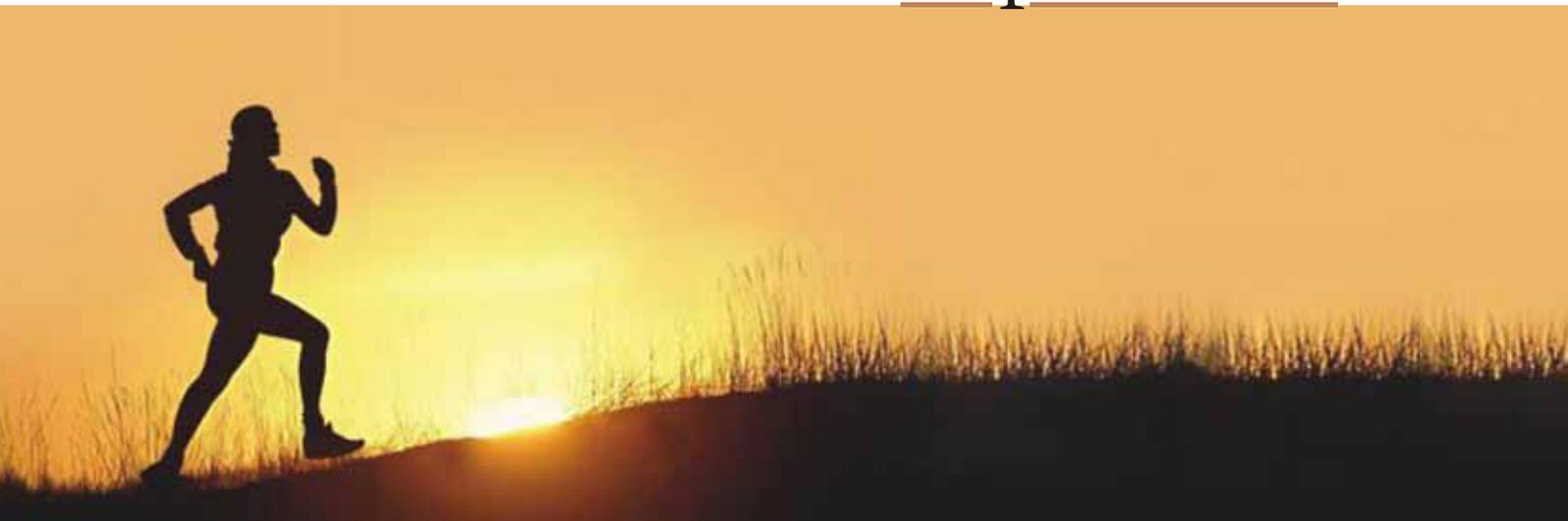


31<sup>st</sup> Annual  
Report 2011-2012



THERMAX LIMITED



THERMAX



### **About the cover**

Tough times call for the resilience of the long distance runner. It is not easy when the weather changes for the worse, the terrain turns hostile and doubts wear down the sinews of resolve.

Those who stay on track for the long haul evoke the power of patience to combat fear, remember how they successfully negotiated similar stretches in the past, and push beyond fatigue to find new reserves of energy.



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# HIGHLIGHTS



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Posted improved results with a total income of Rs. 5375 crore, and a profit after tax of Rs. 407 crore.

---

Earned an export revenue of Rs. 1143 crore – first time the 1000 crore mark in exports is passed.

---

Acquired Rifox, a German company specialising in steam efficiency products. The acquisition is a strategic fit for the company's steam engineering business and will support its business in international markets.

---

Commissioned a new manufacturing plant for Chemicals at Jhagadia, Gujarat. The plant will produce performance chemicals and new paper chemicals.

---

Successfully completed its biggest ever air pollution control project for a cement plant in Egypt.

---

Installed a solar based air conditioning project, a technology demonstration project at MNRE's National Solar Research Centre.

---

Thermax won the CNBC TV-18 India award for the 'most promising entrant to the big league.'

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## OUR 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

Anu Aga  
Dr. Raghunath. A. Mashelkar  
Dr. Valentin A.H. von Massow  
Nawshir Mirza  
Tapan Mitra  
Pheroz Pudumjee  
Dr. Jairam Varadaraj

### Executive Council

Ravinder Advani  
Sharad Gangal  
Pravin Karve  
Gopal Mahadevan  
Hemant Mohgaonkar  
Rajan Nair  
S. Ramachandran  
R. V. Ramani  
Dr. R. R. Sonde  
M. S. Unnikrishnan

### Officers of the Company

Gopal Mahadevan  
Executive Vice President  
& CFO

Devang Trivedi  
Deputy Company Secretary

### WHOLLY OWNED SUBSIDIARIES

#### DOMESTIC

Thermax Sustainable  
Energy Solutions Limited  
Thermax Engineering  
Construction Company Limited  
Thermax Instrumentation Limited  
Thermax Onsite Energy  
Solutions Limited

#### OVERSEAS

Thermax International Limited,  
Mauritius  
Thermax Europe Limited, UK.  
Thermax Inc., USA.  
Thermax do Brasil Energia  
eEquipamentos Ltda, Brazil  
Thermax Hong Kong Limited,  
Hong Kong  
Thermax (Zhejiang) Cooling & Heating  
Engineering Co. Ltd., China  
Thermax Netherlands B. V.  
Thermax Denmark ApS  
Danstoker A/ S, Denmark  
Omnicall Kessel- und Apparatebau  
GmbH, Germany  
Ejendomsanpartsselskabet Industrivej  
Nord 13, Denmark  
Danstoker (UK) Ltd.  
Rifox-Hans Richter GmbH, Germany

#### JOINT VENTURES

Thermax SPX Energy Technologies  
Limited  
Thermax Babcock & Wilcox Energy  
Solutions Private Limited

#### WEBSITE

[www.thermaxindia.com](http://www.thermaxindia.com)

### REGISTERED OFFICE

D-13, M.I.D.C. Industrial Area,  
R. D. Aga Road, Chinchwad,  
Pune 411019  
Ph.: 020-66122100/ 27475941  
Fax.: 020-27472049

### CORPORATE OFFICE

Thermax House  
14, Mumbai-Pune Road,  
Wakdewadi, Pune 411003  
Ph.: 020-66051200/ 25542122  
Fax.: 020-25541226

### BANKERS

Union Bank of India  
Bank of Baroda  
Canara Bank  
Citibank N.A.  
Corporation Bank  
ICICI Bank Ltd.  
State Bank of India  
HSBC

### AUDITORS

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

### REGISTRAR & SHARE TRANSFER AGENT

Karvy Computershare Pvt. Ltd.  
Plot No. 17 to 24,  
Vittalrao Nagar  
Madhapur, Hyderabad 500 081  
Ph: 040-23420818/ 28  
Fax: 040-23420814

# ENERGY - ENVIRONMENT OFFERINGS



Hazardous waste treatment



Wastewater treatment



Air pollution control



Waste products

Raw material



Desired products



Utilities



Power



Heating



Cooling



Water



Chemicals

# OUR CORE BUSINESS



## Boiler & Heater



### Boiler & Heater

- Packaged boilers
- Large capacity power boilers
- Thermal oil / water heaters
- Energy recovery systems

## Cooling & Heating



### Cooling

- Exhaust & multi-energy fired chillers
- Steam fired chillers
- Hot water fired chillers
- Direct fired chillers

### Heating

- Steam boilers for power generation (upto 30 TPH)
- Packaged boilers, thermal oil heaters & hot water generators suitable for solid/ oil/ gaseous fuel
- Engine exhaust waste heat recovery boilers

## Power Generation



### Turnkey power plants

- Solid fuel based
- Gas based combined cycle
- Waste heat recovery based
- Renewable energy based (biomass, waste heat, solar)
- Power plant management services

## Chemicals & Water



### Chemicals

- Ion exchange resins
- Cooling water chemicals
- Fireside chemicals
- Polyelectrolyte

### Water and wastewater

- Wastewater & effluent water treatment systems
- Water recycling
- Waste management

## Air Pollution Control



### Enviro

- ESP & bag filters
- Scrubbers
- Air purification
- Retrofit & revamp

## Renewable Energy



### Solar

- Heating
- Cooling (Combining solar and thermal energy for client applications)

# RELIABLE SUPPORT FOR INDUSTRY



Our business-to-business solutions help a broad range of industries to be energy efficient and eco-friendly:

Oil & Gas



Steel



Automobile



Food



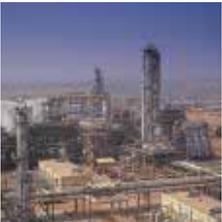
Cement



Chemicals



Refineries  
& Petrochemicals



Power  
Generation



Textile



Hotels & Commercial  
complexes



Pharma



Paper & Pulp



Tank Farm  
heating



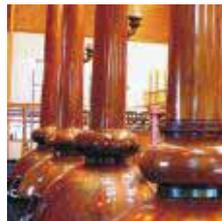
Space heating



EPC Majors  
& Consultants



Distilleries



Sugar



Paint



Rubber



Edible oil



Municipalities





### **Board of Directors**

*(Left to right) M. S. Unnikrishnan, Meher Pudumjee, Dr. Ragbunath Masbelkar,  
Pheroze Pudumjee, Dr. Valentin von Massow,  
Dr. Jairam Varadaraj, Tapan Mitra, Anu Aga, Nawshir Mirza*

# CHAIRPERSON'S MESSAGE



**Dear Shareholder,**

It is my privilege to present the 31<sup>st</sup> Annual Report of your company. In fiscal 2011-12, Thermax generated a total income of Rs 5375 crore and a profit after tax of Rs. 407 crore, higher respectively by 9% and 6% over the last year.

Though we marginally improved our performance, the gains have been modest. It has been a tough year for the manufacturing sector and especially challenging for capital goods industry players like Thermax. I would like to take this opportunity to thank our Managing Director and CEO, Mr. M.S.Unnikrishnan and his

team for maintaining the company's performance in a volatile environment; and all our employees who have worked very hard to protect our top and bottom lines. I am grateful to our Directors who, as always, have been a source of guidance and incredible support.

I would like to share with you the fact that we are gearing up for a challenging year ahead. The Government's exclusive focus on tightening monetary policy as expressed by a series of interest rate hikes throughout the year, complete policy paralysis vis-a-vis coal supply, environmental issues, land acquisition, defunct state electricity boards and so on, have resulted in a decline of the country's economic growth from 8.6% in 2011 to below 6.7%. It is unfortunate that we missed the opportunity to reap significant gains for our country even as we were comparatively insulated from the global slowdown. We have failed to make policy and structural reforms over the past two years to propel India towards its growth targets. As policy initiatives continue to flounder, we have been witnessing an alarming slowdown in industry as reflected in a weakening IIP growth for the year. The Eurozone chaos and a crisis of confidence in the domestic economy have already pushed us into a slowdown phase.

Our order carry forward into the new year stands 25% lower than the previous year. The power sector, which contributes about 20 – 25% of our company's turnover in recent years, is languishing as there is a near freeze in order booking and slowdown in execution. It will be a difficult year ahead as for the project business, which contributes around 2/3 rd of our income, we need a good order backlog from the previous year if we have to show a healthy growth in revenues.

The economic situation could get worse in Europe and the US recovery is not too encouraging. Uncertain

times are ahead. But before we blame it all on Europe and the external markets, it would make eminent sense to see that there is a lot that can be done within India. When the aspirations of a predominantly young population have been kindled, there can be no option for any government but to revive our growth engine. To do this, the ever widening supply-demand gap in the power sector has to be addressed as 400 million Indians still wait for reliable power. Your company is optimistic that, in the near future, its businesses will be able to contribute significantly to the creation of additional capacity in power, both on and off grid. The manufacturing plant that the joint venture Thermax Babcock & Wilcox Energy Solutions is setting up will be ready during this financial year. Though it may be a while before we receive an order, we are confident that the power sector and therefore the JV will do well over time.

There are non-infrastructure sectors like food, pharmaceuticals and chemicals that have so far been insulated from the economic slowdown and your company's product divisions have been able to gain from improved business. We are hopeful this will continue. The company will also maintain its focus on select international markets with its services and solutions that promote efficient and eco-friendly energy, retrofits and revamps and reliable project management expertise.

Last year, your company was able to make further progress on the renewable energy front with applications that harnessed solar and hybrid forms of energy. The rural electrification project at Shive village that Thermax began with the support of the Department of Science and Technology, has been made operational. This technology demonstration project had been undertaken on a public private partnership basis. Today, many more customers have installed your company's products that work on solar thermal energy for their heating and cooling applications. We will continue to make these products more economically viable and expand our green energy offerings to help client businesses reduce their carbon footprint.

The recent acquisition of Rifox, a German company that specialises in steam efficiency products will reinforce the company's presence in the clean energy space in Europe and other markets. This acquisition will also extend the reach of your company's service arm, which over time, will help compensate for the cyclical vagaries of the project business.

I am happy to share with you that Danstoker, the Danish company that Thermax acquired earlier, continued to perform well, improving on its previous year's growth, in spite of the volatile business condition prevailing in Europe.

