27th Annual Report 2007-2008

THERMAX

THERMAX LIMITED

Soaring high.

A happy mix of opportunities and forward looking moves has put Thermax solidly on the path of growth and sustainability in its chosen areas of energy and environment.

Where only the sky is the limit.

CONTENTS

HIGHLIGHTS OF THE YEAR

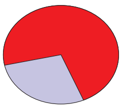
The company registered a total income of Rs. 3246 crore, an increase of 47% over the previous year.

Profit after tax was up 50% at Rs. 281 crore.

Export income, including deemed exports, increased by 69% to Rs. 678 crore.

The consolidated income of the Group was 49% higher compared to the previous year.

The company declared a dividend of 400% compared to 300% in the previous year.



Seventy-two percent of the company's income came from projects and the remaining from products and services.

Dr. R. A. Mashelkar joined the Thermax Board during the year.

The Thermax Social Initiative Foundation started a number of community initiatives during the year.

VISION

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

Board of Directors

Meher Pudumjee
Chairperson

M. S. Unnikrishnan
Managing Director
(from July1, 2007)

Prakash Kulkarni
Managing Director
(up to June 30, 2007)

Directors

Anu Aga
Dr. Raghunath. A. Mashelkar
(from January 29, 2008)
Dr. Valentin von Massow
Tapan Mitra
Pheroz Pudumjee
Dr. Manu Seth
Dr. Jairam Varadaraj
Ravi Venkatesan
(up to March 31, 2008)

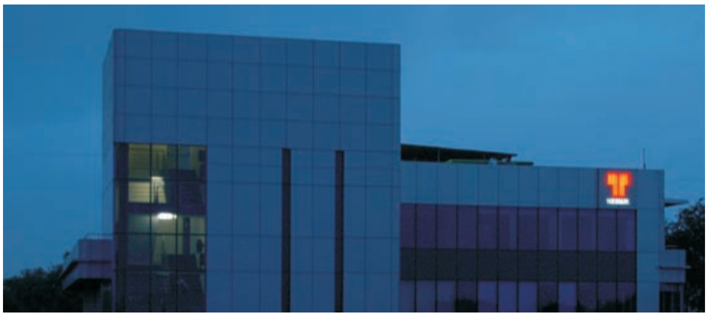
Executive Council

Ravinder Advani
Shishir Joshipura
Gopal Mahadevan
S. Ramachandran
R. V. Ramani
Dr. R. R. Sonde
Sudhir Sohoni
M. S. Unnikrishnan

Officers of the Company

Gopal Mahadevan
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
14, Mumbai-Pune Road,
Wakdewadi, Pune 411003
Ph.: 020-25542122
Fax.: 020-25541226

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

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

REGISTRAR & SHARE TRANSFER AGENT
Karvy Computershare Pvt. Ltd.
Plot No. 17 to 24,
Vitthalrao Nagar
Madhapur, Hyderabad - 500 081
Ph: 040-23420818 & 828
Fax.: 040-23420814

DOMESTIC SUBSIDIARY COMPANIES
Thermax Surface Coatings Limited
Thermax Engineering Construction Company Limited
Thermax Instrumentation Limited

OVERSEAS SUBSIDIARY COMPANIES
Thermax International Limited, Mauritius
Thermax Europe Limited, U.K.
Thermax Inc., U.S.A.
Thermax do Brasil – Energia e Equipamentos Ltda, Brazil
Thermax Hong Kong Limited, Hong Kong
Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd., China

WEBSITES
www.thermaxindia.com
www.tbwindia.com

CHAIRPERSON'S MESSAGE

Dear Shareholder,

It is my proud privilege to present the 27th Annual Report of the company. It has been another year of delivering very good financial results – the total income of Thermax Limited crossing Rs. 3200 crore and profit after tax at Rs. 281 crore. This represents an increase of 47% and 50% respectively over last year. The company has an increase in export income of 69% to Rs. 678 crore, although a significant amount is deemed export. We are fortunate to have a seasoned senior team under the dynamic leadership of M S Unnikrishnan, our Managing Director. My compliments to him and the management team. Mr. Unnikrishnan has completed almost a year in the top job and is demonstrating the drive to take Thermax to far-reaching achievements as a solution provider in energy and environment.

I also thank all our employees, business associates, channel and supplier partners for their hard work and the results. Thank you to all our customers for your trust and continued business.

Thermax is also very fortunate in having a fine set of independent directors who bring valuable outside perspectives to running our operations. With the induction of Dr. R. A. Mashelkar, the Board is enriched with one of India's foremost scientists and respected personalities. I am delighted that Dr. Mashelkar has joined our Board. His global exposure will be invaluable in spearheading new thinking on research, technology and innovation within the company.

Unfortunately, Mr. Ravi Venkatesan has resigned as a Director due to his hectic work schedule. I would like to acknowledge his valuable contribution to the company during his seven-year tenure on the Board.

Thermax has done very well over the last few years, growing from a size of Rs. 680 crore to Rs. 3250 crore over a period of six years – a CAGR of 37% with a growth in net profit from Rs. 48 crore to Rs. 281 crore. The energy business is growing rapidly with the demand for power. In the short term, with fuel and commodity prices having increased significantly and a high interest rate regime, there is some slackness in the market.

Although in the long term, in a power starved economy like India, the outlook is good. Climate change and a strong impetus on reduction in carbon emissions is shifting the world focus to clean and efficient technologies. With our emphasis on waste to energy and high efficiency products, Thermax has led the way in this sector – although there is a lot more that we will need to do. In the environment business, the company has grown with an emphasis on water recycle, performance chemicals and air pollution control. Last year the company has signed three technology partnerships, in both energy and environment products, which will enable us to participate in the growth of these sectors.

The three areas of renewed focus for the company, for the next couple of years, will be operational excellence, innovation and selective internationalisation.

Operational excellence is an ongoing process of eliminating waste from all our processes, re-engineering our systems to increase productivity and reducing non value added activities, with a clear focus on the customer. Although we have come a long way in this journey, we will continue focusing on this strategy. Selective internationalisation has been a strategic objective of the company – we have grown in our exports, however, we will endeavour to create a bigger footprint in our chosen markets of the Middle East and South East Asia. Innovation has to be seen as all encompassing – in processes, in technology and products. By taking a holistic view of innovation we will be ready for opportunities that are emerging in renewable energy, water and wastewater management, energy efficiency and resource productivity – leading to sustainable growth.

Over the past few years, with demand for talent on the increase, our biggest ongoing challenge is to develop managers and leaders at all levels who demonstrate the ability to manage change in a constantly shifting business and social milieu. The company is providing these leaders with the right kind of training inputs and creating exciting opportunities for them to achieve their potential. Innovation and talent are closely linked and the right people and processes can make a huge difference.

Traditionally, talent in Thermax has always had a unique dimension – of being "entrepreneurs from within." Many of our earlier successes were a direct outcome of this cultural phenomenon. I would like to see more of this in the company as we grow, where people take ownership of new ideas, new ways of doing the same thing and new business models.

Currently, the economy is sending some confusing signals. Commodity prices are rising, especially in steel, cement and non-ferrous metals. The rupee is showing increased volatility. Inflation is on the rise. Oil, coal and other fuel prices have further risen over the last year. As the major portion of the company's growth comes from the projects business, especially energy systems and captive power plants, where the order backlog is lower, the rate of growth in the current year would be slower. However, the company would stretch its resources and take all measures to minimise the impact of external factors on its growth and profitability. I am a firm believer in the practical wisdom of "fix your company, not the economy." I am sure we can rise as a team to tackle this challenge with the senior management showing the way.

The Thermax Social Initiative Foundation, which was formalised more than a year ago, has undertaken a number of community initiatives which are detailed in the CSR section of the Annual Report. What I would like to reiterate here is that the Foundation's core objective is to bring quality education within the reach of underprivileged children to give them a fighting chance to change the circumstances of their lives. As Thermax grows and prospers, with its values in place, we would like to spread some of this prosperity around to strengthen the economic and social fabric in our society.

Finally, I thank all our shareholders and well-wishers for their confidence and trust in the company.

With best wishes,

Meher Pudumjee

Innovation has to be seen as all encompassing – in processes, in technology and products. By taking a holistic view of innovation we will be ready for opportunities that are emerging in renewable energy, water and waste-water management, energy efficiency and resource productivity – leading to sustainable growth.

DIRECTORS' REPORT

Dear Shareholder,

Your Directors have pleasure in presenting the Twenty-seventh Annual Report together with the audited accounts of your company for the year ended March 31, 2008.

FINANCIAL RESULTS

(Rupees in crore)

	2007-2008	2006-2007
Total income	**3245.94**	2210.03
Profit before interest, depreciation, tax and extraordinary items	**451.35**	316.08
Interest & depreciation	**23.07**	20.06
Profit before tax & before extraordinary items	**428.28**	296.02
Extraordinary items of (expenses)/ income	**2.10**	(5.48)
Provision for taxation (incl. deferred tax)	**149.60**	102.74
Profit after tax & extraordinary items	**280.78**	187.80
Balance carried forward from last year	**222.97**	136.61
Profit available for appropriation (cumulative)	**503.75**	324.41
Interim dividend/proposed equity dividend	**95.33**	71.49
Tax on dividend	**16.20**	10.95
Transfer to general reserves	**33.02**	19.00
Surplus carried forward	**359.20**	222.97

PERFORMANCE

Your company has posted robust results during the year with total income at Rs. 3246 crore, up from Rs 2210 crore in the previous year, registering a growth of 47%. Profit before tax and extraordinary items at Rs. 428 crore (Rs. 296 crore in the previous year), recorded a growth of 45%.

Profit after tax is higher at Rs. 280.8 crore from Rs. 187.8 crore of the previous year. Earnings per share (EPS) moved up significantly to Rs. 23.56 compared to Rs. 15.76 in 2006-07.

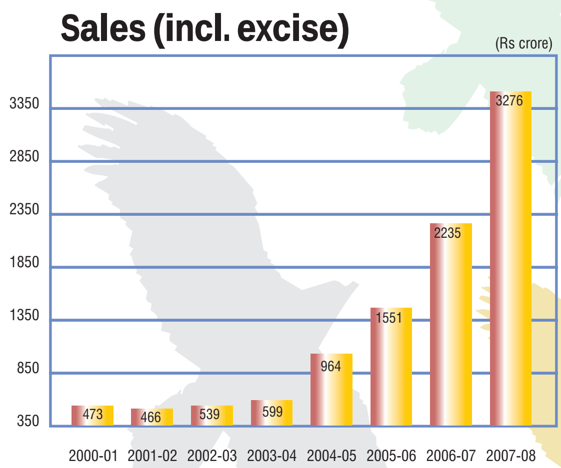
During the year exports, including deemed exports, have risen to Rs. 678.2 crore from Rs. 401.7 crore last year, a growth of 69%.

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

CONSOLIDATED RESULTS

The consolidated income of the Thermax Group has gone up by 49% to Rs. 3525 crore. Income from international business has increased to Rs. 715.3 crore from Rs. 441.2 crore. Profit before tax has increased 47% to Rs. 445.7 crore. Profit after tax and minority interest has increased 50% to Rs. 290.7 crore. Earnings per share (EPS) on a consolidated basis has gone up to Rs. 24.40 as compared to Rs. 16.26 in the previous year. ME Engineering Ltd., the UK based step-down subsidiary, was referred to Administration last year and during the year liquidation process has started. This company has not been considered for consolidation. Voluntary winding-up of Thermax Energy Performance Services Ltd., the joint venture subsidiary company, is underway and also has not been considered for consolidation.

In terms of approval granted by the Central Government pursuant to the provisions of Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet and Profit and Loss Account, Directors' Report and Auditors' Report of the subsidiary companies, in India and abroad, have not been attached to the Accounts of the company for the year 2007-08. However, on request by any member of the company/statutory authority interested in obtaining them, these documents will be made available for examination at its corporate office. The audited consolidated financial statement presented by the company include the financial information of all its subsidiary companies prepared in accordance with the Accounting Standard 21 (AS 21) issued by The Institute of Chartered Accountants of India. Pursuant to the approval, a statement of summarised financials of all the subsidiaries is attached along with the consolidated financial statement.



DIVIDEND

The Directors have recommended dividend payment of Rs. 8 per equity share (400%) of face value of Rs. 2 each for the financial year 2007-08, as against 300% paid last year.

The dividend, if approved by the shareholders, will entail a payout of Rs. 111.5 crore, including dividend distribution tax Rs. 16.2 crore.

SUBSIDIARIES

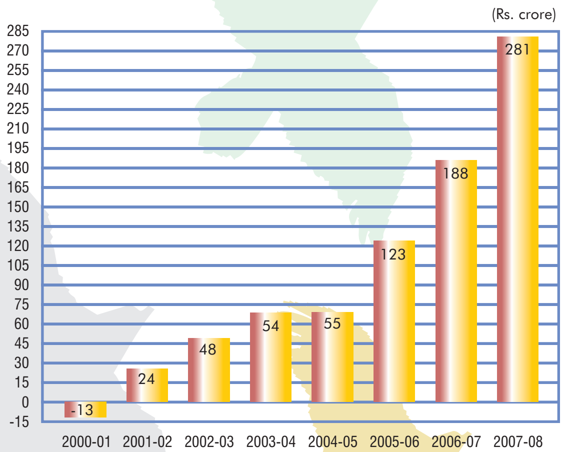
Domestic

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 the Boiler and Heater (B&H) business unit of the parent company.

During the year under review, the company has clocked 1.1 million man-days and constructed more than 60,000 tons of boiler equipment. This has been the largest deployment of resources till date. TECC has been involved in the mega energy project for a large refinery in Gujarat, the largest project order being executed by the company.

Profit After Tax (PAT)



TECC's total income increased by 28% to Rs. 113.7 crore from Rs. 89.1 crore last year. Profit after tax was marginally lower at Rs. 1.8 crore compared to Rs. 1.9 crore in the previous year due to higher operating costs. During the year, your company has invested Rs 3 crore in the share capital of this subsidiary.

Thermax Instrumentation Limited

Thermax Instrumentation Limited (TIL), a wholly owned subsidiary, after expanding into new business activities last year, has now focused its operations on installation and commissioning of power and cogeneration plants including civil construction.

In 2007-08, the company had a total income of Rs. 157.2 crore and profit after tax of Rs. 7 crore. It has simultaneously handled 10 power plants during the year. The company also received its first overseas order for installing and commissioning of a power plant from South East Asia.

Overseas

Thermax Inc., U.S.A.

This wholly owned step-down subsidiary is the front-end value chain for the parent company's two businesses in the USA – chemicals and cooling.

The income of the company increased by 32% to USD 17.3 million and the company posted a profit after tax of USD 0.1 million against a loss of USD 0.3 million last year.

The chemical business showed significant improvement in margins despite cost pressures. The strategy is now to focus on profitability through a combination of product mix and pricing.

The cooling business grew substantially during the year and is poised to gain additional market share through new alliances in the North American market and scaling up of new applications in the industrial sector in Brazil.

Thermax Europe Ltd., U.K.

This wholly owned subsidiary achieved an overall income of £ 3.5 million as compared to £ 3.6 million last year, despite the closure of one of its business lines. The cooling business grew to £ 3.2 million from £ 2 million last year.

Due to unfavourable market conditions the company decided not to pursue the packaged boiler business in the UK, and it was closed down last year. The increased awareness in Europe to reduce green house gases and the attempts of large corporations to check carbon emissions have opened business opportunities for absorption products.

The company continued to build upon its leadership position in the solar based cooling systems market and supplied several hot water chillers for solar chilling applications.

It successfully executed the first of a kind absorption gas chiller coupled to fuel cells for a German telecom group. During the year it also supplied exhaust gas based heat pump and bio diesel based cooling system for the emerging CHPC (combined heating, power & cooling) market.

Thermax Hong Kong Limited, Hong Kong

Thermax Hong Kong Limited (THKL), a wholly owned overseas subsidiary, was established with the dual purpose of making a foray into the Chinese absorption cooling market and to provide support for the sourcing activities for the various businesses of the parent company.

The company posted an income of HK$ 8.2 million and made a nominal profit after tax of HK$ 34,742

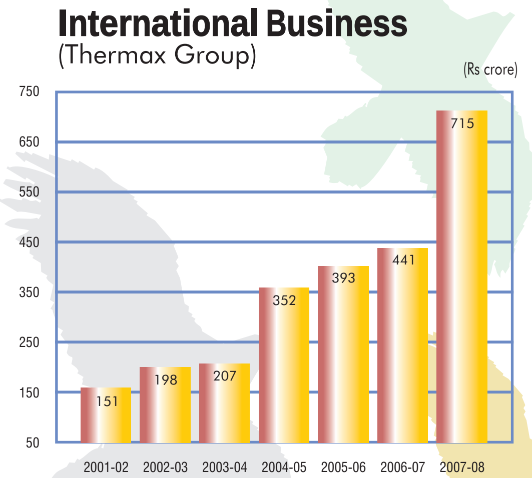
The company has achieved its initial objectives on both counts. The parent company has since established a new subsidiary company Thermax (Zhejiang) Cooling and Heating Engineering Co. Ltd. (TZL) in China for the manufacture and sale of absorption chillers. Thus, the business activities of the company will now be directly undertaken by TZL. As no new significant business is anticipated in the next financial year, the company closed its representative office at Shanghai in December 2007.

Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd., China

Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd., the wholly owned subsidiary, has been incorporated to set up an absorption chiller manufacturing facility in the Zhejiang province of China. The new facility will complement Thermax's Indian manufacturing base and play a key role in its selective internationalisation programme.

The manufacturing facility is fast approaching completion with all major machinery installed at site. Trial production has commenced from May 15, 2008 and commercial production is expected to go on stream in July 2008.

During the year, your company has invested USD 8 million in the share capital of this subsidiary and has earmarked additional funds of USD 3.47 million.



Thermax do Brasil – Energia e Equipamentos Ltda., Brazil (TdB)

During the fiscal year the subsidiary recorded a sales income of BRL 0.4 million against BRL 0.7 million in the previous year. The business model of providing service to customers has been changed from direct engagement to a franchisee arrangement from November 2007.

The future of this subsidiary remains uncertain. A decision regarding its continuation will be taken during this financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

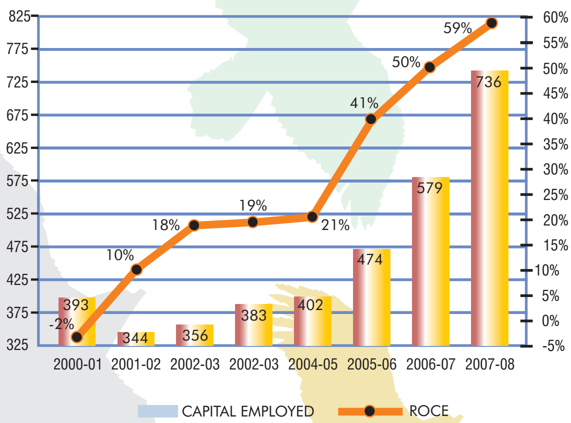
A Management Discussion and Analysis report, highlighting the performance and prospects of the company's energy and environment businesses, is attached and forms part of this report.

CORPORATE GOVERNANCE

It has been the endeavour of your company to follow and implement best practices in corporate governance, in letter and spirit. A detailed Corporate Governance Report is attached and forms part of this report.

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.

Return on Capital Employed (Rs crore)



LISTING ON STOCK EXCHANGES

The company's equity shares are listed on two stock exchanges – The National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE).

FINANCE, ACCOUNTS AND SYSTEMS

The cash generated from operations was Rs 141.2 crore as compared to Rs 324.3 crore in the previous year after factoring in the higher net working capital requirement to service the growth in income. The receivables and inventory ratios have improved over the previous year. The company maintained its debt free status.

The company adopts a conservative approach in managing its treasury/ investment portfolio – based on safety, liquidity and returns. The bulk of the surplus funds are invested in debt funds. The company continues to cover its foreign currency exposures through forward contracts. The company has not used any derivative instruments or options during the year.

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

Public Deposits

During the year, one deposit of Rs. 12,000 has been claimed and repaid by the company. The company had no unpaid / unclaimed deposit(s) as on March 31, 2008. It has not accepted any fixed deposits during the year.

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 1999-2000 amounting to Rs. 1.49 lakh to the Fund.

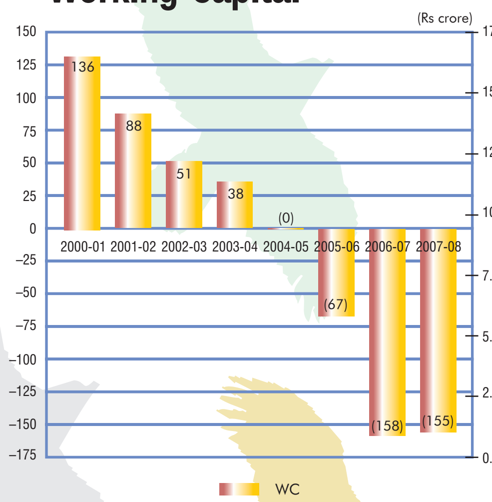
AWARDS AND RECOGNITION

The company was featured, for the third consecutive year, in the Forbes list of Asia's "Best Under a Billion (Dollar) Companies."

During the year, Mrs. A. R. Aga, Director of the company, was honoured at the Zee Astitva Awards as the Business Woman of the Year 2007. The award is in recognition of her contributions to industry and society.

The company's well-known house magazine *Fireside* bagged the gold award for the best internal house magazine at the 47th awards function of the Association of Business Communicators of India.

Working Capital



TECHNOLOGY TIE-UPS

During the year the company has signed three major technology and manufacturing license agreements with global leaders. These technology agreements would enable the company to move into new areas of business by adding value to its customer operations. Brief details of the tie-ups are given below:

Georgia-Pacific Chemicals LLC, USA:

A technology and manufacturing license agreement for performance enhancing chemicals in the paper & pulp industry was signed with Georgia-Pacific Chemicals LLC, based in Atlanta, USA. Products based on the licensed technology will enable your company to expand its business in the domestic paper industry and also in South East Asia.

Babcock & Wilcox Power Generation Group, Inc., USA:

Building on 20 years of business relationship, including a successful joint venture with Babcock & Wilcox (B&W), USA your company has entered into an agreement with the boiler major's Power Generation Group for subcritical utility boilers up to 800 MW. The tie-up will give Thermax the right to use B&W's technology to make a significant impact in the power sector, where an estimated 20,000 MW of capacity is expected to be added every year in the next 15 year period. The company will now manufacture and sell subcritical B&W Radiant utility boilers in India. These boilers will be largely manufactured at the company's new manufacturing facility at Savli in Gujarat.

Balcke-Dürr GmbH, Germany:

The company has signed a technical know how transfer and license agreement with Balcke-Dürr GmbH, Germany, for dry and wet Electrostatic Precipitators (ESPs) for the power, industrial and utility segments upto 300 MW. The agreement covers leading European and American ESP designs of Balcke-Dürr. For utility power projects above 300 MW, Balcke-Dürr and your company would cooperate on a case-to-case basis.

This partnership will give your company a distinct technology edge in the domestic power, steel, cement and utility sectors and to gain its rightful share of the air pollution control business emerging from these sectors.

EMPLOYEE STRENGTH

The total number of permanent employees on the rolls of the company was 4464 as on March 31, 2008.

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, are also annexed and forms part of this report. However, in terms of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to all shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary at the corporate office.

DIRECTORS

Mr. Prakash Kulkarni retired as the Managing Director on June 30, 2007 as per the company's superannuation policy. The Board places on record its deep appreciation of Mr. Kulkarni's leadership during his tenure as Managing Director.

Mr. Ravi Venkatesan resigned as a Director of the company effective March 31, 2008, owing to his commitments and busy schedule in his present full-time employment. The Board places on records its sincere appreciation of the valuable contribution during his tenure.

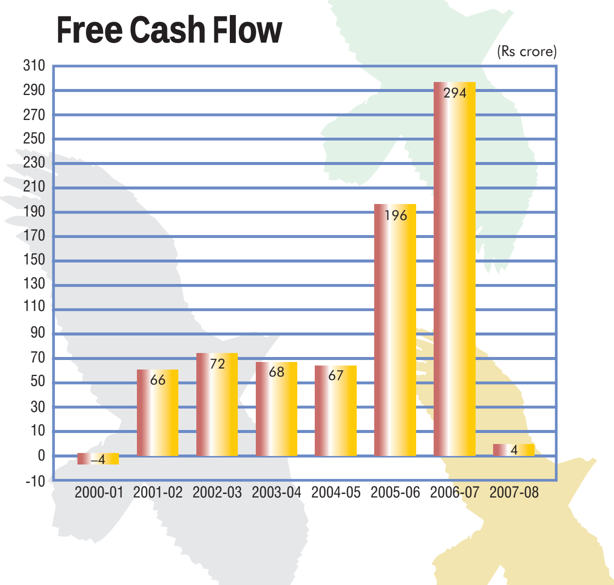
Dr. Raghunath A. Mashelkar, Independent Director, has been appointed as an Additional Director on January 29, 2008. Dr. Mashelkar holds office of Additional Director, pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 98 of the Articles of Association of the company, upto the conclusion of the ensuing Annual General Meeting. The requisite notice, together with necessary deposit has been received from members, pursuant to Section 257 of the Companies Act, 1956, proposing Dr. Mashelkar as a Director of the company. The necessary resolution appointing Dr. Mashelkar as Director of the company has been set out in the Notice of the ensuing Annual General Meeting for the approval of shareholders.

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association, Mrs. A. R. Aga and Mr. Tapan Mitra retire by rotation at the ensuing Annual General Meeting and being eligible, have filed their consent to act as Directors of the company, if appointed.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors accept responsibility for the integrity and objectivity of the Profit & Loss Account for the financial year ended March 31, 2008 and the Balance Sheet as at that date ("financial statements") and confirm that:

1. 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.



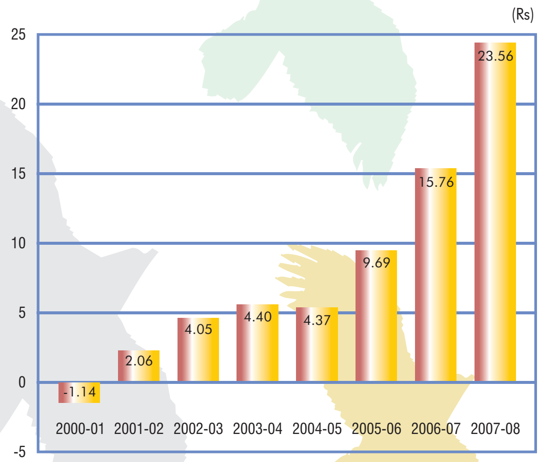
2. Appropriate accounting policies have been selected and applied consistently. Judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that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

3. 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 coordinates the internal audit process. The Audit Committee of the Board meets at regular intervals to review the internal audit function.

4. The financial statements have been audited by M/s. B. K. Khare & Co., the statutory auditors and their report is appended thereto.

Earnings Per Share (EPS)



COMMITTEES OF THE BOARD

During the year, changes have been effected in the following committees of the Board:

Borrowing and Investments Committee: Mr. M. S. Unnikrishnan has been inducted as a member of this committee with effect from July 1, 2007 in place of Mr. Prakash Kulkarni. Mr. Pheroz Pudumjee was also co-opted as a member of the committee effective October 27, 2007.

Strategic Business Development Committee: Mr. M. S. Unnikrishnan has been inducted as a member of this committee with effect from July 1, 2007 in place of Mr. Prakash Kulkarni.

Share Transfer and Shareholders' Grievance Committee: Mr. M. S. Unnikrishnan has been inducted as a member of this committee with effect from July 1, 2007 in place of Mr. Prakash Kulkarni.

The Corporate Governance Report details the changes in respect of each of the aforesaid committee.

AUDITORS

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

ACKNOWLEDGEMENTS

Your Directors also place on record their appreciation of the continued support extended by the company's clients, business associates, bankers and investors during the year. Your Directors also place on record their 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 growth and improved performance. Your Directors look forward to their continued support in the future as well.

For and on behalf of the Board

Meher Pudumjee

Pune: May 21, 2008 Chairperson

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, 2008

A. CONSERVATION OF ENERGY

During the year, resource conservation worth Rs. 83 lac was achieved as a result of implementing the following measures:

1. Electricity: Implemented the recommendations of the electrical energy audits conducted last year. Improved electrical power factor and optimised consumption of compressed air.
2. Wood and steel: Used alternative packing materials and recycled unpacked wood. Optimally redesigned steel frames were used for packing of products to reduce steel consumption.
3. Fuels: Optimised capacity utilisation of stress relieving furnace and replaced stress relieving operation by suitable NDE test for furnace shells of thicknesses of 18 to 22 mm.
4. Stationery (printing paper, ink & files): Reduced consumption of stationery by processing purchase orders electronically.

