.32	69.33
Net Revenue	602.46	197.03	4.22	803.71
Result :				
Segment Result	62.90	26.80	2.13	91.83
Unallocated expenses net of unallocated income				(3.77)
Operating Profit				95.60
Interest expenses				0.52
Extra-ordinary items of expenses				6.38
Taxation for the year				23.24
Net Profit				65.46
Other Information :				
Segment Assets	288.51	105.64	21.91	416.06
Unallocated Corporate Assets				352.68
Total Assets				768.74
Segment Liabilities	222.64	58.47	2.74	283.85
Unallocated Corporate Liabilities				52.40
Total Liabilities				336.25
Capital expenditure	7.38	3.43	-	10.81
Depreciation	5.67	2.61	1.73	10.01
Non-cash expenses other than Depreciation	0.92	0.34	-	1.26

b) **Information about Secondary Segments :**

Rs. Crores

Particulars	2004-05	2003-04
Revenue :		
India	915.24	594.51
Outside India	354.32	209.20
Total	1269.56	803.71
Carrying amount of Segment Assets :		
India	579.70	341.50
Outside India	83.38	74.53
Additions to Fixed assets :		
India	37.26	10.36
Outside India	0.63	0.46

9. Related Party Disclosures

Related party disclosures as required under Accounting Standard 18 issued by The Institute of Chartered Accountants of India are given below:

a) Relationship

- i) Individuals having control or significant influence over the Group by reason of voting power and their relatives :

Mrs. Anu Aga, Mrs. Meher Pudumjee, Mr. Pheroz Pudumjee

- ii) Key Management Personnel :

Mr. P.M. Kulkarni

- b) The following transactions were carried out during the year with Related Parties in the ordinary course of business:

Nature of Transactions

	Rs. Crores	
	2004-05	2003-04
Rent Paid	0.04	0.04
Managerial Remuneration	0.80	0.58
Sitting Fees	0.07	0.04
Loan, Advance/ Deposits Outstanding at the end of the year - Deposits	0.40	0.40

10. Earnings Per Share (EPS)

Earnings per share calculated in accordance with Accounting Standard 20 issued by The Institute of Chartered Accountants of India.

	Rs. Crores	
Particulars	2004-05	2003-04
Profit After Tax	68.28	62.16
Dividend (Including tax on dividend) on Preference Shares	3.26	1.70
Net Profit available for Equity Shareholders	65.02	60.46
Weighted average number of Equity shares of Rs. 10/- each	23831260	23831260
Basic & Diluted Earnings Per Share (Rs.)	27.28	25.37

11. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 2.76 crores (*Previous Year Rs. 3.56 crores*).

12. Foreign exchange fluctuation capitalised during the year amounted to Rs. 0.11 crores (*Previous Year de-capitalised Rs. 0.02 crores*).

13. Previous year's figures have been regrouped wherever necessary to confirm to this year's classification.

As per our report of even date

For B.K.Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H.P. Mahajani
Partner
Membership No.: 30168

Amitabha Mukhopadhyay
*Exe. Vice President- Finance &
Chief Financial Officer*

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

CONSOLIDATED CASH FLOW STATEMENT

Rs. Crores

	2004-05	2003-04
A Cash flow from Operating Activities		
Net profit before tax	103.71	88.70
<i>Add: Adjustments for :</i>		
Depreciation	11.92	12.29
Amortisation of deferred revenue expenses	0.41	0.73
Amortisation of Goodwill	0.08	0.08
Provision for Doubtful Debts	8.90	(3.72)
Interest (expense)	0.98	0.52
Lease rentals paid	0.38	0.57
Amortisation of VRS Expenses	-	6.38
Loss on Sale of Investments	-	0.14
Loss on Preclosure of Lease	0.00	0.27
Diminution in value of Investments	1.49	0.07
<i>Less: Adjustments for :</i>		
Interest / Dividend / Brokerage (Income received)	(11.07)	(22.78)
(Profit)/Loss on Sale of Investment	(0.47)	(1.69)
(Profit)/Loss on Sale of assets	0.87	0.58
Provision for Long Term Investments-Written Back	(0.25)	(0.12)
Lease Rentals Received	(0.02)	(0.35)
Operating profit before working capital changes	116.93	81.67
<i>Adjustments for</i>		
Trade and Other Receivables	(34.08)	1.63
Inventories	(32.14)	(16.73)
Trade Payables	108.21	19.69
Contracts in Progress	(16.74)	(4.08)
Cash generated from Operations (After Extra Ordinary Items and before tax)	142.18	82.18
Direct taxes paid	(34.79)	(27.53)
Net cash from operating activities (after tax)	107.39	54.65