The economic slowdown is having an impact on the creation of new jobs for aspiring candidates. We will continue to recruit a fair number of engineer trainees as we do each year. However, your company shares with other capital goods organisations the paradox of the difficulty of preventing talent migration in an environment of reduced opportunities. The power sector, although operating at a stalled momentum, seems to be busy with recruitments on a business-as-usual basis.

I am delighted to share with you that our Board has agreed to increase the allocation for CSR activities from the erstwhile 1% to 3% of the company's profit after tax. The schools that the Thermax Social Initiative Foundation manage in partnership with Akanksha continue to do well, helping children with all round development. In the coming year we will adopt one more school, making it three schools in the city of Pune. We are confident that the additional resources can be utilised to expand our work in the field of education for the economically underprivileged.

Let me conclude by thanking all our shareholders, business partners and well wishers once again. With your support, we are confident of staying on course even during these trying times.

With best wishes

**Meher Pudumjee**

# LETTER FROM THE MANAGING DIRECTOR



**Dear Shareholder,**

I am happy to share with you that we have been able to maintain our performance in spite of the prevailing uncertainties of the economy. In today's challenging environment, the capital goods sector has been the worst hit and it virtually came to a standstill for most of the second half of last year. The economic slowdown has been caused by two disturbing developments – a crisis of confidence at the national level which is entirely an indigenous and avoidable creation, and the European economic distress. Anxiety and gloom have suddenly replaced the national mood of optimism in recent years. Operating in such a context, it is a matter

of satisfaction that we could achieve an overall improvement in both revenue and profits. Owing to the committed effort of Team Thermax, we have been able to contain costs and improve efficiency to retain our profitability.

As a Group, we continue to be a billion dollar company even though the rupee has declined by nearly 20%. Apart from the performance in domestic markets, our company's continued focus on select international markets has been yielding dividends. On the export front, we have surpassed the Rs. 1000 crore mark, which is a first in the history of the company. Besides South East Asia and West Asia, this year we have been able to bring in improved business from the African continent.

In the international markets, we have advanced in terms of engineering sophistication and project management skills. Last year, we commissioned a major heat recovery steam generator in the Netherlands for oil field operations. This experience of successfully completing a project that meets European standards of engineering, manufacturing and performance is certain to enhance our credentials for similar projects in the future. We also completed our largest air pollution control project for a cement plant in Egypt, setting an internal benchmark for flawless project management in overseas markets.

Our company's recent acquisition of Rifox, a niche steam products manufacturer of Germany is another strategic move to expand our footprint in global markets. We are confident, this will strengthen our steam engineering products in markets where we already have a presence, apart from providing our existing products access to the advanced European market.

In the domestic market, our company continued to innovate with unique energy saving applications for our

customers. We have designed, manufactured and commissioned a unique boiler combusting waste gases from coke ovens as well as blast furnace. The boiler saves Rs. 12 crore in fuel bill for the customer, a mining company in Western India. We have also entered the municipal water treatment segment with a differentiated technology. This should open up growth avenues in the fast growing urban water treatment market.

Our focused effort in growing the revenue side of the business portfolio has brought us good returns during the year. Our power plant O&M has crossed the 1000 MW mark in the current year. We are also witnessing encouraging growth in the business of managing the performance and operations of water and wastewater installations. This segment has also generated additional revenue streams through revamp and retrofit assignments.

In order to enhance service efficacy, last year, we introduced mobile service and training units. These vans, equipped with diagnostic tools and essential spares, will help our channel partners reach out to small and medium scale customers in different parts of the country.

We passed another milestone in our efforts to harness solar energy for thermal applications: we successfully commissioned a solar based air conditioning system, as a technology demonstration project, for the Ministry of New and Renewable Energy at its National Solar Research Centre in Gurgaon. As part of this project, we have also successfully created India's first ever triple effect absorption chiller technology.

Some of the innovative products developed earlier, were successfully commercialised during the year. The high efficiency chiller-heater providing chilled and hot water simultaneously with substantial energy savings for customers, was one such product. The recently acquired Lambion grate technology has been fully indigenised and offered for heating applications that use biomass as fuel. Taking into account the space constraints faced by commercial establishments in cities, our company has come up with a compact hot water fired chiller that fits into the basements of buildings.

We are constantly innovating and enhancing our competitiveness – by reducing costs, especially wasteful expenses, better sourcing, and by finding newer applications for our products and newer markets outside India. We have supplemented waste reduction initiatives with a substantial improvement in productivity in all our manufacturing units in India. At the Pune factory productivity has improved by almost 15% and we are working on line balancing at the plant in Savli, Vadodara which is expected to yield additional capacity as well as productivity.

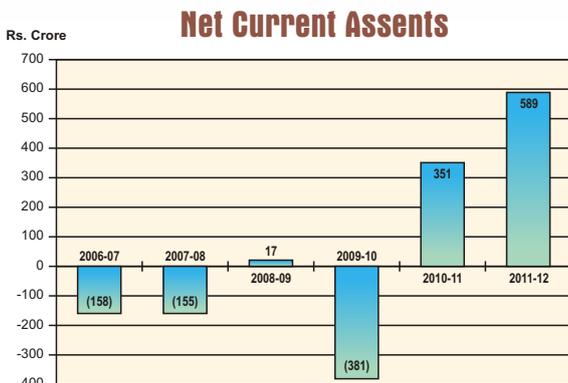
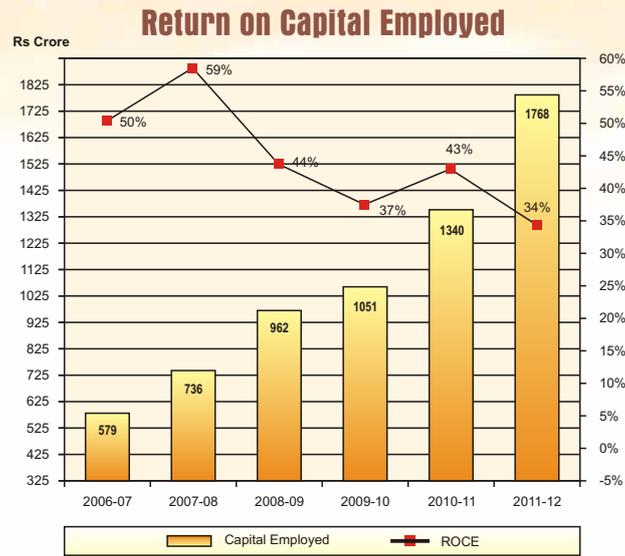
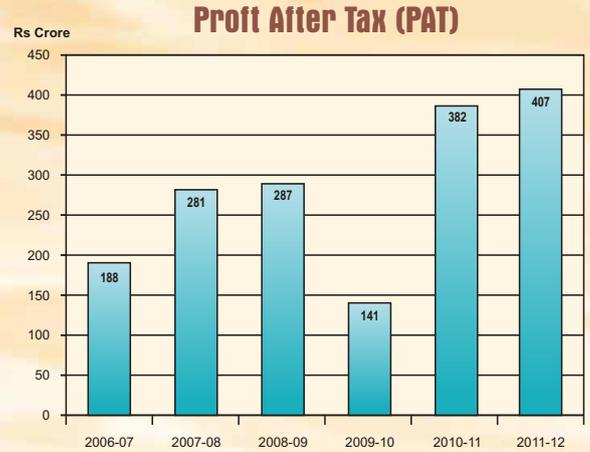
With a reduced order backlog and a retarding global economy, the year ahead will be challenging. Our performance for the current year will largely depend on concluding orders in the small and medium range that can be executed. We certainly expect an improvement in performance for the standard range of our products and service portfolio. However, the projects and EPC portfolios of the company will face a decline in the short term.

The overall sentiment in the market place, international as well as domestic, is not pointing towards stability and a definite growth trajectory. Even if concerted efforts are initiated by the world's leadership, a reversal of the trend in project finalisation will be visible only in the medium term.

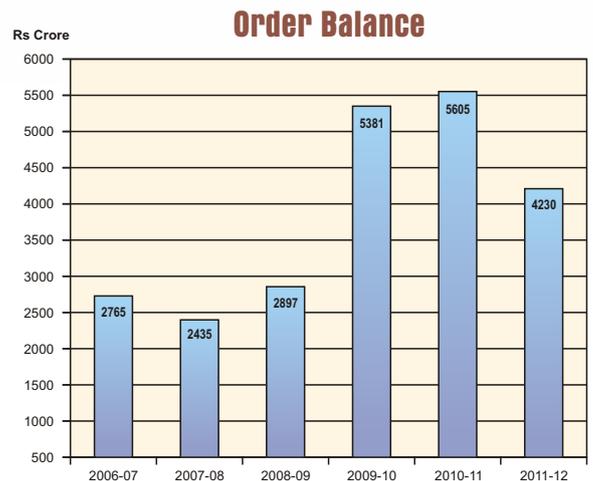
As a company, we have shown remarkable resilience in coping with difficult times. We are recognised as a survivor of slowdown cycles. This time too, with your goodwill and with the continuing support of all our stakeholders, we are sure to emerge stronger. We are confident of navigating Thermax as a stable and growing global organisation, relevant for the wider community.

With warm regards,

**M S Unnikrishnan**



Note: The figures for FY 2010-11 and FY 2011-12 are calculated based on revised Sch. VI classification.



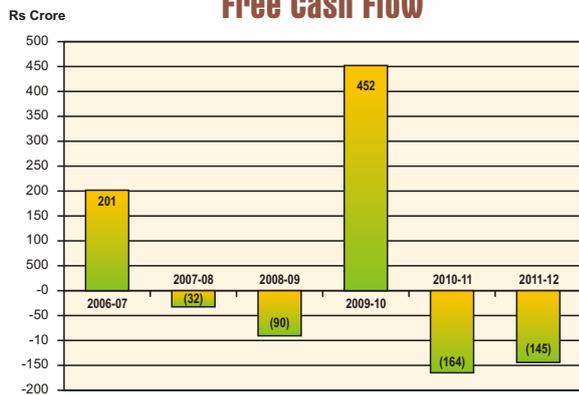
### International Business (Themax Group)



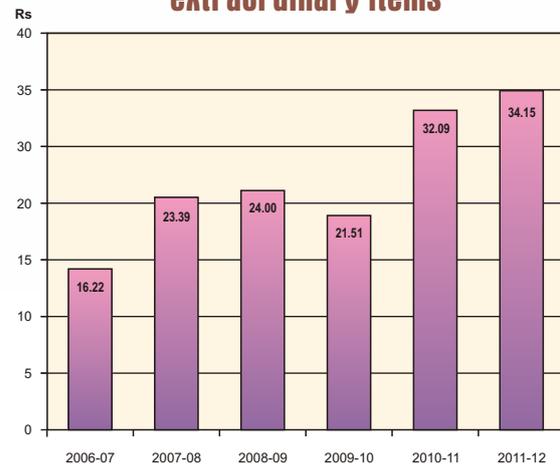
### Cash & Cash Equivalents



### Free Cash Flow



### Earnings Per Share before extraordinary items



# DIRECTORS' REPORT



Dear Shareholder,

Your Directors have pleasure in presenting the Thirty-first Annual Report, together with the audited accounts of your company for the year ended March 31, 2012.

## Financial Results

(Rupees in crore)

	2011-12	2010-11
Total income	5374.55	4935.49
Profit before finance cost, depreciation, tax and extraordinary items	654.40	618.21
Finance cost & depreciation	53.50	45.51
Profit before tax & before extraordinary items	600.90	572.70
Provision for taxation (incl. deferred tax)	194.04	190.28
Profit after tax & extraordinary items	406.86	382.42
Balance carried forward from last year	823.54	605.76
Profit available for appropriation (cumulative)	1230.40	988.18
Proposed equity dividend	83.41	107.24
Tax on dividend	13.53	17.40
Transfer to general reserve	42.00	40.00
Surplus carried forward	1091.46	823.54

## ANNUAL PERFORMANCE

Your company has registered record total revenue of Rs. 5374.6 crore, a growth of 8.9% over last year's revenue of Rs. 4935.5 crore.

Thermax's Energy business comprising Boiler & Heater, Power, Cooling and Heating contributed 78.2% of the total revenue while the Environment business comprising Air Pollution Control, Chemicals, Water and Wastewater Solutions accounted for the remaining 21.8%. Last year, the share of Energy and Environment businesses was 80% and 20% respectively.

During the year, exports, including deemed exports were higher at Rs. 1142.7 crore from Rs. 1065.9 crore last year, an increase of 7.2%.

Profit before tax at Rs. 600.9 crore was 11.2% of total revenue as compared to Rs. 572.7 crore in the previous year which was 11.6%. The company maintained the EBITDA margins at 11% even though the year witnessed increase in input costs. The company's management continues to work on building operational efficiency and controlling costs on a sustainable basis at divisional and overall company levels.

Profit after tax and extraordinary items was at Rs. 406.9 crore compared to Rs. 382.4 crore in the previous year. Earnings Per Share (EPS) rose to Rs. 34.15 from Rs. 32.09 in 2010-11.