Health, Safety and Environment measures

1. Awareness on operational safety among employees and contractors improved by conducting training through external safety experts.
2. Safety audits conducted through external safety consultants and safety improvements initiated.
3. Introduced system of “safety passport” for contractors working in the factory premises.
4. Factory wide evacuation mock drill conducted to assess and improve emergency preparedness.
5. Daily 'Tool Box' talks conducted by workmen for safe working.
6. A large scale interactive process on safety was conducted to create a shift in mindset amongst people on their responsibility for creating a safe working environment. A total of 180 staff participated, including the top management.
7. A surveillance audit by M/s DNV of integrated HSE Management system as per the requirements of ISO 14001 and OHSAS 18001 for Chinchwad plant was conducted successfully.
8. To improve safety across the company, safety training, safety audits/inspections, risk assessments and job hazard analysis were conducted. A total of 186 internal audits and 24 external audits were conducted.
9. B&H Business Group achieved a zero loss time due to accidents for 2007-08 and Chinchwad factory achieved 155 days of zero loss time.

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

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

New oil / gas fired steam generator: New concept for shell boiler was developed and piloted successfully during the year. Further improvement/optimisation is planned through beta trials.

This development is likely to accrue operating cost benefit for clients and generate more business for the company.

Pellet fired Vapour Absorption Machine (VAM): The solid fuel fired lithium bromide VAM operation was consolidated through mechanised system for fuel feeding/ash removal to provide a fully automated option.

Huskpac Plus & Shellmax Plus: The manufacturing process for the construction of prototypes was streamlined during the year and alfa trials would commence soon.

Hybrid Biofilter: A new concept of hybrid biofilter was developed and piloted successfully during the year and is undergoing field trials. This development would help users to do away with sludge disposal.

2. **Benefits derived:**

While improved boiler designs will generate more business in domestic markets, the new shell boiler concept may find new customers in overseas markets.

The concept of zero sludge is unique and will offer a permanent solution to the issue of sludge drying beds/sludge disposal at the customers' premises. Due to its operational efficiency, it can create a business for niche applications.

3. **Future plan of action:**

Corporate R&D's efforts in seeking collaborative research is paying rich dividends and one such project is already underway with a technical institute. A few more projects with similar institutes in other countries are expected to be finalised in the near future.

This will enable your company to develop breakthrough technologies over the next few years.

4. **Expenditure on R&D**

1. Capital	:	Rs. 0.23 crore
2. Recurring	:	Rs. 5.55 crore
3. Total	:	Rs. 5.78 crore
4. Total R&D expenditure as a percentage of turnover	:	0.2%

Technology absorption, adaptation and innovation

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

Based on acquired waste heat recovery technology in cement plants, system design capability has been developed. This has enabled the company to make bids to prospective customers for converting waste energy into usable power.

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

The company has received the first commercial order for a 14 MW cement waste heat recovery based captive power plant, incorporating the acquired technology.

3. **In case of imported technology (imported during the last five 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 reasons thereof and future plan of action
Paper process chemicals	2007	Partly absorbed	Manufacturing facility under creation for both lab as well as plant scale. Completion is expected by March, 2009
Electrostatic Precipitators (ESPs)	2007	No	The transfer of technology expected to be completed by March, 2009.
Cement plant waste heat recovery boiler	2005	Yes	N.A
Cyclone & fully evaporative agglomeration spray systems	2004	Yes	N.A

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Management Discussion and Analysis Report elaborates the various activities undertaken by the company towards growth in exports and development of niche international markets.

During the year, the company had a net foreign exchange outflow of Rs 37.3 crore as against a net inflow of Rs 11.2 crore in the previous year. This has been primarily on account of import of capital equipment as well as sourcing of raw material from outside the country.

The details on foreign exchange earnings and outgo are given in the Notes 6(E), 6(F) and 6(G) of Schedule 18 to the Accounts, which form part of the Annual Report.

LETTER FROM THE MANAGING DIRECTOR

Dear Shareholder,

I am very happy to be writing my first letter to you as the Managing Director and I'd like to share some of the highlights of the year with you. We have turned in a very good performance and I am delighted that we have delivered on our promise of consistent growth and profitability. This has been possible because of the commitment and perseverance of all our people who have gone beyond the call of duty. I would specially like to thank my senior team for their full support and all the Board members for their trust and guidance. It is my personal commitment to our shareholders that we will always go the extra mile to create and deliver value.

As you know more than 70% of the company's income comes from the project business and the rest from products and services. With the project sizes and values getting bigger, we have exercised extreme caution to protect our margins especially with the steady increase in commodity prices. This also calls for better project management techniques and methods. I am glad to report that some of the current best practices are well in place in our project businesses. The product and service businesses are performing satisfactorily and we are looking at new markets and applications to expand the reach and revenues from these businesses.

During the year we have signed three agreements with global leaders, to acquire technology to tap new market opportunities. With the technical transfer agreement with Babcock and Wilcox (B&W), USA, Thermax will manufacture subcritical utility boilers, up to 800 MW, for the power sector. This is a huge opportunity which will put the company in the big league of power equipment suppliers. With B&W's proven technology, Thermax can make a significant impact in the public and private power generation sector where an estimated 80,000 MW of capacity will be added in the next five years.

A separate business unit is being created to look after this business.

The second agreement is with Balcke-Dürr of Germany for advanced design of pollution control equipment for the power, industrial and utility segment segments up to 300 MW. This partnership will give Thermax a definite technology advantage to bid for bigger projects, especially in the power sector where your company wants to establish a strong presence.

In chemicals, Thermax has signed an agreement with Georgia-Pacific of USA to manufacture performance enhancing chemicals for the paper industry. According to reliable estimates, the major players in the industry have lined up close to Rs. 8,000 crore in capital expenditure. With Georgia-Pacific's leading technology, the company can expand its paper chemical business in India and South East Asia.

You will also be happy to know that the boiler manufacturing capacity expansion programme is making progress. The first phase of the new manufacturing facility in Gujarat is complete and trial production has already commenced. Phase II and Phase III of this plant will be completed by the end of this financial year. This modern plant will help us to meet our delivery commitments faster. When complete, the output of our boilers will double from the present capacity. We are also envisaging the manufacturing of utility power boilers from this location in the near future as surplus land is available for construction.

The hi-tech chiller manufacturing facility in China has also commenced trial production and it will be up and running by July this year. As you are aware, China and the neighbouring countries present a significant potential for selling absorption chillers and we want to establish some quick wins in this highly competitive market.

The markets in South East Asia and the Middle East, where we already have a presence, are being looked at anew to unlock their full business potential. We are in the process of drawing up an integrated plan, with a wide portfolio of products, to expand our business in these regions. Progressively, we would like to de-risk our domestic business with more emphasis on international business – beyond equipment exports. In the next two years we can expect some substantial results in our selective internationalisation programme, which is under way.

I am often asked by analysts and journalists about our plans for inorganic growth. My answer to them is that we are constantly scanning for opportunities which would have a good fit with our existing businesses or those which can give us a head start in the renewable space which is becoming more and more relevant because of spiraling oil and fuel prices and in the context of national energy security.

I am by nature a hardcore optimist. The slight slowdown in the capital goods sector should not be seen with alarm or panic. We will find different ways to stay on top of the situation, including by accelerating the operational excellence movement in the company. Though the rate of growth we have projected for the current fiscal is lower than last year's, we have every reason to believe that Thermax will continue on its path of sustained growth and profitability.

I am counting on the goodwill and support of all our stakeholders in achieving this.

With best regards,

M. S. Unnikrishnan

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MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Fiscal 2007-08 was a year of mixed fortunes for the developed and emerging economies of the world – including India. Though the first half of the year saw strong global economic activity spurred by mergers & acquisitions and huge domestic capacity expansions, the momentum eventually slowed down from the buoyant conditions of the previous year. The global economy expanded at a robust pace till the second quarter of 2007, only to falter in the last two quarters.

This slowdown was mainly triggered by the ongoing housing market correction and associated financial market turmoil in the U.S. Other factors such as the doubling of oil prices, increase in commodity prices and food grains, high interest rates and the rising inflation worldwide also contributed to the overall slowdown of the world economy.

India's GDP growth was 9% in 2007-08, scaled down from the 9.6% in 2006-07 and 9.4% in 2005-06. The industrial sector witnessed a slowdown, to 8.5% during 2007-08 from 11.5% the previous year. The trend suggests a reining in of economic momentum, and the outlook is marked by guarded optimism for the next year.

Accompanying this moderation in industrial growth, some segments of the infrastructure sector such as power generation and movement of railway freight, as also the production of widespread intermediates like steel, cement and petroleum, have shown a subdued performance. The manufacturing sector registered a growth of 9.2%, lower from the 12.5% in the previous year, but still registering a healthy average. A growth of 18% in capital goods provides indicators for healthy capital investment in the future.

Inflation is likely to remain a worry because of strong growth, despite currency volatility and interest rates are expected to remain relatively high and more likely to rise than fall. India's export growth was at 23.1% this year compared to 22.5% in 2006-07, in spite of the rupee fluctuations against the dollar.

The ambitious target of 78,000 MW for additional power generation capacity taken up as part of the Eleventh Plan is slated to be on the fast track with the government already approving several mega power projects. The reforms in the coal and electricity sectors, the various measures to curb price rise in cement and steel sectors will stimulate domestic consumption and give a boost to the infrastructure sector, resulting in better growth prospects for the economy and the capital goods industry.

Similar to the energy sector, the environment sector is also witnessing considerable investments in wastewater, sewage and effluent treatment; creating demand for new and advanced technologies for water resource development and management. With many regions of the country remaining water challenged and with pollution control norms getting more stringent, integrated solutions for water, wastewater treatment and recycling are emerging as growth areas for the next few years. Growth in the power, cement and iron & steel sectors will be pushing up demand for air pollution control and air purification systems.

With climate change and carbon emissions emerging as key issues in development and growth models, government initiatives to review and streamline emission norms and efficiency regulations are gaining momentum. The focus is shifting to the promotion of clean technologies that utilise renewable energy and reduce carbon emissions. This augurs well for your company's green portfolio of products in the domestic as well as in international markets.

While the macro economic outlook continues to reflect the confidence and strength of the India success story there is a flip side. The slow implementation of infrastructure projects – like roads, ports and airports – continues to be a cause for concern.

Review of Operations

Fiscal 2007-08 was an exceptionally good year for your company. It generated a total income of Rs. 3246 crore, an increase of 47% compared to the previous year. Profit after tax rose to Rs. 281 crore from Rs. 188 crore, an increase of 50%. Exports, including deemed exports, during the period represented 21% of the income, an increase of 69% over the previous year. However, your company ended the year with lesser carry forward orders compared to the previous year.

Following last year's trend, the Project Business Group contributed to 72% of the company's income with the Cooling & Heating Group contribution at 17% and that of the Chemical and Water Group at 11%.

The operational excellence programme under Project Evergreen, initiated earlier by your company, was cascaded across the various business units. Additionally, it was extended to bring about improvements in the customer facing dealer operations and also to upgrade the manufacturing operations of selected key vendors of some of the project business groups. The project business units also took this initiative to their construction sites.

To meet its growing business volumes the company had invested in two manufacturing facilities near Vadodara in western India and in China. The first phase of the Gujarat plant for boilers and heaters has been successfully completed and production has begun. The plant would be fully operational by the second quarter of fiscal year 2008-09. Work on the additional manufacturing plant for absorption chillers in China progressed well during the year and the plant is expected to be commissioned by July 2008.

The year under review saw some strong technology reinforcements in your company. Through three strategic technology tie-ups, Thermax has upgraded its customer offerings in the areas of energy and environment. With Babcock and Wilcox, USA, its erstwhile joint venture partner, it has signed a technology partnership for utility boilers in the sub-critical range. It also tied up with Balcke Dürr of Germany for advanced air pollution control equipment. The third technology alliance was with Georgia-Pacific of USA for specialty chemicals for the paper & pulp sector.

During the year, Thermax commissioned a number of captive power plants – including a plant for a leading cement manufacturer in Rajasthan with some unique features. The power business also made its first foray in the international market by bagging two orders for power plants in South East Asia.

Waste heat recovery continued to be a big revenue earner during the year. Inlet air cooling emerged as a new application area with exciting business potential. Thermax bagged another waste to energy project to produce steam from the high-moisture waste sludge of a grain based distillery.

Effluent treatment and water recycle project for a steel major reaffirmed Thermax's expertise in this area, which is assuming growing importance in view of the serious shortage of water that the country faces in many regions due to increasing urbanisation and the declining quality of water.

Work on two of the key projects – waste heat recovery for a major refinery and the augmentation of sewage treatment plant for a municipality – has made substantial progress. Both projects will be commissioned in the first half of this year.

Your company continues to do reasonably well in the service business. Operation & maintenance for captive power plants has emerged as a promising business for your company; so did the retrofit and life extension services for boilers, and increasingly for heaters. Energy audits for customers in process industries continued.

During the year your company also introduced some product innovations to suit the shifting trends of the market place to support customer efforts to tide over essential resource crunch. A moving grate boiler in the packaged boiler range was developed in response to the market requirement of keeping boiler emissions low while benefiting from a shift to cheaper solid fuels. Your company also introduced several service products to improve energy efficiency at client facilities.

Energy Segment Analysis

In 2007-08, your company's energy business income increased by 53%. It executed several prestigious projects in power, waste heat recovery and in generation of energy from waste and renewables like biomass. The year saw commissioning of the maximum number of power plants by your company; a sustained business in waste heat recovery; a sharp increase in the business of heaters; and the supply of heat recovery steam generators to new overseas markets. One of the significant trends in energy projects was the generation of power from renewables – from waste heat and biomass. In a significant development, your company has bagged the first two overseas orders – power from biomass – from South East Asia.

As industries experience the full impact of global competition, energy cost reduction has become a priority area. Energy intensive industries such as iron & steel, petrochemicals and cement, utilised your company's waste heat recovery expertise to keep their energy costs down.

During the year, your company extended its expertise of generating energy from waste to grain based distilleries. Following its earlier success in the combustion of spent wash in molasses based distilleries steam will be generated from the grain sludge of an upcoming distillery in Western India, a first of its kind.

Complementing energy cost reductions, concerted efforts are on to increase industrial throughput. Through inlet air cooling, an innovative application of absorption cooling technology, your company supported the fertiliser and power industries to boost their productivity.

The service arms of energy businesses reinforced the industry theme of efficient operations – redesigning energy management in their facilities, competent management of utilities through outsourced operation & maintenance, extending the lives of old boilers and heaters through retrofits and upgrades.

The Heating SBU (Cooling & Heating) of your company adopted an innovative 'Thermax Inside' approach to tie up with European OEMs and extend its reach in new markets.

Your company made a major move when it formed a technology partnership with Babcock & Wilcox of USA to manufacture utility boilers in its new facility in Gujarat. As new players are in demand to help the country address its power deficit, this tie-up equips your company for more ambitious projects in power generation.

	Energy Business			
Year	Sales (Rs. cr)	Growth % YOY	Exports (Rs. cr)	Growth % YOY
2005-06	1,110	35	249	22
2006-07	1,682	52	324	30
2007-08	2,580	53	614	90

Environment Segment Analysis

The environment business of your company grew by 27% during the year and it executed some major projects in water & wastewater treatment, and air pollution control.

In 2007-08 the water and waste solutions business upgraded its project management skills by undertaking large turnkey projects for industrial and municipal sectors. Rapid urbanisation and growing cities have created the paradox of depleting water supply and increasing amounts of sewage. As the municipal sector invites expertise to tackle this water challenge, your company has positioned itself with the relevant technologies and the EPC capabilities to execute and commission large projects.

As in the case of water, the Indian economic boom and industrial growth are creating hazards of air pollution. As the quantum of emissions increase, government norms for pollution control are getting more stringent by the day. Your company supplied air pollution control equipment to high growth industries with higher levels of emission – iron & steel, power and cement, among others. Its technology tie-up with Balcke-Dürr of Germany, signed during the year, upgrades the capabilities of its air pollution control business and addresses these segments of the industry that are fuelling the economic boom.

Besides government regulations, enlightened public opinion is also spurring the growth of the environment business. The widespread concern about the disastrous impact of reckless growth on global climate is driving the search for clean alternatives and eco-friendly technologies. Your company continued its work in these two areas of clean water and clean air and is confident of growing these businesses.

	Environment Business			
Year	Sales (Rs. cr)	Growth % YOY	Exports (Rs. cr)	Growth % YOY
2005-06	355	22	59	18
2006-07	455	28	78	32
2007-08	576	27	64	–18

Projects Business Group

Boiler & Heater

The Boiler & Heater business continued to grow during the year. A large chunk of the business came from sectors like iron & steel, petrochemicals and captive power.

This SBU's dominance in the waste heat recovery area continued with a large number of systems being supplied to the iron & steel sector. There was considerable progress in the execution of the energy project for waster heat recovery in the refinery project that the company began last year. The project will be commissioned during the second quarter of this year.

Nearly 39% of the SBU's income came from exports. It performed well in South East Asia and the Middle East, markets your company has identified for its selective internationalisation programme.

The year saw a ten-fold increase in the business of heaters and good orders in heat recovery steam generators in international markets. Spent wash incineration was handled successfully, opening new business opportunities in the distillery sector. The business unit focused on heat recovery in cement sector, which is emerging as a major area for projects under CDM and carbon credits.

Service offerings were extended to refineries and fertilisers during the year. Following retrofit and revamp of boilers, old heaters have also emerged as a prospective area for upgrades.

The projects planned in steel, cement, petro-chemicals and the power sector are expected to ease the slowdown. However, with the global surge in commodity prices the real challenge is to sustain margins in the current year. Competition from the Chinese and hardening of interest rates could further increase the complexity of this business.

In the domestic market, the focus will remain on waste heat recovery and heat recovery steam generators will continue their push in international markets like the Middle East and South East Asia.

The division also plans to focus on renewables such as biomass and municipal solid waste in the current year.

The outlook for this business continues to be positive.

Power

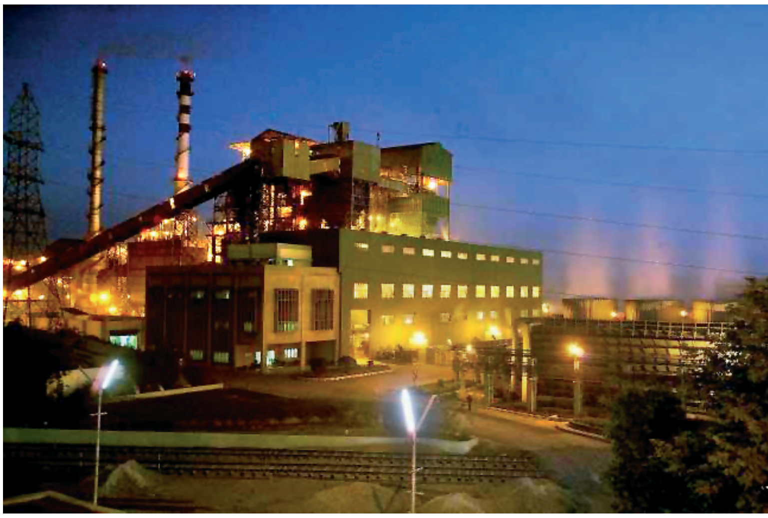
Your company's Power business continued its impressive growth in 2007-2008. The year saw commissioning of the highest number of power plants and the SBU's credentials in the mid range power plants were highlighted as it simultaneously executed as many as 15 projects on a turnkey basis. During the year, this business unit made a successful foray in the international market by bagging two orders from SE Asia for power plants on an EPC basis.

During the year, the division also strengthened its resource capabilities and project management expertise.

Two of the major initiatives seeded in recent years, namely the formation of a dedicated group for small power plants and the entry into operation & maintenance (O&M) of captive power plants, have now been established and contribute to the growth of this business unit. During the year, the small power projects group bagged a sizeable number of orders that are now under execution. The O&M arm of the power business already provides services to support over 125 MW of power plant operations.

One of the major highlights of the year was the focus on green aspects of power plants. This business unit has commissioned the first waste heat based captive power plant for a cement major in Rajasthan. Elsewhere, it has successfully generated power from fuels like washery rejects and also deployed air cooled condensers for power plants in water scarce areas of the country.

To sustain growth under varied economic scenarios, the group has made preemptive moves to de-risk its operations and to expand its operations in new business avenues – entry in public sector domain, venturing into overseas markets in SE Asia and the Middle East, incubating green technologies and



The year saw commissioning of the maximum number of power plants by your company; a sustained business in waste heat recovery; a sharp increase in the business of heaters; and the supply of heat recovery steam generators to new overseas markets. One of the significant trends in energy projects was the generation of power from renewables – from waste heat and biomass. In a significant development, your company has bagged the first two overseas orders – power from biomass – from South East Asia.

sustaining its focus on waste heat recovery based power generation.

The outlook for 2008-09 continues to be cautiously optimistic, mainly due to a spurt in steel and cement prices which could have a dampening effect. However, in the context of the demand-supply mismatch, the long term outlook of this business is positive. Two areas of concern are the low-cost competition from China and a lower carry forward order book.

Enviro (Air pollution control)

Consistent growth in key industrial segments like cement, steel and captive power continued to fuel demand for the company's air pollution control equipment.

This business unit continued to focus on the cement sector and has benefited from your company's brand value and references in the cement industry with a major share of orders coming from expansions and new plants. In the steel and sponge iron segments too, the company's strong presence has enabled the division to benefit from recent investments in this sector.

The division's service business continued to provide valuable support to industry in upgrading customers' existing air pollution control equipment.

Your company signed a technical know-how transfer and license agreement for dry and wet electrostatic precipitators (ESP) with Balcke-Dürr GmbH, Germany for power, industrial and utility segments up to 300 MW. The partnership would help the air pollution control business of the company to offer state-of-the-art ESP technology to meet the more stringent emission norms expected to be enforced in India. This will also give the company access to certain new applications and to new international markets.

The focus on improving supply chain management and operating systems has started yielding results with a substantial increase in manufacturing capacity.

Growth in developing economies is accelerating against the backdrop of a growing awareness of pollution related hazards. With stricter government regulations and the realisation that business stands to gain from pollution abatement, the future of this business continues to be good. The overall business outlook remains positive. However, the recent volatility in steel prices could adversely affect margins.

Cooling & Heating Group

Cooling

The Cooling SBU maintained its performance with exports accounting for 44% of the business.

There was an overall growth of 12% in the order booking, which in the Indian market grew by 10%. The SBU continues to maintain its leadership in the domestic market, where growth was fuelled by the new application in inlet air cooling to enhance output in captive power plants.

Order booking for export markets grew by 14% with significant growth in orders from Europe and the Americas. The SBU's entry in the Australian market is signified by the promise of large number of chillers to be sold through combined heating, cooling and power (CHPC) solutions packagers.

The state-of-the-art manufacturing facility in China being set up with an initial investment of USD 11.5 million will begin commercial production from July 2008. This facility will have an initial installed capacity of 100 chillers per annum to be increased to 400 per year over a period of time. The plant shall provide the platform for launching your company's products in China, the world's largest market for absorption chillers. While bagging orders for 12 chillers during the year, the SBU has already created a foothold in China.

Prospects for the cooling business remain strong in domestic and global markets in the wake of rising energy prices and increasing demand for energy efficient solutions across industrial and commercial sectors. The rising concern about global warming and preference for green house gas reduction technologies have positioned your company's cooling business in a favorable context.

The prospects of this business continue to be positive.

Heating

During the year, the SBU posted a modest increase in income with exports accounting for 28% of its income. Rupee appreciation adversely affected the business of the SBU, especially in the export based garment units in the domestic market. This was compensated to a great extent by new business in the chemical and pharma sectors. An earlier tie-up with a company supplying rental power in gas rich areas has helped this SBU to do good business in the CHPC segment.

The SBU also extended the business of bi-drum boilers, providing client industries with cogeneration capability as they shifted to less expensive solid fuels.

During the year, the Heating SBU won a breakthrough order from an upcoming distillery to supply a boiler that can burn the grain based sludge with high moisture content. With more grain based distilleries coming up, such waste-to-energy projects promise to bring in more revenues for your company.

The SBU sustained its sizeable business coming through a partnership with a European OEM. It has also led to tie-ups with two more European firms. Besides building your company's brand in overseas markets, the tie-ups will help it to be at the point of sale for downstream petrochemical industries in the Middle East and Africa.

While increasing raw material prices may put pressure on its margins, the overall outlook for the business continues to be positive.

Services

During the year, the service business showed a moderate growth. The Facility Energy Management Services (FEMS) business grew in line with the expectations and doubled its income compared to last year. New products were added to provide further growth impetus to the FEMS business.

This business continued its focus on generating income from the revenue side of the customers' budget and this has accounted for 64% of its business during the year. This strategy aimed to balance the volatility of the product businesses, will continue and the emphasis will be on generating more business from O&M of multi-utility equipment, energy audit services and new service products.

As an internal process improvement initiative, the SBU has outsourced its logistics-stores management to a professional logistics company, improving the availability of spare parts to its customers.

As rising energy and commodity prices erode the margins of industrial units, the Service SBU's offer of energy efficiency is very relevant and timely.

The outlook for this business continues to be positive.

Chemical and Water Group

Chemical

The Chemical business stagnated during the year with exports accounting for 44% of its income.

Income and profitability of this business were affected due to the rupee's appreciation as well as rise in costs of key raw materials like styrene, oleum and di-vinyl benzene.

However, the SBU secured good business with a steel major for supplying performance improvement products and bagged the operational contract for its utilities. It also made a breakthrough in the refinery sector to supply chemicals for sea water treatment and for total water management. During the year, it also made its first forays into the refining sector of Oman with performance products.

During the year, Thermax signed a major technology partnership with Georgia-Pacific, USA, for specialty chemicals for enhancing productivity in the paper & pulp industry.

Your company has taken several steps to improve its chemical business – focusing on higher value adds in the product mix of resins, internal restructuring to facilitate growth of performance products and promoting the membrane-based business. It is also developing the paper chemical business by leveraging on the tie-up with Georgia-Pacific.

In 2007-08 the water and waste solutions business upgraded its project management skills by undertaking large turnkey projects for industrial and municipal sectors. Rapid urbanisation and growing cities have created the paradox of depleting water supply and increasing amounts of sewage. As the municipal sector invites expertise to tackle this water challenge, your company has positioned itself with the relevant technologies and the EPC capabilities to execute and commission large projects.

The suit filed by one of the company's competitors in a US court for alleged violation of intellectual property rights still continues. However, the management does not expect any serious liability arising from this case.

Price increase in oil and sulphur can impact the resin business in the current year. The SBU plans to overcome this increase by aiming for better product mix and by variable pricing.

Water and Waste Solutions

The company's business in water and waste solutions grew by 38% during 2007-08.

There was a significant growth in the project space resulting from the boom in the power and steel sectors. The SBU offered these sectors turnkey projects for water and wastewater treatment. Effluent treatment at textile units also did good business. Such projects have helped the division to build up its capability to bid for large turnkey projects. The division expects to bag bigger orders in the forthcoming year.

During the year, your company made progress on its major ongoing project – the largest ever retrofit-upgrade for a municipal sewage treatment plant. In this project, to be commissioned in June 2008, the SBU's technological expertise will be put to use for doubling the capacity of an existing plant without any major additional requirement of space.

The SBU extended its standard product business by customising it for the requirements of power, process industry and automotive sectors. A combination of its standard product portfolio coupled with project execution experience has helped the business unit to move into this niche market. The O&M business is also in a growth phase.

Rapid urbanisation and stringent discharge regulations are indicators of a higher business potential in the water, water recycle and effluent treatment industry, with specific focus on the municipal sector and industrial projects. Your company has the relevant experience, technologies and products to capture this growth market. The outlook for this business continues to be positive.

Risk Management

Your company recognises that risks are an inevitable and integral part of conducting business. It also believes that in today's dynamic market conditions, the complexity of doing business has significantly increased and to be a successful player in the fast changing environment it would need to acknowledge as well as manage risks on an ongoing basis. Therefore, suitable risk recognition and risk control measures need to be adopted and nurtured at all functional levels.

The company's risk management framework is supported by identified processes, controls and documentation customised to suit its requirements. The executive management at all divisions and at centralised functions have been empowered to initiate suitable measures to identify and control risks – by reporting and reviewing business as well as process related risks, at defined intervals.

The company's management reviews the framework twice a year so as to achieve continuous improvement, to make it more robust for institutionalising at operating levels. After reviews, the management was satisfied with the operational effectiveness and believes that periodic reviews within the framework will enable it to minimise the impact of the risks.

Analysis and comments on key business risks:

Risk of cyclical business

Business in the capital goods sector where your company operates is cyclical. Project business from sectors like power, steel and cement has high volatility. To manage the risk of cyclical business Thermax periodically reviews such risks and takes suitable measures to protect the interests of investors. While the size of the project business in the company's portfolio is significant, the company continues to address this risk by developing its product and service businesses and through selective internationalisation.

Apart from expanding its product business which is less cyclical, it also aims for higher revenue generation from its service arms in both project and product businesses. Though economic downturns can affect export growth, selective internationalisation continues to be a top priority to insulate its businesses from cyclical volatility.

Customer concentration risk

The company is aware that it is risky to concentrate business with fewer customers or any single project. It continues to broad base its business, with no single customer to account for more than 15% and no single order more than 10% of the company's turnover on an annualised basis. In specific cases, in order to promote the company's business in the power and waste heat recovery areas, the company permits exceptions with detailed risk evaluation.

Risk of concentration in one business segment

The company faces the risk of concentration in a single business as large value projects within the energy segment contribute the major share of its revenues. However, the energy segment offerings are under three diverse businesses that cater to different market requirements. The environment segment too includes three different businesses, making the company's portfolio diverse. The management closely reviews and monitors the overall business situation.