Rs. Crores

	2004-05	2003-04
B Cash flow from Investing Activities		
Purchase of Fixed Assets	(45.48)	(13.59)
Purchase of Investments	(33.14)	(44.27)
Acquisition of Additional stake in Subsidiary	(7.75)	-
Exchange Rate Fluctuation	0.08	0.11
Profit/(Loss) on Sale of Investments	0.47	1.54
Interest / Dividend / Brokerage received	11.49	22.76
Lease Rentals Received	0.02	0.35
Net cash from Investing activities	(74.31)	(33.10)
C Cash flow from Financing activities		
Repayment of borrowings	(2.40)	7.42
Lease Rentals paid	(0.38)	(0.57)
Interest paid	(0.97)	(0.52)
Dividend paid and Tax thereon	(34.01)	(32.19)
Net cash from Financing activities	(37.76)	(25.86)
Net (decrease)/increase in cash & cash equivalents	(4.68)	(4.31)
Opening cash & bank balances	32.73	37.04
Closing cash & bank balances	28.05	32.73

As per our report of even date
For B.K.Khare & Co.
Chartered Accountants

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

H.P. Mahajani
Partner
Membership No. 30168

Amitabha Mukhopadhyay
*Exe. Vice President- Finance &
Chief Financial Officer*

Sunil Lalai
Company Secretary

Pune, May 11, 2005

Pune, May 11, 2005

THERMAX LIMITED
TWENTY FOURTH ANNUAL REPORT 2004-2005

Summarised statement of financials of Subsidiary Companies pursuant to approval under Section 212(8) of the Companies Act, 1956.

Sr No.	Particulars	Thermax Bobcock & Wilcox Ltd.	Thermax Energy Performance Services Ltd.	Thermax Surface Coatings Ltd.	Thermax Electronics Ltd.	Thermax Engineering Construction Co. Ltd.	Thermax Instrumentation Ltd.	Thermax Co-gen Ltd.	Winman Gas Ltd.	Thermax International Ltd. (Mauritius)	Thermax (Rus) Ltd. (Russia)	Thermax Europe Ltd. (U.K.)	ME Engineering Ltd. (U.K.)	Thermax Inc. (U.S.A.)	Thermax Hong Kong Ltd. (Hong Kong)	Thermax do Brasil Energia e Equipamentos Ltda. (Brazil)
		04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	2003	04-05	03-04	04-05	03-04
1	Capital	5.00	5.00	1.94	1.94	0.75	0.75	15.00	15.00	1.00	1.00	1.50	1.50	1.00	1.00	1.39
2	Reserves	51.36	38.09	(2.61)	(2.57)	(0.36)	(0.29)	1.14	0.13	(0.81)	(0.77)	1.56	1.35	(7.83)	(7.74)	(0.63)
3	Total Assets	162.76	119.62	0.51	0.56	2.46	1.71	16.36	15.69	0.20	0.23	23.51	13.70	2.96	3.15	0.88
4	Total Liabilities	106.40	76.53	1.18	1.19	2.07	1.25	0.22	0.56	0.02	-	20.45	10.85	1.79	1.89	0.12
5	Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	A) Long Term (Non-Trade Investments)															
	a. Government Securities	-	-	-	-	-	-	0.78	0.88	-	-	-	-	-	-	-
	b. Units	-	-	-	-	-	-	0.10	0.10	-	-	-	-	-	-	-
	c. Bonds	-	-	-	-	-	-	-	0.10	-	-	-	-	-	-	-
	f. Unquoted Equity Shares (fully paid up)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Less: Provision for Diminution in value of long-term investments	-	-	-	-	-	-	0.03	0.06	-	-	-	-	-	-	-
	Total Long Term (Non Trade) Investments	-	-	-	-	-	-	0.85	1.02	-	-	-	-	-	-	-
	B) Current Investments															
	a. Unquoted Equity Shares	-	-	-	-	-	-	0.03	0.02	-	-	-	-	-	-	-
	b. Quoted Equity Shares	-	-	-	-	-	-	0.01	0.01	-	-	-	-	-	-	-
	c. Units	25.08	27.83	-	-	-	-	13.36	12.68	-	-	6.99	1.53	-	-	-
	Total Current Investments	25.08	27.83	-	-	-	-	13.41	12.71	-	-	6.99	1.53	-	-	-
	Total Investments (A+B)	25.08	27.83	-	-	-	-	14.26	13.72	-	-	6.99	1.53	-	-	-
6	Turnover	250.49	156.87	0.22	0.73	0.19	0.36	1.81	5.32	0.10	0.12	45.99	27.09	0.08	0.00	0.00
7	Profit Before Tax	20.91	12.67	(0.04)	(0.56)	(0.07)	(0.13)	1.28	2.53	(0.04)	(0.04)	1.36	1.06	(0.09)	(0.15)	0.07
8	Provision for tax	(7.64)	(3.73)	-	-	-	-	(0.28)	(0.50)	-	-	(0.47)	(0.28)	-	-	-
9	Profit After Tax	13.27	8.94	(0.04)	(0.56)	(0.07)	(0.13)	1.00	2.03	(0.04)	(0.04)	0.89	0.78	(0.09)	(0.15)	0.06
10	Proposed Dividend (Excluding Tax on Dividend)	-	-	-	-	-	-	-	-	-	-	0.60	0.60	-	-	-
11	Original Currency	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR
12	Exchange rate as on 31st March in INR	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