Order booking for the year was Rs. 4032 crore against Rs. 5318 crore last year. Your company completed the year with an order backlog of Rs. 4230 crore as against Rs. 5605 crore in the previous year. 2011-12 had been a challenging year for the capital goods sector. Various policy and economic factors were responsible for significantly reducing fresh investments and order finalisations in the power sector, affecting order booking and resulting in lower order backlog. The order inflows were lower compared to the previous year as the economy witnessed a slowing down of growth, particularly in the second half of the financial year.

The profit after tax on a consolidated basis is lower than

the stand alone results owing to the losses incurred by the subsidiaries namely, Thermax Instrumentation Ltd. (TIL), Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. (TZL) and the company's share of losses in the recent joint venture subsidiaries, Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. (TBWES) and Thermax SPX Energy Technologies Ltd. TIL, which undertakes erection and commissioning work for the Power division of the company, is expected to face a challenging year ahead. TZL improved its business operations and reduced operating losses. TBWES is yet to be operational.

The consolidated total income of the Thermax Group was Rs. 6174.2 crore (Rs. 5393.6 crore, previous year) recording a 14.5% increase. Income from international business including deemed exports was up 25.9% to Rs. 1574.2 crore from Rs. 1250.3 crore. The Group registered a profit before tax of Rs. 596.5 crore (Rs. 573.4 crore, previous year). Profit after tax, extraordinary items and minority interest was Rs. 403.5 crore for the year. Consequently, EPS also increased to Rs. 33.86 (Rs. 32.03 after extraordinary item, previous year).

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

The audited consolidated financial statements presented by the company include the financial results of all subsidiary companies, prepared in accordance with Accounting Standard 21 issued by The Institute of Chartered Accountants of India. In addition, a statement of summarised financials of all the subsidiaries is included.

## STRATEGIC ACQUISITION

Your company acquired Rifox-Hans Richter GmbH, a leading German steam traps and allied steam accessories manufacturer which was the subsidiary of Virgo Valves & Controls Ltd., India. Virgo's steam division has also been acquired by your company for an aggregate consideration of Rs. 13.39 crore. The acquisition which is effective from April 1, 2012, offers



**Thermax acquired Rifox- Hans Richter GmbH, a leading German manufacturer of traps and allied steam accessories. The acquisition offers a strategic fit for the company's steam engineering business and will support its initiatives to improve the efficiency of client's processes.**



a strategic fit for the company's steam engineering business. The acquisition would enable your company's Cooling and Heating service business to extend its portfolio in Europe, South East Asia and the Middle East.

## **DIVIDEND**

The Directors have recommended a dividend of Rs. 7/- (350%) per equity share of face value Rs. 2/-. The dividend, if approved by the shareholders, will entail a payout of Rs. 96.9 crore, including dividend distribution tax of Rs. 13.5 crore.

## **SUBSIDIARIES**

By a general circular (No. 2/ 2011 dated February 8, 2011), the Ministry of Corporate Affairs, Government of India, under Section 212(8) of the Companies Act, 1956, has permitted companies not to attach copies of the Balance Sheets and Profit and Loss Accounts, Directors' Reports, Auditors' Reports and other documents of all their subsidiaries, to the Accounts of the Company. The company has acted accordingly.

However, annual accounts of the subsidiary companies and the related detailed information are available at any time to shareholders of the parent company and subsidiary companies and to statutory authorities. On request, these documents will be made available for inspection at the company's corporate office.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

A Management Discussion and Analysis report, highlighting the performance and prospects of the company's energy and environment segments including

details of subsidiaries catering to the respective businesses, is attached.

## **CORPORATE GOVERNANCE**

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

A certificate from the statutory auditors of the company regarding compliance with the conditions of corporate governance as required under Clause 49 of the Listing Agreement is part of this report.

## **LISTING ON STOCK EXCHANGES**

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

## **FINANCE, ACCOUNTS AND SYSTEMS**

As on March 31, 2012 the company's cash and cash equivalents including current investments stood at Rs. 771.5 crore.

The net cash flows from operations, before investments in fixed assets and subsidiaries was Rs. 174.5 crore (previous year Rs. 53.4 crore).

The company made net investments of Rs. 105.8 crore in fixed assets and Rs. 74 crore as equity in Thermax Babcock Wilcox Energy Solutions Private Limited - the Joint Venture with Babcock & Wilcox India Holdings Inc., USA. Besides, the company infused equity of Rs. 10.6 crore in Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. and Rs. 4 crore in Thermax Sustainable Energy Solutions Ltd. during the year. The net cash outflow, after factoring the above, was Rs. 25.9 crore in the current year as against Rs. 9.9 crore in the previous year.

The company's net working capital, adjusted for bank fixed deposits, was positive at Rs. 34 crore as against a

negative Rs. 117 crore in the previous year owing to lower customer advance balances and higher receivables in absolute terms. The company's management continues to monitor closely and control the working capital.

The process of building internal controls as well as the automation of work flow was continued during the year.

The company's financial statements have been prepared according to the revised Schedule VI of the Companies Act, 1956.

ICRA Ltd. has reaffirmed its rating, LAA+ for long-term and A1+ for short term banking facilities. The long term rating carries a 'Stable' outlook.

### **Public Deposits**

The company had no unpaid / unclaimed deposit(s) as on March 31, 2012. It has not accepted any fixed deposits during the year.

## **EMPLOYEE STRENGTH**

The total number of permanent employees on the rolls of the company was 4016 as on March 31, 2012 (3920 previous year).

## **WAGE AGREEMENT**

During the year, the management of the company has amicably signed the following wage settlement agreements:

- 1) Memorandum of settlement with Thermax Kamagar Sangathan (representing workmen at Chinchwad works) which will remain in force for a period of three years commencing from May 1, 2010.
- 2) Memorandum of settlement with Bhartiya Kamgar Karmachari Mahasangh (representing workmen at Paudh works) which will remain in force for a period of three years commencing from July 1, 2010.

## **PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956**

A statement of the particulars required under Section 217(1) of the Companies Act, 1956 (the Act), 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.

In terms of the provisions of Section 217(2A) of the Act, read with the rules framed thereunder as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b) (IV) of the Act, the Annual Report excluding the aforesaid information is being sent to all the members of the company and others entitled thereto. Any shareholder interested in obtaining such particulars may write to the Dy. Company Secretary at the corporate office of the company. The statement is also available for inspection at the corporate office, during working hours up to the date of the Annual General Meeting.

## **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association, Dr. Valentin A.H. von Massow and Dr. Raghunath A. Mashelkar retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment as directors.

M. S. Unnikrishnan has been reappointed as the Managing Director and Chief Executive Officer of the company for a period of five years commencing from July 1, 2012. His reappointment requires approval of the shareholders at the ensuing Annual General Meeting.

## **COMPANY SECRETARY**

Devang Trivedi was appointed Compliance Officer in terms of the Listing Agreement and also

Deputy Company Secretary as per the provisions of Section 383A of the Companies Act, 1956. His appointment was necessitated by the resignation of Sunil Lalai as the Company Secretary and Compliance Officer.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors, to the best of their knowledge and belief and according to the information and explanations obtained by them with respect to the statement of Profit & Loss for the financial year ended March 31, 2012 and the Balance Sheet as at that date ("financial statements"), 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 have been followed.
2. Appropriate accounting policies have been selected and are being applied consistently. Judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period. Significant accounting policies and other required disclosures have been made in Notes 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 periodic 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.

## COMMITTEES OF THE BOARD

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

- A) Audit Committee: The Board appointed Nawshir Mirza as a member of the committee with effect from May 3, 2011.
- B) International Investment Committee: The terms of reference of the committee were amended by the Board on October 20, 2011.

The Corporate Governance Report gives details of the aforesaid committees.

## AUDITORS

M/s. B. K. Khare & Co., Chartered Accountants, retire as statutory auditors at the ensuing Annual General Meeting and are eligible for reappointment. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the company has obtained a written certificate from them to the effect that their reappointment, if made, would be in conformity with the limits specified in the said section.

## COST AUDITORS

As per the Order dated January 24, 2012, issued by the Ministry of Corporate Affairs, the appointment of Cost Auditors becomes mandatory for your company pursuant to the provisions of Section 233B of the Companies Act, 1956.

Accordingly, the Board of Directors at its meeting held on May 11, 2012 approved appointment of M/s. Dhananjay V. Joshi & Associates, Cost Accountants, Pune as the Cost Auditors of the company for the financial year 2012-13 subject to the approval of the Central Government.

## AWARDS AND RECOGNITION

Your company has received the following awards and recognition during the year:



- Thermax won the CNBC TV-18 India award for the 'most promising entrant to the big league'. M. S. Unnikrishnan received the award from the Union Finance Minister, Pranab Mukherjee in January, 2012.
- Anu Aga, Director and former Chairperson of Thermax, nominated as Member of the Rajya Sabha by the President of India, on the recommendations of the Prime Minister.
- Chinchwad factory bagged the Safety Innovation Award 2011 from the Institution of Engineers, Delhi, for its innovative health, safety and environment initiatives.
- Chinchwad factory won the Health, Safety and Environment appreciation award 2011 from CII, Western region.
- Gopal Mahadevan, Chief Financial Officer and Executive Vice President received the best

performing CFO award in the Capital Goods sector by CNBC TV-18 in February, 2012.

- Meher Pudumjee's column, 'Expressions' in Fireside, the company in-house magazine, won first prize at the Association of Business Communicators of India in November 2011.
- Thermax employees continue to win awards for technical paper presentations, corporate quizzes and sports tournaments.

## ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the continued support extended during the year by the company's clients, business associates, supplier-partners,

bankers, investors, government authorities and its joint venture partners. Your Directors also place on record their appreciation of the dedication and contributions made by employees at all levels including the workmen, who through their commitment, hard work and support have steered the company.

Your Directors would also like to thank all their shareholders for their faith in the company and its future.

For and on behalf of the Board

Pune: May 11, 2012

**Meher Pudumjee**  
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, 2012**

## **A. CONSERVATION OF ENERGY**

During the year, the following measures were taken towards energy and resource conservation:

**1. Electricity:** At the Chinchwad and Savli manufacturing facilities, consumption was optimised using energy saving devices such as Electronic Energy Saver, measurement of lux (unit of light intensity) level and maintaining power factor according to State Electricity Board norms, resulting in an annual saving of Rs. 0.6 crore.

At Paudh plant, the company has reduced 9% electricity over last year for every metric cube of resin produced by controlling process cycle time, effectively utilising high power-consuming machinery and improving productivity.

**2. Water:** At Paudh plant, around 135000 m<sup>3</sup> water has been recycled and reused by installing conservation systems such as a Reverse Osmosis plant for effluent treatment and recirculation of condensate water to boiler feed.

**3. Fuel:** At Chinchwad factory, replacement of tubes and other retrofits in the air conditioning system has been revamped, thereby resulting in a saving of Rs. 0.1 crore.

At Paudh plant, by installing fuel emulsion system, air pre-heater, arresting leakages and optimum utilisation of steam, the company has been able to save Rs. 0.4 crore.

## **B. TECHNOLOGY ABSORPTION**

### **Research and Development (R&D)**

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

Three R&D cum technology demonstration projects

initiated in public-private partnership (PPP) mode have been commissioned successfully. These projects are in the field of solar biomass hybrid distributed power generation, solar air conditioning, solar biomass hybrid cold storage and anaerobic wastewater treatment. The company is working on international funded projects in the energy field and networking with international research institutes. In the environment sector, R&D work on indoor air quality and new generation designs for air pollution control equipment are in the final stages of development.

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

The above R&D products are in development stage and shall be taken up for beta trials before their market launch.

#### **3. Future plan of action**

Solar thermal technologies for power, heating and cooling, low temperature waste heat recovery will continue to be a thrust area for R&D in the energy sector. The company will also continue to work on futuristic energy technologies such as coal gasification and fuel cells.

In the environment sector, your company is focusing on waste to energy products and technologies, energy efficient and space saving sewage and waste water treatment technologies.

#### **4. Expenditure on R&D**

Particulars	Amount in Rs. crore	
	Current year	Previous year
a. Capital	3.9	2.8
b. Recurring	15.3	13.4
c. Total	19.2	16.2
d. Total R&D expenditure as a percentage of turnover	0.37%	0.34%

## Technology absorption, adaptation and innovation

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

- a) Concentrating solar collector technology: High efficiency and low cost are the most crucial factors for proliferation of solar thermal systems. The company identified mirrors, absorber tubes, tracking system etc. as components requiring significant development. Collaborations with national and international institutions enabled fast track development resulting in parabolic trough at a reduced cost.
- b) A new generation of Hot Water Series Absorption machine with higher efficiency has been developed.
- c) A new Chiller-Heater which can simultaneously cater to heating and cooling requirements has been developed.