Competition risk

As markets get globally integrated, companies including Thermax are facing competition from Chinese and other market players. The company recognises this risk and is focusing on quality, cost and delivery. It aims to create sustainable competitive advantage and as part of its select internationalisation programme, benchmarks its products and services against global competitors.

Project management risk

Thermax faces various associated risks in the project space, where it has a strong presence. Project delays can affect the company financially as well as in terms of reputation. The management reviews the risks related to key projects on a case to case basis depending on their size and complexity. It is confident of managing risks through proper estimation and evaluation systems and believes that it has the capability to address challenges arising during project execution. The management regularly reviews the risk of cost overruns, delays and performance.

Risk related to safe operations

With increasing business operations at multiple project locations, the company faces risks in the area of safety. The company has adopted a multi-pronged approach to address risks related to safety.

It has a Health, Safety & Environment (HSE) Policy in place. Safety officers have been recruited and posted at all major ongoing project sites. The safety function is monitored and reviewed by a Corporate Safety Officer. The company is focusing on improving awareness of safety measures and inculcating safety culture at operational levels through all possible measures. Strict adherence to HSE policy at all sites and manufacturing plants is strongly enforced and safety risks are reviewed on a continual basis.

Risk related to human resources

Thermax management continues to review the attrition risk and manpower availability risk. The overall industry attrition trend is also examined and the company takes necessary measures to mitigate the impact of this human resource related risk. Human resource practices continue to be a priority area for your company in terms of attracting, retaining and developing competent people.

Risk of energy price fluctuation

Fluctuations in fuel and energy prices can impact project viability and promote use of alternatives. The company manages this risk by developing capability and expertise on combustion of a variety of fuels. It has proven capability of handling a variety of fuels, including a wide range of biomass, and is a leader in harnessing waste heat as a source of energy for its clients. Besides mitigating risk, with this expertise, your company de-risks energy systems based on fossil fuels.

Input price increase & supply chain management risk

Your company's delivery schedules and profitability could be affected by rise in raw material prices and delays in critical inputs. This risk is addressed through various strategies – centralised sourcing with better vendor management, procurement of raw material at competitive prices, sourcing from overseas markets to widen its supply chain. However, it is difficult for the company to pass on the burden of price rises to the customer in cases of fixed price contracts. For large contracts that do not provide for input linked price escalation, to avoid erosion in its profitability, the company tries to obtain back-to-back quotations from bigger vendors and tries to finalise prices with them during the initial months of project commencement. At the time of quoting for new projects, it also factors in escalation of key input prices for cost estimates.

Exchange fluctuations and interest rate risks

As an exporter, your company faces the risk of exchange fluctuations as exports are usually denominated in US dollars. Its well-defined foreign exchange risk management policy, with a conservative bias, addresses this risk. The internationalisation initiative aims to create new non-USD markets to de-risk change in parity of dollar against other major global currencies.

Your company has no borrowings. It has a well-defined investment policy and all investments are made within the policy guidelines. The risk of interest rate movements and the risk of average portfolio maturity are reviewed at periodic intervals with close management supervision.

Human Resources

The year began with intensive negotiations on a productivity linked long term wage settlement with the recognised Union at the company's manufacturing plant at Chinchwad. An amicable settlement was achieved during the year. Also, the company concluded a long term settlement with the Unions at its Paudh Chemical factory. With the culmination of these agreements, the company foresees a period of enhanced productivity.

The Thermax Leadership Development Process (TLDP) launched in the last financial year has stabilised and more than 250 management staff participated in the development centers and processes thereafter.

The capability building initiative across the company has begun to show results in small but significant ways – many senior positions in the company, which are responsible for a significant portion of business, have been filled internally. Retaining people has been a challenge and attrition grew from a little over 9% to 11% in the year under review. This, however, is still below the industry average.

As part of developing young minds, the company expanded the scope of activities under the Bhathena Foundation. The Foundation holds a variety of summer and winter camps for enhancing the personality and experiential learning, and increasing sensitivity to nature for the employees' children and spouses. More than 250 employee children/ spouses participated in the program.

The annual Employee Engagement Survey was conducted and results were shared with all the employees. During the latter half of the year a comprehensive review was done on the HR strategy.

Compliance with law

Your company operates from a large number of countries across the globe and ensures adherence to all laws including laws relating to local employment. It has initiated a risk management framework for reporting and reviewing of compliance. This process is facilitated by creating and updating a data base on applicable provisions of various laws. Compliance reporting and reviews are monitored under close supervision.

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 may differ materially from those either expressed or implied

CORPORATE GOVERNANCE REPORT

COMPANY PHILOSOPHY

Thermax Limited continues its commitment to high standards of corporate governance. In all its operations and processes, the company adheres to stringent governance norms so that its stakeholders are ensured of superior and sustained financial performance.

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. Thermax will contribute to sustain stakeholder confidence by adopting and continuing good practices, which is at the heart of effective corporate governance.

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

A) BOARD OF DIRECTORS AND PROCEDURES

Currently, the Board of your company comprises nine directors – three non-executive promoter directors, five independent directors and one managing director.

The table gives the composition of the Board and inter alia the outside directorships held by each of the directors of the company during the financial year 2007-08.

a) Composition of the Board

Name of the Director	Nature of Directorship	Pecuniary or business relationship with the company	Relationship with other Directors	Directorships in other companies @	Committee position (excluding private, foreign and section 25 companies)		No of shares held in the company on March 31, 2008
					Chairperson	Member	
Mrs. Meher Pudumjee	Non-executive Promoter	None except *	Daughter of Mrs A. R. Aga and wife of Mr. Pheroz Pudumjee	9	1	2	22,75,500#
Mrs. A. R. Aga	Non-executive Promoter	None except *	Mother of Mrs. Meher Pudumjee and Mother-in-law of Mr. Pheroz Pudumjee	6	—	1	68,88,305 &
Mr. Prakash Kulkarni $	Managing Director	N.A.	No	—	—	—	N. A.
Dr. Raghunath Mashelkar	Independent	None	No	6	—	1	—
Dr. Valentin von Massow	Independent	None	No	4	1	—	—
Mr. Tapan Mitra	Independent	None	No	5	5	3	—
Mr. Pheroz Pudumjee	Non-executive Promoter	None	Husband of Mrs. Meher Pudumjee and son-in-law of Mrs A. R. Aga	5	2	3	3,57,000
Dr. Manu Seth	Independent	None	No	5	—	1	—
Mr. M. S. Unnikrishnan†	Managing Director	N. A.	No	—	—	4	—
Dr. Jairam Varadaraj	Independent	None	No	15	1	5	—
Mr. Ravi Venkatesan **	Independent	None	No	—	—	—	—

@ Includes private and foreign companies

\# In addition to the shares held by Mrs. Pudumjee in her personal capacity she also holds 36,35,190 shares as a joint Trustee for the various Thermax Employees Welfare Trusts.

& In addition to the shares held by Mrs. Aga in her personal capacity she also holds 29,06,250 shares as a joint Trustee for the Thermax ESOP Trust.

* During the year, the company has paid Rs. 5,28,000/- to Mrs. Aga and Rs. 1,20,000/- to Mrs. Pudumjee as rent for premises taken on lease. The company has maintained security deposit of Rs. 40,00,000/- with Mrs. Aga for the premises taken on lease.

$ Retired as the Managing Director on June 30, 2007

† Appointed as the Managing Director effective July 1, 2007

** Resigned as a Director with effect from March 31, 2008

Non-executive directors are entitled to reimbursement of expenses incurred in performance of their duties as directors, members of the committees appointed by the Board.

The expression 'independent director' as defined in Clause 49 of the Listing Agreement, signifies non-executive director of the company, who

a. apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;

b. is not related to promoters or persons occupying management positions at the board level or at one level below the board;

c. has not been an executive of the company in the immediately preceding three financial years;

d. is not a partner or an executive or was not a partner or an executive during the preceding three years, of any of the following:
- the statutory audit firm or the internal audit firm that is associated with the company and
- the legal firm(s) and consulting firm(s) that have a material association with the company

e. is not a supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director; and

f. is not a substantial shareholder of the company, i.e. owning two percent or more of the block of voting shares

As per the disclosures received from the directors, none of the directors serve as members of more than 10 committees nor are they chairman / chairperson of more than 5 committees, as per the requirements of the Listing Agreement.

The Board met six times during the financial year 2007-08 on the following dates: May 29, 2007, July 25, 2007, October 27, 2007, October 28, 2007, October 29, 2007 and January 29, 2008. 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 during the financial year 2007-08

Name of the Director	Total attendance at Board meetings	Attendance at the AGM held on July 25, 2007	Sitting fees * (Rs.)	Salary and perquisites (Rs.)	Commission† (Rs.)	Total remuneration (Rs.)
Mrs. Meher Pudumjee	6	Yes	2,80,000	NA	15,00,000	17,80,000
Mrs. A. R. Aga	6	Yes	1,60,000	NA	3,00,000	4,60,000
Mr. Prakash Kulkarni @	1	NA	NA	1,39,76,139	^3,43,03,057	4,82,79,196
Dr. Raghunath Mashelkar $	1	NA	20,000	NA	3,00,000	3,20,000
Dr. Valentin von Massow	6	Yes	2,20,000	NA	15,86,250	18,06,250
Mr. Tapan Mitra	6	Yes	3,20,000	NA	8,00,000	11,20,000
Mr. Pheroz Pudumjee	6	Yes	4,00,000	NA	8,00,000	12,00,000
Dr. Manu Seth	4	Yes	1,60,000	NA	3,00,000	4,60,000
Mr. M. S. Unnikrishnan &	5	Yes	NA	55,55,599	30,00,000	85,55,599
Dr. Jairam Varadaraj	5	No	2,00,000	NA	8,00,000	10,00,000
Mr. Ravi Venkatesan**	0	No	0	NA	3,00,000	3,00,000

NA = Not applicable
* Sitting fees include payments for Board appointed committee meetings also.
† The commission proposed for the year ended March 31, 2008 will be paid, subject to deduction of tax, after adoption of accounts by shareholders at the ensuing Annual General Meeting.
@ Retired as the Managing Director on June 30, 2007.
$ Appointed as an Additional Director effective January 29, 2008
& Appointed as Managing Director effective July 1, 2007
** Resigned as a Director with effect from March 31, 2008
^ Amount paid as ex-gratia/testimonial to Mr. Prakash Kulkarni.

c) Information placed before the Board of Directors

Agenda papers are circulated well in advance of the Board meeting to the members. It contains all the important and adequate information for facilitating deliberations at the meeting. The draft minutes are circulated to the Board members. These are approved at the next meeting after incorporating changes, if any, which are affirmed by the Chairperson.

As required under Clause 49 of the Listing Agreement, the company places before the Board for its consideration necessary information as detailed in the Annexure IA.

B) BOARD COMMITTEES

The Board at present has six committees:

1) Audit Committee, 2) Remuneration & Compensation Committee, 3) Share Transfer & Shareholders Grievance Committee, 4) Borrowing & Investments Committee, 5) Strategic Business Development Committee and 6) Overseas Investment Committee. The Board constitutes the committees and defines their terms of reference. The members of the committees are co-opted by the Board.

1) Audit Committee

The committee comprises four members, all being non-executive directors. The chairman of the committee, Mr. Tapan Mitra, is a Fellow Member of The Institute of Chartered Accountants of India. The other members of the committee comprise of Mr. Pheroz Pudumjee, Dr. Manu Seth and Dr. Jairam Varadaraj.

The committee has met six times during the financial year 2007-08 on the following dates: May 5, 2007, May 28, 2007, July 24, 2007, October 27, 2007, January 29, 2008 and March 25, 2008. Details of meetings attended by the members are as follows:

Committee members	Category	No. of meetings attended
Mr. Tapan Mitra	Independent	6
Mr. Pheroz Pudumjee	Non-executive Promoter	6
Dr. Manu Seth	Independent	4
Dr. Jairam Varadaraj	Independent	4

The constitution of the committee also meets the requirements of Section 292A of the Companies Act, 1956.

The committee reviews various aspects of internal controls, reviews the internal auditors' reports and risk management policies on a regular basis. The requirements enumerated under Clause 49 of the Listing Agreement and as amended from time to time are also reviewed by the committee.

The internal auditor presents to the Audit Committee observations and recommendations of the auditors and also on issues having an impact on control system and compliance. The Chief Financial Officer, 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 annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices
  - Major accounting entries based on exercise of judgment by management
  - Qualifications in draft audit report
  - Significant adjustments arising out of audit
  - Compliance with accounting standards
  - Compliance with stock exchanges 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 the depositors, shareholders and creditors.
- Recommending the appointment and removal of external auditor, determining audit fee and also approving 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 adequacy of internal audit function, including the system, its quality and 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 specialising in carrying out internal audit services, detailing their scope of work and deciding their professional charges.
- Reviewing the coverage and frequency of internal audit.
- 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) Remuneration and Compensation Committee

The committee comprises Dr. Jairam Varadaraj, chairman, Mrs. A. R. Aga and Mr. Tapan Mitra. The terms of reference of the committee are broadly enumerated below:

a) Reviewing the remuneration of the Managing Director and any whole-time Director of the company and to deal with all elements of remuneration package of all such Directors.

b) Reviewing the salaries of senior management employees.

c) Taking an overview of human resources & industrial relations policies of the company, as well as capability building/succession planning of its senior management employees.

d) Recommending suggestions to the policies.

e) Defining the terms governing the ESOP/ESPS, if any.

During the financial year, the committee met twice on May 28, 2007 and July 24, 2007. The attendance record of the members for the meetings of the committee held is as follows:

Committee members	Category	No. of meetings attended
Dr. Jairam Varadaraj	Independent	1
Mrs. A. R. Aga	Non-executive Promoter	2
Mr. Tapan Mitra	Independent	2

The company presently does not have an ESOP Scheme.

Details of remuneration:

Non-executive directors

In the changing business context of the company, the Chairperson and the Non-executive directors (NEDs) are required to devote more time and attention, more so with the requirements of corporate governance practices and policies to be followed. It is only appropriate that the company recognise and suitably remunerate the NEDs by payment of commission. As per the guideline adopted by the Board based on the regulatory provisions, at present NEDs are entitled to individually receive Rs. 3 lac remuneration by way of commission for each financial year. Moreover, chairmen of select Board committees – Audit, Overseas Investment, Strategic Business Development and Remuneration & Compensation – receive an additional amount of Rs. 5 lac for each financial year, which acknowledges their time and involvement to strengthen systems and processes, and also their contributions in offering strategic direction. Further, based on the guidelines, the Chairperson of the Board receives remuneration by way of commission Rs. 15 lac for each financial year. Non-executive directors are also entitled to sitting fees of Rs. 20,000 for attending each meeting of the Board of Directors and Committees.

Managing Director

The company's Board at present comprises one Executive Director, namely, Mr. M. S. Unnikrishnan, Managing Director. The remuneration of the managing director is governed by the agreement dated July 2, 2007, between the company and Mr. Unnikrishnan, which has been approved by the Board of Directors. The main terms and conditions of the agreement have already been approved by the shareholders. The remuneration broadly comprises of fixed and variable components. The increment and commission of the managing director is determined on the basis of the company's performance and the individual contribution related matrix developed by the HR department. The managing director is not entitled to sitting fees for attending meetings of the Board and committees.

3) Share Transfer and Shareholders' Grievance Committee

The company has a Share Transfer and Shareholders' Grievance Committee comprising three members, namely, Mr. Pheroz Pudumjee (chairman), Mrs. Meher Pudumjee and Mr. M. S. Unnikrishnan. The Company Secretary is the compliance officer.

The committee reviews the performance of Karvy Computershare Private Limited, the company's Registrar & Transfer Agent (RTA) and also recommends measures for overall improvement for better investor services. The committee specifically looks into complaints of shareholders and investors pertaining to transfer of shares, non-receipt of sub-divided share certificates, non-receipt of dividend warrants, etc.

The company had carried out a survey of shareholder satisfaction through a questionnaire that was a mailed along with the Notice of the Annual General Meeting of 2007. A self-addressed business reply response sheet was circulated for feedback on various aspects of services rendered by the company and the RTA. Majority of the respondents expressed satisfaction with the services rendered. At the meeting held in September 2007, the committee reviewed the analytical report of the feedback on the survey.

Procedure of share transfer

The Board has empowered the committee, inter alia, to approve share transfers. With a view to reduce the lead-time for processing transfer of share lodged, the committee has empowered the RTA to approve share transfer, transmission and trans-position. The committee members usually meet once a month to carry out the delegated responsibilities. The committee met 14 times during the year.

As per the certificate issued by the RTA, 42 complaints were received from the shareholders/ investors during the financial year ended March 31, 2008.

Summary of complaints during 2007-08

Nature	Opening Balance	Received	Cleared	Pending
No. of sub-divided share certificates	Nil	13	13	Nil
Non-receipt of dividend	Nil	25	25	Nil
Letters from statutory authorities	Nil	4	4	Nil

All complaints were resolved to the satisfaction of the shareholders and no complaints remained unattended / pending for more than 30 days as on March 31, 2008.

During the year the company processed 21 physical transfers comprising 17,050 number of equity shares.

4) Borrowing and Investments Committee

During the year Mr. M. S. Unnikrishnan was appointed as a member in place of Mr. Prakash Kulkarni. Mr. Pheroz Pudumjee was inducted as a member effective October 27, 2007. Mrs. Meher Pudumjee heads this committee.

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.

During the financial year, the committee met twice on September 17, 2007 and December 17, 2007. The attendance record of the members for the meetings held is as follows:

Committee members	Category	No of meetings attended
Mrs. Meher Pudumjee	Non-executive Promoter	2
Mr. Pheroz Pudumjee	Non-executive Promoter	1
Mr. M. S. Unnikrishnan	Managing Director	2

5) Strategic Business Development Committee

The primary objective of this committee of the Board is to review and monitor the strategic initiatives of the company.

The committee comprises Dr. Valentin von Massow (chairman), Mrs. Meher Pudumjee, Mr. Pheroz Pudumjee and Mr. M. S. Unnikrishnan.

The committee met five times during the financial year on April 17, 2007, May 28, 2007, July 27, 2007, October 28, 2007 and January 28, 2008. Details of meetings attended by members are as follows:

Committee members	Category	No of meetings attended
Dr. Valentin von Massow	Independent	5
Mr. Prakash Kulkarni *	Managing Director	1
Mrs. Meher Pudumjee	Non-executive Promoter	5
Mr. Pheroz Pudumjee	Non-executive Promoter	4
Mr. M. S. Unnikrishnan **	Managing Director	3

* Ceased with effect from June 30, 2007
** Appointed effective July 1, 2007

6) Overseas Investment Committee

During the year Mr. M. S. Unnikrishnan was appointed as a member in place of Mr. Prakash Kulkarni. Mr. Pheroz Pudumjee is the chairman and Mr. Tapan Mitra is the other member of the committee.

The purpose of the committee is to:

- ensure governance in the operations of the wholly-owned overseas 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 are:

1. Oversee the subsidiaries' financial reporting process and the disclosure of financial information to ensure integrity and credibility. Half-yearly review with the management and external auditors of the financial statements, focuses 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 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 subsidiaries.
6. Review Compliance Certificate of the laws of the state/country.
7. Any other matter that may be referred by the Board, from time to time.

The committee had two meetings during the financial year on July 24, 2007 and March 25, 2008 where all the members were present.

C) OTHER DISCLOSURES RECOMMENDED BY SEBI

i) Subsidiary Companies

The company has three non-listed Indian subsidiaries. In terms of Clause 49 (III) of the Listing Agreement, none of these subsidiaries is a 'material non-listed Indian subsidiary', whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

The Audit Committee reviews the financial statements, and in particular, the investments made by the unlisted subsidiary companies. The summary of the minutes of the Board meetings of the subsidiary companies are circulated with the agenda papers and the minutes are tabled before the Board at periodic intervals.

ii) Disclosure regarding appointment or reappointment of a director

In terms of Clause 49 (IV) of the Listing Agreement, information of directors who are being appointed or re-appointed at the ensuing Annual General Meeting is given below:

Mrs. A. R. Aga

Mrs. A. R. Aga, 65, Director of the company, began her industry career in Thermax in 1982. She was the Chairperson of the Board of the company from February 1996 to October 2004. She had facilitated major turnaround initiatives at the company, reconstitution of the Board, shedding off non-core activities, right sizing of operations and increased focus on customers.

Mrs. A. R. Aga has done her BA in Economics and holds a post graduate degree in medical and psychiatric social work from the Tata Institute of Social Sciences (TISS). She was selected for the Fullbright Scholarship for social workers to study for four months in the U.S.

Mrs. A. R. Aga is now closely associated with the Thermax Social Initiative Foundation, formed to drive Thermax's Corporate Social Responsibility initiatives mainly in the area of education for children from underprivileged sections of society. She is keenly involved in the causes of communal harmony and human rights, especially women and children.

Mrs. A. R. Aga is Member on the Board of the following companies:

a) Thermax Surface Coatings Ltd.
b) ARA Trading & Investments Pvt. Ltd.
c) KRA Holding & Trading Pvt. Ltd.
d) RDA Holding & Trading Pvt. Ltd.
e) Thermax Social Initiative Foundation
f) Give India

Mrs. A. R. Aga holds 68,88,305 equity shares of the company.

Mr. Tapan Mitra

Mr. Tapan Mitra, 69, a Director of the company from January 15, 2001, is a Fellow Member of The Institute of Chartered Accountants of India and holds a Masters degree in Business Administration from the University of Geneva.

Currently, he is the State Government nominated Member of State Planning Board of West Bengal and Chairman of Board of Directors of West Bengal State Handloom Weavers' Cooperative Ltd. He served as Chairman of Confederation of Indian Industries (CII), Eastern Region, as well as on a number of national committees of CII.

Mr. Mitra holds directorship and is also chairman / member of committees of the Board, of the following companies:

Directorships	Chairmanship(s) and Membership(s) of Audit Committees
Tube Investments of India Ltd.	Chairman
Essel Propack Ltd.	Chairman
West Bengal Electricity . Distribution Co. Ltd	Chairman
West Bengal Electricity Transmission Co. Ltd.	Chairman
Patton International Ltd.	Member

Mr. Mitra does not hold any shares of the company.

Dr. Raghunath A. Mashelkar

Dr. Raghunath A. Mashelkar, 65, an eminent engineering scientist, was appointed as an Additional Director at the Board meeting held on January 29, 2008. He has a Ph.D. in Chemical Engineering. Currently, he is the President of Indian National Science Academy (INSA) and President of Global Research Alliance, a network of publicly funded R&D institutes from Asia-Pacific, Europe and USA with over 60,000 scientists.

Dr. Mashelkar was the Director General of the Council of Scientific and Industrial Research (CSIR) for over eleven years. Dr. Mashelkar is only the third Indian Engineer to have been elected as Fellow of Royal Society (FRS), London in the twentieth century. Twenty-six universities have honoured him with honorary doctorates, which include Universities of London, Salford, Pretoria, Wisconsin and Delhi.

Dr. Mashelkar has won over 50 awards and medals from several bodies for his outstanding contribution in the field of science and technology. He has been honoured with the Padma Shri and Padma Bhushan Awards, in recognition of his contribution to nation building.

Dr. Mashelkar holds directorship and is also chairman /member of committees of the Board, of the following companies:

Directorships	Chairmanship(s) and Membership(s) of Committee(s)
Reliance Industries Ltd.	–
Tata Motors Ltd.	Member of the Audit Committee
Piramal Life Sciences Ltd.	–
ICICI Knowledge Park	–
GeneMedix Biological Pvt. Ltd.	–
Indigene Pharmaceuticals Pvt. Ltd.	–

Dr. Mashelkar does not hold any shares of the company.

iii) Annual General Meeting

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

Year	Location	Date & Time
2005 24th AGM	Firodia Hall, The Institution of Engineers, 1332, J.M. Road, Shivajinagar, Pune-5	July 26, 2005 11.00 a.m.
2006 25th AGM	Firodia Hall, The Institution of Engineers, 1332, J.M. Road, Shivajinagar, Pune-5	July 20, 2006 11.00 a.m.
2007 26th AGM	Bal Gandharva Rang Mandir J.M. Road, Shivajinagar, Pune-5	July 25, 2007 11.00 a.m.

No special resolutions were passed during the last three years that required approval through postal ballot.

The company has proposed a special resolution to be passed through postal ballot. The resolution proposes to amend Clause III (C) of the Objects Clause of the Memorandum of Association of the company by inserting a new sub-clause 68 and commencement of business activities mentioned thereunder. The result of the ballot shall be announced on Saturday, July 19, 2008.

iv) 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. The Audit Committee reviews these transactions.

2. The company has prepared a risk management framework to identify, minimise, report and review business and process related risks at pre-defined intervals. This framework has been reviewed by the Board to assess control mechanism for risk evaluation and mitigation.

3. 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.

4. *Code of Conduct:* To promote ethical conduct and maintain high standards in carrying out business transactions of the company, a Code of Conduct has been laid down for procedures to be followed by Board members and senior management employees. This Code is also posted on the company's web-site.

   All Board members and senior management employees have affirmed adherence to the said code for the financial year ended March 31, 2008. The declaration of the Managing Director is given as an annexure.

5. *CEO / CFO Certification:* A certificate signed by the Managing Director and the Executive Vice President & CFO of the company, pursuant to the provisions of Clause 49 of the Listing Agreement, was tabled before the Board of Directors at its meeting held on May 21, 2008.

v) Means of Communication

1. As the company publishes the quarterly and half-yearly results in prominent newspapers and also displays the same on its website, individual communication of half yearly results is not being sent to shareholders. The quarterly and half-yearly financial results and the quarterly shareholding pattern are also posted on the EDIFAR website i.e. www.sebiedifar.nic.in

2. Quarterly results are published in prominent financial and mainline dailies. The annual results are also made available on the company's website.

3. All important information and official press releases 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.**

vi) Code for Prevention of Insider Trading

Pursuant to the SEBI (Prohibition of Insider Trading) Regulations 1992, the company has adopted a Code for Prevention of Insider Trading. The objective of the code is to restrict an insider from dealing in the shares of the company either on his/her own or on behalf of another person when in possession of unpublished price sensitive information. The code is applicable to the directors and designated employees / persons of the / associated with company. The code enumerates the procedure to be followed for dealing in the shares of the company and the periodic disclosures to be made. It also restricts the insiders from dealing in the company's shares during the period when the trading window is announced closed. The Company Secretary has been designated as the Compliance Officer.

D) SHAREHOLDER INFORMATION

i) 27th Annual General Meeting

Date and Time	:	July 22, 2008 at 11.00 a.m.
Venue	:	Yashwantrao Chavan Academy of Development Administration, MDC (Auditorium) Building, Raj Bhavan Complex, Baner Road, Pune – 411 007

ii) Financial Calendar

Financial Year: 1st April to 31st March

For the year-ended on March 31, 2008 the financial results were announced on:

	As indicated	Actual Date
Quarter ended June 2007	July 25, 2007	July 25, 2007
Quarter ended September 2007	November 3, 2007	October 28, 2007
Quarter ended December 2007	January 29, 2008	January 29, 2008
Year ended March 2008	End May 2008	May 21, 2008

For the year ending March 31, 2009 the indicative announcement dates are:

Results for the quarter ended June 2008	July 22, 2008
Results for the quarter ending September 2008	October 25, 2008
Results for the quarter ending December 2008	January 28, 2009
Results for the year ending March 2009	End May 2009

iii) Book Closure Date

The company's Share Transfer Books and Register of Members of equity shares shall remain closed from July 14, 2008 to July 22, 2008 (both days inclusive), to determine the entitlement of shareholders to receive dividend for the year ended March 31, 2008.

iv) Listing

The company's shares are listed on two stock exchanges viz., National Stock Exchange of India (NSE) and Bombay Stock Exchange Limited (BSE).

The company has paid listing fees to both the stock exchanges for the year 2008-09.

Custodial Fees to Depositories: The company has paid custodial fees for the year 2008-09 to National Securities Depository Limited and Central Depository Services (India) Limited on the basis of number of beneficial accounts maintained by them, as on March 31, 2008.