* Exchange Rate as on 31.12.04

Exchange Rate as on 31.12.03

Note : The annual accounts of the above Subsidiary Companies and related information will be made available to any investor. The annual accounts of the Subsidiary Companies are also open for inspection by any investor at the Company's Corporate Office and the Registered Office of the respective subsidiary companies.

Rs. Crores

THERMAX LIMITED – FINANCIAL DATA AT A GLANCE

Rs. Crores										
PARTICULARS	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
Domestic Sales (including excise duty)	788	480	423	359	372	329	370	402	420	378
Exports	176	118	116	107	101	76	96	95	71	71
% to Total Sales	18%	20%	21%	23%	21%	19%	21%	19%	15%	16%
Total Sales	964	599	539	466	473	406	466	497	491	449
% Growth	61%	11%	16%	-1%	16%	-13%	-6%	1%	9%	33%
Other Income	25	40	39	36	32	92	42	33	31	21
Total Income	989	639	577	502	504	498	508	530	522	470
Total Expenses	897	551	498	448	497	434	443	458	451	401
Profit before Depreciation, Interest, Extra Ordinary Items and Tax	93	87	80	54	8	64	65	72	72	70
% to Total Income	9%	14%	14%	11%	2%	13%	13%	14%	14%	15%
Depreciation	9	9	10	12	12	12	10	10	9	6
Interest	1	0	1	3	4	3	5	5	9	6
Except.& Extra-ordinary Items	0	6	6	7	3	6	0	0	0	0
Profit before Tax/Loss	83	72	64	31	-10	42	50	56	54	57
% to Total Income	8%	11%	11%	6%	-2%	9%	10%	11%	10%	12%
Tax	28	18	15	7	3	10	12	11	11	12
Profit after Tax/Loss	55	54	48	24	-13	32	38	45	44	45
% to Total Income	6%	8%	8%	5%	-3%	6%	8%	9%	8%	10%
Gross Block	177	165	166	167	168	167	161	153	136	114
Net Block	102	83	81	87	99	109	112	114	105	93
Investments	316	276	240	189	158	161	113	80	83	63
Current Assets	368	265	201	232	254	258	245	293	291	279
Current Liabilities	368	227	150	145	118	133	115	141	161	131
Net Current Assets	0	38	51	88	136	124	130	152	130	148
Deferred Revenue Expenses	1	1	8	14	4	15	9	10	5	3
Capital Employed	402	383	356	344	393	394	355	345	318	304
Equity Share Capital	24	24	24	24*	23	23	23	23	23	23
Preference Share Capital \$	48	48	0	0	0	0	0	0	0	0
Reserves and Surplus	332	312	340	324	331	347	324	295	258	223
Networth	355	335	356	333	350	355	339	308	277	244
Loan Funds	0	0	0	11	43	39	17	37	41	60
Fixed Asset Turnover Ratio	9.49	7.22	6.63	5.36	4.78	3.72	4.15	4.36	4.66	4.85
Working Capital Turnover Ratio	—	15.64	10.46	5.32	3.48	3.27	3.59	3.27	3.78	3.04
Debt-Equity Ratio	0.00	0.00	0.00	0.03	0.12	0.11	0.05	0.12	0.15	0.24
Current Ratio	1.00	1.17	1.34	1.60	2.15	1.93	2.12	2.08	1.80	2.13
Return on Capital Employed	21%	19%	18%	10%	-2%	12%	15%	18%	20%	21%
Return on Net Worth	15%	16%	14%	7%	-4%	9%	11%	15%	16%	19%
Cash Earnings per Share (Rs.)	25.87	25.67	24.31	15.27	-0.63	18.76	20.34	23.23	21.97	21.68
Earnings Per Share (Rs.)	21.83	21.99	20.24	10.32	-5.68	13.91	16.48	19.49	18.74	19.43
Dividend(%)	120%	120%	120%	50%	10%	35%	35%	35%	35%	35%
Book Value per Share (Rs.)	149	141	149	140	147	149	142	129	116	102

* During the year the company had allotted 5,81,250 equity shares of face value Rs.10/- each to the Trustees of Thermax ESOP Trust for implementing ESOP scheme of the company.

\$ Issued bonus 6% Redeemable Preference Share (RPS) of face value Rs. 10/- each in the ratio of two RPS for every equity share held.

Note : Figures of previous years have been regrouped to confirm to this years classification.

Sustainable Solutions in Energy and Environment