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

- a) Concentrating solar collector technology: This development provided an indigenous, high efficiency, low cost solution for medium temperature industrial heating processes. Coupled with triple effect vapor absorption technology, a new solution in terms of solar thermal cooling is generated which has potential to replace electrical power used for process cooling and air-conditioning with renewable energy at higher conversion efficiency.
- b) The development of new generation of hot water series absorption machine which occupies a lesser footprint would specifically be helpful for the commercial market segment where space is a constraint.
- c) The development of a new Chiller-Heater machine would lead to a saving of 30% of the electricity bill of customers.

### 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
High pressure condensate polishing unit (HPCU) technology	2012	In the process of absorption	This technology would be absorbed after commissioning and execution of a commercial project. Currently, such a project is being pursued.
Construction chemicals technology	2011	In the process of absorption	The technology partner has provided complete technology transfer documents based on which product development and validation is in progress.
Technology for certain Intermediaries used in manufacture of different bases of concrete admixtures	2011	In the process of absorption	
Reciprocating grates	2010	Yes	N.A.
Difficult-to-degrade waste water systems	2009	In the process of absorption	Technology absorption has been completed for one industrial segment and it is in the process of absorption for other segments.

Technology imported	Year of import	Has technology been fully absorbed	If not fully absorbed, reasons thereof and future plan of action
Sequencing batch reactor system (SBR)	2009	In the process of absorption	Project commissioning has been delayed due to various constraints and is expected to be completed by financial year 2013.
Photo-electrochemical air purification technology for indoor air purification	2009	In the process of absorption	First phase prototype trials and data generation completed. All components indigenised. Final phase rapid prototyping and embedded control development in progress which is likely to be completed by November 2012.
Eco Power	2008	In the process of absorption	Technology developed jointly by Thermax and Eco Power Technology Oy., Finland. The Eco Power special purpose burner joint development is completed.
Sub critical utility boiler technology	2008	In the process of absorption	The company has executed an order during the year for supply of boiler using the technical knowhow for its design & manufacturing. The technology will be fully absorbed on completion of erection and commissioning of this boiler which is under progress. After carrying out the performance guarantee test, planned in December 2012, technology absorption will be completed by financial year 2013.
Paper process chemicals	2007	Yes	N.A.
Electrostatic precipitators	2007	Yes	N.A.

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Management Discussion and Analysis Report elaborates the company's operations in export markets.

During the year, the company had a net foreign exchange inflow of Rs. 44.6 crore as against a net inflow of Rs. 75.4 crore in the previous year.

The details on foreign exchange earnings and outgo are given in the Notes 31(j), 31(k) and 31(l) of Financial Statements, which form part of the Annual Report.

# MANAGEMENT DISCUSSION AND ANALYSIS



## Overview of the business environment

The Indian economy, in the wake of the positive performance of the previous year, began 2011-12 with high growth expectations. The Eurozone crisis, along with the Fukushima disaster and apprehensions about a weak American recovery toned down the global growth expectations. This was compounded by a crisis of confidence induced in the Indian economy by the domestic coalition compulsions, and increased social activism deterring the process of policy making and governance. Throughout the financial year, the RBI continued to increase interest rates under a tightening monetary policy to rein in the headline inflation. Despite the plea of the business and industrial stakeholders of the country that the interest rates on borrowing for capacity building have already crossed permissible levels, the Government and the Reserve Bank continued with monetary policy adjustment alone rather than addressing the supply side constraints through legislative measures. The net effect was a decline in our domestic economic growth, quarter over quarter, bringing it down from 8.6% in FY 2011 to 6.9% for FY 2012. Except for 2008-09 when the growth rate was only 6.7%, the year gone by witnessed one of the lowest growth in nine years.

While both agriculture and services sector performed well during the year, internally, India's slowdown can be attributed almost entirely to a weakening industrial growth rate. The manufacturing sector could only register a growth of 2.7% and 0.4% respectively in the second and third quarters of 2011-12.

For industry – especially the capital goods sector – the most worrying aspect was a feeble IIP growth of 2.8% for 2011-12 against a robust 8.2% growth seen in fiscal 2010-11. During the year, the sector witnessed a major slowdown in order booking and subdued execution

owing to lower infrastructure spending, rising input costs and spiralling interest rates. Confidence in growth, critical for capital formation and expenditure, remained at a low level throughout the year. This was reflected in the sharp fall in fresh order inflows, especially in the power sector.

Growth in power generation during April'11-January'12 was 8.6% as compared to 5.2% during April'10-January'11, reflecting unfulfilled demand. However, new plants being ordered out plummeted to low levels compared to previous years.

Barring roads, all other constituents of the infrastructure sector – power, oil & gas, cement and mining – witnessed a sluggish trend in the current fiscal. With the unlikely prospect of a reduction in interest rates, factors such as weakening rupee, higher inflation rate and constrained governance, the corporate sector adopted a wait-and-watch approach resulting in the absence of big-ticket projects.

After protracted discussions and modifications, a comprehensive National Manufacturing Policy was announced by the Government. If implemented in its letter and spirit, the policy can certainly give an impetus to industrial growth in India. National Manufacturing Investment Zones, as envisaged in the policy, have sufficient potential to create world class enterprises.

The recently held Durban Climate Change Conference marked an important step forward in the climate change negotiations. Compared to the earlier Cancun summit, this conference outcome paved a decisive way forward in terms of the Kyoto Protocol and the stand of developing countries like India. The discussions at Durban also opened a window for discussions on the post 2020 arrangements for the global climate change regime. The National Action Plan on Climate Change will continue to present a wide range of opportunities to organisations in the field of energy and environment.



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**Thermax commissioned its new manufacturing plant for chemicals at Jhagadia, Gujarat. This greenfield project will manufacture performance chemicals and new paper chemicals for a wide range of industries.**

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Moving on to the current financial year, the global economic scenario is challenged by a socialistic polarisation of Europe, delaying the possibility of a recovery and even increasing the fear of a collapse. This will have far reaching ramifications on our domestic economy compelling us to accept the possibility of a further contraction in the GDP growth. India will also face the added challenge of a fast depreciating currency as a sequel to the uncontrolled inflation and unmanageable levels of subsidies propelled by the import of energy resources (coal, oil and gas) and the recently introduced Food Security Bill. These will see the spiralling of subsidies beyond the committed level

of 2% GDP, resulting in a fiscal deficit way above the budgeted levels.

The downgrade of the nation's credit rating by S&P could have an adverse impact on year 2012-13 in terms of making finance dearer for corporates, particularly in foreign currencies. The agency has indicated that GDP growth could fall to 5.3% as against the government expectations of over 7%. This downgrade along with continued high fiscal deficit could put increased pressure on the rupee, next year.

## Overview of company operations

Your company registered improved results for fiscal 2011-12 with a total revenue of Rs. 5374.6 crore and a net profit after tax of Rs. 406.9 crore. Export income including deemed exports, during the financial year, increased to Rs. 1143 crore.

The economic uncertainties of the country, especially in the power sector caused Thermax's order booking to decline to Rs. 4032.1 crore, a reduction of 24.2% from the previous year.

The project businesses of the company – Power, Boiler & Heater, Air pollution Control (Enviro) – were adversely affected by the shortfall in orders. As a result, the order balance at the end of the year reduced by 24.5% to Rs. 4230 crore from Rs. 5605.4 crore, the previous year.

Sixty two percentage of the orders booked during the year were repeat orders from our existing customers.

Among the sectors that contributed to the orders booked, the leading ones were ferrous metals, power, refinery and cement. Even as these sectors continued to be the largest contributors of this year's revenue, compared to the previous year, in real terms they have shrunk. However, sectors like food, textiles, pharma and sugar, insulated from the economic turbulence, have performed well and the company's standard product businesses have gained orders from these sectors.

In the orders booked for the export market, South East Asia had the largest share, followed by West Asia, Africa, SAARC and Europe. Thermax's renewed focus on Africa is yielding better dividends from this market.

Your company acquired Rifox-Hans Richer GmbH, a German company specialising in energy efficiency products, effective from April 2012. The business will be a strategic fit for the company's steam engineering business handled by the Service SBU (Cooling and Heating division).

The Service business of the company grew by 16% over the previous year. Power Plant Management Services is supporting 995 MW equivalent of power plants, of which 48% are for plants constructed by our competitors.

## New Products

The company has launched a very high efficiency, triple effect absorption chiller that has reduced energy consumption by 30%. Deploying this product, Thermax installed a unique solar based air conditioning system at the National Solar Research Centre, Gurgaon, with the support of the Ministry of New and Renewable Energy (MNRE). This technology demonstration project will need to undergo commercial feasibility and initiatives for cost reduction are already underway.

A new compact hot water chiller was introduced for basements of commercial complexes where space is a major constraint.

The first low capacity CFBC Boiler using a combination of U-beam and cyclone technology was also commissioned. This product will find major applications for very poor quality coal as well as lignite, petcoke and biomass.

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**The solar air conditioning system installed at MNRE's Solar Energy Centre in Gurgaon achieved a 30% space reduction with a 20% increase in cooling efficiency. In this technology demonstration project, Thermax integrated a triple effect chiller developed for the first time in India, and solar parabolic concentrators.**

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## Energy Segment Analysis

Year	Energy business		
	Income* (Rs. crore)	Growth (% YoY)	Income from exports (Rs. crore)
2009-10	2407	- 4	542
2010-11	3879	61	883
2011-12	4150	7	980

\* Figures are adjusted for inter-segment income.

Energy business of your company accounted for 78.2% of its revenues and has grown by 7%, owing to the order backlog from the previous year.

This segment had a profitability of 10.8% (10% last year). The project businesses of the Energy segment, viz., Power and Boiler & Heater performed well on the basis of carry forward orders from the previous year. Owing to the growing trend of outsourcing in the Indian industry, the operation and maintenance arm of the power business gained new orders while retaining earlier ones. Revamps and retrofits, increasingly preferred by industry in difficult times gave the Boiler & Heater group's Service business short cycle orders that were executed in the same year itself.

### A) POWER

The Power division maintained its performance during the year, based on orders carried forward from the previous year. The year saw four more captive power plants getting commissioned, enabling the division cross the cumulative 1000 MW mark for successfully commissioned projects.

This year, the division bagged only one major order from a viscose fibre producer in Gujarat for a cogeneration project that will generate 96 MW of power and steam.

Due to adverse market conditions, especially in the power sector in India, there were very few order finalisations. To derisk the business, Power division focused on related areas. It has successfully pre-qualified to address the balance of turbine island package from

Nuclear Power Corporation of India; and for the Balance of Plant package in thermal power projects as well as gas based power plants of 350 MW and above. The division has also renewed its efforts in overseas markets and has signed two MoUs.

The 2 x 150 MW IIP project in Andhra Pradesh is due for commissioning in the first half of FY 12-13. The gas based cogeneration plant for a petrochemical unit in Karnataka is also progressing well.

The division continued to focus on safety measures at project sites. Several of its teams have won client appreciation and awards for their safety practices and 'safe manhours'.

The division is working on another set of power projects totalling over 1000 MW which is under various stages of erection and commissioning. In the absence of a clear stimulus for investments in infrastructure including power sector, this business expects challenging conditions to continue for the next two years.

### Power Plant Management Services

The Power Plant Management (O&M) Services business registered robust growth in revenues in the year under review. Repeat orders from its customers and renewals of earlier contracts contributed to this sustained growth. To tide over the uncertain business environment, several companies outsourced their captive power plants for O&M, on a variable pricing model based on plant load factor to lower their break-even point. Your company responded with some innovative pricing structures and flexible manpower that can be shared across a cluster of power plant sites. New sectors covered were sugar, non recovery coke oven plants and independent power producers.

The SBU ensured that the two cogeneration power plants based predominantly on biomass in the Philippines attained availability of 95%.

Apart from Udaipur, one more training centre was opened in Trichy (Tamil Nadu) to train young engineers in power plant O&M to create a steady

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**A solid fuel fired boiler from Thermax on its way to the dust free environment of Alok Industries. The equipment is part of a turnkey project, the largest ever from Thermax's Heating division.**

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supply of skilled manpower for our growing number of sites.

With opportunities emerging in public sector undertakings who face shortage of staff and are looking at outsourcing of power plant O&M, the outlook for this business continues to be positive.

### **Thermax Instrumentation Limited (Subsidiary)**

Thermax Instrumentation Ltd. is the construction arm of the Power Division. During the year, this subsidiary earned a total income of Rs. 249.5 crore (Rs. 236.5 crore, previous year). The company posted a net loss of Rs. 10.4 crore (Rs. 3.4 crore profit after tax, previous year) because of cost escalations at some of its project sites. This may continue in the forthcoming year too, and will turn profitable by FY 2014-15.

## **B) BOILER & HEATER**

The Boiler & Heater division of the company registered reasonable growth in revenues during the year. This growth was supported by a healthy order carry forward from the previous year.

During the year, the division successfully commissioned

many large Circulating Fluidised Bed Combustion (CFBC) boilers, predominantly in the captive power plant sector. It also commissioned high capacity process fired heaters for refineries in India and the first high pressure bagasse fired boiler supplied by the company in Thailand. A heat recovery steam generator, successfully commissioned for an oilfield development project in Netherlands, meeting European emission norms will help Thermax win assignments with EPC majors in developed markets on similar projects.