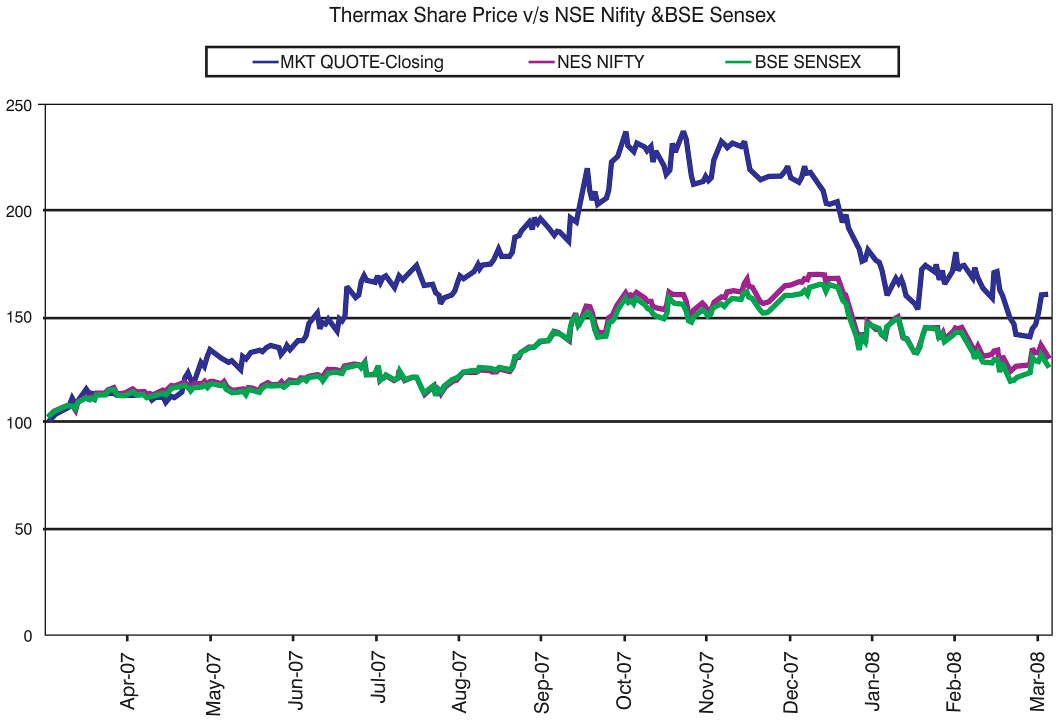
Stock Codes

Trading symbol at	National Stock Exchange of India Ltd.	Thermax EQ
	Bombay Stock Exchange Ltd.	Physical-411 Demat--500411
Demat ISIN in NSDL and CDSL	Equity Shares	INE 152A01029
Reuters RIC	For price on NSE For price on BSE	THMX.NS THMX.BO

Stock Data

Month	MKT QUOTE - NSE		MKT QUOTE - BSE	
	High	Low	High	Low
April 2007	435.00	365.10	435.00	361.00
May	509.80	336.60	509.00	397.00
June	520.00	458.10	519.00	454.10
July	669.00	500.10	668.00	502.00
August	674.85	582.00	676.00	530.00
September	760.00	630.70	760.00	631.50
October	945.00	687.00	968.30	685.00
November	921.00	810.30	925.00	805.00
December	933.30	806.00	917.00	806.70
January 2008	860.00	563.00	884.85	561.05
February	749.90	555.00	700.00	565.45
March	688.55	485.00	664.90	520.00

Stock Performance



NOTE: The company's share price and indices have been indexed to 100 as on the first working day of the financial year 2007-08 i.e. April 2, 2007.

v) Registrar & Share Transfer Agent

Karvy Computershare Private Limited
Plot No. 17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad – 500 081
Telephone: 040 – 23420818 and 828
Fax: 040 - 23420814
E-mail ID for redressal of shareholder/ investor grievances: igkcpl@karvy.com

vi) Share Transfer System

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

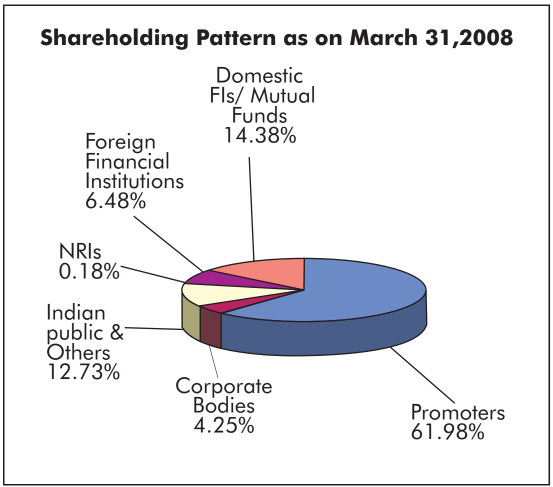
vii) Shareholding Pattern

Distribution of equity shareholding as on March 31, 2008

No. of Shares	No. of Shareholders	%	No. of Shares held	% Shareholding
1-500	27,299	93.06	33,73,138	2.83
501-1000	887	3.02	7,43,315	0.62
1001-2000	471	1.61	7,08,357	0.60
2001- 3000	156	0.53	3,96,323	0.33
3001-4000	68	0.23	2,45,453	0.21
4001-5000	70	0.24	3,35,108	0.28
5000-10000	98	0.34	7,03,281	0.59
10001 & above	285	0.97	11,26,51,325	94.54
TOTAL	**29,334**	**100.00**	**11,91,56,300**	**100.00**

Category of equity shareholders as on March 31, 2008

Category	No. of shares held	% of shareholding
(A) Promoters holding		
1 Individuals	95,26,805	7.99
2 Corporate bodies	6,43,28,500	53.99
Total shareholding of promoters	**7,38,55,305**	**61.98**
(B) Non-Promoters holding		
1 Mutual Funds, banks, financial institutions, insurance companies, etc.	1,71,35,229	14.38
2 Foreign institutional investors	77,21,611	6.48
3 Corporate bodies	50,54,734	4.24
4 Non-resident individuals	2,16,897	0.18
5 Indian public & others	1,51,72,524	12.74
Total public shareholding	**4,53,00,995**	**38.02**
Total (A) + (B)	**11,91,56,300**	**100.00**



viii) Details of Dematerialisation

The company's equity shares are under compulsory demat trading by all categories of investors. As on March 31, 2008, 3,76,10,740 shares have been dematerialised which account for 31.56% of the total equity.

Top ten shareholders under non-promoter category as on March 31, 2008

Name of Shareholder	No. of shares held	% of shareholding
HDFC Standard Life Insurance Company Ltd.	18,39,859	1.54
The India Fund, Inc	14,63,257	1.23
Bajaj Allianz Life Insurance Company Ltd.	12,04,267	1.01
SBI Mutual Fund - Magnum Tax Gain 1993	11,75,975	0.99
SBI Mutual Fund A/c Magnum Global Fund	9,85,036	0.83
HDFC Trustee Company Ltd. - HDFC TaxSaver fund	9,35,795	0.79
Matthews India Fund	9,05,000	0.76
SBI Mutual Fund A/c MMPS 93	9,02,736	0.76
SBIMF - SBI Blue Chip Fund	8,15,216	0.68

ix) Plant Locations

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

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

D-1 Block, MIDC Industrial Area,
Chinchwad, Pune - 411 019.
Maharashtra State

Plot No.21/1-2-3,
GIDC Manjusar, Taluka - Savli,
Dist.- Vadodara - 391775

x) Address for correspondence

Investors' should address their correspondence to the company's Registrar & Transfer Agent, Karvy Computershare Private Limited, whose address has been provided at D(v) above.

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,
14, Mumbai-Pune Road,
Wakdewadi, Pune - 411 003
Email: cservice@thermaxindia.com

E) NON-MANDATORY REQUIREMENTS

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

The company has a remuneration committee under the nomenclature 'Remuneration and Compensation Committee'. The details of this committee are provided in this Report under the section Board Committees.

The Board has adopted Whistle Blower Policy to promote reporting of any unethical or improper practice or violation of the company's Code of Conduct or complaints regarding accounting, auditing, internal controls or disclosure practices of the company. It gives platform to the whistle blower to report any unethical or improper practice (not necessarily violation of law) and to define processes for receiving and investigating complaints.

Shareholder Reference

Unclaimed Dividend

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.

As per the provisions of Section 205C of the Companies Act, 1956, companies are required to transfer dividend which remain unclaimed for a period of seven years from the date of their payment, to the Investor Education and Protection Fund (IEPF) constituted and administered by the Central Government. Unclaimed dividend upto the financial year 1999-2000 have been transferred to the IEPF.

Financial year	Dividend	Date of declaration	Total dividend amount (Rs crore)	Unclaimed Dividend as on March 31, 2008		Due for transfer to IEPF on
				(Rs.)	%	
2000-01	Final	05.09.2001	2.33	73,963	0.32	10.10.2008
2001-02	Final	27.09.2002	11.63	2,29,987	0.19	30.10.2009
2002-03	Final	31.07.2003	28.60	5,88,696	0.20	04.09.2010
2003-04	Final	27.07.2004	Equity: 28.60	4,64,160	0.16	02.09.2011
			RPS : 1.50	74,098	0.49	
2004-05	Final	26.07.2005	Equity: 28.60	3,51,636	0.12	31.08.2012
			RPS : 2.86	63,130	0.22	
2005-06	Final (pro rata)	26.07.2005	RPS : 0.92	21,083	0.22	31.08.2012
2005-06	Final	20.07.2006	40.51	6,84,000	0.16	30.08.2013
2006-07	Interim	21.03.2007	40.51	6,83,306	0.16	18.04.2014
	Final	25.07.2007	40.51	5,66,234	0.18	30.08.2014

Bank details

Shareholders holding shares in physical form are requested to notify / send the following information to the Registrar & Transfer Agent 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 Agent.

Electronic Clearing Service (ECS) facility

The company pays dividend through ECS i.e. by crediting the shareholders' bank account directly.

- Members holding shares in physical form and desirous of availing this facility are requested to send their details in ECS mandate form. The ECS mandate form may be collected from the company's Corporate Office or its Registrar & Transfer Agent or may also be downloaded from the company's website (www.thermaxindia.com). To avail of the ECS facility the mandate form should be sent by post or hand delivered to the company's Corporate Office or its Registrar & Transfer Agent before the commencement of the book closure date i.e. July 14, 2008.
- 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 Agent.** Changes intimated to the DP would be downloaded and updated in the company's records for disbursement of dividend or any corporate benefits.

ANNEXURE

To the Shareholders of Thermax Limited

Sub: Compliance with Code of Conduct

The company has adopted a Code of Conduct which deals with governance practices expected to be followed by Board members and senior management employees of the company.

I hereby declare that all the Directors and senior management employees have affirmed compliance with the Code of Conduct adopted by the Board.

M. S. Unnikrishnan

Pune: May 21, 2008

Managing Director

AUDITORS' CERTIFICATE
on Corporate Governance

To the Members of Thermax Limited

We have examined the compliance of conditions of Corporate Governance by Thermax Limited, for the year ended on March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We 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 B. K. Khare & Company
Chartered Accountants

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

Pune : May 21, 2008

CODE OF CONDUCT

for Directors and Senior Management

1. Fulfill functions of the office with integrity, professionalism, and exercise powers attached thereto in good faith and with due care and diligence, without the influence of personal interest.
2. The Board should act in the best interests of, and fulfill the fiduciary obligations to the company's shareholders, whilst also considering the interests of other stakeholders.
3. Ensure that the company's assets, proprietary confidential information and resources are used by the company and its employees only for legitimate business purposes of the company.
4. Minimise any situation or action that can create conflict of interests of the company vis-à-vis personal interest or interests of associated persons and make adequate disclosures, where necessary.
5. The senior management shall have the primary responsibility for the implementation of internal controls to deter and detect fraud. The company shall have zero tolerance for the commission or concealment of fraud or illegal acts.
6. The senior management will ensure that its dealings and relationships with business associates/customers are maintained in the best interest of the company. Its relationship in regard to the company work should be professional and commercially appropriate.
7. Seek to comply with all applicable laws, regulations, confidentiality obligations and corporate policies of the company. Encourage reporting of a material violation of any laws, rules or regulations applicable to the company or the operation of its business and ensure that the person reporting such violation is not aggrieved in any manner.
8. Comply with the terms of the Code of Conduct for Prohibition of Insider Trading approved by the Board of Directors and any other code that may be formulated from time to time, as applicable.
9. Conduct business in a responsible manner and commit to undertake:

   (a) compliance with environmental laws, regulations and standards

   (b) to incorporate environment friendly and protective measures as an integral part of the design, production, operation and maintenance of the company's facilities

   (c) encourage wise use of energy, and minimise any adverse impact on the environment

   (d) ensure health and safety measures for all the employees and workmen
10. The senior management shall not, without the prior approval of the Managing Director, accept part time employment or a position of responsibility (such as a consultant or a director) with any other organisation, for remuneration or otherwise.
11. Establish processes and systems for storage, retrieval and dissemination of documents both in physical and electronic form, so that the obligations of this code are fulfilled.

REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

Guided by the vision of Rohinton Aga –"profit is not just a set of figure but of values"– Thermax has always believed that corporates should think beyond profit and reach out for the wellbeing of the larger society. Over the years, Thermax has worked on a modest CSR agenda to fulfill its obligations to its wider circle of stakeholders including the communities in which it operates.

The CSR programme of the company got a formal structure and a governing body when the Thermax Social Initiative Foundation (TSIF) was formed in March, 2007 as a not-for profit body registered under section 25 of the Companies Act. Education can be the best enabler to come up in life and hence the Foundation has decided to primarily focus on education.

Thermax, as a part of its social obligation, is committed to a) provide quality education to underprivileged children, b) work to create an environment that respects the communities and the natural environment, c) as a signatory to CII's initiative on affirmative action to strive to achieve the defined objectives, and d) to involve and encourage employees and their family members to actively participate in the various social initiatives of the company.

Setting up a model school

Under the aegis of Thermax Social Initiative Foundation (TSIF), Thermax has signed a memorandum of understanding (MOU) with the Pune Municipal Corporation (PMC) School Board for a period of 30 years. TSIF, in partnership with the NGO Akanksha, today runs and manages a school for children from low-income families. Children are provided free, good quality education. The school began functioning from June 2007. Thanks to the drive, passion and commitment of our school staff and Akanksha, this could develop into a replicable model. TSIF, Akanksha and PMC are already collaborating on a second school that would start functioning from June 2008.

Partnership with Akanksha Foundation

Thermax has been supporting the work of Akanksha Foundation, a not-for-profit organisation, working to improve the lives of underprivileged children. It runs two of Akanksha's learning centres in Pune where non formal education is offered to children. The aim is to help children grow up with self esteem and good values so that they are equipped to earn and improve the quality of their lives.

Thermax is also supporting Akanksha's mentoring programme for adolescents. In November 2007, six Thermax employees became mentors to help young students in personality development and career guidance.

With soaring rents, many NGOs find it very difficult to find suitable space to conduct their work. In Thermax's new corporate office in Pune, space has been allocated for an Akanksha office and two centres supported by Thermax.

Water management at Pondhe village

Thermax, in association with CII and Gaurav Pratisthan (popularly known as Pani Panchayat) launched a project for watershed management in Pondhe village, 70 km from Pune. The project aims to help the villagers to manage their water resources in a sustainable and equitable way.

Affirmative Action

As a signatory to the Code of Conduct for Affirmative Action proposed by CII and ASSOCHEM, Thermax is committed to make a conscious effort, without compromising merit, to bring in greater representation of Scheduled Castes (SC) and Scheduled Tribes (ST) in its new hires at all levels.

It has conducted an employee survey to assess the existing strength of ST / SC employees within the company. As this is a voluntary disclosure by the employees, the process is slow and is still on. Till date, the company has captured data of nearly 70% of the employees.

services and bedside patient care. Six batches of young people – from less privileged sections – have successfully completed the programme.

Road Safety Initiative and Traffic Awareness

Thermax has been extending a helping hand to streamline the traffic flow on some Pune roads and offer some relief to commuters. As a member of the CII Traffic Task Force, Thermax in association with Cummins Generator Technologies have adopted two traffic signals in Pune and provided traffic wardens to help to monitor the traffic and provide a smooth flow.

Education can be the best enabler to come up in life and hence the Foundation has decided to primarily focus on education.

As part of providing job oriented training and other skill development programme, Thermax, along with other industries of Pune, is supporting the CII - Symbiosis Finishing School, specifically designed for SC / ST candidates. The objective is to help in improving the chances of their employability once they complete their education.

Livelihoods Advancement Business School (LABS)

Thermax also supports the CII-Yi initiative of Livelihoods Advancement Business School (LABS), a programme started by Dr. Reddy's Foundation, to provide job-oriented training in disciplines like hospitality, customer relations, sales, IT enabled

Employee Involvement

In August 2007, Thermax associated with Give India, a not-for-profit organisation to launch a payroll giving programme that offers its employees an opportunity to contribute to worthy social causes. Employees, under this voluntary programme, can donate any amount from their salary, every month, to a cause of their choice. The response has been very encouraging and till date about 800 employees have signed up.

Thermax employees have also been raising funds to support Akanksha and to strengthen the campaign against AIDS by participating in the public marathons organised in Mumbai and Pune.

Auditors' Report

To the members of Thermax Limited

1. We have audited the attached Balance Sheet of Thermax Limited as at 31st March 2008, 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 (Auditors' 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 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 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 2008;

      (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: 21st May 2008

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 according to the information and explanations given to us, 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 thereunder.

7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.

8. We have broadly reviewed the books of accounts maintained by the company in respect of product where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records maintained as aforesaid.

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 31st March 2008, 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	Nature of dues	Amount under dispute not yet deposited (Rs. Crore)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act and Local Sales Tax Acts (including works contract)	Sales tax including interest and penalty, as applicable	0.025	1992-93	Appellate Authority- upto Commissioner's level
		0.001	2000-01	
		0.137	2001-02	
		0.041	2003-04	
		0.071	2004-05	
		0.004	2007-08	
		0.528	1996-97	Tribunal
		0.057	2000-01	
		0.039	2001-02	
		0.043	2003-04	
		0.158	2003-04	High Court
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable.	0.519	2003-04	Appellate Authority- upto Commissioner's level
		0.116	2007-08	
		3.977	1999-2000	Tribunal
		0.164	2001-02	
		0.336	2003-04	
		0.782	2005-06	
		0.053	2006-07	
		3.838	2006-07	Supreme Court
Customs Act, 1962	Customs duty including interest and penalty, as applicable	0.248	2005-06	Appellate Authority- upto Commissioner's level
		1.294	2005-06	Tribunal
Service Tax (Finance Act,1994)	Service Tax including interest and penalty, as applicable	0.338	2003-04	Appellate Authority- upto Tribunal
		1.824	2005-06	
ESI Act, 1948 and Industrial Dispute Act	Dues, interest and penalty, as applicable	0.948	1989-91	ESIC Office
		0.012	1979-83	High Court
		0.031	1987-89	

10. The Company has neither accumulated losses as at 31st March 2008, 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: 21st May 2008

Balance Sheet as at March 31, 2008

	Sch	Sch 18 Note No. Reference	As at March 31, 2008 Rs. Crore	As at March 31, 2007 Rs. Crore
SOURCES OF FUNDS				
Shareholders' Funds :				
Share Capital	**1**	**10**	**23.83**	23.83
Reserves & Surplus	**2**		**712.31**	555.36
			736.14	579.19
Loan Funds:				
Unsecured Loans			**—**	—
			—	—
Deferred Tax Liability :				
Deferred Tax Liabilities			**31.07**	19.68
Deferred Tax Assets			**(15.99)**	(9.29)
			15.08	10.39
Total Funds Employed			**751.22**	589.58
APPLICATION OF FUNDS				
Fixed Assets	**4**	**1 (c) (d) & (e)**		
Gross Block			**419.30**	279.10
Less: Depreciation			**140.70**	121.22
Net Block			**278.60**	157.88
Capital Work-in-progress			**47.59**	11.67
Investments	**5**	**1 (f) & 9(c)**	**579.74**	577.61
Current Assets, Loans & Advances :				
Inventories	**6**	**1(g)**	**199.52**	200.24
Contracts in Progress		**7**	**55.81**	75.32
Sundry Debtors	**7**		**505.31**	382.51
Cash & Bank Balances	**8**		**27.91**	62.47
Other Current Assets			**30.35**	21.91
Loans & Advances	**9**		**190.47**	186.95
			1009.37	929.40
Less: Current Liabilities & Provisions :				
Current Liabilities	**10**		**1011.08**	1002.90
Contracts in Progress		**7**	**16.52**	30.46
Provisions	**11**	**1(i), (j) & 26**	**136.48**	53.72
			1164.08	1087.08
Net Current Assets			**(154.71)**	(157.68)
Miscellaneous Expenditure to the extent not written off or adjusted	**12**	**1(h)**	**—**	0.10
Total Funds Applied			**751.22**	589.58
Notes to Accounts	**18**			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 21, 2008

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

M. S. Unnikrishnan
Managing Director

Sunil Lalai
Company Secretary

Pune, May 21, 2008

Profit and Loss Account for the year ended March 31, 2008

	Sch	Sch 18 Note No. Reference	Year ended March 31, 2008 Rs. Crore	Year ended March 31, 2007 Rs. Crore
INCOME				
Sales and Other Income	**13**	**1 (k)**	**3245.94**	2210.03
EXPENDITURE				
Materials	**14**		**2180.39**	1429.36
Personnel	**15**		**241.06**	191.14
Other Expenses	**16**		**370.79**	271.61
Excise Duty (Net)			**2.35**	1.84
Depreciation		**1 (d)**	**21.80**	18.76
Interest	**17**	**1 (l)**	**1.27**	1.30
			2817.66	1914.01
Profit Before Tax & Extra Ordinary Items			**428.28**	296.02
Extra-ordinary Items of Expenses/(Income)				
Obligations under counter guarantees given on behalf of subsidiary		**11**	**(2.10)**	5.48
Profit Before Tax			**430.38**	290.54
Less : Provision for Taxation		**1 (o)**		
Current Tax			**(140.98)**	(99.54)
Deferred Tax		**8**	**(5.62)**	(1.10)
Fringe Benefit Tax			**(3.00)**	(2.10)
Profit After Tax			**280.78**	187.80
Balance carried forward from last year			**222.97**	136.61
Profit available for appropriation			**503.75**	324.41
Appropriations				
Interim / Proposed Equity Dividend			**95.33**	71.49
Tax on Dividend			**16.20**	10.95
General Reserve			**33.02**	19.00
Balance Carried to Balance Sheet			**359.20**	222.97
			503.75	324.41
Basic / Diluted Earnings Per Share (EPS) - Rs. [Equity Shares of Rs. 2/- each]		**24**	**23.56**	15.76
Weighted average number of Equity Shares			**11,91,56,300**	11,91,56,300
Notes to Accounts	**18**			

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

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 21, 2008

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

M. S. Unnikrishnan
Managing Director

Sunil Lalai
Company Secretary

Pune, May 21, 2008

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

		Sch 18 Note No. Reference	As at March 31, 2008 Rs. Crore	As at March 31, 2007 Rs. Crore
SCHEDULE 1				
SHARE CAPITAL				
Authorised				
37,50,00,000	Equity Shares of Rs. 2/- each		**75.00**	75.00
			75.00	75.00
Issued, Subscribed & Paid Up				
11,91,56,300	Equity Shares of Rs. 2/- each, fully paid-up	**10**	**23.83**	23.83
			23.83	23.83
SCHEDULE 2				
RESERVES & SURPLUS				
Capital Redemption Reserve				
Per Last Balance Sheet			**50.34**	50.34
Share Premium Account				
Per Last Balance Sheet			**61.13**	61.13
Capital Reserve				
Per Last Balance Sheet			**1.92**	2.25
Less : Adjustment on Amalgamation			**—**	0.33
			1.92	1.92
Hedging Reserve				
Profit / (Loss) - Cash Flow Hedging			**(5.28)**	—
General Reserve				
Per Last Balance Sheet			**219.00**	200.00
Less: Leave encashment / Gratuity provision			**7.02**	—
Add: Transferred from Profit & Loss A/c			**33.02**	19.00
			245.00	219.00
Amalgamation Reserve				
Per Last Balance Sheet			**—**	4.43
Less : Adjustment on Amalgamation			**—**	4.43
			—	—
Balance in Profit & Loss A/c			**359.20**	222.97
			712.31	555.36

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

	Sch 18 Note No. Reference	As at March 31, 2008 Rs. Crore	As at March 31, 2007 Rs. Crore
SCHEDULE 3			
SECURED LOANS			
Borrowings from Banks for Working Capital (including Working Capital Term Loans)	13	—	—
		—	—

SCHEDULE : 4
FIXED ASSETS
(Refer Notes 1(c) (d) & (e) of Schedule 18)

Rs. Crore

Particulars	Gross Block					Depreciation					Net Block	
	Cost As at 1.4.07	Additions/ Adjustments during the Year	Transfer on Amalgamation	Deductions/ during the Year	**Total Cost as at 31.3.08**	Upto 31.3.07	Deductions/ Adjustments during the Year	Transfer on Amalgamation	Provisions during the Year	**Total as at 31.3.08**	**As at 31.3.08**	As on 31.3.07
TANGIBLE :												
Land - Freehold	7.36	-	-	-	**7.36**	-	-	-	-	**-**	**7.36**	7.36
Land - Leasehold	10.77	-	-	0.12	**10.65**	-	-	-	-	**-**	**10.65**	10.77
Building	40.31	51.43	-	-	**91.74**	9.32	-	-	1.46	**10.79**	**80.95**	30.99
Plant & Machinery	137.08	54.60	-	0.23	**191.45**	68.45	0.22	-	8.63	**76.86**	**114.59**	68.63
Machinery given on Lease	0.46	-	-	-	**0.46**	0.43	-	-	-	**0.43**	**0.03**	0.03
Electrical Installation	5.42	13.16	-	0.01	**18.57**	3.12	(0.58)	-	0.47	**4.17**	**14.40**	2.30
Furniture, Fixtures, Office Equipments and Computers	58.04	14.40	-	1.77	**70.67**	31.84	2.63	-	6.45	**35.66**	**35.01**	26.20
Vehicles	14.09	5.24	-	2.80	**16.53**	4.50	1.22	-	1.99	**5.27**	**11.26**	9.59
INTANGIBLE :												
Software	4.64	6.30	-	-	**10.94**	2.72	(1.17)	-	2.75	**6.64**	**4.30**	1.92
Technical Know How	0.93	-	-	-	**0.93**	0.84	-	-	0.04	**0.88**	**0.05**	0.09
Total	**279.10**	**145.13**	**-**	**4.93**	**419.30**	**121.22**	**2.32**	**-**	**21.80**	**140.70**	**278.60**	**157.88**
Previous Year	243.03	43.36	1.57	8.86	279.10	109.79	7.59	0.26	18.76	121.22	157.88	133.24
Capital W.I.P											**47.59**	**11.67**

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

		Face Value Rs. Crore	**As at March 31, 2008 Rs. Crore**	As at March 31, 2007 Rs. Crore
SCHEDULE 5				
Investments (See note 1 (f) & 9 (c) of Schedule 18)				
A.	**Non Trade (Long Term)**			
Government Securities				
1	National Savings Certificates [Amount Rs 15,000 (Previous year Rs. 15,000)]	0.00	**0.00**	0.00
2	50,000 *(Previous year 50,000)* 12.25 % GOI 2008	0.50	**0.53**	0.53
Units - Quoted but not Listed				
3	Nil *(Previous year 50,99,485)* units of ABN AMRO Fixed Term Plan E Series 4 of ABN AMRO Asset Management	-	-	5.10
4	Nil *(Previous year 2,02,03,154)* units of ABN AMRO Fixed Term Plan C Series 4 of ABN AMRO Asset Management	-	-	20.20
5	Nil *(Previous year 1,01,77,548)* units of ABN AMRO Fixed Term Plan C Series 6 of ABN AMRO Asset Management	-	-	10.18
6	50,00,000 *(Previous year Nil)* units of ABN AMRO Fixed Term Plan Series 8 Yearly Plan C of ABN AMRO Asset Management	5.00	**5.00**	-
7	50,00,000 *(Previous year Nil)* units of ABN AMRO Fixed Term Plan Series 10 of ABN AMRO Asset Management	5.00	**5.00**	-
8	Nil *(Previous year 1,00,00,000)* units of Birla Fixed Term Series of Birla Sunlife Mutual Fund	-	-	10.00
9	Nil *(Previous year 1,49,89,371)* units of Birla Cash Plus Institutional Premium Plan of Birla Mutual Fund	-	-	15.05
10	55,33,393 *(Previous year 51,69,101)* units of Birla Sun Life Short Term Fund of Birla Sunlife Mutual Fund	5.53	**5.58**	5.19
11	Nil *(Previous year 50,00,000)* units of Birla Fixed Term Plan Half Yearly Plan Series 1 of Birla Sunlife Mutual Fund	-	-	5.00
12	14,19,559 *(Previous year Nil)* units of Birla Income Plus Fund of Birla Mutual Fund	1.42	**5.00**	-
13	51,01,699 *(Previous year Nil)* units of Birla Fixed Term Plan Series AG of Birla Sunlife Mutual Fund	5.10	**5.10**	-
14	1,05,166 *(Previous year 1,05,166)* units of Chola Liquid Institutional Plus Cumulative Plan of Chola Mutual Fund	0.11	**0.14**	0.14
15	Nil *(Previous year 1,84,41,787)* units of DBS Chola Fixed Maturity Plan -2 Series 6 of DBS Chola Mutual Fund	-	-	18.44
16	Nil *(Previous year 3,51,84,656)* units of DBS Chola Fixed Maturity Plan -3 Series 6 of DBS Chola Mutual Fund	-	-	35.18
17	Nil *(Previous year 51,032)* units of DSPML Fixed Term Plan Series 1 I of DSP Merill Lynch Mutual Fund	-	-	5.10
18	1,00,00,000 *(Previous year Nil)* units of DSPML Fixed Maturity Plan 13M Series 1 of DSP Merill Lynch Mutual Fund	10.00	**10.00**	-
19	Nil *(Previous year 1,00,00,000)* units of Grindlays Fixed Maturity -22nd Plan of Standard Chartered Mutual Fund	-	-	10.00
20	Nil *(Previous year 49,86,456)* units of HSBC Liquid Plus Institutional Plan of HSBC Mutual Fund	-	-	5.01