The division's manufacturing facility at Chinchwad exceeded its installed capacity and the Savli facility's production was very close to the rated capacity.

The division received a 120 MW BTG order based on blast furnace gas firing from a leading public sector steel plant in South India. It stabilised its spent wash combustion technology, resulting in fresh enquiries and order finalisations.

The unfavourable environment for investment decisions resulted in shrinking markets and aggressive competition from both established and emerging players. FY 2013 appears to be tough for the Boiler & Heater business. Refining and petrochemical segments, steel, distillery and sugar are expected to bring in

business for the division. A revival of captive power plants using solid fuels is also anticipated, due to the ongoing impasse on grid power.

## B&H Services

The services arm of Boiler & Heater business continues to focus on retrofit and revamp services for ageing heating equipment in Indian and global markets. The division completed a retrofit assignment for a South East Asian national oil company. This business stream is likely to continue, as customers are likely to avoid capex investments and opt for revenue based expenditure in the wake of the prevailing difficult economic environment.

Fuel shortage due to gas and coal availability issues and high prices of oil, has encouraged this group to support industrial customers with energy efficient alternatives. The division innovated and customised a waste heat recovery boiler to optimise the energy use in a coal gasification plant. For a mining company in Western India, it also installed a multi-fuel boiler, supplementing solid fuel with waste heat and other fuels.

## Thermax Engineering Construction Co. Ltd. (Subsidiary)

Thermax Engineering Construction Co. Ltd., (TECC) undertakes and executes engineering construction projects mainly for the Boiler & Heater division of the company. This subsidiary's total income for the year is Rs. 171 crore (Rs. 120.1 crore, previous year), on account of higher order balance at the beginning of the financial year. The company made a profit after tax of Rs. 7.1 crore (Rs. 6.4 crore, previous year).

The company's year-end order balance is lower than the previous year. The slowdown in the capital goods sector makes the current year a challenging one for this company.

## C) COOLING

Cooling business completed the financial year with a healthy growth in revenues. It also registered a strong

growth in order booking and consequently a healthy carry forward for the new financial year.

Inlet air cooling for improving power generation with minimum additional inputs brought in new business for the Cooling division. Growth has also come from the steel sector which in the absence of reliable power at



**Thermax's Enviro division recently commissioned its largest air pollution control project-to-date at a cement plant in Egypt. The project will help the client bring down emissions to stringent levels of 20mg/nm<sup>3</sup>.**



competitive rates, uses alternate energy sources – waste heat, steam from processes – to meet its cooling requirements.

Export business accounted for more than half of the revenues for the Cooling business. Growth in order booking was witnessed in US, Europe and SE Asia markets.

Business in Europe, in spite of economic slowdown, grew significantly. A globally respected Japanese EPC company placed a large order for a chiller for its cogeneration plant in Thailand. Following Berlin and Rome, one more order was received for one of the busiest airports in Australia. Besides growing its business in China, the Cooling SBU also strengthened its position in Africa and CIS markets.

The chiller heater introduced last year to deliver 30% savings in energy bills, have found several new customers this year.

With a healthy carry forward and projected business from its domestic and international markets, the cooling business is poised to witness strong growth in FY 2012-13.

### **Thermax (Zhejiang) Cooling and Heating Engineering Company Ltd. (Overseas subsidiary)**

In its third full year of operation since commencing operations in August 2008, Thermax (Zhejiang) Cooling and Heating Engineering Co Ltd., has been supporting the global cooling business. In spite of rising costs and fierce competition in a market recovering in the current global conditions, the company grew its business 45% over the previous year, with orders gained from various regions of China.

For the FY 2011-12, the company had a revenue of RMB 67.7 million (USD 10.8 million). After accounting for interest & depreciation, loss for the year was RMB 8.4 million (USD 1.3 million) compared to RMB 11.4 million (USD 1.8 million) for last year.

An additional equity of USD 2 million has been

infused in the last quarter to meet the planned total investment of USD 13.5 million.

With a subdued growth prospect for the Chinese economy in the current year, this subsidiary will concentrate on consolidation and reduction of losses.

### **Thermax Inc. (Overseas subsidiary)**

This step-down subsidiary in the USA focuses on ion exchange resins and absorption chillers.

The company reorganised its operations in 2011-12 in response to the overall economic uncertainty in the US market. The vapour absorption chiller business performed well, with a 59% increase in orders and a 71% increase in sales revenue. New clients include a major Hollywood studio, one of the largest IT companies in the world as well as an innovative Japanese electronics company for co-generation application.

However, the ion exchange resins market continued to be stagnant, resulting in an overall increase of 14% in the subsidiary's revenue.

Thermax Inc. recorded revenues of USD 13.3 million (USD 11.7 million, previous year) and a profit after tax of USD 0.21 million (USD 0.03 million, previous year) for fiscal 2012-13.

### **Thermax Europe Ltd. (Overseas Subsidiary)**

This subsidiary, focusing on Thermax's cooling business in Europe, closed the year with a revenue of £ 5.33 million (previous year £ 4.3 million) and a profit after tax of £ 0.45 million (previous year £ 0.40 million). Although the market has remained flat in comparison to last year, the company's focus on niche market segments and new applications helped improve its market share. The year also saw an order booking of £ 6.4 million.

Prestigious orders received for cooling installations for the year include Vienna Railway station, Stanlow refinery, Kaiser Compressor, and heat pumps for Skagen district heating company.

While the markets in Southern Europe face economic trouble, the enquiries from Northern Europe have shown a positive trend. The outlook for 2012-13 is one of cautious optimism.

## D) HEATING

Heating business recorded a healthy increase in its total income compared to last year, with exports accounting for 26% of its business.

The major industry segments of this business such as food processing, textile, chemical, pharma, and distillery performed satisfactorily, in spite of the economic slowdown that set in from the second half of the financial year.

The division absorbed the Lambion grate technology transferred last year, helping it pick up several biomass based orders. Efforts are on to extend this technology to the entire product basket, which includes various packaged boilers and heaters.

Heating SBU received the single largest boiler and heater order from a leading Indian textile company to shift from oil/ gas to solid fuel. It has also commissioned a large DIN design vaporizer (16 Million kcal/h) to this customer's existing plant in the Western region.

The Heating business offers its customers in the edible

oil-soap manufacturing segments a solid fuel based hi-pressure steam boiler package, using the thermosyphon principle. A new shell boiler to address the small boiler market has opened up new market potential for future growth.

The streamlining of operations at the manufacturing facility of this business has started showing results in terms of increased productivity, elevating the available capacity too. This will enable the Heating business to cater to the growth demands also in the near future.

With its chosen sectors performing satisfactorily through this slowdown phase and with the shift to biomass and other solid fuel fired systems due to high oil prices and non availability of gas, the Heating division expects to improve its performance in FY 2012-13.

### Danstoker (Overseas Subsidiary)

Danstoker and its subsidiary Omnicol, the companies that Thermax acquired to grow its global heating business, performed well in 2011-12. Compared to the Euro 40.5 million revenue for the year before acquisition (October'09-September'10), the company posted Euro 53 million for the changed accounting year (April'11-March'12). In the 18 months since its acquisition by the company, Danstoker has clocked Euro 78 million in revenue.

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**Thermax commissioned a fresh air fired heat recovery steam generator (HRSG) on GE Frame 9E gas turbine of a 126.5 MW plant in Netherlands. The project strengthens Thermax credentials for waste heat recovery projects in Europe.**

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While Danstoker continued to maintain dominance in renewable fuel based heating systems with almost 50% of its order booking coming from this segment, Omnical continued to work with industry majors, garnering business in waste recovery boilers. 30% of Omnical's order booking came from this segment.

Initial forays into Latin America, Canada and Saudi Arabia are likely to generate new orders in the second half of the current fiscal and business plans are under discussion to convert these into sustainable markets.

Danstoker is expected to maintain its performance during FY 2012-13

### Services (Cooling & Heating)

Cooling and Heating service business increased its total income during the year. The business offered energy efficiency solutions in complete steam circuit across various industry segments including an export order for a large paper mill.

The technology partnerships the SBU formed in the previous year with two companies in the US and Israel have helped offer energy saving and emission reducing solutions to its customers. During the year, it upgraded its offerings through remote monitoring devices and extended its reach through mobile service units.

The acquisition of the German steam engineering company, Rifox, besides supporting the division in its international business is expected to provide access to a wide range of steam efficiency products to cover saturated as well as superheated steam applications.

The outlook for the business continues to be positive.

## E) SOLAR BUSINESS

The solar business commissioned two prestigious technology demonstration projects during the year. It installed a unique air conditioning project combining triple effect chillers and solar concentrators at MNRE's National Solar Research Centre. The rural electrification project at Shive, near Pune has also been successfully commissioned.

Apart from these R&D based applications, the solar business unit of the company continued to expand its footprint in industrial and commercial establishments by creating hybrid systems for heating and cooling.

In FY 2012-13, the solar business plans to grow its business. The constraints of operating on unreliable grid power plus the possibilities of integrating renewable systems to existing energy infrastructure, will help in gaining increasing acceptance for the company's solar thermal products. The outlook is positive.

## Environment Segment Analysis

Year	Environment business		
	Income* (Rs. crore)	Growth (% YoY)	Income from exports (Rs. crore)
2009-10	778	4	115
2010-11	973	25	183
2011-12	1154	19	163

\* Figures duly adjusted for inter-segment income.

The Environment segment accounted for 21.8% of the company's revenues and has clocked a healthy growth of 18.6 % over the previous year. This segment had a profitability of 13.9% (14.8% last year).

An improved enforcement of the existing norms and an increased awareness about the ill effects of negligence of pollution control across society are driving the growth of the environment business.

Municipalities across the country are in search of workable and cost effective sewage treatment technologies. Water scarcity is now making it mandatory for industry in several states to go for water recycling. Your company's environment businesses are positioned well with effective technologies and relevant application knowledge to help preserve the community resources of clean air and water.

The air pollution control business of your company has successfully completed a few projects in international markets with the prospects of bagging similar projects in the coming years. The water and wastewater business, besides strengthening its presence in the industrial

sector, has also for the first time ventured into the prospective area of water treatment in municipal projects.

In the volatile business environment that stays clear of capex investments, the services arms of Thermax's environment businesses are offering retrofits and O&M services to industry. Your company envisages opportunities in such business initiatives based on revenue side investments for customers.

## **F) AIR POLLUTION CONTROL (ENVIRO)**

The air pollution control business brought in a healthy increase in its revenues. Increased competition from new international players as well as many local companies have resulted in compromised margins in this business.

Construction work of its upcoming facility at Solapur, Maharashtra is nearing completion and commercial operation is expected to start in the first quarter of FY 2012-13.

The division has successfully completed its largest ever Lump Sum Turnkey project for conversion of electrostatic precipitators (ESPs) to low emission fabric filters for a cement plant in Egypt through a World Bank funded global tender.

In 2012-13, the division is anticipating sluggish prospects in its key customer segments of cement, steel and captive power. Intense competition in these sectors is putting pressure on price realisation. Margins are under severe pressure due to fierce competition and higher input cost caused by volatile commodity prices and rupee devaluation. The division has embarked on initiatives to reduce waste, increase productivity and value engineering to partially mitigate the situation.

## **G) WATER AND WASTEWATER SOLUTIONS**

Water and Wastewater Solutions business of the company has reported improved results both in revenues and

profits. Fresh order intake increased both in the industrial and commercial segments. However, new orders in municipal sewage treatment were at subdued levels, since the current phase of funding under JNNURM has come to an end. The slowdown in the power sector also failed to deliver anticipated business for this group.

The standard products performance unit of this business has completed a productivity enhancement and standardisation initiative in collaboration with the Confederation of Indian Industry. This increased productivity and the cost of optimisation resulting from it will enable the business to increase its market share in the growing commercial as well as the MSME sector. The business has also forayed into high-end municipal drinking water solutions on a selective basis. These solutions from its stable will be limited to technology oriented projects needing high-end processes that will save space as well as deliver consistent quality of drinking water even when the input quality varies.

Many state level pollution control boards have set forth stringent norms to enforce treatment and recycling of effluent to save the limited resources of water. This has propelled the opening up of a new market for effluent recycle. As an innovative and technology based solution provider, your company is poised to capitalise on this emerging market.

Despite a slowing down domestic economy, this divisions business is poised to deliver a healthy growth in FY 2012-13.

## **H) CHEMICAL**

The Chemical SBU ended the financial year with a marginal growth in sales over the last year. A sizeable portion of the division's revenue came from exports to the US, West Asia and South East Asia markets. The resin business, constrained by capacity limitation, concentrated its efforts on capturing more value-added specialty resin market. It also streamlined manufacturing processes to improve the yield in the wake of raw material price increase fuelled by crude

petroleum price increase.

The division commissioned its new manufacturing plant for performance chemicals at Jhagadia, Gujarat during the year.

The performance chemical arm of the SBU has added many new accounts with products plus services offering. The paper chemical sales have grown by almost double and will break even in the coming year.