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

		Face Value Rs. Crore	**As at March 31, 2008 Rs. Crore**	As at March 31, 2007 Rs. Crore
21	Nil *(Previous year 2,06,85,668)* units of HDFC Liquid Fund Premium Plan of HDFC Mutual Fund	-	**-**	25.82
22	Nil *(Previous year 1,50,00,000)* units of ING Vysya Fixed Maturity Series XXI - of ING Vysya Mutual Fund	-	**-**	15.00
23	50,00,000 *(Previous year Nil)* units of ING Fixed Maturity Fund Series XXXII of ING Mutual Fund	5.00	**5.00**	-
24	51,84,541 *(Previous year Nil)* units of JM Arbitrage Advantage Fund of JM Financial Mutual Fund	5.18	**5.35**	-
25	Nil *(Previous year 50,00,000)* units of JM Fixed Maturity Fund Series II YSA of JM Financial Mutual Fund	-	**-**	5.00
26	Nil *(Previous year 1,54,57,857)* units of JM Fixed Maturity Fund Series IV of JM Financial Mutual Fund	-	**-**	15.46
27	50,00,000 *(Previous year Nil)* units of JM Fixed Maturity Fund Series VII of JM Financial Mutual Fund	5.00	**5.00**	-
28	97,89,179 *(Previous year Nil)* units of Kotak Equity Arbitrage Fund of Kotak Mahindra Mutual Fund	9.79	**10.38**	-
29	Nil *(Previous year 3,61,13,760)* units of Kotak Fixed Maturity Plan Series 8 of Kotak Mahindra Mutual Fund	-	**-**	36.11
30	Nil *(Previous year 1,53,73,789)* units of Kotak Fixed Maturity Plan Series 2 of Kotak Mahindra Mutual Fund	-	**-**	15.37
31	Nil *(Previous year 1,02,54,813)* units of Kotak Fixed Maturity Plan Series 10 of Kotak Mahindra Mutual Fund	-	**-**	10.25
32	Nil *(Previous year 51,16,298)* units of Kotak Fixed Maturity Plan Series 3 of Kotak Mahindra Mutual Fund	-	**-**	5.12
33	Nil *(Previous year 4,10,000)* units of Kotak Liquid (Regular) Plan of Kotak Mahindra Mutual Fund	-	**-**	0.53
34	34,05,751 *(Previous year 31,31,945)* units of Prudential ICICI Blended Plan A of Prudential ICICI Mutual Fund	3.41	**3.44**	3.15
35	Nil (*Previous year 13,61,85,796) units* of Prudential ICICI Fixed Maturity Series 34 of Prudential ICICI Mutual fund	-	**-**	36.19
36	Nil (*Previous year 2,57,48,988)* units of Prudential ICICI Fixed Maturity Series 35 Plan A of Prudential ICICI Mutual fund	-	**-**	25.75
37	Nil (*Previous year 1,51,47,746)* units of Prudential ICICI Fixed Maturity Series 35 Plan B of Prudential ICICI Mutual fund	-	**-**	15.15
38	Nil *(Previous year 49,99,550)* units of Principal Cash Management Fund of Principal Mutual Fund	-	**-**	5.00
39	36,67,571 *(Previous year Nil)* units of Principal Income Fund of Principal Mutual Fund	3.67	**5.00**	-
40	Nil *(Previous year 1,50,00,000)* units of Principal PNB Fixed Maturity Plan 34 of Principal Mutual Fund	-	**-**	15.00
41	50,00,000 *(Previous year Nil)* units of Principal PNB Fixed Maturity Plan Series VI of Principal Mutual Fund	5.00	**5.00**	-
42	9,38,761 *(Previous year 9,38,761)* units of Reliance Power Sector Fund Growth Plan of Reliance Mutual Fund	0.94	**1.32**	1.32

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

		Face Value Rs. Crore	**As at March 31, 2008 Rs. Crore**	As at March 31, 2007 Rs. Crore
43	Nil *(Previous year 2,57,76,726)* units of Reliance Fixed Horizon Fund II Series II of Reliance Mutual Fund	-	**-**	25.78
44	Nil *(Previous year 1,00,29,649)* units of Reliance Fixed Horizon Fund I Annual Plan Series I of Reliance Mutual Fund	-	**-**	10.03
45	Nil *(Previous year 1,03,61,131)* units of Reliance Fixed Horizon Fund I Series IV of Reliance Mutual Fund	-	**-**	10.36
46	Nil *(Previous year 1,56,81,392)* units of Reliance Fixed Horizon Fund II Series IV of Reliance Mutual Fund	-	**-**	15.68
47	Nil *(Previous year 1,50,00,000)* units of Reliance Fixed Horizon Fund II Series VI of Reliance Mutual Fund	-	**-**	15.00
48	49,02,434 *(Previous year Nil)* units of Reliance Short Term Fund of Reliance Mutual Fund	4.90	**5.18**	-
49	50,00,000 *(Previous year Nil)* of Reliance Fixed Horizon Fund Series IV of Reliance Mutual Fund	5.00	**5.00**	-
50	5,00,000 *(Previous year 5,00,000)* units of Sundaram S.M.I.L.E. Fund Dividend Plan of Sundaram Mutual Fund	0.50	**0.50**	0.50
51	Nil *(Previous year 50,00,000)* units of Sundaram Fixed Term Plan Series 1 of Sundaram Mutual Fund	-	**-**	5.00
52	Nil *(Previous year 5,56,69,883)* units of Sundaram Fixed Term Plan Series XXIII of Sundaram Mutual Fund	-	**-**	55.67
53	Nil *(Previous year 49,02,082)* units of Sundaram Money Fund Institutional Plan of Sundaram Mutual Fund	-	**-**	5.09
54	48,70,827 *(Previous year Nil)* units of SBI Arbitrage Opportunities Fund of SBI Mutual Fund	4.87	**5.28**	-
55	Nil *(Previous year 1,53,28,501)* units of SBI Debt Fund Series of SBI Mutual Fund	-	**-**	15.33
56	Nil *(Previous year 2,50,00,000)* units of SBI Debt Fund Series of SBI Mutual Fund	-	**-**	25.00
57	Nil *(Previous year 50,63,100)* units of SBI Debt Fund Series of SBI Mutual Fund	-	**-**	5.06
58	47,600 *(Previous year Nil)* units of Templeton India Short Term Income Plan of Franklin Templeton Mutual Fund	4.76	**5.17**	-
59	17,27,277 *(Previous year Nil)* units of Templeton India Income Fund of Franklin Templeton Mutual Fund	1.73	**5.00**	-
60	7,250 *(Previous year 7,250)* 6.75 % Tax Free Unit Trust of India 64 Bonds	0.07	**0.10**	0.10
Quoted Equity Shares (fully paid up)				
61	25 *(Previous year 2,500)* Equity Shares of Rs. 10/- each in Global Boards Ltd. [Reduction in the number of shares is on account reduction of paid up Equity Capital by 99%, pursuant to BIFR Order.]	0.00	**0.00**	0.00
62	Nil *(Previous year 1,190)* Equity Shares of Rs 10 /- each in Indian Petrochemicals Corporation Limited	-	**-**	0.04

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

		Face Value Rs. Crore	**As at March 31, 2008 Rs. Crore**	As at March 31, 2007 Rs. Crore
63	238 *(Previous year Nil)* Equity Shares of Rs 10/- each in Reliance Industries Ltd.	0.00	**0.04**	-
64	450 *(Previous year 450)* Equity Shares of Rs. 10/- each in Sudarshan Chemical Industries Ltd.	0.00	**0.00**	0.00
65	30,000 *(Previous year 7,000 of face value of Rs. 10/- each)* Equity Shares of Rs.2/- each in Sanghvi Movers Ltd.	0.01	**0.05**	0.06
Quoted Equity Shares (partly paid up)				
66	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)				
67	1,375 *(Previous year 1,375)* Equity Shares of Rs.20/-each in Cosmos Co-operative Bank Ltd.	0.00	**0.00**	0.00
68	17,539 *(Previous year 17,539)* Equity Shares of Rs. 10/- of G S L (India) LTD.	0.02	**0.00**	0.00
69	10,000 *(Previous year 10,000)* Equity Shares of Rs. 10/- of Sicom Limited	0.01	**0.07**	0.07
Unquoted Preference Shares (fully paid up)				
70	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
In Subsidiary Companies (fully paid up)				
71	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
72	45,00,000 *(Previous year 15,00,000)* Equity Shares of Rs.10/- each in Thermax Engineering Construction Company Ltd.	4.50	**4.50**	1.50
73	90,00,000 *(Previous year 90,00,000)* Equity Shares of Rs.10/- each in Thermax Instrumentation Ltd.	9.00	**4.59**	4.59
74	2,00,000 *(Previous year 2,00,000)* Ordinary Shares of GBP 1 each in Thermax Europe Ltd.	1.17	**1.17**	1.17
75	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
76	14,55,000 *(Previous year 14,55,000)* Equity Shares of USD 1/- each in Thermax International Ltd., Mauritius	6.78	**6.78**	6.78
77	9,56,050 *(Previous year 9,56,050)* Equity Shares of Brazilian Real 1/- each in Thermax do Brasil - Energia e Equipamentos Ltda.	1.57	**1.57**	1.57
78	59,33,133 *(Previous year 59,33,133)* Equity Shares of Hong Kong Dollar 1/- each in Thermax Hong Kong Ltd.	3.49	**3.49**	3.49

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

		Face Value Rs. Crore	**As at March 31, 2008 Rs. Crore**	As at March 31, 2007 Rs. Crore
79	17,47,300 *(Previous year 17,47,300)* 6% Cummulative Redeemable Preference of Shares USD 1 /- with conversion option in Thermax International Ltd., Maruitius	7.81	**7.81**	7.81
80	Equity shares of USD 79,75,000 *(Previous year Nil)* in Thermax (Zhejiang) Cooling and Heating Engineering Co. Ltd.	32.45	**32.45**	-
	Application Money			
	Towards Shares / Units		**0.13**	5.45
		161.22	**167.24**	598.00
	Provision for diminution in value of investments		**20.39**	20.39
		161.22	**146.86**	577.61

* The company is in the process of liquidation.

B.	**Current Investment**			
	Units - Quoted but not Listed			
	Fixed Maturity Plan			
1	51,82,425 *(Previous year Nil)* units of ABN AMRO Flexible Short Term Plan Series A Monthly Dividend of ABN AMRO Asset Management	5.18	**5.18**	-
2	1,64,08,650 *(Previous year Nil)* units of ABN AMRO Flexible Short Term Plan Series A Quarterly Dividend of ABN AMRO Asset Management	16.41	**16.41**	-
3	54,73,953 *(Previous year Nil)* units of ABN AMRO Flexible Short Term Plan Series B of ABN AMRO Asset Management	5.47	**5.47**	-
4	1,01,86,673 *(Previous year Nil)* units of ABN AMRO Flexible Short Term Plan Series C of ABN AMRO Asset Management	10.19	**10.19**	-
5	50,91,440 *(Previous year Nil)* units of ABN AMRO Flexible Short Term Plan Series D of ABN AMRO Asset Management	5.09	**5.09**	-
6	50,00,000 *(Previous year Nil)* units of ABN AMRO Interval Fund Quarterly Plan I of ABN AMRO Asset Management	5.00	**5.00**	-
7	51,27,678 *(Previous year Nil)* units of Birla Interval Fund Series 2 of Birla Sunlife Mutual Fund	5.13	**5.13**	-
8	2,53,37,916 *(Previous year Nil)* units of Birla Interval Fund Series 6 of Birla Sunlife Mutual Fund	25.34	**25.34**	-
9	50,52,287 *(Previous year Nil)* units of DBS Chola Interval Income Fund Plan C of DBS Chola Mutual Fund	5.05	**5.05**	-
10	1,06,95,288 *(Previous year Nil)* units of DSPML Fixed Maturity Plan 3M Series 3 of DSP Merill Lynch Mutual Fund	10.70	**10.70**	-

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

		Face Value Rs. Crore	**As at March 31, 2008 Rs. Crore**	As at March 31, 2007 Rs. Crore
11	1,00,00,000 *(Previous year Nil)* units of HDFC Fixed Maturity Plan 181D December 2007 (VI) of HDFC Mutual Fund	10.00	**10.00**	-
12	50,00,000 *(Previous year Nil)* units of HDFC Fixed Maturity Plan 90D March 2008 (VII) of HDFC Mutual Fund	5.00	**5.00**	-
13	1,50,00,000 *(Previous year Nil)* units of ING Fixed Maturity Fund Series 42 of ING Mutual Fund	15.00	**15.00**	-
14	6,48,60,094 *(Previous year Nil)* units of ICICI Prudential Interval Fund Quarterly Interval Plan 1 of Prudential ICICI Mutual Fund	64.86	**64.86**	-
15	50,93,010 *(Previous year Nil)* units of JM Interval Fund Quarterly Plan 1 of JM Financial Mutual Fund	5.09	**5.09**	-
16	2,08,54,242 *(Previous year Nil)* units of JM Interval Fund Quarterly Plan 4 of JM Financial Mutual Fund	20.85	**20.85**	-
17	2,59,98,141 *(Previous year Nil)* units of Kotak Quarterly Interval Plan Series 3 of Kotak Mutual Fund	26.00	**26.00**	-
18	1,04,09,558 *(Previous year Nil)* units of Kotak Quarterly Interval Plan Series 4 of Kotak Mutual Fund	10.41	**10.41**	-
19	51,25,539 *(Previous year Nil)* units of Kotak Quarterly Interval Plan Series 6 of Kotak Mutual Fund	5.13	**5.13**	-
20	1,50,00,000 *(Previous year Nil)* units of Principal PNB Fixed Maturity Plan Series XIII of Principal Mutual Fund	15.00	**15.00**	-
21	2,76,73,853 *(Previous year Nil)* of Reliance Quarterly Interval Fund Series II of Reliance Mutual Fund	27.67	**27.67**	-
22	1,02,05,306 *(Previous year Nil)* units of SBI Debt Fund Series 20 of SBI Mutual Fund	10.21	**10.21**	-
23	51,89,032 *(Previous year Nil)* units of SBI Debt Fund Series 21 of SBI Mutual Fund	5.19	**5.19**	-
24	50,10,041 *(Previous year Nil)* units of SBI Debt Fund Series 30 of SBI Mutual Fund	5.01	**5.01**	-
25	5,97,67,974 *(Previous year Nil)* units of Sundaram BNP Paribas Interval Fund Plan C of Sundaram Mutual Fund	59.77	**59.77**	-
26	50,37,388 *(Previous year Nil)* units of Tata Fixed Horizon Fund Series 17 Scheme D of Tata Mutual Fund	5.04	**5.04**	-
	Total Investment in Fixed Maturity Plan	383.79	**383.79**	-

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

		Face Value Rs. Crore	**As at March 31, 2008 Rs. Crore**	As at March 31, 2007 Rs. Crore
Liquid and Liquid Plus				
27	50,33,063 *(Previous year Nil)* units of Birla Sunlife Liquid Plus Fund of Birla Mutual Fund	5.03	**5.04**	-
28	89,31,251 *(Previous year Nil)* units of HDFC Floating Rate Income Fund of HDFC Mutual Fund	8.93	**9.06**	-
29	2,49,00,171 *(Previous year Nil)* units of ING Liquid Plus Fund of ING Mutual Fund	24.90	**24.91**	-
30	1,00,87,371 *(Previous year Nil)* units of SBI SHF Liquid Plus Fund of SBI Mutual Fund	10.09	**10.09**	-
	Total Investment in Liquid and Liquid Plus Schemes	48.95	**49.10**	-
	Total Investment	593.95	**579.74**	577.61

	As at March 31, 2008		As at March 31, 2007	
	*** Cost (Rs.Crore)**	**Market Value (Rs.Crore)**	* Cost (Rs.Crore)	Market Value (Rs.Crore)
Long Term Investments				
Aggregate Value of Quoted Investments	**103.22**	**111.93**	564.11	573.82
Aggregate Value of Un-quoted Investments	**64.02**	**-**	33.89	-
Total	**167.24**	**111.93**	598.00	573.82
Curren Investments				
Fixed Maturity Plan	**383.79**	**385.52**	-	-
Liquid & Liquid Plus	**49.10**	**49.11**	-	-
Total	**432.89**	**434.63**	-	-
Grand Total	**600.13**	**546.56**	598.00	573.82

*Cost is before provision for diminution in the value of investment

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

Following investments were purchased and sold during the year :

Name Units	**No of units (in Crore)**	**Face Value (Rs.Crore)**	**Cost of Acquisition (Rs.Crore)**
ABN AMRO Cash Fund	1.00	10.00	10.00
ABN AMRO FTP Series 6 - Quarterly Plan C	0.02	0.24	0.24
ABN AMRO Money Plus Institutional Plan Daily Dividend	4.23	42.33	42.33
Birla Sun Life Liquid Plus - Institutional Weekly Dividend - Reinvestment	1.53	15.31	15.33
Birla Cash Plus Institutional Premium Daily Dividend Reinvestment	1.00	10.01	10.03
Birla Cash Plus Weekly Dividend Reinvestment	4.06	40.55	40.63
Birla Sun Life Cash Manager - IP - Daily Dividend Reinvestment	0.48	4.75	4.75
Birla Sun Life Liquid Plus - Institutional - Daily Dividend - Reinvestment	3.51	35.11	35.13
Birla Sun Life Liquid Plus - Institutional - Fortnightly Dividend - Reinvestment	1.91	19.12	20.08
DBS Chola Freedom Income STP Institutional - Daily Dividend Reinvestment Plan	2.08	20.81	20.81
DBS Chola Freedom Income STP Institutional - Daily Dividend Reinvestment Plan	3.98	39.79	39.79
DBS Chola Liquid Institutional Daily Dividend Reinvestment	1.00	9.97	10.00
DBS Chola Liquid Institutional Daily Dividend Reinvestment	5.83	58.33	58.52
DSP Merrill Lynch Cash Plus - Institutional Plan - Daily Dividend	0.10	101.33	101.34
DSP Merrill Lynch Strategic Bond Fund - Institutional Plan -Weekly Dividend	0.01	10.32	10.34
HDFC Cash Management Fund - Saving Plan	3.69	36.91	39.26
HDFC Cash Management Fund - Saving Plus	1.50	14.96	15.01
HDFC Floating Rate Income Fund STP - Daily Dividend	0.50	4.99	5.03
HDFC Liquid Fund - Premium Plan Dividend Reinvestment	0.01	0.12	0.15
HSBC Cash Fund - Institutional Plan - Daily Dividend	2.00	20.00	20.01
HSBC Liquid Plus - Institutional Plus - Daily Dividend	6.53	65.27	65.49
HSBC Liquid Plus - Institutional Plus - Daily Dividend	1.50	15.00	15.02
HSBC Liquid Plus - Institutional Plus - Weekly Dividend	0.00	0.03	0.03
ICICI Prudential Institutional Liquid Plan Super Institutional Daily Dividend	0.50	5.00	5.00
ING Fixed Maturity Fund - XXX- Dividend Rollover	1.50	15.01	15.01
ING Liquid Fund Institutional Daily Dividend Option	3.42	34.22	34.26
ING Liquid Plus Fund -Institutional Daily Dividend Option	2.55	25.51	25.52
JM Fixed Maturity Fund - Series V - Quarterly Plan 1 - Institutional Dividend Plan	1.55	15.52	15.52
JM High Liquidity Fund - Super Institutional Plan Daily Dividend	5.49	54.91	55.00
JM Money Manager Fund Super Plus Plan - Daily Dividend	5.54	55.36	55.38
JM Money Manager Fund Super Plus Plan - Daily Dividend	0.50	5.02	5.02
Kotak Flexi Debt Scheme - Daily Dividend	3.71	37.15	37.26
Kotak Flexi Debt Scheme - Daily Dividend	0.06	0.62	0.63
Kotak FMP 3M Series 10-Dividend	0.01	0.10	0.10
Kotak FMP 6M Series 2-Dividend	0.01	0.10	0.10
Kotak FMP 6M Series 3-Dividend	0.00	0.05	0.05
Principal Cash Management Fund	0.51	5.08	5.09
Principal Floating Rate Fund FMP - Institutional Plan - Dividend Reinvestment Daily	5.59	55.91	55.97

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

Name Units	No of units (in Crore)	Face Value (Rs.Crore)	Cost of Acquisition (Rs.Crore)
Prudential ICICI FMP Series 35 - Three Months Plan -B - Retail - Dividend	0.01	**0.15**	0.15
Prudential ICICI Institutional Liquid Plan - SIP Weekly Dividend	1.04	**10.39**	10.39
Prudential ICICI Institutional Liquid Plan - SIP Weekly Dividend	1.04	**10.39**	10.39
Prudential ICICI Institutional Liquid Plan - SIP Weekly Dividend	1.56	**15.59**	15.59
Reliance Interval Fund Quarterly Plan Series I Institutional Dividend Plan	1.06	**10.56**	10.56
Reliance Liquid Plus Fund - Institutional Option - Daily Dividend Plan	0.01	**10.94**	10.96
Reliance Liquid Plus Fund - Institutional Option Weekly Dividend Reinvest Option	0.03	**26.52**	26.58
Reliance Liquidity Fund - Daily Dividend Reinvest Option	0.50	**5.00**	5.00
Reliance Liquidity Fund - Weekly Dividend Reinvest Option	1.05	**10.49**	10.51
SBI Debt Fund Series - 60 Days (April 07) Dividend	3.02	**30.17**	30.17
SBI Debt Fund Series 90 Days - 17-06 November, 07	1.64	**16.39**	16.39
SBI Premier Liquid Fund Institutional Daily Dividend	1.79	**17.95**	18.01
Sundaram BNP Paribas Liquid Plus Super Institutional Dividend Reinvestment Weekly	1.51	**15.08**	15.20
Sundaram BNP Paribas Money Fund Institutional Weekly Dividend Reinvestment	0.48	**4.81**	5.02
TATA Liquid Super High Investment Fund-Daily Dividend	0.01	**13.48**	15.02
Templeton India TMA Daily Dividend	0.00	**5.00**	5.00

	Sch 18 Note No. Reference	As at March 31, 2008 Rs. Crore	As at March 31, 2007 Rs. Crore
SCHEDULE 6			
INVENTORIES			
(As valued and certified by Management)	**1(g)**		
Raw Materials and Components		**162.57**	161.68
[Including Rs.15.20 Crore Goods in Transit *(Previous year Rs. 23.14 Crore)]*			
Work-in-Progress		**28.49**	21.43
Finished Goods		**5.19**	10.58
Stores, Spare Parts and Tools		**3.27**	6.55
		199.52	200.24
SCHEDULE 7			
SUNDRY DEBTORS	**1(p)(ii)**		
Unsecured			
Debts Outstanding for a period exceeding six months			
Considered good		**53.85**	21.55
Considered doubtful		**41.68**	29.25
Less : provided for		**41.68**	29.25
Other Debts		**451.46**	360.96
		505.31	382.51

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

	Sch 18 Note No. Reference	As at March 31, 2008 Rs. Crore	As at March 31, 2007 Rs. Crore
SCHEDULE 8			
CASH & BANK BALANCES			
Cash on hand		**0.54**	0.32
Bank Balances & remittances in transit :			
With Scheduled banks :			
In Current accounts		**0.18**	7.14
In Deposit accounts		**0.06**	0.03
With Other Banks in Foreign Currency :			
In Current Accounts			
Bangkok Bank - Bangkok		**0.00**	0.02
[Maximum balance during the year Rs. 0.07 Crore *(Previous year Rs. 0.16 Crore)]*			
PT Bank Mandiri - Indonesia		**0.03**	0.01
[Maximum balance during the year Rs. 0.05 Crore *(Previous year Rs. 0.24 Crore)]*			
Al Ahli Bank- Kuwait		**0.33**	0.12
[Maximum balance during the year Rs. 5.94 Crore *(Previous year Rs. 1.99 Crore)]*			
Bank Bumiputra - Malaysia		**0.10**	0.00
[Maximum balance during the year Rs. 0.12 Crore *(Previous year Rs. 0.18 Crore)]*			
Bank Austria - Moscow		**0.01**	0.02
[Maximum balance during the year Rs. 0.10 Crore *(Previous year Rs. 0.23 Crore)]*			
Bank of Baroda - Belgium		**0.07**	0.27
[Maximum balance during the year Rs. 0.25 Crore *(Previous year Rs. 0.27 Crore)*			
HSBC Bank - Dubai		**0.10**	0.12
[Maximum balance during the year Rs. 0.10 Crore *(Previous year Rs. 0.46 Crore)*			
Citi Bank - China		**0.17**	-
[Maximum balance during the year Rs. 0.24 Crore *(Previous year Rs. Nil)]*			
Standard Chartered Grindlays Bank - Bangladesh		**0.02**	0.01
[Maximum balance during the year Rs. 0.08 Crore *(Previous year Rs. 0.43 Crore)]*			
Remittances in Transit		**26.30**	54.41
		27.91	62.47

Schedules attached to and forming part of the Balance Sheet as at March 31, 2008

	Sch 18 Note No. Reference	As at March 31, 2008 Rs. Crore	As at March 31, 2007 Rs. Crore
SCHEDULE 9			
LOANS & ADVANCES			
Unsecured, considered good			
Advances recoverable in cash or in kind or for value to be received		**110.64**	105.70
Prepaid Long Term Employee Benefits	**1(i)(iii)**	**1.94**	—
Advances for Capital Expenditure		**8.66**	10.56
Loans & Advances to Subsidiary Companies (Net of dues Rs. Nil)	**15**	**4.36**	4.14
Advances to Staff and Workers [Including Advances to Directors & Officers Rs. Nil *(Previous year Rs. Nil)*] [Maximum balance Rs. Nil *(Previous year Rs. Nil)*]		**6.57**	6.04
Balance in Central Excise & Customs Accounts		**22.88**	25.34
Sundry Deposits [Including Deposits with Directors Rs. 0.40 Crore *(Previous year Rs. 0.40 Crore)]* [Maximum balance Rs. 0.40 Crore *(Previous year Rs.0.40 Crore)]*		**12.57**	10.27
Advance Payment of Income Tax and Wealth Tax [Net of Provision of Rs. 521.22 Crore *(Previous year Rs.385.53 Crore)]*		**22.28**	24.87
Advance Payment of Fringe Benefit Tax [Net of Provision of Rs.9.00 Crore *(Previous year Rs. 6.00 Crore)]*		**0.57**	0.03
		190.47	186.95
SCHEDULE 10			
CURRENT LIABILITIES			
Acceptances		**8.50**	14.89
Short-Term Employee Benefits	**1(i)**	**43.99**	35.98
Customer Advances		**446.86**	604.13
Sundry Creditors	**3**	**429.45**	293.14
Other Liabilities	**14**	**76.06**	53.38
Foreign Currency Forward Contract		**4.89**	—
Trade Deposits		**1.33**	1.38
		1011.08	1002.90
SCHEDULE 11			
PROVISIONS	**1(j)**		
Proposed Equity Dividend		**95.33**	30.98
Provision for Tax on Dividend		**16.20**	5.27
Provision for Employee Retirement & Other Benefits	**1(i)**	**23.28**	11.99
Provision for obligation under Counter Guarantees	**11**	**1.67**	5.48
		136.48	53.72
SCHEDULE 12			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)	**1(h)**		
Technical Know-how			
Per last Balance Sheet		**0.10**	0.20
Less: Amortised during the period		**0.10**	0.10
		—	0.10

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2008

		Sch 18 Note No. Reference	Year ended March 31, 2008 Rs. Crore	Year ended March 31, 2007 Rs. Crore
SCHEDULE 13				
SALES AND OTHER INCOME				
I. Sales		**1 (k)**		
(i) Domestic			**2595.81**	1808.50
Less: Excise Duty			**119.57**	97.95
Net Sales			**2476.24**	1710.55
Add : Closing CIP			**3.27**	0.93
Less : Opening CIP			**0.93**	(23.70)
			2478.58	1735.18
(ii) Exports			**685.52**	356.42
Add : Closing CIP			**36.01**	43.93
Less : Opening CIP			**43.93**	1.81
[Includes Deemed Exports of Rs 374.65 Crore (Prevoius Year Rs 64.49 Crore)]			**677.60**	398.54
(iii) Trading Exports			**0.59**	3.11
Total Sales	**(I)**		**3156.77**	2136.83
II. Other Income from Operations				
(i) Claims and Refunds			**0.29**	0.27
(ii) Balances earlier Written off now Recovered			**1.95**	1.10
(iii) Commission			**5.00**	4.12
(iv) Sale of Scrap			**12.10**	8.01
(v) Exchange Difference Income		**1(m), 17 & 9(b)**	**14.24**	4.85
(vi) Miscellaneous Income			**13.83**	17.86
Total Other Income from Operations	**(II)**		**47.41**	36.21
III. Other Income from Investments				
(i) Dividend from subsidiaries			**—**	1.20
(ii) Dividend - others		**1 (k)(viii)**		
Long-term Investment			**7.72**	29.84
Current Investment			**26.53**	—
(iii) Interest [Tax deducted at source Rs. 0.08 Crore *(Previous year Rs. 0.09 Crore)]*			**3.50**	3.45
(iv) Profit/(Loss) on Sale of Investment				
Long-term Investment			**3.82**	1.25
Current Investment			**0.18**	—
(v) Provision for Dimunition in value of Investments Written Back			**—**	1.00
(vi) Miscellaneous Income			**0.01**	0.25
Total Income from Investments	**(III)**		**41.76**	36.99
	(I+II+III)		**3245.94**	2210.03

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2008

	Sch 18 Note No. Reference	Year ended March 31, 2008 Rs. Crore	Year ended March 31, 2007 Rs. Crore
SCHEDULE 14			
MATERIALS			
A. Consumption of raw materials and components			
Opening Stocks		**144.90**	72.91
Add: Purchases		**2186.82**	1502.79
(Including cost of goods resold)			
		2331.72	1575.70
Less: Closing Stocks		**149.66**	144.90
(A)		**2182.06**	1430.80
B. (Increase)/Decrease in stocks			
Opening Stocks:			
Work-in-Progress		**21.43**	21.25
Finished Goods		**10.58**	9.32
		32.01	30.57
Less: Closing Stocks :			
Work-in-Progress		**28.49**	21.43
Finished Goods		**5.19**	10.58
		33.68	32.01
(B)		**(1.67)**	(1.44)
(A)+(B)		**2180.39**	1429.36
SCHEDULE 15			
PERSONNEL			
Salaries, wages, bonus, testimonials and allowances	**4 & 9(a)**	**214.07**	170.45
Contribution to Provident and other Funds	**1 (i)(i)**	**16.70**	12.74
Staff Welfare Expenses		**10.29**	7.95
		241.06	191.14

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2008

	Sch 18 Note No. Reference	Year ended March 31, 2008 Rs. Crore	Year ended March 31, 2007 Rs. Crore
SCHEDULE 16			
OTHER EXPENSES			
a. Consumables and Tools		**19.30**	14.01
b. Power and Fuel		**13.79**	11.35
c. Drawing, Design and Technical Service Charges		**27.66**	21.03
d. Site Expenses and Contract Labour Charges		**30.22**	16.13
e. Rent and Service Charges		**7.84**	5.31
f. Lease Rentals		**0.01**	—
g. Rates and Taxes		**1.58**	1.11
h. Insurance		**2.44**	2.34
i. Repairs and Maintenance:			
Building		**7.04**	4.18
Plant and Machinery		**6.12**	5.44
Others		**9.08**	9.84
j. Communication		**6.88**	6.59
k. Travelling and Conveyance		**39.21**	32.92
l. Advertising and Exhibition Expenses		**2.47**	2.16
m. Freight Outward		**23.30**	14.38
n. Commission on Sales		**15.59**	18.76
o. Other Selling and Distribution Expenses		**23.15**	17.05
p. Free of Cost Supplies and Modifications		**27.98**	14.91
q. Bank Charges		**5.28**	6.13
r. Legal & Professional Charges		**41.08**	24.47
s. Printing and Stationery		**3.91**	3.40
t. Donations		**0.67**	0.36
u. Bad Debts		**2.28**	1.98
v. Provision for Doubtful Debts/Customer Claims	**1(p)(ii)**	**17.07**	1.58
w. Liquidated Damages	**1(p)(i)**	**11.41**	4.26
x. Loss on Assets sold/discarded (net)		**1.12**	0.86
y. Additional Sales Tax and Turnover Tax		**2.72**	0.93
z. Premium on Forward Contracts (net)		**—**	0.01
aa. Balances Written Off		**2.16**	0.20
ab. Miscellaneous Expenses		**19.33**	12.53
ac. Deferred Revenue Expenditure	**1(h)**	**0.10**	0.10
ad. Diminution in Value of Long-term Investments	**1(f)**	**—**	17.29
		370.79	271.61
SCHEDULE 17			
INTEREST	**1(l)**		
Interest on:			
Fixed Period Loans		**—**	—
Others		**1.27**	1.30
		1.27	1.30

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 notified accounting standards as 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.

   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 following :

   - 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.
   - certain vehicle related to employee perquisites are depreciated at a higher rate of 15% / 13.45% as compared to 9.50% provided in Schedule XIV.
   - No depreciation is charged on assets sold during the year.

   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 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, if any, is recognised 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 that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However, provision for diminution is made to recognise 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 March 31, 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) Employee Benefits

i) Provident Fund

Liability on account of the company's obligation under the employee's provident fund, a defined contribution plan, is charged to profit and loss account on the basis of actual liability basis calculated as a percentage of salary.

ii) Superannuation Fund

Liability on account of the company's obligation under the employee's superannuation fund, a defined contribution plan, is charged to profit and loss account on the basis of actual liability basis calculated as a percentage of salary.

iii) Gratuity

Liability on account of company's obligation under the employee gratuity plan, a defined benefit plan, is provided on the basis of actuarial valuation.

Fair value of plan assets, being the fund balance on the balance sheet date with Life Insurance Corporation under group gratuity-cum-life assurance policy is recognised as asset.

Current service cost, interest cost and actuarial gains and losses are charged to profit and loss account.

Past service cost/effect of any curtailment or settlement is charged/credited to the profit and loss account, as applicable.

iv) Leave Encashment

Liability on account of the company's obligation under the employee's leave policy is provided on actual basis in respect of leave earned but not availed based on the number of days of carry forward entitlement at balance sheet date.

v) Medical and Leave Travel Assistance benefits

Liability on account of the company's obligation under the employee's medical reimbursement scheme and leave travel assistance is provided on actual basis.

vi) Bonus & Employees' Short-Term Incentive Plan

Liability on account of the company's obligation under the statutory regulations, agreement with trade union and employees short term incentive plan, as applicable, is provided on actual basis as per the relevant terms as determined.

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.

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 recognised 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 recognised 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 cost incurred plus recognised profits / less recognised 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 the 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 recognised on the basis of stage of completion.

viii. Dividend from investments is recognised when the Company's right to receive is established.

l) **Borrowing Costs**

i. Borrowing costs on working capital is charged to profit and loss account in the year of incurrence.

ii. Borrowing costs that are attributable to the acquisition of tangible fixed assets are capitalised 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 capitalised 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. Exchange difference on settlement of transactions in foreign currencies is recognised in the Profit & Loss Account.

iii. Foreign currency monetary items are translated at the closing exchange rates and the resulting exchange difference is recognised in the Profit & Loss Account.

iv. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

v. Revenue items of foreign branches are translated at average rate.

n) **Hedge Accounting**

The company uses foreign currency forward contracts to hedge its risk associated with foreign currency fluctuations. In terms of the risk management strategy, the company does not use forward cover contracts for trading or speculative purposes.

Foreign currency forward contracts are initially measured at fair value and are re-measured at subsequent reporting dates. Changes in the fair value of such contracts, which are designated and effective, are recorded in the Hedging Reserve account.

The accumulated changes in fair value recorded in the hedging reserve account are transferred to profit and loss account in the same period during which the underlying transactions affects profit and loss account and / or the foreign currency forward contract expires or is exercised, terminated or no longer qualifies for hedge accounting.

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 recognised, 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 and also, where required, on actual evaluation.

2. Contingent Liability

a) Disputed demands in respect of Excise and Customs Duty Rs. 11.31 Crore *(Previous Year Rs. 15.65 Crore)*, Sales Tax Rs. 1.28 Crore *(Previous Year Rs. 1.38 Crore)* and other Statutes Rs. 1.04 Crore *(Previous Year Rs. 3.15 Crore).*

b) Income Tax

i) Demands disputed in appellate proceedings Rs. 13.83 Crore *(Previous Year Rs. 19.18 Crore).*

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. 21.30 Crore *(Previous Year Rs. 21.30 Crore)*

c) Counter Guarantees given by the Company to the banks on behalf of group companies : Rs. 9.88 Crore on behalf of Thermax Engineering Construction Co. Ltd. (TECC) , Rs. 35.86 Crore on behalf of Thermax Instrumentation Ltd. (TIL) and Rs. 1.09 Crore on behalf of ME Engineering Ltd (ME Engg.), towards securing advances received from clients and performance of contracts.*(Previous Year Rs. 11.51 Crore for TECC, Rs. 24.32 Crore for TIL and Rs. 1.13 Crore for ME Engg.).*

d) Counter Guarantees given to the banks for guarantees issued by them on Company's behalf Rs. 626.56 Crore *(Previous Year Rs. 549.54 Crore).*

e) Indemnity Bonds/Corporate Guarantees given by the Company to the customers on behalf of ME Engineering Rs. 1.62 Crore *(Previous Year Rs 1.73 Crore).*

f) Indemnity Bonds/Corporate guarantees given to Customs, other Government departments and various customers Rs. 40.65 Crore *(Previous Year Rs 21.82 Crore).*

g) Liability for unexpired export obligations Rs. 9.13 Crore *(Previous Year Rs. 3.04 Crore).*

h) Claims against the Company not acknowledged as debts Rs. 8.40 Crore (*Previous Year Rs. 8.00 Crore).*

i) Bills Discounted with banks Rs. 25.51 Crore *(Previous Year Rs. 25.58 Crore).*

j) Liability in respect of partly paid shares in Parasrampuria Synthetics Ltd. Rs. 0.19 Crore *(Previous Year Rs. 0.19 Crore).*

3. Micro & Small Enterprises

Micro & Small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) have been identified to the extent of information available with the company. This has been relied upon by the auditors.

Sundry Creditors include following amounts due to MSMED parties :

Rs. Crore

Sr. No.	Particulars	2007-08		
		Principal	Interest	Total
a	Total oustandings dues to micro and small enterprises.	1 .28	0 .04	1 .32
b	Principal amount and Interest due thereon remaining unpaid as at end of the year.	0 .04	0 .00	0.04
c	Amount of Interest paid in terms of Section 16 of MSMED Act alongwith the amount of the payment made to supplier beyond appointed day.	0 .43	0 .00	0 .43
d	Outstanding Interest (where principal amount has been paid off to the supplier but interest amount is outstanding as on March 31)	NA	0 .04	0 .04
e	Total Interest out standing as on March 31(Interest in 'b' + interest in 'd' above)	NA	0 .04	0 .04

4. Directors' Remuneration **:

Rs. Crore

		2007-08	2006 - 07
(i)	Salaries (including ex-gratia)	**5.45** @	1.11 @
(ii)	Contribution to Provident & other funds	**0.24**	0.16
(iii)	Perquisites in cash or in kind	**0.01**	Nil
(iv)	Commission to Non-Executive Directors	**0.67**	0.62

@ includes Rs.0.30 Crore (*Previous Year Rs. 0.50 Crore*) commission payable to the Managing Director.

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

Note : Provisions for contribution to employee retirement / post retirement and other employee benefits which are based on actuarial valuations done on an overall company basis are excluded above.

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

Rs. Crore

			2007-08	2006 - 07
(i)	Profit Before Tax and Extra Ordinary Items	(i)	**428.28**	296.02
(ii)	Add:			
	Remuneration to Directors		**6.37**	1.89
	Directors sitting fees		**0.18**	0.20
	Provision for diminution in investment		**Nil**	17.29
	Loss on discarded assets		**0.11**	0.31
	Loss on sale of assets		**1.03**	0.60
	Sub total	(ii)	**7.69**	20.29
(iii)	Less:			
	Profit on sale of assets		**0.02**	0.05
	Profit on sale of investment		**4.00**	1.25
	Write-back of provision for diminution in the value of investments		**Nil**	1.00
	Sub total	(iii)	**4.02**	2.30
	Net profit as per Sections 349 & 350 of the Companies Act, 1956	**(i + ii - iii)**	**431.95**	314.01
	Remuneration to Whole-time Director(s) restricted to		**21.60**	15.70

5. Auditors' Remuneration & Directors fees :

Other expenses include:

	2007-08	Rs. Crore 2006 - 07
a) Auditors' Remuneration (excluding service tax)		
i) As Auditors	0.37	0.33
ii) For Taxation matters (including Tax Audits)	0.21	0.11
iii) Certification fees	0.01	0.01
iv) Reimbursement of expenses	0.02	0.01
b) Directors Sitting fees	0.18	0.20

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

A) Production and Stock Rs. Crore

Particulars	**Units**	**Installed Capacity**	**Prod.Qty.**		**Closing Stock as at 31.03.2008**		Closing Stock as at 31.03.2007	
			2007-08	2006-07	**Qty**	**Value**	Qty	Value
a) Boilers Capacity up to 30MT / Chillers	**Nos.**	**3,281**	**1,925**	2,080	**36**	**1.62**	169	9.13
b) Boilers Capacity above 30MT	**MT**	**18,500**	**9,014**	2,727	**-**	**-**	-	-
c) Heater	**Mn.Kg Cal**	**-**	**80**	14	**-**	**-**	-	-
d) Power Plant	**MW**	**-**	**136**	101	**-**	**-**	-	-
Environmental Products & Systems								
a) Air Pollution Control Plants & Systems	**Nos.**	**-**	**999**	940	**-**	-	-	-
b) Water and Waste Treatment Plants	**Nos.**	**-**	**1,908**	1,713	**1**	**0.01**	1	0.03
c) Ion Exchange Resins & Chemicals	**MT**	**35,702**	**16,456**	15,856	**483**	**3.55**	365	1.43
Components & Spares	**Numerous**	**-**	**-**	**-**	**-**	**3.27**	**-**	6.55
Total						**8.46**		17.13

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)

Rs. Crore

Particulars		UNIT	2007-08		2006-07	
			QTY.	VALUE	QTY.	VALUE
Energy Products & Systems						
a)	Boilers capacity up to 30 MT / Chillers	NOS.				
	(i) Completed		**2,050**	**422.99**	2,125	377.83
	(ii) Ongoing		**15**	**17.23**	17	41.33
b)	Boilers Capacity above 30 MT	MT				
	(i) Completed		**7,522**	**856.83**	2,072	264.59
	(ii) Ongoing		**-**	**258.39**	-	403.62
c)	Heater	Mn. Kg. Cal	**80**	**27.71**	14	7 .26
d)	Power Plant	MW				
	(i) Completed		**136**	**65.12**	101	32.99
	(ii) Ongoing		-	**793.49**	-	434.80
Environmental Products & Systems						
a)	Air Pollution Control Plants & Systems	NOS.				
	(i) Completed		**826**	**176.36**	704	139.06
	(ii) Ongoing		**24**	**42.96**	15	16.93
b)	Water & Waste Treatment Plants	NOS.				
	(i) Completed		**1,861**	**79.20**	1,681	61.67
	(ii) Ongoing		**86**	**135.45**	60	92.72
c)	Ion Exchange Resins & Chemicals	MT	**15,615**	**120.89**	15,263	122.87
	Goods Traded In	Numerous	-	**2.47**	-	4 .46
	Accessories, Spares, Erection, Commissioning, services etc.		-	**157.68**	-	136.70
	Total			**3156.77**		2136.83

Notes:

1) Quantitative turnover figures are excluding sales returns and trading quantities.

2) a) Energy Products & Systems :

1. Boiler capacity up to 30 MT / Chiller
   - 1 no. used for captive consumption *(Previous year 3 nos.)*
   - 3 nos. free replacements *(Previous year 6 nos.)*
   - 4 nos. scraped (*Previous year nil.)*
2. Boiler capacity above 30 MT.
   1492 MT used for captive consumption *(Previous year 655 MT)*

b) Environmental Products & Systems :

1. Air Pollution Control Plants & Systems
   173 nos. used for captive consumption *(Previous year 236 nos.)*
2. Water & Waste Treatment Plants
   47 nos. used for captive consumption *(Previous year 31 nos.)*

3. Ion Exchange Resins & Chemicals
   - 710 MT used for captive consumption *(Previous year 651 MT)*
   - 13 MT free replacements *(Previous year 52 MT)*

C) Consumption of Raw Materials, Components etc.

Rs. Crore

Particulars	UNIT	2007-08		2006-07	
		QTY.	VALUE	QTY.	VALUE
Ferrous Sheets, Plates	MT	**13,191**	**60.91**	13,177	50.72
Ferrous Tubes	Numerous		**182.25**		168.35
Fabricated Items	Numerous		**577.31**		419.24
Chemicals	MT	**24,901**	**78.41**	2 2,411	72.48
Purchase of goods for resale	Numerous		**24.93**		27.36
Others Numerous			**1256.58**		691.29
Total			**2180.39**		1429.36

D) Value of imported & indigenous raw materials, components & Spare Parts consumed

Particulars	%	2007-08	%	2006-07
Imported	**14**	**308.74**	17	240.82
Indigenous	**86**	**1871.65**	83	1188.54
Total	**100**	**2180.39**	100	1429.36

E) CIF Value of Imports

Particulars	2007-08	2006-07
Raw Materials	**203.64**	180.14
Components & Spares	**98.59**	64.71
Consumables	**3.18**	7.09
Capital Goods	**21.85**	6.39
Total	**327.26**	258.33

F) Earnings in Foreign Currency (on accrual basis)

Particulars	2007-08	2006-07
Export of goods on FOB	**343.44**	303.98
Others	**9.04**	1.65
Total	**352.48**	305.64

G) Expenditure in Foreign Currency (on accrual basis)

Particulars	2007-08	2006-07
Technical Fees	**4.58**	0.65
Expenses in Foreign Offices	**9.17**	8.48
Royalty	**8.62**	3.35
Travelling, Commission and Others	**39.81**	23.53
Capital Expenditure at foreign offices	**0.38**	0.18
Total	**62.56**	36.19

7. **Contracts in Progress (CIP)**

Rs. Crore

Particulars	2007-08	2006-07
a) Aggregate amount recognised as Contract Revenue (RR) for the Year	**2368.93**	1365.99
b) In respect of contracts in progress as on March 31 :		
1. Aggregate amount of cost incurred and recognised profits (less recognised losses)	**3414.23**	1304.91
2. Amount of Customer Advances received	**390.02**	474.08
3. Amount of Retentions	**30.64**	27.46
c) Gross amount due from customers for contract work	**209.61**	75.32
d) Gross amount due to customers for contract work	**158.30**	30.46

8. **Deferred Tax :**

Particulars	2007-08	2006-07
Major components of deferred tax asset:		
i Provision for Doubtful Debts	**14.43**	8.63
ii Others	**1.56**	0.66
Total (A)	**15.99**	9.29
Major components of deferred tax liability		
i Depreciation on Fixed Assets	**30.77**	19.28
ii Others	**0.30**	0.40
Total (B)	**31.07**	19.68
Net Deferred Tax Assets / (Liability) (A-B)	**(15.08)***	(10.39)

* Includes net Deferred Tax Assets of Rs. 0.94 Crore on account of revised AS-15 *(Previous year Rs. Nil)* which has been adjusted against General Reserve.

9. **Changes in Accounting Policies and Reclassification**

a) Employee benefits

During the year, the Company has made changes in the accounting policy in respect of certain employee benefits due to revision in Accounting Standard -15 Employee benefits issued by The Institute of Chartered Accountants of India.

Liability on account of the Company's obligation under employee gratuity plan is now recognised as a charge to Profit & Loss account on the basis of actuarial valuation instead of on the basis of contribution premium made to Group Gratuity-cum-Life assurance scheme administered by Life Insurance Corporation of India. Consequently, the deficit amounting to Rs. 1.82 Crore (net of deferred tax Rs. 0.94 Crore) between Gratuity Fund balance and gratuity liability on the basis of actuarial valuation as on April 1, 2007 has been adjusted to the General Reserve in accordance with the transitional provisions of the aforesaid accounting standard. Further the profit for the current year is higher by Rs. 2.44 crore on account of the aforesaid change in the accounting policy.

Liability on account of the Company's obligation under employee leave encashment policy is now being recognised on actual basis instead of on the basis of actuarial valuation.

Consequently, the deficit amount of Rs. 5.20 Crore (net of deferred tax Rs. Nil) between the value of leave encashment on actual basis and value on actuarial basis as on April 1, 2007 has been adjusted to the General Reserve in accordance with the transitional provisions of the aforesaid accounting standard. Further the profit of the current year is lower by Rs. 4.18 Crore on account of the aforesaid change in the accounting policy.

b) **Hedge Accounting**

In consonance with the announcement made by The Institute of Chartered Accountants of India on March 29, 2008, the Company has changed its accounting policy in respect of foreign currency forward contracts entered into to hedge cash flow risks associated with foreign currency fluctuation. Accordingly the Company has during the quarter ended March 2008, adopted hedge accounting in terms of AS – 30 Financial Instruments: Recognition and Measurement. Consequently, the profit for the year is higher by Rs. 0.29 Crore. Further, accumulated changes in the fair value of effective hedges have been carried to Hedging Reserve account group and disclosed under Reserves and Surplus in the Balance Sheet as on March 31, 2008.

c) **Reclassification of Investments**

As a policy, the Company classifies those investments which it does not intend to hold for more than a year as current investments. All other investments are classified as long term investments.

During the year, the company has reclassified certain investments from long term investment to current investment giving due consideration to the holding period of individual investment. There is no impact on the profit for the year due to such reclassification.

10. Share Capital

Issued, Subscribed & Paid up Equity Capital includes 1,06,78,200 Equity Shares of Rs. 2/- each allotted as fully paid up for consideration other than cash as per various schemes of amalgamation and 1,71,37,500 shares of Rs. 2/- each issued by way of bonus shares on capitalisation of General Reserve.

11. Extra-ordinary items of expenses/income during the year are as follows

Extra-ordinary item of income Rs. 2.10 Crore (previous year expenses Rs. 5.48 Crore) during the current year represents write back of the provision made by the Company during previous year towards possible financial obligations on account of counter-guarantees given by the Company in relation to ME Engineering Ltd., UK.

12. Exceptional items of expenses/income

During the year there are no exceptional items of Expenses/Income. During the previous year following exceptional item of expenses were accounted for:

i) Rs. 12.10 Crore being provision for diminution in the value of long term investment in the shares of an overseas subsidiary which is in turn based on the diminution in the value of shares of ME Engineering Ltd. (ME, UK), a UK based step down subsidiary of the Company and two other companies.

ii) Rs. 5.19 Crore being provision for diminution in the value of long term investment in the shares of two overseas subsidiaries.

iii) Rs. 0.78 Crore being provision for debts owed to the Company by ME, UK

13. Secured Loan

Working capital facilities (packing credits, shipping loans, cash credits & overdrafts) from banks are secured by hypothecation of present and future stock of raw materials, consumables, spares, semifinished goods, finished goods & book debts.

14. 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):-

		As at 31.03.08	As at 31.03.07
i)	Unclaimed Dividend on Equity	**0.36**	0.34
ii)	Unclaimed Dividend on Redeemable Preference Shares (RPS)	**0.02**	0.02
iii)	RPS Redemption Amount	**0.11**	0.11
iv)	Unclaimed matured deposits	**0.01**	0.01

15. 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. Crore

Sr No	Name of subsidiary	Balance outstanding As at 31.3.08	Maximum Balance outstanding during the Year
1	Thermax Surface Coatings Ltd.	2.03	2.03
2	Thermax Instrumentation Ltd.	0.65	0.65

16. 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.

17. Foreign Exchange Transactions

The year end foreign exposures in respect of monetary items that have not been hedged by a derivative instrument or otherwise are given below:

Amounts payable (net) in foreign currency on account of the following:

Particulars	Amount in Rs. Crore	Amount in foreign currency
Export of Goods	11.05	USD 2,756,169
Export of Goods	2.77	Euro 436,296

18. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 59.26 Crore *(Previous year Rs. 110.15 Crore)*.

19. Capitalisation of expenses

a) Raw materials, labour and overheads capitalised in respect of Plant & Machinery Rs. 2.59 Crore *(Previous year Rs. 0.34 Crore)*.

b) Foreign exchange fluctuation capitalised during the year amounted to Rs. Nil *(Previous year capitalised Rs. 0.01 Crore)*.

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

	(Rs. Crore)
Legal & Professional Charges, Travelling	0.23
Drawing & Design, Site Expenses / Technical Charges	0.16
Sales Commission & Promotion Expenses	0.34
Other Miscellaneous Expenses	0.53

21. 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 segments 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.

I) Information about Primary Business Segments Rs. Crore

Particulars	2007-08		
	Energy	**Environment**	**Total**
Revenue :			
Gross Revenue	2620.68	651.30	3271.98
Less : Intersegment Revenue	0.22	67.58	67.80
Net Revenue	2620.46	583.72	3204.18
Result :			
Segment Result	370.45	79.16	449.61
Unallocated income net of unallocated expenditure			(20.06)
Operating Profit			429.55
Interest expenses			1.27
Taxation for the year			149.60
Profit after taxation and before exceptional items			278.68
Extra-ordinary items of Income			2.10
Net Profit			280.78
Other Information :			
Segment Assets	994.71	279.10	1273.81
Unallocated Corporate Assets			583.75
Total Assets			1857.56
Segment Liabilities	772.75	187.61	960.36
Unallocated Corporate Liabilities			161.06
Total Liabilities			1121.42
Capital Expenditure	160.37	18.07	178.44
Depreciation	17.00	4.79	21.80
Non-cash expenses other than depreciation	0.00	0.10	0.10

Rs. Crore

Particulars	2006-07 Energy	Environment	Total
Revenue :			
Gross Revenue	1709.27	526.13	2235.40
Less : Intersegment Revenue	0.50	61.86	62.36
Net Revenue	1708.77	464.27	2173.04
Result :			
Segment Result	255.32	66.48	321.80
Unallocated income net of unallocated expenditure			(24.48)
Operating Profit			297.32
Interest expenses			1.30
Taxation for the year			102.74
Profit after taxation and before exceptional items			193.28
Extra-ordinary items of expenses			5.48
Net Profit			187.80
Other Information :			
Segment Assets	885.12	249.50	1134.62
Unallocated Corporate Assets			461.22
Total Assets			1595.84
Segment Liabilities	767.61	174.77	942.38
Unallocated Corporate Liabilities			74.27
Total Liabilities			1016.65
Capital Expenditure	43.64	7.05	50.69
Depreciation	14.39	4.37	18.76
Non-cash expenses other than depreciation	0.00	0.10	0.10

II) Information about Secondary Segments: Rs. Crore

Particulars	**Year Ended March 31, 2008**	Year Ended March 31, 2007
Revenue :		
India	**2900.65**	1835.87
Outside India	**303.53**	337.17
Total Revenue	**3204.18**	2173.04
Carrying Amount of Segment Assets :		
India	**1205.61**	1081.90
Outside India	**68.20**	52.73
Addition to Fixed Assets :		
India	**178.32**	50.66
Outside India	**0.12**	0.03

22. 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 Surface Coatings Ltd.

Thermax Instrumentation Ltd.

Thermax Engineering Construction Co. Ltd.

ii. **Overseas:**

Thermax Europe Ltd., U.K.

Thermax do Brasil Energia e Equipamentos Ltda., Brazil

Thermax International Ltd., Mauritius

Thermax Inc., USA

Thermax Hong Kong Ltd., Hong Kong

Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd., China

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. Pheroz Pudumjee – Director

C) Enterprise, over which control is exercised by individuals listed in 'B' above
Thermax Social Initiative Foundation

D) Key Management Personnel:
Mr. Prakash Kulkarni - Managing Director (upto 30th June 2007)
Mr. M S Unnikrishnan – Managing Director (from 1st July 2007)
The following transactions were carried out during the year with related parties in the ordinary course of business.