The business expects to deliver improved performance in FY 2012-13.

## **I) Services (Chemical & Water)**

The Services business of Chemical & Water improved its business with better revenues and orders booked. In FY 2011-12, its business gained from effluent treatment and recycle projects and operation and maintenance of water utilities.

Among the notable projects were the three million litre per day effluent recycle plant for a 375 MW power project of the Gujarat State Electricity Corporation, and recycle plant for a textile unit that also includes a five year contract for comprehensive O&M. Breaking new ground, the SBU has also won an order for the maintenance of multi-utilities for BOP package for Tata Power's 4000 MW ultra mega power plant in Western India.

With the growing trend of outsourcing utilities and the demand for systems that help the conservation of water, the SBU is confident of improved business in FY 2012-13. The outlook is positive.

## **Other Wholly Owned Subsidiaries**

### **Thermax Onsite Energy Solutions Ltd. (TOESL)**

TOESL which was established to deliver utilities on a unit consumption basis, earned a total income of Rs. 9.2 crore during the year as against Rs. 6.1 crore in the previous year. Profit after tax was Rs. 1.1 crore (previous year Rs. 0.6 crore).

In 2011-12, the company produced and supplied 42789 tons of steam and 4489 million kcal of heat from the existing three projects. It also bagged two more repeat contracts from a leading paint manufacturing company for supply of steam and heat for its new facilities in Southern and Western India.

With its focus on green fuel and reduction of client's carbon foot prints, TOESL expects to improve its business prospects in FY 2012-13. The outlook is positive.

### **Thermax Sustainable Energy Solutions Ltd. (TSESL)**

During the year under review, TSESL, the subsidiary company focusing on business related to Clean Development Mechanism (CDM) successfully registered two projects under the Programme of Activities registered under UNFCCC.

The company earned an income of Rs. 0.3 crore against Rs. 0.3 crore in the previous year. It incurred a net loss of Rs. 3 crore compared to Rs. 1.2 crore in the previous year – due to various expenses for validation of CDM projects and investments in the development of IT infrastructure.

## **Joint Venture Subsidiaries**

### **Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. (TBWES)**

As part of the technology transfer agreement, engineers of the joint venture company were trained at the Babcock & Wilcox facility at Barberton, Ohio.

Construction of the manufacturing facility for supercritical boilers at Shirwal, Maharashtra is progressing and the plant will be ready for commercial operations during the year.

The company is geared up to contract and execute supercritical boilers up to 3000 MW per year. Owing to issues related to land acquisition, fuel security, fund availability, environment clearances and sustainable power purchase rates, the power development initiative

of the country has not taken off as anticipated less than a year ago. The joint venture expects the Government to take proactive and constructive measures at a quicker pace to reverse this trend and support the power development momentum of India.

### **Thermax SPX Energy Technologies Ltd.**

This joint venture faced another challenging year as its product portfolio --electrostatic precipitators and regenerative air pre heaters -- were dependent on new independent power plants. There weren't any new project order finalisations during the major part of the year, and this subsidiary did not receive any orders.

Thermax SPX will continue to face difficulties till the power development industry recovers.

## **Health, Safety and Environment Measures**

As an organisation that values human life and believes that all injuries are preventable, your company is committed to conduct all its operations in a manner to avoid injury to employees, contractors, workmen, local public and damage to the environment. During the year, various initiatives were undertaken to improve its Health, Safety and Environment (HSE) measures:

### **Safety and Environment Management System**

TECC, the construction arm of the Boiler & Heater Business was certified by the Bureau Veritas with Safety Management Systems as per the requirements of BS OHSAS 18001: 2007 standards.

A surveillance audit of Chinchwad, Savli (by DNV) and Paudh plant (by Bureau Veritas) was also successfully conducted for OHSAS: 18001 (Occupational Health Safety Assessment Series) and ISO: 14001 (Environment Management System) International Standard.

### **Leadership and Commitment**

The Managing Director reviews safety performance of each business every quarter. This is followed by the

Board's quarterly review. In each division a safety council has been formed under the chairmanship of the strategic business unit head and a safety review is held every month. At each project location, a site safety committee reviews and effectively monitors safety.

### **Competency and Training**

An emphasis on safety training has been continued this year for all levels of employees, contractors, vendors and suppliers. Safety training programmes in all regions were conducted during the year for site in-charges, site engineers. A conference for contractors and their project managers was conducted in Pune to share the best practices and create benchmarks.

### **Standards and Procedures**

Method statements for all safety critical activities have been developed and job hazard analysis for all these activities has been carried out. Emphasis has been given to the preparation of location and activity specific job hazard analysis.

### **Incident / near-miss reporting and investigation**

Emphasis has been given on reporting near-misses and carrying out their analyses for preventive action across the company's locations. The ratio of near misses to accidents has improved considerably over the last year.

### **Emergency preparedness plan**

Emergency management plans have been developed to deal with any emergency at all manufacturing and project locations. Training on fire prevention and control, and mock drills on emergency evacuation have been conducted at our plants and offices.

### **Safety Audits and Inspection**

Internal and external safety audits and inspections are carried out regularly and the compliance of audit action points is monitored. A total of 680 internal audits and 55 external audits have been conducted in 2011-12. The overall audit compliance level is 91% whereas the same is 98% for 'A' category observations.

## Safety in Design

Safety in design has been taken up. All the audit and inspection points are taken up with engineering teams and corrective action is being taken at the drawing stage itself.

## Risk Management

The business environment in the country continues to be uncertain with lead indicators such as GDP growth, inflation, interest rates and foreign exchange rates reporting adverse trends. The uncertain environment in the political climate continues to impact society and industry. From a robust 9% GDP growth in 2009-10, the country is witnessing the possibility of GDP growth going below 6%.

The power industry continues to reel under policy, fuel and off-take uncertainties. Coal availability has become a significant constraint for the industry and the hardening of stance by the Indonesian Government on export of coal has further added to the uncertainty. Infrastructure investment by the Government which can act as a fillip to crank the growth engine has seen a deceleration. Core industries, therefore, continue to underperform and so does industrial output. The challenge of managing high fiscal deficit continues.

This coupled with high inflation, high interest rates and an adverse currency movement can have medium term impact on the capital goods industry.

The turmoil in overseas economies, especially in Europe has increased in intensity and the possibility of Greece moving out of the European Union looms large and ominous. We can only imagine the full impact of such a first-of-its-kind event. Germany, France and England, the leading troika of Europe have begun to bear the brunt of the Eurozone uncertainty – both socially as well as economically. The United States of America continues to fight the impact of the 2008 financial crisis. While posting marginal growth, it continues to fight high unemployment even as it has to deal with the uncertainty of a possible change in the country's leadership.

India is no longer decoupled from the rest of the world and all the above factors impact its economic prospects further.

Given the above context, your company finds that demand for some of its products, especially the larger boilers as well as power plants, have been impacted. Most importantly, under such a challenging environment, forecasting, anticipation, review and management of risk become critical to business and success.



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**The Customer Interaction Centre (CIC) launched during the year with a dedicated India toll free number (18002090115). Designed for simplicity and quick customer response, it will play a vital role in Thermax customer support and lead generations.**

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Some of the key risks reviewed by the management are:

### **Risk of concentration in one business segment**

Energy segment continues to have a significant share of the company's business. The Power EPC and Boiler & Heater businesses account for a major slice of the Energy business. The current subdued business prospects for captive as well as utility power plant orders have impacted the order booking and revenues of the company in the short term. Similarly, the Boiler and Heater business which caters predominantly to heat and steam applications for core industries as well as for power generation is seeing tightness in order booking.

To mitigate the above risk, the company continues to diversify and grow the product businesses in the Energy segment – such as process heating, vapour absorption chiller and EPC of small power plants – which have customers across industry sectors. Moreover, the Environment segment comprising of Air Pollution Control, Water and Wastewater as well as Chemical businesses help further diversify the business portfolio of Thermax. The company also continues to focus on its services business which can add stability to revenues and profits.

### **Risk of cyclical business**

The company is currently facing the challenge of cyclicity of the capital goods sector as the order backlog at the start of the financial year 2012-13 is lower than what it was at beginning of last year. As stated earlier, the diversified business portfolio has helped reduce the impact of the cyclical nature of some of its businesses – especially Power and Boiler and Heater.

Off take and investment trends in critical end-customer industries such as cement, steel, petrochemicals, oil & gas etc. are closely monitored. Demand trends in key industries both in India as well as overseas are reviewed periodically by the businesses so that strategies for growing business amidst such challenging conditions can be adopted.

Efforts are on to develop the service business of the company, as this vertical tends to be less cyclical and as it has a larger impact on the customer's revenue side of business.

### **Exchange fluctuations and interest rate risks**

The company's policy has been to avoid speculation in foreign exchange. All foreign currency exposures are hedged immediately upon their occurrence. Consequently, the foreign exchange policy for the company is conservative.

The current forex volatility can impact input costs as well as sales realisations and therefore it is critical to continuously review the latest foreign exchange rates while quoting for projects, which the company is already doing.

On the funds deployment side, the company continues to maintain its conservative investment policy. The company invests its surplus funds in fixed deposits of reputed banks, liquid debt funds and has limited exposure to Debt Fixed Maturity Plans. Principal protection continues to be the key driver.

### **Customer concentration risk**

Typically, the large orders which can lead to the risk of customer concentration emanate from Power as well as the Boiler & Heater businesses. When such orders are bid for, a detailed risk analysis of the order is done and its impact on the company's overall performance is reviewed. As the company continues to build capabilities to execute larger orders the concentration risk would occur at periodic intervals which can be mitigated by a robust project management and review mechanism.

### **Competition risk**

Given the current global economic scenario as well the domestic challenges faced by capital equipment manufacturers, there is an increased intensity in competition as the overall market is shrinking. Pricing and delivery have become even more critical to win customers.

While your company is well positioned to meet these challenges, it continues to recognise the need for optimising cost and increasing operational efficiency to offer better value and solutions to customers.

## **Risk of concentration in one geography**

The company has also been increasing its export and international revenues to reduce the dependency on its home country. The revenues from its international subsidiaries including Danstoker Group, Thermax Inc., Thermax Zhejiang and Thermax Europe account for nearly 8.5 % of its revenues. The thrust is to increase the share of non-India revenues through these subsidiaries as well as through exports, as this would also help in reducing the impact of the Indian market on overall operations.

## **Project management risk**

Nearly three-fourths of the company's businesses are projects in nature which means that a significant portion of the execution happens at the customer's site. Delays in projects can result in cost over-runs as well as liquidated damage claims from customers. Thus, it is important to ensure that projects are executed within timelines and budgeted costs.

The company has established project management systems as well as processes for reviewing the progress of projects. Larger projects, especially those with greater risk, are reviewed more frequently. Specialised project management software is deployed to monitor these projects.

## **Risk related to safe operations**

Your company is committed to the safety of its people and continues to strive for making workplaces safe. The complexity and spread of operations make this task even more daunting.

There is a dedicated team of Safety Officers reporting to the Head of Safety who continuously review the implementation of policies and procedures especially at the site and factories. They also conduct periodic safety audits to measure and improve compliance.

Continuous efforts and programmes are on for enhancement of safety awareness at all levels through direct and indirect communication.

## **Risk related to human talent**

Though economic activity has slowed and GDP growth has come down, acquisition, management and retention of talent continue to be a challenge in current times. Managing aspirations, remuneration and people costs is a challenge that the company recognises as Thermax places special emphasis on its people and people processes. Availability of appropriate talent and attrition risk are reviewed periodically by the management and necessary measures taken to mitigate the impact of these human resource related risks. The company also has a formal process of reviewing succession planning.

## **Risk of adverse changes in cash flows and working capital**

The company is predominantly in the project business where projects are medium term to long term in nature. Consequently payments receivable from customers are spread over the project period. Given the current domestic and international economic scenario, there is the risk of delays in payments from customers. This coupled with reduced customer advances can adversely impact the working capital and cash flow position of the company.

The company's management closely monitors and reviews the working capital position to ensure adequate steps are taken to minimise the impact of the current economic situation.

## **Risk of energy price fluctuation**

Thermax offers solutions in the Energy and Environment space. Volatility in fuel prices may prompt customers to shift to lower cost fuel. The company is well positioned to offer a variety of energy solutions as it has technologies for handling a spectrum of fuels, including a wide range of biomass as well as harnessing waste heat.

The company also offers waste-to-energy, combined heating power cooling (CHPC), combined cycle as well as solar heating and cooling solutions which help in reducing energy costs for customers.

## **Input price increase and supply chain management risk**

One of the critical requirements for successful project management is to forecast and manage input costs. The company is a major consumer of steel plates and tubes of various grades as well as bought-out items including motors, pumps and valves.

Stability of profits depends on how effectively the costs are managed within estimated levels. Therefore, significant fluctuations in raw material prices could impact the profitability of the company.

While quoting for large projects, provisions for escalation of input costs are factored in to help make up for any spurt in prices. In addition, before such quotes are furnished, committed quotes from vendors for critical inputs are obtained. This way, variability can be reduced as many project finalisations take time.