Rs. Crore

Details of Transactions with Subsidiary Companies (Refer Note 22 (A) and (C))

Particulars	**2007-08**	2006-07
I Sales, Service, Other income		
Sales of Goods		
i Thermax Europe Ltd	**17.60**	14.07
ii Thermax Inc.	**45.25**	41.95
iii Others	**3.64**	0 .79
Total	**66.49**	56.81
Rendering of Services	**0.29**	0 .27
Interest Income	**0.21**	0 .20
Management Contracts including for deputation of employees	**0.30**	-
Reimbursement of Expenses / cost of material / Stores	**0.61**	0 .59
II Purchase of Material		
Purchase of Goods		
i Thermax Engineering Construction Co Ltd.	**28.96**	18.98
ii Others	**1.34**	0.73
Total	**30.30**	19.71
Purchase of Fixed Assets		
i Thermax Hong Kong Ltd.	**0.01**	-
III Expenses		
Receiving of Services	**0.64**	1 .31
Liquidated Damages	**0.03**	-
Reimbursement of Expenses	**1.73**	0 .26
FOC Modification / Warranty Expenses:		
i Thermax Inc.	**0.89**	-
ii Thermax Europe Ltd.	**0.68**	-
Total	**1.57**	-
Management Contracts including for deputation of employees	**0.12**	0 .49
Donation to Thermax Social Initiative Foundation	**0.45**	-
IV Finance (Including Loan / Equity Contribution)		
Equity Contribution		
i Thermax do Brasil - Energia e Equipamentos Ltda.	**-**	0 .35
ii Thermax (Zhejiang) Cooling & Heating Engg. Co. Ltd.	**27.13**	5 .32
iii Thermax Engineering Construction Co Ltd.	**3.00**	-
iv Thermax Hong Kong Ltd.	**-**	0.70
Total	**30.13**	6 .37
Diminution in value of Investments Provided		
i Thermax International Ltd.	**-**	12.10
ii Thermax Hong Kong Ltd.	**-**	1 .70
iii Thermax do Brasil - Energia e Equipamentos Ltda.	**-**	3.49
Total	**-**	17.29

	Loans / Advances Given		
	i Thermax Surface Coatings Limited	**0.10**	0 .05
	Loans / Advances given Recived		
	i Thermax Energy Performance Services Ltd.	**-**	0 .49
	Loans / Advance Written off / Provided	**-**	0 .13
V	**Guarantee / Bond / Collateral Given on behalf of subsidiaries and out standing as on 31st March**		
	i ME Engineering Ltd.	**2.71**	2 .86
	ii Thermax Instrumentation Ltd.	**28.56**	24.32
	iii Thermax Engineering Construction Co. Ltd.	**27.88**	11.51
	Total	**59.15**	38.69
VI	**Amount Outstanding - Loan / Advances, Receivable**		
	Loan / Advances Outstanding		
	i Thermax Instrumentation Ltd.	**1.92**	1 .93
	ii Thermax Surface Coatings Ltd.	**2.38**	2 .16
	Total	**4.30**	4 .09
	Account Receivable		
	i Thermax Inc.	**21.92**	25.46
	ii Thermax Europe Ltd	**7.81**	3 .40
	iii Others	**1.25**	1 .08
	Total	**30.98**	29.94
	Trade Advances		
	i Thermax Engineering Construction Co. Ltd.	**1.61**	2.86
VII	**Amount Outstanding - Payable**		
	Accounts Payable		
	i Thermax Engineering Construction Co Ltd.	**4.82**	8 .54
	ii Thermax Inc.	**0.75**	0 .54
	ii Others	**0.17**	0 .72
	Total	**5.74**	9 .80
	Details of Transactions relating to the Persons (refered to in Note 22 (B) and (D))		
	Managerial Remunaration	**5.70**	1.27
	Director's Sitting Fees	**0.09**	0.09
	Rent Paid to Directors	**0.07**	0.08
	Commission paid to Directors	**0.26**	0.26
	Loans, Advance / Deposit outstanding at the end of the year	**0.40**	0.40

23. Defined Benefit Plans for Employees (AS-15)

As per Actuarial valuation as on March 31, 2008 and recognised in financial statements in respect of Gratuity schemes:

			Rs. Crore
i	Components of Employer expense		
	a	Current service cost	2.29
	b	Interest Cost	1.62
	c	Expected Return on Plan Assets	(1.40)
	d	Actuarial (Gain) / Loss	(0.43)
	e	Total Expense recognised in the Profit and Loss Account	2.08

ii	Net (Assets) / Liability recognised in Balance Sheet as at March 31, 2008		
	a	Present Value of Obligation	23.22
	b	Fair Value of Plan Assets	25.16
	c	(Asset)/Liability recognised in the Balance Sheet	(1.94)
iii	Change in Gratuity Obligation during the year		
	a	Present Value of Obligation as at March 31, 2007	21.30
	b	Current Service Cost	2.29
	c	Interest Cost	1.62
	d	Actuarial (Gain)/ Loss	0.21
	e	Benefit Paid	(2.20)
	f	Present Value of Obligation as at March 31, 2008	23.22
iv	Changes in the Fair Value of Plan Assets		
	a	Present Value of Plan Assets as March 31, 2007	18.54
	b	Expected Return on Plan Assets	1.40
	c	Actual Company Contribution	4.61
	d	Benefits Paid	(0.03)
	e	Actuarial Gain / (Loss)	0.64
	f	Present Value of Plan Assets as March 31, 2008	25.16
v	Actuarial Assumptions		
	a	Discount Rate	8% p.a.
	b	Expected Rate of Return	8% p.a.

24. Earnings Per Share (EPS)

Earnings Per Share (EPS) calculated in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India.

Particulars	**2007-08**	2006- 07
Profit After Tax but before Extra-ordinary items (Rs. Crore)	**278.68**	193.28
Weighted average number of Equity shares of Rs. 2 each	**119156300**	119156300
Basic & Diluted EPS before Extra-ordinary items (Rs.)	**23.39**	16.22
Profit After Tax and after Extra-ordinary items (Rs. Crore)	**280.78**	187.80
Basic & Diluted EPS after Extra-ordinary items (Rs.)	**23.56**	15.76

25. Disclosure, as required by AS – 28 (Impairment of Assets):

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

26. Disclosure as required by AS-29 (Contingent Liabilities and Provisions):

Rs. Crore

Particulars	Warranty		Obligation under counter guarantees	
	2007-08	2006-07	**2007-08**	2006-07
Opening Balance (as on 1st April)	**17.01**	17.00	**5.48**	-
Additions during the year	**22.70**	13.91	**-**	5.48
Utilisation during the year	**8.50**	7.74	**1.71**	-
Reversals during the year	**6.54**	6.16	**2.10**	-
Closing Balance (as at 31st March)	**24.67**	17.01	**1.67**	5.48

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

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

I. Registration Details

Registration No. :	0 2 2 7 8 7	State Code :	1 1
Balance Sheet Date :	3 1 0 3 2 0 0 8		

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

Public Issue :	N I L	Rights Issue :	N I L
Bonus Issue :	N I L	Private Placement (including share premium) :	N I L

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

Total Liabilities :	1 9 1 5 3 0 6 2		
Total Assets :	1 9 1 5 3 0 6 2		
Sources of Funds			
Paid up Capital :	2 3 8 3 1 3		
Reserves & Surplus :	7 1 2 3 1 3 3		
Secured Loans :	N I L	Unsecured Loans :	N I L
Application of Funds			
Net Fixed Assets :	3 2 6 1 8 9 5		
Investments :	5 7 9 7 3 7 5		
Net Current Assets :	(1 5 4 7 0 9 0)		
Misc. Expenditure :	N I L	Accumulated Losses :	N I L

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

Total Revenue :	3 2 4 5 9 4 4 5		
Total Expenditure :	2 8 1 5 2 6 7 2		
Profit Before Tax / Loss (-) :	4 3 0 3 7 7 3		
Profit After Tax / Loss (-) :	2 8 0 7 8 0 1		
Earnings Per Share in Rs. :	2 3 . 5 6	Dividend Rate % :	4 0 0

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

Item Code no. (ITC Code) :	8 4 0 2 . 1 0
Product Description :	S T E A M O R O T H E R V A P O R G E N E R A T I N G B O I L E R S
Item Code no. (ITC Code) :	N O T A P P L I C A B L E
Product Description :	P O W E R P L A N T
Item Code no. (ITC Code) :	8 4 2 1 . 1 0
Product Description :	P U R I F Y I N G M A C H I N E R Y F O R L I Q U I D O R G A S E S

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

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 21, 2008

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

M. S. Unnikrishnan
Managing Director

Sunil Lalai
Company Secretary

Pune, May 21, 2008

CASH FLOW STATEMENT

		2007-08	Rs. Crore 2007-06
A	**Cash flow from Operating Activities**		
	Net profit before tax	**430.38**	290.54
	Add Adjustments for		
	Depreciation	**21.80**	18.76
	Amortisation of deferred revenue expenses	**0.10**	0.10
	Net Provision for Doubtful Debts	**12.43**	5.49
	Interest (expense)	**1.27**	1.30
	Lease rentals Paid	**0.01**	—
	Leave Encashment Provision	**6.09**	4.79
	Provision for Long term Investments	**—**	17.29
	Less Adjustments for		
	Interest / Dividend / Brokerage Income	**(37.76)**	(34.74)
	(Profit)/Loss on sale of Investment	**(4.00)**	(1.25)
	(Profit)/Loss on sale of assets	**1.12**	0.86
	Provision for Long Term Investments written back	**—**	(1.00)
	Operating profit before working capital changes	**431.44**	302.14
	Adjustments for		
	Trade and other receivables	**(308.19)**	108.99
	Inventories	**0.71**	(81.50)
	Trade payables	**157.38**	164.94
	Contract in Progress	**5.59**	(66.74)
	Cash generated from operations (Before Extra Ordinary Items)	**286.93**	427.83
	Adjustment for Extra Ordinary Items		
	Provision for obligation under Counter Guarantees	**(2.10)**	5.48
	Obligation under counter gurantee paid	**(1.71)**	—
	Cash generated from operations	**283.12**	433.31
	Direct taxes paid	**(141.93)**	(109.05)
	Net cash from operating activities	**141.19**	324.26
B	**Cash flow from Investing activities**		
	Purchase of Fixed Assets (Net)	**(179.56)**	(50.24)
	Advance for Capital Expenditure	**1.89**	(10.03)
	Investments in Subsidiaries / Group Companies	**(30.13)**	(6.37)
	Purchase of other Investments	**(1224.26)**	(2174.20)
	Proceeds from sale of Investments	**1256.26**	2001.39
	Advance to Subsidiaries	**(0.22)**	0.23
	Interest / Dividend / Brokerage received	**37.77**	34.86
	Net cash from Investing activities	**(138.25)**	(204.36)

		2007-08	2006-07
			Rs. Crore
C	**Cash flow from Financing Activities**		
	Redemption of Preference Shares	**—**	(0.05)
	Lease rentals paid	**(0.01)**	—
	Interest paid	**(1.27)**	(1.30)
	Dividend paid and Tax thereon	**(36.22)**	(92.29)
	Net cash from Financing activities	**(37.50)**	(93.64)
	Net (decrease)/increase in cash & cash equivalents	**(34.56)**	26.26
	Opening cash & bank balances	**62.47**	36.11
	Opening Cash & bank Balances of Amalagamated entities	**—**	0.11
	Closing cash & bank balances	**27.91**	62.47

Note: Previous year's figures have been grouped wherever necessary to conform to this year's classification

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 21, 2008

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

M. S. Unnikrishnan
Managing Director

Sunil Lalai
Company Secretary

Pune, May 21, 2008

Statement pursuant to Section 212 of the Companies Act, 1956,

Relating to the subsidiary companies for their financial year

(Amount in Crore)

Name of the Subsidiary Company	Financial Year ending of the Subsidiary	Holding Company'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 Surface Coatings Ltd.	March 31, 08	100%	Rs.	-	(0.25)	2.06	(0.84)
Thermax Engineering Construction Co. Ltd.	March 31, 08	100%	Rs.	-	1 .83	3.33	3.45
Thermax Instrumentation Ltd.	March 31, 08	100%	Rs.	-	7 .01	(4.88)	(1.16)
Thermax International Ltd. (Mauritius)	March 31, 08	100%	US Dollar	-	(0.00)	-	(0.27)
Thermax Europe Ltd. (U.K.)	March 31, 08	100%	Pound Sterling	-	0 .02	-	0.03
Thermax Hong Kong Ltd. (Hong Kong)	March 31, 08	100%	Hong Kong Dollar	-	0 .00	-	(0.59)
Thermax do Brasil-Energia e Equipamentos Ltda (Brazil)	March 31, 08	100%	Brazillian Real	-	(0.02)	-	(0.08)
Thermax Inc. (U.S.A.) *	March 31, 08	100%	US Dollar	-	0.01	-	0.03
Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd.	December 31, 07	100%	Yuan	-	-	-	-

* This company is a subsidary of Thermax International Ltd. (Mauritius) and hence subsidary of the Company.

Meher Pudumjee
Chairperson

M. S. Unnikrishnan
Managing Director

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 21, 2008

Thermax Limited

Consolidated Financial Statements

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 2008, 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 statements of the six foreign subsidiaries, whose financial statements reflect total assets of Rs. 82.45 crore as at 31st March 2008 and total revenues of Rs. 103.14 crore 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 auditor.

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 2008;

   (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 21, 2008

Consolidated Balance Sheet as at March 31, 2008

	Schedule	Sch. 19 Note No. Ref.	As at March 31, 2008 Rs. Crore	As at March 31, 2007 Rs. Crore
SOURCES OF FUNDS				
Shareholders' Funds:				
Share Capital	1		23.83	23.83
Reserves & Surplus	2		735.68	566.11
			759.51	589.94
Loan Funds:				
Secured Loans	3	7	-	2.17
Unsecured Loans	4		-	-
			-	2.17
Minority Interest			-	-
Deferred Tax Liability:		5		
Deferred Tax Liability			31.29	20.12
Deferred Tax Asset			(17.89)	(13.31)
			13.40	6.81
Total Funds Employed			772.91	598.92
APPLICATION OF FUNDS				
Fixed Assets	5	3 (e)		
Gross Block			432.84	291.79
Less : Depreciation			145.03	124.67
Net Block			287.81	167.12
Capital Work in Progress			60.70	11.81
Investments	6	3 (h)	560.13	574.12
Current Assets, Loans & Advances:				
Inventories	7	3(i)	209.97	210.79
Contracts in Progress		3(m)(iv)	69.34	91.75
Sundry Debtors	8		530.45	399.99
Cash & Bank Balances	9		58.02	97.24
Other Current Assets	10		32.44	22.13
Loans & Advances	11		218.91	201.61
			1119.14	1023.51
Less : Current Liabilities & Provisions:				
Current Liabilities	12		1099.00	1083.16
Contracts in Progress		3(m)(iv)	22.64	40.13
Provisions	13	3(l)	137.17	54.49
			1258.81	1177.78
Net Current Assets			(139.67)	(154.27)
Miscellaneous Expenditure to the extent not written off or adjusted	14	3 (j)	3.95	0.14
Total Funds Applied			772.91	598.92
Notes to Accounts	19			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

H. P. Mahajani
Partner
Membership No. : 30168

Pune, May 21, 2008

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

M. S. Unnikrishnan
Managing Director

Sunil Lalai
Company Secretary

Pune, May 21, 2008

Consolidated Profit and Loss Account for the year ended March 31, 2008

	Schedule	Sch. 19 Note No. Ref.	Year ended March 31, 2008 Rs. Crore	Year ended March 31, 2007 Rs. Crore
INCOME				
Sales and Other Income	15	3 (m)	3525.42	2362.64
EXPENDITURE				
Materials	16		2220.24	1453.64
Personnel	17		267.16	213.89
Other Expenses	18		565.10	368.40
Excise Duty (Net)			2.35	1.84
Depreciation		3 (e)	23.20	19.50
Interest		3 (n)	1.65	1.54
			3079.70	2058.81
Profit Before Tax and Extra-ordinary items			445.72	303.83
Extra-ordinary Items of Expenses				
Obligations under counter guarantees given on behalf of ME Engineering Ltd., UK		6	(2.10)	5.48
Profit before Tax and after Extra-ordinary Items			447.82	298.35
Provision for Taxation				
Current Tax		3 (f) (i)	(144.88)	(101.07)
Deferred Tax		3 (f) (ii)	(8.83)	(1.24)
Fringe Benefit Tax			(3.39)	(2.32)
Profit After Tax			290.72	193.72
Less : Minority Interest			-	-
Profit After Tax and Minority Interest			290.72	193.72
Balance carried forward from last year			211.69	98.04
Adjustment on Amalgamation			-	2.12
Add: Accumulated net deferred tax asset			1.41	3.66
Add: Adjustment on account of ME Engineering Ltd., UK and Thermax Energy Performance Services Ltd.			-	15.87
Profit available for appropriation			503.82	313.41
Appropriations				
Interim / Proposed Equity Dividend			95.33	71.49
Tax on Dividend			16.20	11.03
General Reserve			33.27	19.20
Balance carried to Balance Sheet			359.02	211.69
			503.82	313.41
Basic / Diluted Earnings Per Share (EPS) - Rs. [Equity Shares of Rs. 2/- each]		10	24.40	16.26
Weighted Average number of Equity Shares			11,91,56,300	11,91,56,300
Notes to Accounts	19			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

H. P. Mahajani
Partner
Membership No. : 30168

Pune, May 21, 2008

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

M. S. Unnikrishnan
Managing Director

Sunil Lalai
Company Secretary

Pune, May 21, 2008

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2008

	Sch. 19 Note No. Ref.	As at March 31, 2008 Rs. Crore	As at March 31, 2007 Rs. Crore
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
37,50,00,000 Equity Shares of Rs. 2/- each		**75.00**	75.00
Issued, Subscribed & Paid Up			
11,91,56,300 Equity Shares of Rs. 2/- each, fully paid-up		**23.83**	23.83
		23.83	23.83
SCHEDULE 2			
RESERVES & SURPLUS			
a. Capital Redemption Reserve			
Per last Balance Sheet		**50.34**	50.34
b. Capital Reserve			
Per last Balance Sheet		**13.10**	13.45
Less : Adjustment on Amalgamation		**-**	0.35
		13.10	13.10
c. Capital Reserve on Consolidation			
Capital Reserve (on investment in Subsidiaries)		**4.71**	4.71
d. Share Premium			
Per last Balance Sheet		**61.13**	61.13
e. Hedging Reserve			
Per last Balance Sheet		**-**	-
Profit / (Loss) - Cash Flow Hedging		**(5.28)**	-
		(5.28)	-
f. General Reserve			
Per last Balance Sheet		**222.15**	203.30
Less: Leave encashment / Gratuity provision		**7.23**	-
Add: Transferred from Profit & Loss A/c		**33.27**	19.20
Add: Transferred on Amalgamation		**-**	(0.35)
		248.19	222.15
g. Amalgamation Reserve			
Per last Balance Sheet		**-**	4.43
Less : Adjustment on Amalgamation		**-**	4.43
		-	-
h. Foreign Currency Translation Reserve	3 (d)	**4.47**	2.99
i. Balance in Profit & Loss A/c		**359.02**	211.69
		735.68	566.11

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2008

	Sch. 19 Note No. Ref.	As at March 31, 2008 Rs. Crore	As at March 31, 2007 Rs. Crore
SCHEDULE 3			
SECURED LOANS			
a. Borrowing from Banks for Working Capital (including Working Capital Term Loans)	7	-	2.17
b. Other Secured Loans		-	-
		-	2.17

SCHEDULE 4		
UNSECURED LOANS		
a. Bank Loans and Overdrafts	-	-
b. Inter Corporate Deposits	-	-
	-	-

SCHEDULE 5
FIXED ASSETS

Rs. Crore

Particulars of Asset	Gross Block					Depreciation					Net Block	
	Cost as at 01-04-07	Adj on Account of Subsidiaries	Additions/ Adjustment During the year	Deductions/ Adjustment During the year	**Total Cost as at 31-03-08**	Upto 31-03-07	Adj on Account of Subsidiaries	Deductions/ Adjustment During the year	Provisions During the year	**Total as at 31-03-08**	**As at 31-03-08**	**As at 31-03-07**
TANGIBLE:												
A. Land - Freehold	11.15	-	0.12	-	**11.27**	-	-	0.08	0.08	**-**	**11.27**	11.15
B. Land - Leasehold	10.88	-	-	0.12	**10.76**	-	-	-	-	**-**	**10.76**	10.88
C. Building	43.35	-	51.43	-	**94.78**	9.98	-	-	1.56	**11.54**	**83.24**	33.37
D. Plant & Machinery	140.04	-	54.80	0.36	**194.48**	69.90	-	0.29	9.04	**78.65**	**115.83**	70.14
E. Assets given on Lease	0.46	-	-	-	**0.46**	0.43	-	-	-	**0.43**	**0.03**	0.03
F. Electrical Installation	5.82	-	13.16	0.01	**18.97**	3.27	-	(0.58)	0.68	**4.53**	**14.44**	2.55
G. Furniture, Fixtures, Computers & Office Equipment	59.66	-	15.27	2.19	**72.74**	32.75	-	3.04	7.00	**36.71**	**36.03**	26.91
H. Vehicles	14.85	-	5.54	2.86	**17.53**	4.78	-	1.25	2.13	**5.66**	**11.87**	10.07
INTANGIBLE:												
A. Software	4.65	-	6.34	0.07	**10.92**	2.72	-	(1.16)	2.75	**6.63**	**4.29**	1.93
B. Technical Knowhow	0.93	-	-	-	**0.93**	0.84	-	-	0.04	**0.88**	**0.05**	0.09
Total	**291.79**	**-**	**146.66**	**5.61**	**432.84**	124.67	-	**2.92**	**23.28**	**145.03**	**287.81**	167.12
Previous Year	252.89	1.24	49.05	8.91	**291.79**	114.00	0.87	7.96	19.50	**124.67**	**167.12**	138.89
Capital WIP											**60.70**	11.81

Depreciation of Rs 0.08 Crore has been capitalised during the year.

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2008

	Sch. 19 Note No. Ref.	**As at March 31, 2008 Rs. Crore**	As at March 31, 2007 Rs. Crore
SCHEDULE 6			
INVESTMENTS	**3(h)**		
A) Non Trade (Long Term)			
a. Government Securities		**0.00**	0.00
b. Units		**50.05**	563.32
c. Bonds		**0.63**	0.63
d. Quoted Equity Shares (fully paid up)		**0.09**	0.10
e. Quoted Equity Shares (partly paid up)		**0.06**	0.06
f. Unquoted Equity Shares (fully paid up)		**0.07**	0.07
g. Unquoted Preference Shares (fully paid up)		**7.81**	0.02
h. Equity in Subsidiary Companies (fully paid up)		**3.55**	3.55
i. Preference Shares in Subsidiary Companies (fully paid up)		**7.58**	7.58
		69.84	575.33
Provision for Diminution in value of long-term investments		**11.29**	11.29
(A)		**58.55**	564.04
B) Current Investments	**3(h)**		
Units		**501.58**	10.08
(B)		**501.58**	10.08
(A+B)		**560.13**	574.12

	Sch. 19 Note No. Ref.	**As at March 31, 2008 Rs. Crore**	As at March 31, 2007 Rs. Crore
SCHEDULE 7			
INVENTORIES	**3 (i)**		
(As valued & certified by Management)			
a. Raw Material & Components		**162.57**	161.68
b. Work in Progress		**28.49**	21.43
c. Finished Goods		**15.41**	20.91
d. Stores, Spare Parts & Tools		**3.50**	6.77
		209.97	210.79

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2008

	Sch. 19 Note No. Ref.	As at March 31, 2008 Rs. Crore	As at March 31, 2007 Rs. Crore
SCHEDULE 8			
SUNDRY DEBTORS			
Unsecured			
Debts Outstanding for a period exceeding six months			
Considered good		**56.34**	23.28
Considered doubtful		**43.50**	30.06
Less: Provided for		**43.50**	30.06
Other Debts		**474.11**	376.71
		530.45	399.99
SCHEDULE 9			
CASH & BANK BALANCES			
A. Cash on hand		**0.63**	0.38
B. Bank Balances & Remittances in Transit :			
With Scheduled Banks :			
a. In Current Accounts		**9.84**	34.08
b. In Deposit Accounts		**0.14**	0.42
With other banks in Foreign Currency :			
a. In Current Accounts		**16.91**	4.63
b. In Deposit Accounts		**4.20**	3.17
Remittances in Transit		**26.30**	54.56
		58.02	97.24
SCHEDULE 10			
OTHER CURRENT ASSETS			
a. Duty Drawback Receivable		**-**	14.70
b. Excise Recoverable		**15.93**	2.52
c. Accrued Interest		**-**	0.01
d. Other Current Assets		**16.51**	4.90
		32.44	22.13
SCHEDULE 11			
LOANS & ADVANCES			
Unsecured, considered good :			
a. Advances recoverable in Cash or in Kind		**130.18**	115.58
b. Prepaid Long Term Employee Benefits		**1.94**	-
c. Advances for Capital Expenditure		**8.66**	10.81
d. Advances to Staff & Workers		**7.22**	7.07
e. Balance in Central Excise & Customs Accounts		**25.08**	26.47
f. Sundry Deposits		**12.79**	10.47
g. Advance Payment of Income Tax		**32.03**	31.06
h. Advance Payment of Fringe Benefit Tax		**0.45**	0.07
i. Others		**0.56**	0.08
		218.91	201.61

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2008

		Sch. 19 Note No. Ref.	As at March 31, 2008 Rs. Crore	As at March 31, 2007 Rs. Crore
SCHEDULE 12				
CURRENT LIABILITIES				
a.	Acceptances		**8.50**	14.89
b.	Customer Advances		**479.75**	660.67
c.	Sundry Creditors		**455.18**	311.70
d.	Other Liabilities		**103.59**	58.49
e.	Foreign Currency Forward Contracts		**4.89**	-
f.	Trade Deposits		**1.33**	1.43
g.	Short Term Employee Benefits		**45.76**	35.98
			1099.00	1083.16
SCHEDULE 13				
PROVISIONS		**3 (l)**		
a.	Proposed Equity Dividend		**95.33**	30.98
b.	Tax on Dividend		**16.20**	5.27
c.	Provision for Employee Retirement & Other Benefits	**3 (k)**	**23.56**	12.35
d.	Provision for Contingency		**0.41**	0.41
e.	Provision for obligation under counter guarantees		**1.67**	5.48
			137.17	54.49
SCHEDULE 14				
MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
a.	**Technical Know-how**			
	Per last Balance Sheet		**0.14**	0.26
	Add : Incurred during the year		**-**	-
			0.14	0.26
	Less : Written off during the year		**0.14**	0.12
	Technical Know-how **(a)**		**-**	0.14
b.	**Preliminary Expenses**			
	Per last Balance Sheet		**-**	-
	Add : Incurred during the year		**3.95**	-
			3.95	-
	Less : Amortised during the year		**-**	-
	Preliminary Expenses **(b)**		**3.95**	-
	(a+b)		**3.95**	0.14

Schedules attached to and forming part of Consolidated Profit and Loss Account for the year ended March 31, 2008

	Sch. 19 Note No. Ref.	Year ended March 31, 2008 Rs. Crore	Year ended March 31, 2007 Rs. Crore
SCHEDULE 15			
SALES AND OTHER INCOME			
I. Sales & Services :	**3 (m)**		
a. India		**2834.26**	1918.05
Less : Excise Duty		**119.57**	97.95
		2714.69	1820.10
Add : Closing Contracts in Progress		**10.52**	7.69
Less : Opening Contracts in Progress		**7.69**	(20.73)
		2717.52	1848.52
b. Outside India		**722.59**	395.93
Adjustments on account of Liquidation of ME, U.K.		**-**	2.65
Add : Closing Contracts in Progress		**36.01**	43.93
Less : Opening Contracts in Progress		**43.93**	(0.84)
		714.67	438.05
c. Outside India - Trading		**0.59**	3.11
Total Sales & Services (I)		**3432.78**	2289.68
II. Other Income from Operations			
a. Claims & Refunds		**0.29**	0.29
b. Balances earlier written off now recovered		**1.95**	1.11
c. Commission		**5.16**	4.12
d. Sale of Scrap		**12.10**	8.14
e. Interest Income		**0.09**	0.05
f. Exchange Difference (net)	**3 (o)**	**14.31**	4.89
g. Balances/Excess Provision written back		**-**	0.04
h. Provision for Doubtful Debts written back		**-**	0.28
i. Miscellaneous Income		**14.84**	18.05
Total Other Income from Operations (II)		**48.74**	36.97
III. Other Income from Investments			
a. Dividend - Long Term Investment	**3 (m)(viii)**	**9.61**	30.50
b. Dividend - Current Investment		**26.56**	3.36
c. Interest		**3.51**	-
d. Profit on Sales of Long Term Investments		**3.82**	-
e. Profit on Sales of Current Investments		**0.24**	1.89
f. Other Income from Investment		**0.16**	0.24
Total Other Income from Investment (III)		**43.90**	35.99
Total Income from Sales and other activities (I+II+III)		**3525.42**	2362.64

Schedules attached to and forming part of Consolidated Profit and Loss Account for the year ended March 31, 2008

	Sch. 19 Note No. Ref.	Year ended March 31, 2008 Rs. Crore	Year ended March 31, 2007 Rs. Crore
SCHEDULE 16			
MATERIALS			
(A) Consumption of Raw Material & Components			
Opening Stock		**145.11**	73.16
Less : Adjustments on account of ME Engineering Ltd., UK		**-**	(0.19)
Add : Purchases		**2226.78**	1528.09
		2371.89	1601.06
Less : Closing Stock		**149.66**	145.11
(A)		**2222.23**	1455.95
(B) (Increase) / Decrease in stock			
Opening Stock :			
Work-in-Progress		**21.43**	21.25
Finished Goods		**20.71**	18.58
		42.14	39.83
Less : Closing Stock			
Work-in-Progress		**28.49**	21.43
Finished Goods		**15.64**	20.71
		44.13	42.14
(B)		**(1.99)**	(2.31)
(A+B)		**2220.24**	1453.64
SCHEDULE 17			
PERSONNEL			
a. Salaries, Wages, Bonus, Testimonials & Allowances		**238.04**	186.65
b. Contribution to Provident & Other Funds	**3 (k) (i)**	**17.68**	18.11
c. Staff Welfare Expenses		**11.44**	9.13
		267.16	213.89

Schedules attached to and forming part of Consolidated Profit and Loss Account for the year ended March 31, 2008

		Sch. 19 Note No. Ref.	Year ended March 31, 2008 Rs. Crore	Year ended March 31, 2007 Rs. Crore
SCHEDULE 18				
OTHER EXPENSES				
a.	Consumables and Tools		**19.38**	14.24
b.	Power and Fuel		**13.79**	11.36
c.	Drawing, Design and Technical Service Charges		**27.83**	22.86
d.	Site Expenses and Contract Labour Charges		**38.28**	21.06
e.	Erection, Fabrication Charges		**168.52**	76.91
f.	Rent and Service Charges		**8.65**	6.47
g.	Lease Rentals		**0.68**	0.43
h.	Rates and Taxes		**1.65**	1.33
i.	Insurance		**5.17**	5.03
j.	Repairs and Maintenance :			
	Building		**7.05**	4.18
	Plant & Machinery		**6.12**	5.44
	Others		**9.21**	9.98
k.	Communication		**7.86**	7.75
l.	Travelling and Conveyance		**42.86**	38.28
m.	Advertisement and Exhibition		**2.53**	2.55
n.	Freight Outward		**24.70**	15.89
o.	Commission on Sales		**16.63**	18.70
p.	Other Selling and Distribution Expenses		**23.70**	18.26
q.	Free of Cost Supplies and Modifications		**27.98**	15.43
r.	Bank Charges		**5.51**	6.52
s.	Legal and Professional Charges		**42.16**	25.47
t.	Printing & Stationery		**4.07**	3.93
u.	Donations		**0.67**	0.36
v.	Bad Debts		**2.32**	2.19
w.	Doubtful Debts		**17.96**	2.33
x.	Liquidated Damages	**3(r)(i)**	**12.30**	4.29
y.	Loss on Assets Discarded		**1.12**	0.87
z.	Additional Sales Tax and Turnover Tax		**2.72**	0.93
aa.	Premium on Forward Contracts		**-**	0.01
ab.	Loss on Sale of Assets		**0.01**	-
ac.	Balances Written Off		**2.24**	0.20
ad.	Miscellaneous Expenses		**21.24**	13.36
ae.	Deferred Revenue Expenditure	**3(j)**	**0.14**	0.12
af.	Diminution in Value of Long Term Investments	**3(h)**	**-**	11.57
ag.	Loss on Exchange Fluctuations	**3(o)**	**0.05**	0.10
			565.10	368.40
SCHEDULE 19				
INTEREST				
Interest on :		**3(n)**		
a.	Fixed Period Loan		**-**	-
b.	Others		**1.65**	1.54
			1.65	1.54

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 nine subsidiaries of which six are overseas subsidiaries. In the CFS, 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 March 31, 2008
1	Thermax Surface Coatings Limited	India	100
2	Thermax Engineering Construction Co. Ltd.	India	100
3	Thermax Instrumentation Limited	India	100
4	Thermax International Limited	Mauritius	100
5	Thermax Europe Limited	UK	100
6	Thermax Inc.	USA	100
7	Thermax Hong Kong Ltd.	Hong Kong	100
8	Thermax do Brasil Energia e Equipamentos Ltda.	Brazil	100
9	Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd.	China	100

3. **Significant Accounting Policies**

   a. **Basis for Preparation of Financial Statements**

   Accounts of the Parent and its subsidiaries have been prepared under historical cost convention on 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 :**

   i) 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 balances and unrealised profit / losses on intra group transactions, and are presented to the extent possible, in the same manner as the Parent's independent financial statements.

   ii) 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.

   d. **Foreign Currency Translation**

   Indian Rupee is the reporting currency for the Group. However, the local currency of overseas subsidiaries is different from the reporting currency of the 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 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 has been disclosed as "Foreign Currency Translation Reserve" under the Reserves & Surplus.

e. Fixed Assets – Tangible and Intangible Assets & Depreciation

i) 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.

ii) Borrowing costs, if any, attributable to fixed assets, are capitalised.

iii) 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.

iv) 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 / the economic useful life of the asset, to the extent relevant and applicable. Further, no depreciation is charged on assets sold during the year.

v) Depreciation has been provided by overseas subsidiaries on method and at rate required / permissible by the local laws so as to write off the assets over the useful life.

vi) Depreciation on exchange rate variance capitalised as a part of the fixed assets, is provided prospectively over the remaining useful life of the related asset.

vii) Amount paid in respect of leasehold land is being amortised over the period of lease.

f. Taxes on Income

i) Current tax is provided on the basis of estimated tax liability, computed as per applicable tax regulations.

ii) Deferred tax is recognised, 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. Asset Impairment

Provision for impairment loss is recognised 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

i) Investments classified as current investments are valued at lower of cost and fair value.