Besides these, the Corporate Sourcing Group responsible for strategic sourcing continuously reviews the existing vendor base and develops new supplier relationships. The process of vendor rating and evaluation helps in grading vendors and also enhance their performance on cost, quality and schedule.

## **Risk related to international operations**

Over the past few years, the company's international presence has been expanding. The recent acquisitions of Danstoker Group and Rifox, the enhanced operations of Thermax Zhejiang Heating & Cooling Engineering Company in China as well the subsidiaries in USA and UK add complexity to management of international operations. In addition, the company's operations span 20 international offices.

The international operations are exposed to risks of specific socio-economic, legal and fiscal developments occurring in these countries. Beside these, rules and laws relating to recruitment of employees, technology cooperation, etc. are different and complex for each country.

## **Compliance with law**

The company's operations have been expanding both in India and outside. The larger scale and size of operations makes compliance with law and regulations complex. The company recognises this and therefore has a system of reporting and reviewing of compliances at periodic intervals – for entities located within and outside India.

# CORPORATE GOVERNANCE REPORT



Corporate governance is about commitment towards sustaining values and ethical business conduct. It is a set of processes, customs, policies and laws by which corporations are directed and controlled in the larger interests of stakeholders.

Good corporate governance is not merely about transparency and accountability. Underlying the concept is integrity which means doing the right things to discharge the entrusted responsibilities in an efficient, effective and judicious manner.

It is the constant endeavor of the company to substantially follow the key principles of established governance of protecting shareholder wealth, enhancing it through proper utilisation of resources, maintaining the wealth created and safeguarding the interests of the shareholders. Maintenance of the internal controls for effective management is of paramount significance to the Board for safeguarding the interest of all its stakeholders.

## COMPANY PHILOSOPHY

Thermax Limited continues to be committed to high standards of corporate governance. In all its operations and processes, the company adheres to stringent governance norms so that its stakeholders can expect 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 continue 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 key management officials 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 also has in place a comprehensive business review processes.

## COMPLIANCE OF CORPORATE GOVERNANCE

### i) BOARD OF DIRECTORS AND PROCEDURES

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

## A. Composition of the Board

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 2011-12.

Name of the Director	Pecuniary or business relationship with the company	Relationship with other directors	Number of other directorships <sup>@</sup>	Committee position <sup>@</sup>		Number of shares held in the company
				Chairperson	Member	
<b>NON-EXECUTIVE PROMOTER</b>						
Anu Aga	None except **	Yes	1	1	–	68,88,305 <sup>#</sup>
Meher Pudumjee	None except **	Yes	1	1	2	22,75,500 <sup>\$</sup>
Pheroze Pudumjee	None except**	Yes	1	2	4	3,57,000
<b>INDEPENDENT</b>						
Dr. Raghunath A. Mashelkar	None	No	6	–	6	–
Dr. Valentin A. H. von Massow	None	No	1	1	–	–
Tapan Mitra	None	No	1	2	3	–
Dr. Jairam Varadaraj	None	No	8	–	6	–
Nawshir Mirza *	None	No	4	4	1	–
<b>EXECUTIVE</b>						
M. S. Unnikrishnan	N.A.	No	3	–	5	–

\* Nawshir Mirza joined as an additional director w.e.f. May 3, 2011.

@ Excludes private, foreign & Section 25 companies.

\$ In addition to the shares held by Meher Pudumjee in her personal capacity, she is also a joint Trustee of the 36,35,190 shares held by the various Thermax Employees Welfare Trusts.

# In addition to the shares held by Anu Aga in her personal capacity, she is also a joint Trustee of the 29,06,250 shares held by 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. The company has also paid Rs. 23,85,600/- to Pheroze Pudumjee, being rent for premises taken on lease and has maintained Rs. 18,00,000/- as security deposit.

Non-executive directors are entitled to reimbursement of expenses incurred in performance of the duties as directors, members of 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 material 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.
- g. is not less than 21 years age.

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 five times during the financial year 2011-12 on May 3, 2011, July 22, 2011, October 20, 2011, December 3, 2011 and February 2, 2012. The maximum time gap between any two sequential meetings was not more than four calendar months.

## B. Details of Remuneration

### • Non-executive directors

Today's complex business environment demands constant guidance from the non-executive directors to ensure adherence to corporate governance policies and practices. Recognising their contribution, the company remunerates them by payment of commission. As per the revised guideline adopted by the Board, based on the regulatory provisions, the non-executive directors are entitled to individually receive an amount of Rs. 6 lakh as fixed commission for each financial year. As per the revised guideline adopted by the Board, based on the regulatory provisions, the non-executive directors are entitled to individually receive an amount of Rs. 6 lakh as fixed commission for each financial year.

Additionally, chairpersons of select Board committees will receive further remuneration by way of commission for each financial year to acknowledge their time and involvement to strengthen systems and processes, and also for their contributions in offering strategic direction. Accordingly, for the financial year 2011-12, the Board has approved payment of Rs. 10 lakh to the chairperson of the Audit committee and Rs. 5 lakh each to the chairpersons of the International Investment and Human Resources

committees. Considering the geographic base of Dr. Valentin A. H. von Massow, the foreign director and his involvement in providing guidance as the chairperson of the Strategic Business Development committee, the Board has approved a consolidated amount of Euro 30,000/- as commission for the financial year. Further, taking into account the contribution of Dr. Raghunath A. Mashelkar in chairing and guiding the company's Innovation Council, the Board has approved payment of Rs. 5 lakh as commission for the financial year. Based on the guideline, the chairperson of the Board also receives a fixed commission Rs. 20 lakh for the financial year. This apart, the non-executive directors are also entitled to sitting fees of Rs. 20,000/- for attending each meeting of the Board and committees.

### • Managing Director

The company's Board at present comprises one Executive Director, namely, M. S. Unnikrishnan, Managing Director. The remuneration of the managing director is governed by the agreement dated July 2, 2007 and supplemental agreement dated May 12, 2010, between the company and Mr. Unnikrishnan, which have been approved by the Board of Directors and the shareholders. The remuneration broadly comprises 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. The managing director is not entitled to sitting fees for attending meetings of the Board and committees.

## C. Attendance and remuneration of each Director on the Board during the financial year 2011-12

Name of the Director	Total attendance at Board meetings	Attendance at the AGM held on July 22, 2011	Sitting fees *	Salary and perquisites	Commission†	Total remuneration
						Amount in Rs.
Meher Pudumjee	5	Yes	2,00,000	NA	20,00,000	22,00,000
Anu Aga	5	Yes	1,60,000	NA	11,00,000	12,60,000
Dr. Raghunath A. Mashelkar	3	Yes	60,000	NA	11,00,000	11,60,000
Dr. Valentin A. H. von Massow	5	Yes	1,40,000	NA	20,39,100	21,79,100
Tapan Mitra	5	Yes	2,80,000	NA	16,00,000	18,80,000
Pheroze Pudumjee	5	Yes	3,80,000	NA	11,00,000	14,80,000
Dr. Jairam Varadaraj	4	Yes	2,40,000	NA	6,00,000	8,40,000
Nawshir Mirza	5	Yes	1,80,000	NA	6,00,000	7,80,000
M. S. Unnikrishnan	5	Yes	NA	1,69,59,391	55,00,000	2,24,59,391

NA = Not applicable

\* Sitting fees include payments for Board appointed committee meetings also.

† The commission proposed for the year ended March 31, 2012 will be paid, subject to deduction of tax, and as per the provision of the Companies Act, 1956.

## D. Board Agenda

Agenda papers are circulated well in advance of Board meetings to the members. They contain vital and adequate information 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 a process of governance, the agenda also includes a review of the action taken / pending on the decisions of the Board of previous meeting(s).

### Information placed before the Board of Directors

The following information forms part of the Board meetings' agenda papers:

1. Annual Business Plan which includes capital expenditure and manpower budget. The capital expenditure proposals sanctioned and actual amounts incurred are reported on a quarterly basis. Reasons for variance between the budget and sanctioned are also explained.
2. Information on recruitment of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and Company Secretary.
3. Report on matters relating to foreign collaborations/ joint-ventures/ acquisitions/ mergers/ opening of overseas offices, etc.
4. A report on treasury operations. This report comprises the investment portfolio, details of foreign exchange exposures and steps taken to mitigate risks of adverse exchange movements, if material.
5. Report on statutory compliance, show cause notices, penalties, suits filed by/ against the company and shareholder's grievances, etc.
6. Quarterly financial results for the company and for the group companies with analysis of performance.
7. Minutes of the meetings of Board appointed committees.
8. Significant labour problems and their proposed solutions, wage agreements, etc.
9. Safety issues – fatal or serious accidents in the plants, dangerous occurrences, any material effluent or pollution problems.

10. Any material default in financial obligations to and by the company.
11. Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.

## ii) BOARD COMMITTEES

The Board at present has six committees:

- 1) Audit Committee
- 2) Human Resources Committee
- 3) Share Transfer and Shareholders' Grievances Committee
- 4) Borrowing and Investments Committee
- 5) Strategic Business Development Committee and
- 6) International Investment Committee.

The Board constitutes the committees and defines their terms of reference. The members of the committees are co-opted by the Board.

### A. Audit Committee

The committee presently comprises four members, all non-executive directors. The chairman of the committee, Tapan Mitra, is a Fellow of The Institute of Chartered Accountants of India. Pheroze Pudumjee, Dr. Jairam Varadaraj and Nawshir Mirza are the other members of the committee. Nawshir Mirza was inducted as a member of the committee w.e.f. May 3, 2011.

The committee has met five times during the financial year 2011-12 on May 2, 2011, June 7, 2011, July 21, 2011, October 19, 2011 and February 1, 2012. Details of meetings attended by the members are as follows:

Committee members	Category	Number of meetings attended
Tapan Mitra	Independent	5
Pheroze Pudumjee	Non-executive Promoter	5
Dr. Jairam Varadaraj	Independent	4
Nawshir Mirza	Independent	4

The chairman of the committee was present at the 30th Annual General Meeting of the company held on July 22, 2011.

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

The committee reviews various aspects of internal controls, internal auditors' reports and risk management process 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 committee, observations and recommendations of the auditors and also issues having an impact on control system and compliance. The Chief Financial Officer, Chief Internal Auditor and the representatives of Statutory Auditors are permanent invitees and attend all the meetings of the committee. The Compliance Officer who is a Member of the Institute of the Company Secretaries of India is the Secretary to the Committee.

The terms of reference of the committee broadly includes:

- ◆ Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ◆ Reviewing with management and external auditors the financial statements before submitting to the Board, focusing primarily on:
  - any changes in accounting policies and practices,
  - major accounting entries based on exercise of judgment by management,
  - any qualifications in draft audit report,
  - significant adjustments arising out of audit,
  - compliance with accounting standards,
  - compliance with stock exchange and legal requirements concerning financial statements,
  - any related party transactions i.e. transactions of the company of material nature with the promoters or the management, their subsidiaries or relatives, etc. that may cause potential conflict with the interests of the company.
- ◆ Reviewing the adequacy of internal control systems including management information system with management, external and internal auditors.
- ◆ Reviewing the company's financial and risk management policies.

- ◆ Looking into the reasons for substantial defaults in payments to the depositors, shareholders and creditors, if any.
- ◆ Recommending the appointment and removal of statutory auditor, determine audit fee and also approve payment for any other services as the case may be.
- ◆ Discussing with statutory 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 coverage and effectiveness in terms of follow-up, the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. Outsourcing to firms specialised in carrying out internal audit services, detailing their scope of work and deciding their professional charges.
- ◆ Reviewing the 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 action initiated.
- ◆ 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.

## **B. Human Resources Committee**

The committee presently comprises four members, all non-executive directors. The chairperson of the committee is Anu Aga. Tapan Mitra, Pheroze Pudemjee and Dr. Jairam Varadaraj are the other members of the committee.

The committee has met three times during the financial year 2011-12 on May 2, 2011, June 8, 2011 and February 1, 2012 where all members were present.

The broad terms of reference of the committee:

1. Specify guidelines for the remuneration package and other benefits of the Executive Council and senior management employees and benchmarking with other companies, if necessary.
2. Review compensation trends across the sector.
3. Review the human resource policies and processes for continuous improvement in tune with the company's values, ethics, growth plans and market advancement for improved performance management system.
4. Advise on formulation of policies to enhance employee engagement.
5. Review the identified job talent and their career/retention strategies.
6. Succession planning of senior management employees within the company.
7. Review the ratio of women employees in the company and advise on methodology to increase the percentage.
8. Any other matter that may be referred by the Board from time to time or as may be necessary for compliance with the Listing Agreement.

The company presently does not have an ESOP scheme.

### **C. Share Transfer and Shareholders' Grievance Committee**

The investors' grievance committee under the nomenclature Share Transfer and Shareholders' Grievance Committee comprises three members, Phero Z Pudumjee (chairman), Meher Pudumjee and M. S. Unnikrishnan. The Dy. Company Secretary is the Compliance Officer.