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

i. Inventories

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

ii) Cost of raw materials, components, consumables, stores & spares, patterns & tools are valued at weighted average cost.

iii) Cost of finished goods & work in progress is arrived at on the basis of weighted average cost of raw materials and the cost of conversion thereof for bringing the inventories to their present location and condition.

iv) Inventory obsolescence is provided for on the basis of standard norms.

j. Deferred Revenue Expenditure

In case of Parent, 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 therefrom.

k. Employee Benefits

i) Provident Fund

Liability on account of obligation under the employees' provident fund, a defined contribution plan is charged to profit and loss account on actual liability basis calculated as a percentage of salary.

ii) Superannuation Fund

Liability on account of obligation under the employees' superannuation fund, a defined contribution plan is charged to profit and loss account on actual liability basis calculated as a percentage of salary.

iii) Gratuity

a. Liability on account of obligation under the employee gratuity plan, a defined benefit plan, is provided on the basis of actuarial valuation.

b. Fair value of plan assets, being the fund balance on the balance sheet date with the Insurance Companies under group gratuity-cum-life assurance policy is recognised as asset.

c. Current service cost, interest cost and actuarial gains and losses are charged to profit and loss account.

d. Past service cost/effect of any curtailment or settlement is charged/credited to the profit and loss account, as applicable.

iv) Leave Encashment

Liability on account of obligation under the employees' leave policy is provided on actual basis in respect of leave earned but not availed based on the number of days of carry forward entitlement at each balance sheet date.

v) Medical and Leave Travel Assistance benefits

Liability on account of obligation under the employees' medical reimbursement scheme and leave travel assistance is provided on actual basis.

vi) Bonus & Employees' Short Term Incentive Plan

Liability on account of obligation under the statutory regulations, agreement with trade union and employee short-term incentive plan, as applicable, is provided on actual basis as per the relevant terms as determined.

l. 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) Group provides for warranty obligations on substantial completion of contracts based on technical evaluation and past experience.

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.

m. Revenue Recognition

i) Revenue in respect of products is recognised 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 recognised 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 recognised profits / less recognised 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 (some of which are of a technical nature) concerning the 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 recognised on the basis of stage of completion.

viii) Dividend from investments is recognised when the right to receive is established.

n. Borrowing Costs

i) Borrowing costs on working capital is charged to profit and loss account in the year of incurrence.

ii) Borrowing costs that are attributable to the acquisition of tangible fixed assets are capitalised 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 capitalised till the date they are put to use.

o. Foreign Currency Transactions

i) Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.

ii) Exchange difference on settlement of transactions in foreign currencies is recognised in the profit and loss account.

iii) 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.

iv) Revenue items of foreign branches are translated at average rate.

p. Hedge Accounting

The Group uses foreign currency forward contracts to hedge its risk associated with foreign currency fluctuations. In terms of the risk management strategy, the Group does not use forward cover contracts for trading or speculative purposes.

Foreign currency forward contracts are initially measured at fair value and are re-measured at subsequent reporting dates. Changes in the fair value of such contracts, which are designated and effective are recorded in the Hedging Reserve account

The accumulated changes in fair value recorded in the Hedging Reserve account are transferred to profit and loss account in the same period during which the underlying transactions affects profit and loss account and / or the foreign currency forward contract expires or is exercised, terminated or no longer qualifies for hedge accounting.

q. Taxes on Income

a) Current tax is provided on the basis of estimated tax liability, computed as per applicable provisions of tax laws.

b) Deferred tax is recognised, 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 originates in one period and are capable of reversal in one or more subsequent periods.

r. Others

i) Liquidated damages are charged to profit and 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 and also, where required, on actual evaluation.

4. Contingent Liabilities not provided for

a) Disputed demands in respect of Excise and Customs Duty Rs. 11.31 crore *(Previous year Rs. 15.65 crore)*, Sales Tax Rs. 1.28 crore *(Previous year Rs. 1.67 crore)* and other Statutes Rs. 1.04 crore (*Previous year Rs.3.15 crore*)

b) i) Income Tax demands disputed in appellate proceedings Rs. 15.94 crore (*Previous year Rs.22.08 crore*)

ii) References / Appeals preferred by Income Tax department in respect of which, should the ultimate decision be unfavourable to the Group, the liability is estimated to be Rs. 22.68 crore (*Previous year Rs.21.41 crore*)

c) Counter Guarantees given to the banks for guarantees issued by them on Group's behalf Rs. 636.45 crore (*Previous year Rs. 590 crore*)

d) Indemnity Bonds/Corporate Guarantees given to Customs, other Government departments and various customers Rs. 51.26 crore (*Previous year Rs.27.21 crore*)

e) Liability for unexpired export obligations Rs. 9.13 crore (*Previous year Rs.3.04 crore*)

f) Claims against Group not acknowledged as debts Rs. 8.40 crore (*Previous year Rs.8.03 crore*)

g) Bills Discounted with banks Rs. 25.51 crore (*Previous year Rs.25.58 crore*)

h) Liability in respect of partly paid shares Rs. 0.19 crore (*Previous year Rs.0.19 crore*)

i) Future Lease obligations payable on non-cancellable operating leases Rs. 0.69 crore (*Previous year Rs.2.44 crore*)

5. Deferred Taxation

(Rs. Crore)

Particulars	**31.3.2008**	31.3.2007
Major components of deferred tax asset are:		
i) Provision for Doubtful Debts	**14.89**	8.88
ii) Others	**3.00**	4.43
Total	**17.89**	13.31
Major components of deferred tax liability are :		
i) Depreciation on Fixed Assets	**30.98**	19.28
ii) Others	**0.31**	0.84
Total	**31.29**	20.12

Deferred tax debit for the year of Rs. 8.83 crore *(previous year debit of Rs. 1.24 crore)* has been recognised in the profit and loss account of the year.

6. Extra-ordinary items of expenses during the year are as follows :

Rs. 2.10 crore being provision for possible financial obligations, as provisionally estimated by the Parent, on account of counter-guarantees given by the Parent in relation to ME Engineering Ltd., UK (ME, UK) was written back.

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 and 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 can not 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

i) **Information about Primary Business Segments**

Rs. Crore

Particulars	2007-08			
	Energy	Environment	Others	Total
Revenue :				
Gross Revenue	2879.60	669.62	0.11	3549.33
Less : Intersegment Revenue	0.23	67.58	-	67.81
Net Revenue	2879.37	602.04	0.11	3481.52
Result :				
Segment Result	382.66	82.75	(0.11)	465.30
Unallocated expenses net of unallocated income				17.94
Operating Profit				447.36
Interest expenses				1.65
Extra-ordinary items of expenses				(2.10)
Taxation for the year				157.10
Net Profit				290.72
Other Information :				
Segment Assets	1122.85	281.06	0.16	1404.07
Unallocated Corporate assets				574.28
Total Assets				1978.35
Segment Liabilities	867.53	188.78	0.10	1056.41
Unallocated Corporate Liabilities				162.41
Total Liabilities				1218.82
Capital expenditure	167.26	18.07		185.33
Depreciation	18.36	4.84		23.20
Non-cash expenses other than Depreciation	0.04	0.10		0.14

i) **Information about Primary Business Segments**

Rs. Crore

Particulars	2006-07			
	Energy	**Environment**	**Others**	**Total**
Revenue :				
Gross Revenue	1846.82	542.11	0.33	2389.26
Less : Intersegment Revenue	0.66	61.95		62.61
Net Revenue	1846.16	480.15	0.33	2326.65
Result :				
Segment Result	260.01	65.97	(10.67)	315.31
Unallocated expenses net of unallocated income				9.94
Operating Profit				305.36
Interest expenses				1.54
Extra-ordinary items of expenses				5.48
Taxation for the year				104.62
Net Profit				193.72
Other Information :				
Segment Assets	987.81	248.00	0.37	1236.19
Unallocated Corporate assets				459.69
Total Assets				1695.88
Segment Liabilities	863.65	170.71	0.50	1034.86
Unallocated Corporate Liabilities				71.08
Total Liabilities				1105.94
Capital expenditure	49.64	7.13		56.77
Depreciation	15.05	4.44		19.50
Non-cash expenses other than Depreciation	0.02	0.10		0.12

ii) **Information about Secondary Segments :**

Rs. Crore

Particulars	**2007-08**	2006-07
Revenue		
India	**3140.60**	1949.85
Outside India	**340.92**	376.80
Total	**3481.52**	2326.65
Carrying amount of Segment Assets :		
India	**1255.61**	1134.77
Outside India	**148.47**	101.42
Additions to Fixed Assets :		
India	**178.64**	52.77
Outside India	**6.69**	4.00

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) Enterprise, overwhich control is exercised by individual listed in 'i' above
Thermax Social Intitiative Foundation (TSIF)

iii) Key Management Personnel :
Mr. P. M. Kulkarni (upto 30th June 2007)
Mr. M. S. Unnikrishnan (from 1st July 2007)

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

Nature of Transactions	**2007-08**	Rs. Crore 2006-07
Rent Paid	**0.07**	0.08
Managerial Remuneration	**5.70**	1.27
Sitting Fees	**0.09**	0.09
Commission	**0.29**	0.29
Loan, Advance/ Deposits Outstanding at the end of the year - Deposits	**0.40**	0.40
Donation paid to Thermax Social Initative Foundation	**0.45**	-

10. Earnings Per Share

Earnings Per Share (EPS) calculated in accordance with Accounting Standard 20 issued by The Institute of Chartered Accountants of India.

Particulars	**2007-08**	2006-07
Net Profit before extra-ordinary items available for Equity Shareholders (Rs. Crore)	**288.62**	199.20
Weighted average number of Equity shares of Rs. 2/- each	**11,91,56,300**	11,91,56,300
Basic & Diluted EPS before Extra-ordinary items (Rs.)	**24.22**	16.71
Profit After Tax and after Extra-ordinary items available for Equity Shareholders (Rs. Crore)	**290.72**	193.72
Basic & Diluted EPS after Extra-ordinary items (Rs.)	**24.40**	16.26

11. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 59.27 crore (*Previous year Rs. 110.16 crore)*

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

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

H.P. Mahajani
Partner
Membership No. 30168

Pune, May 21, 2008

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President- Finance
& Chief Financial Officer

M. S. Unnikrishnan
Managing Director

Sunil Lalai
Company Secretary

Pune, May 21, 2008

CONSOLIDATED CASH FLOW STATEMENT

Rs. Crore

		2007-08	2006-07
A	**Cash flow from Operating Activities**		
	Net profit before tax	**447.82**	298.35
	Add Adjustments for		
	Depreciation	**23.20**	19.50
	Amortisation of deferred revenue expenses	**0.14**	0.12
	Provision for Doubtful Debts	**13.44**	(0.38)
	Interest paid	**1.65**	1.54
	Lease rentals paid	**0.68**	0.43
	Less Adjustments for		
	Interest / Dividend / Brokerage (Income received)	**(36.34)**	(34.11)
	(Profit)/Loss on sale of Investment	**(4.06)**	(1.89)
	(Profit)/Loss on sale of assets	**1.14**	0.87
	Operating profit before working capital changes	**447.67**	296.00
	Adjustments for		
	Trade and Other Receivables	**(353.23)**	131.92
	Inventories	**0.81**	(82.72)
	Trade Payables	**194.40**	185.75
	Contracts in Progress	**4.92**	(70.54)
	Cash generated from Operations (Before Extra Ordinary Items)	**294.57**	460.40
	Adjustment for Extra Ordinary Items		
	Provision for obligation under counter guarantees	**(3.81)**	5.48
	Cash generated from Operations (After Extra Ordinary Items before tax)	**290.76**	465.88
	Direct taxes paid	**(150.01)**	(113.21)
	Net cash from Operating activities (after tax)	**140.75**	352.68

Rs. Crore

		2007-08	2006-07
B	**Cash flow from Investing Activities**		
	Purchase of Fixed Assets	**(191.76)**	(66.03)
	Purchase of Investments	**(1242.27)**	(2178.99)
	Proceeds from sale of Investments	**1256.26**	2001.39
	Payment towards Deferred Revenue Expenditure	**(3.95)**	-
	Exchange Rate Fluctuation	**2.07**	(0.26)
	Profit/(Loss) on Sale of Investments	**4.06**	1.88
	Interest / Dividend / Brokerage received	**36.34**	34.11
	Net cash from Investing Activities	**(139.25)**	(207.89)
C	**Cash flow from Financing Activities**		
	Redemption of Preference Shares	**-**	(0.05)
	Increase/(Decrease) in borrowings	**(2.17)**	0.52
	Lease rentals paid	**(0.68)**	(0.43)
	Interest paid	**(1.65)**	(1.54)
	Dividend paid and Tax thereon	**(36.22)**	(92.42)
	Net cash from Financing Activities	**(40.72)**	(93.91)
	Net (decrease)/increase in cash & cash equivalents	**(39.22)**	50.88
	Opening cash & bank balances	**97.24**	54.74
	Opening cash & bank balances of ME, UK and TEPS	**-**	(8.38)
	Closing cash & bank balances	**58.02**	97.24

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

H. P. Mahajani
Partner
Membership No. : 30168

Pune, May 21, 2008

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

M. S. Unnikrishnan
Managing Director

Sunil Lalai
Company Secretary

Pune, May 21, 2008

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

Sr No.	Particulars	Thermax Surface Coatings Ltd.		Thermax Engineering Construction Co. Ltd.		Thermax Instrumentation Ltd.		Thermax International Ltd. (Mauritius)		Thermax Europe Ltd. (U.K.)		Thermax Inc. (U.S.A.)		Thermax Hong Kong Ltd. (Hong Kong)		Thermax do Brasil Energia e Equipamentos Ltda. (Brazil)		Thermx (Zhejiang) Cooling & Heating Engineering Co. Ltd.	
		2007-08	2006-07	**2007-08**	2006-07	**2007-08**	2006-07	**2007-08**	2006-07	**2007-08**	2006-07	**2007-08**	2006-07	**2007-08**	2006-07	**2007-08**	2006-07	**2007**	2006
1	Capital	0.75	0.75	4.50	1.50	9.00	9.00	12.85	13.89	1.59	1.71	2.01	2.17	3.06	3.29	2.32	2.02	3.01	NA
2	Reserves	(1.09)	(0.84)	5.07	3.45	7.26	(1.16)	(10.83)	(11.68)	4.23	2.62	1.34	1.15	(3.01)	(3.26)	(2.35)	(1.66)	-	NA
3	Total Assets	2.12	2.30	49.81	47.31	72.50	60.57	2.05	2.25	15.28	12.16	30.41	31.73	0.47	0.83	0.53	0.81	3.01	NA
4	Total Liabilities	2.46	2.39	40.24	42.36	56.24	52.73	0.03	0.03	9.46	7.83	27.06	28.42	0.42	0.80	0.56	0.46	0.00	NA
5	Investments																		
	A) Long Term (Non-Trade Investments)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B) Current Investments																		
	a. Unquoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b. Quoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c. Units	-	-	0.50	8.04	23.59	2.04	-	-	-	-	-	-	-	-	-	-	-	-
	Total Current Investments	-	-	0.50	8.04	23.59	2.04	-	-	-	-	-	-	-	-	-	-	-	-
	Total Investments (A+B)	-	-	0.50	8.04	23.59	2.04	-	-	-	-	-	-	-	-	-	-	-	-
6	Turnover	0.11	0.33	113.72	89.14	157.21	43.43	0.00	0.00	28.62	30.82	69.49	58.99	4.22	1.29	0.81	1.44	-	-
7	Profit Before Tax	(0.25)	(0.02)	3.53	3.14	11.93	3.77	(0.02)	(10.60)	2.44	0.99	0.41	(1.73)	0.05	(1.26)	(0.52)	(0.31)	-	-
8	Provision for tax	-	-	(1.70)	(1.21)	(4.92)	(0.66)	-	-	-	(0.31)	-	0.33	-	(0.04)	-	-	-	-
9	Profit After Tax	(0.25)	(0.02)	1.83	1.94	7.01	3.11	(0.02)	(10.60)	2.44	0.68	0.41	(1.40)	0.05	(1.30)	(0.52)	(0.31)	-	-
10	Proposed Dividend (Excluding Tax on Dividend)	-	-	-	0.60	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Original Currency	INR	INR	INR	INR	INR	INR	USD	USD	GBP	GBP	USD	USD	HKD	HKD	Brasilian Real	Brasilian Real	Yuan	-
12	Exchange rate as on 31st March in INR	1.00	1.00	1.00	1.00	1.00	1.00	40.23	43.38	80.77	85.37	40.23	43.38	5.16	5.55	21.69	21.08	5.40*	-

Note : i) The annual accounts of the above Subsidiary Companies are open for inspection by any investor at the Company's Corporate Office and the Registered Office of the respective subsidiary companies.
ii) Thermax Energy Performance Service Ltd. has been referred for voluntary winding up hence not included in above statement.
iii) ME Engineering Ltd, UK, the step-down subsidiary, has been referred for liquidation as per the law of UK hence not included in above statement.
* Exchange Rate as on 31st December, 2007.

THERMAX LIMITED - FINANCIALS AT A GLANCE

Rs. Crore

PARTICULARS	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Domestic Sales (excluding excise duty)	2479	1735	1157	740	446	398	333	345	307	343
Export (including deemed export)	678	402	308	176	118	116	107	101	76	96
% to Total Sales	*21%*	*19%*	*21%*	*19%*	*21%*	*22%*	*24%*	*23%*	*20%*	*22%*
Total Sales	3157	2137	1465	916	564	514	440	445	383	439
% Growth	*48%*	*46%*	*60%*	*62%*	*10%*	*17%*	*-1%*	*16%*	*-13%*	*-7%*
Other Income	89	73	33	25	40	39	36	32	92	42
Total Income	3246	2210	1498	941	604	552	476	477	475	481
Total Expenses	2795	1894	1289	848	516	473	422	469	411	416
Profit before Depreciation, Interest, Extra Ordinary Items and Tax	451	316	209	93	87	80	54	8	64	65
% to Total Income	*14%*	*14%*	*14%*	*10%*	*14%*	*14%*	*11%*	*2%*	*14%*	*13%*
Depreciation	22	19	15	9	9	10	12	12	12	10
Interest	1	1	1	1	0	1	3	4	3	5
Extra-ordinary Items of Expenses	(2)	5	0	0	6	6	7	3	6	0
Profit before Tax/(Loss)	430	291	193	83	72	64	31	(10)	42	50
% to Total Income	*13%*	*13%*	*13%*	*9%*	*12%*	*11%*	*6%*	*(2%)*	*9%*	*10%*
Tax	150	103	69	28	18	15	7	3	10	12
Profit after Tax/(Loss)	281	188	123	55	54	48	24	(13)	32	38
% to Total Income	*9%*	*8%*	*8%*	*6%*	*9%*	*9%*	*5%*	*(3%)*	*7%*	*8%*
Gross Block	419	279	243	177	165	166	167	168	167	161
Net Block	326	170	138	102	83	81	87	99	109	112
Investments	580	578	417	316	276	240	189	158	161	113
Current Assets	1008	929	533	368	265	201	232	254	258	245
Current Liabilities	1163	1087	600	368	227	150	145	118	133	115
Net Current Assets	(155)	(158)	(67)	0	38	51	88	136	124	130
Deffered Revenue Expenses	0	0	0	1	1	8	14	4	15	9
Capital Employed	736	579	474	402	383	356	344	393	394	355
Equity Share Capital	24	24	24	24	24	24	24*	23	23	23
Preference Share Capital $	0	0	0	48	48	0	0	0	0	0
Reserves and Surplus	712	555	450	332	312	340	324	331	347	324
Networth	736	579	474	355	335#	356	333	350	355	339
Loan Funds	0	0	0	0	0	0	11	43	39	17
Fixed Asset Turnover Ratio	*9.68*	*12.60*	*10.64*	*9.01*	*6.80*	*6.33*	*5.07*	*4.50*	*3.51*	*3.91*
Working Capital Turnover Ratio	*0.00*	*0.00*	*0.00*	*0.00*	*14.74*	*9.98*	*5.03*	*3.28*	*3.08*	*3.39*
Debt-Equity Ratio	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.03*	*0.12*	*0.11*	*0.05*
Current Ratio	*0.87*	*0.85*	*0.89*	*1.00*	*1.17*	*1.34*	*1.60*	*2.15*	*1.93*	*2.12*
Return on Capital Employed	*59%*	*50%*	*41%*	*21%*	*19%*	*18%*	*10%*	*(2%)*	*12%*	*15%*
Return on Net Worth	*38%*	*32%*	*24%*	*15%*	*16%*	*14%*	*7%*	*(4%)*	*9%*	*11%*
*Cash Earnings Per Share (Rs.) ** *	*25.39*	*17.34*	*10.97*	*5.14*	*5.13*	*4.86*	*3.05*	*(0.13)*	*3.75*	*4.07*
*Earnings Per Share (Rs.) ** *	*23.56*	*15.76*	*9.69*	*4.37*	*4.40*	*4.05*	*2.02*	*(1.11)*	*2.71*	*3.22*
Dividend (%)	*400%*	*300%*	*170%*	*120%*	*120%*	*120%*	*50%*	*10%*	*35%*	*35%*
*Book Value Per Share (Rs.) ** *	*62*	*49*	*40*	*30*	*28*	*30*	*28*	*30*	*30*	*29*

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

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

\# Networth reduced consequent upon issue of 6% RPS as bonus shares.

** During FY 2005-06, Equity Shares of face value Rs. 10/- each were sub-divided into face value of Rs. 2/- each and accordingly all the previous years' fiqures have been restated for the sake of comparability.

Note : Figures of previous years' have been regrouped to conform to this year's classification.

THERMAX GROUP - FINANCIALS AT A GLANCE

Rs. Crore

PARTICULARS	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Domestic Sales (excluding excise duty)	2718	1849	1214	895	570	501	436
Exports	715	441	393	352	207	198	151
% to Total Sales	*21%*	*19%*	*24%*	*28%*	*27%*	*28%*	*26%*
Total Sales	3433	2290	1606	1247	777	699	587
% Growth	*50%*	*43%*	*29%*	*60%*	*11%*	*19%*	
Other Income	93	73	34	34	51	42	40
Total Income	3525	2363	1640	1281	829	741	627
Total Expenses	3055	2038	1449	1165	721	641	562
Profit before Depreciation, Interest, Extra-ordinary Items and Tax	471	325	190	117	108	100	66
% to Total Income	*13%*	*14%*	*12%*	*9%*	*13%*	*14%*	*10%*
Depreciation	23	19	16	12	12	14	18
Interest	2	2	2	1	1	1	4
Extra-ordinary Items of Expenses	(2)	5	0	0	6	6	8
Profit before Tax	448	298	173	104	89	79	36
% to Total Income	*13%*	*13%*	*11%*	*8%*	*11%*	*11%*	*6%*
Tax	157	105	70	37	23	20	8
Profit after Tax but before Minority Interest	291	194	103	67	65	59	28
Minority Interest	0	0	0	(1)	3	3	0
Profit after Tax & Minority Interest	291	194	103	68	62	56	28
% to Total Income	*8%*	*8%*	*6%*	*5%*	*8%*	*8%*	*4%*
Gross Block	433	292	253	232	207	215	216
Net Block	349	179	144	134	102	102	110
Investments	560	574	397	318	287	242	170
Current Assets	1119	1024	590	536	379	270	309
Current Liabilities	1259	1178	655	519	321	210	201
Net Current Assets	(140)	(154)	(66)	17	58	59	108
Deferred Revenue Expenses	4	0	0	1	1	8	15
Capital Employed	756	592	462	455	434	388	367
Equity Share Capital	24	24	24	24	24	24	24
Preference Share Capital $	0	0	0	48	48	0	0
Reserves and Surplus	736	566	431	378	337	357	333
Networth	756	590	455	401	377	386	352
Minority Interest	0	0	0	0	17	13	10
Loan Funds	0	2	7	7	9	2	16

Fixed Asset Turnover Ratio	*9.85*	*12.80*	*11.16*	*9.32*	*7.60*	*6.87*	*5.33*
Working Capital Turnover Ratio	*0.00*	*0.00*	*0.00*	*74.19*	*13.34*	*11.81*	*5.43*
Debt-Equity Ratio	*0.00*	*0.00*	*0.02*	*0.02*	*0.02*	*0.00*	*0.04*
Current Ratio	*0.89*	*0.87*	*0.90*	*1.03*	*1.18*	*1.28*	*1.54*
Return on Capital Employed	*59%*	*51%*	*38%*	*23%*	*21%*	*20%*	*11%*
Return on Net Worth	*38%*	*33%*	*23%*	*17%*	*16%*	*14%*	*8%*
*Cash Earnings per Share (Rs.) ***	*26.34*	*17.89*	*9.30*	*6.46*	*6.11*	*5.89*	*3.86*
*Earnings per Share (Rs.) ***	*24.40*	*16.26*	*7.96*	*5.46*	*5.07*	*4.67*	*2.32*
Dividend (%)	*400%*	*300%*	*170%*	*120%*	*120%*	*120%*	*50%*
*Book Value per Share (Rs.) ***	*63*	*49*	*38*	*34*	*32*	*32*	*30*

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

** During FY 2005-06, Equity Shares of face value Rs. 10/- each were sub-divided into face value of Rs. 2/- each and accordingly all the previous years' fiqures have been restated.

Note : Figures of previous years' have been regrouped to conform to this year's classification.

NOTES

NOTES

THERMAX

Sustainable Solutions
Energy & Environment

Vyoma Graphics