The committee reviews the performance of Karvy Computershare Private Limited, the company's Registrar and 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/ transmission of shares, non-receipt of share certificates, non-receipt of dividend, etc.

#### **Procedure of share transfer**

The Board has empowered the committee to, inter alia, approve share transfers to reduce the lead-time for processing transfer of shares lodged. The committee has

delegated powers to the RTA to approve share transfer, transmission and transposition. The committee usually meets once a month to review the activities of the RTA. The committee met eleven times during the year to, inter alia, resolve complaints to the satisfaction of the investors.

As per the certificate issued by the RTA, 46 complaints were received from shareholders / investors during the financial year ended March 31, 2012.

Summary of complaints during 2011-12

Nature	Opening balance	Received	Resolved	Pending
Non-receipt of dividend	Nil	42	42	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, 2012.

Necessary action is normally taken within ten days from the date of receipt of the communication.

During the year the RTA processed 7 physical transfers comprising 5,500 equity shares.

### **D. Borrowing and Investments Committee**

The committee comprises three members, Meher Pudumjee (chairperson), Phero Z Pudumjee and M. S. Unnikrishnan.

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 year, the committee reviewed the requirement of availing working capital facilities.

During the financial year 2011-12, the committee met twice on September 9, 2011 and December 21, 2011 where all members were present.

### **E. Strategic Business Development Committee**

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

The committee comprises four members, Dr. Valentin A. H. von Massow (chairman), Meher Pudumjee, Phero Z Pudumjee and M. S. Unnikrishnan.

The committee met twice during the financial year 2011-12 on April 30, 2011 and October 20, 2011 where all members were present.

## **F. International Investment Committee**

The committee comprises three members, Pheroze Pudumjee (chairman), Tapan Mitra and M. S. Unnikrishnan.

The purpose and powers of the committee are to:

- ◆ ensure corporate governance in the operations of the overseas Wholly Owned Subsidiaries (WOS).
- ◆ seek information and reports, including financial statements from the management and investigate any activity within its responsibility.

The key terms of reference of this committee, assigned by the Board encompasses:

1. Overseeing the subsidiaries' financial reporting process and the disclosure of its financial information to ensure integrity and credibility. Half-yearly review of the financial statements with the management.
2. Reviewing with the management the adequacy of internal control systems including management information system.
3. Advising WOS on matters that create charge/expense of a permanent or long-term nature, including product and service liabilities.
4. Reviewing compliance with laws of the state/ country of the WOS including laws on labour, safety and environment.
5. Reviewing human resources development and staffing.
6. Reviewing of business operations and strategy implementation of new ventures/ businesses.

The committee met once during the financial year on June 6, 2011 where all the members were present. The committee also reviewed systems, processes, governance and internal audit approach to monitor operations of overseas subsidiaries.

## **iii) OTHER DISCLOSURES RECOMMENDED BY SEBI**

### **A. Subsidiary Companies**

The company has six 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 minutes of Board meetings of the subsidiary companies are circulated to the Board of Thermax Limited along with agenda papers and the minutes are tabled at the Board meeting.

### **B. 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 reappointed at the ensuing Annual General Meeting is given below:

#### **Dr. Valentin A.H. von Massow**

Dr. Valentin A.H. von Massow, 55, is a German national and resident of UK. He has a Diploma Engineer degree in Agriculture and a Ph.D. in Agricultural Economics (both with distinction) at Georgia Augusta University in Gottingen, Germany. He worked with Boston Consulting Group (BCG) from 1986 to 2005, since 1993 as Vice-President and Director. During his tenure as Managing Director of BCG India, he had worked with the company for its turnaround and growth strategy.

He is a Non-executive Director of the Board of Crompton Greaves Limited and of other European companies in the renewable energy, agriculture and environment sectors and serves on the Board of Trustees of the Worldwide Fund for Nature (WWF) in UK.

Dr. von Massow holds directorships in Crompton Greaves Limited, CG Holdings Belgium N.V., Agrosolar GmbH & Co. K.G., ADAS Group (UK), Solarlite GmbH and Ritterschaftliches Kreditinstitut Stade.

Dr. von Massow is also a Chairman of the Strategic Business Development Committee of the company. He does not hold any shares of the company.

## Dr. Raghunath A. Mashelkar

Dr. Raghunath A. Mashelkar, 69, an eminent engineering scientist, is a Director of the company from January 29, 2008. He has a Ph.D. in Chemical Engineering. Presently, he is a National Research Professor at National Chemical Laboratory, Pune. He is also the President of Global Research Alliance, a network of publicly funded R&D institutes from Asia-Pacific, Europe and USA with over 60,000 scientists. He was the President of Indian National Science Academy (INSA).

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 honored 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.

The President of India honored him with the Padmashri (1991) and Padmabhushan (2000), in recognition of his contribution to nation building.

Dr. Mashelkar holds directorship and is also Chairman/Member of committees of the following companies:

Directorships	Chairmanship(s) and membership(s) of committees
Reliance Industries Ltd.	Audit Committee-Member
Tata Motors Ltd.	Audit Committee-Member
Hindustan Unilever Ltd.	Remuneration-cum-Compensation Committee-Member Audit Committee -Member
KPIT Cummins Infosystems Ltd.	Remuneration Committee-Member
Piramal Healthcare Ltd.	Audit & Risk Committee -Member
Sakal Papers Ltd.	—
Vyome Bioscience Pvt. Ltd.	—
Reliance Gene Medix PLC.	—
ICICI Knowledge Park	—
IKP Centre for Technologies in Public Health	—

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

## M. S. Unnikrishnan

M S Unnikrishnan, 51, is the Managing Director of the company since July 1, 2007.

A Mechanical engineering graduate from the Regional Engineering College, Nagpur, with an Advanced Management Program graduation from the Harvard Business School, U.S.A. Mr. Unnikrishnan began his career with Thermax as a trainee engineer in the year 1982.

He has also worked with the EID-Parry group for a period of 5 years as the Head of its Engineering business and with Terrazzo Inc, U.A.E between 1992-1997 as its Assistant General Manager.

He rejoined Thermax as General Manager in 1997. Since then, he has headed the Waste Management and Absorption Cooling divisions of Thermax. In 2000, he became a member of the newly formed Executive Council. He has also led the human resource function of the company and spearheaded the transformation initiative of the company.

Under Mr. Unnikrishnan's leadership, Thermax grew to be a billion dollar company in 2010-11. During the period, Thermax extended its reach through two acquisitions in Europe. It also positioned itself as a leading supplier of power systems and equipment through two joint ventures, one of them for the niche area of supercritical boilers.

Mr. Unnikrishnan is the Chairman of CII's National Committee for Capital Goods & Engineering since 2011. He also co-chairs FICCI's National Committee for Capital Goods & Engineering. He is a Member of the Development Council appointed by the Ministry of Heavy Industries and Public Undertaking, Government of India since 2009.

Mr. Unnikrishnan is a Member of the following Board appointed committees of the company:

Committee	Chairmanship/ Membership
Borrowing & Investments Committee	Member
International Investment Committee	Member
Share Transfer & Shareholders' Grievance Committee	Member
Strategic Business Development Committee	Member

Mr. Unnikrishnan holds directorship and is also Chairman/Member of committees of the following companies:

Directorships	Chairmanship(s) and membership(s) of committees
Thermax Onsite Energy Solutions Ltd.	–
Thermax Sustainable Energy Solutions Ltd.	–
Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	–
Thermax SPX Energy Technologies Ltd.	Audit Committee - Member

Mr. Unnikrishnan does not hold any shares in the company.

### C. Annual General Meeting

The last three Annual General Meetings of the company were held at Yashwantrao Chavan Academy of Development Administration, MDC (Auditorium) Building, Raj Bhavan Complex, Baner Road, Pune – 411007 as under:

Financial Year	Date	Time
2008-2009: 28th AGM	July 21, 2009	11.30 a.m.
2009-2010: 29th AGM	July 21, 2010	11.30 a.m.
2010-2011: 30th AGM	July 22, 2011	11.30 a.m.

### Postal Ballot

No special resolution was passed during the last year that required approval through postal ballot. Similarly, there is no proposal to pass any special resolution through postal ballot for the ensuing AGM.

### D. 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 reporting period of last three years.
4. 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 the senior management employees. This Code is also posted on the company's website.

All Board members and senior management employees have affirmed adherence to the Code for the financial year ended March 31, 2012. The declaration of the Managing Director is given as an annexure.

### E. Means of Communication

1. As the company publishes the quarterly and half-yearly financial results in prominent English and regional language newspapers and also displays the same on its website, individual communication of half yearly results is not being sent to the shareholders. The company also sent a soft copy of its quarterly and half-yearly results to the shareholders of the company at their email IDs available with the company.
2. The company's corporate website [www.thermaxindia.com](http://www.thermaxindia.com) provides comprehensive information of the company's business portfolio, including social initiative comprising CSR activities. Quarterly and half yearly financial results are available in downloadable formats for investor's convenience.
3. Management Discussion and Analysis forms part of the annual report.
4. Transcripts of teleconferences with analysts are also available on the website of the company.
5. Reminders for unpaid /unclaimed dividend are sent to the shareholders every year.

6. Latest press releases and presentation of the chairperson's speech at the Annual General Meeting submitted to the Stock Exchanges are also available on the company's website for the benefit of public at large.
7. The company has designated [igkcpl@karvy.com](mailto:igkcpl@karvy.com) and [cservices@thermaxindia.com](mailto:cservices@thermaxindia.com) as e-mail IDs for investors' service.

## F. 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 directly or indirectly when in possession of unpublished price sensitive information. The code is applicable to the directors and designated employees / persons associated with the company. The code enumerates the procedure to be followed for dealing in the shares of the company and 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 Dy. Company Secretary has been designated as the Compliance Officer.

## IV) SHAREHOLDER INFORMATION

### A. 31st Annual General Meeting

Date and Time : July 26, 2012 at 11.30 a.m.

Venue : 'Symbiosis' Viman Nagar Campus (Auditorium), Survey No. 231/3A, New Airport Road, Vimannagar, Pune - 411 014.

## B. Financial Calendar

The financial results for the Financial Year 2011-12 were announced on:

	As indicated	Actual date
Quarter ended June 2011	July 22, 2011	July 22, 2011
Quarter ended September 2011	October 20, 2011	October 20, 2011
Quarter ended December 2011	February 2, 2012	February 2, 2012
Year ended March 2012	During May, 2012	May 11, 2012

For the year 2012-13 the indicative announcement dates are:

Results for the quarter ended June 2012	July 26, 2012
Results for the quarter ended September 2012	October 30, 2012
Results for the quarter ended December 2012	January 31, 2013
Results for the year ended March 2013	During May, 2013

## C. Book Closure Date

The company's Share Transfer Books and Register of Members of equity shares shall remain closed from July 16, 2012 to July 26, 2012 (both days inclusive), to determine the shareholders entitled to receive dividend for the year ended March 31, 2012.

## D. Listing

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

The company has paid listing fees to both the Stock Exchanges for the year 2012-13.

Custodial fees to Depositories: The company has paid custodial fees for the year 2012-13 to National Securities Depository Limited (NSDL) and Central Depositories Services (India) Limited (CDSL) on the basis of number of beneficial accounts maintained by them, as on March 31, 2012.

## E. Stock Codes

Trading symbol at	National Stock Exchange of India Ltd.	Thermax EQ
	BSE Ltd.	Physical – 411 Demat – 500411
International Security Identification No. (ISIN) in NSDL and CDSL	Equity Shares	INE 152A01029
Reuters RIC	For price on NSE For price on BSE	THMX.NS THMX.BO
Corporate Identification No. (CIN)	L29299PN1980PLC022787	

## F. Stock Data

Month	MKT QUOTE - NSE		MKT QUOTE - BSE	
	High	Low	High	Low
April 2011	720.00	605.00	720.00	605.00
May 2011	663.00	564.00	663.00	556.65
June 2011	639.00	571.00	638.00	562.00
July 2011	622.00	570.00	620.00	569.90
August 2011	583.00	479.00	579.00	476.90
September 2011	547.80	439.00	547.70	439.00
October 2011	475.50	406.00	475.90	407.05
November 2011	502.70	421.00	503.40	422.05
December 2011	499.90	380.60	493.70	388.00
January 2012	509.50	388.00	509.10	392.00
February 2012	569.90	460.20	568.65	462.75
March 2012	540.00	461.50	534.50	462.75

## G. Registrar and Share Transfer Agent

Karvy Computershare Private Limited  
Plot No. 17 to 24, Vittalrao Nagar,  
Madhapur, Hyderabad – 500 081  
Telephone: 040 - 23420818 / 828  
Fax: 040 - 23420814  
E-mail ID for redressal of grievances of shareholders / investors: [igkcpl@karvy.com](mailto:igkcpl@karvy.com)

## H. 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 and Transfer Agent in physical mode are processed and all valid transfers are approved. The share certificate(s) is/ are duly transferred and despatched within a period of 15 to 20 days from the date of receipt.

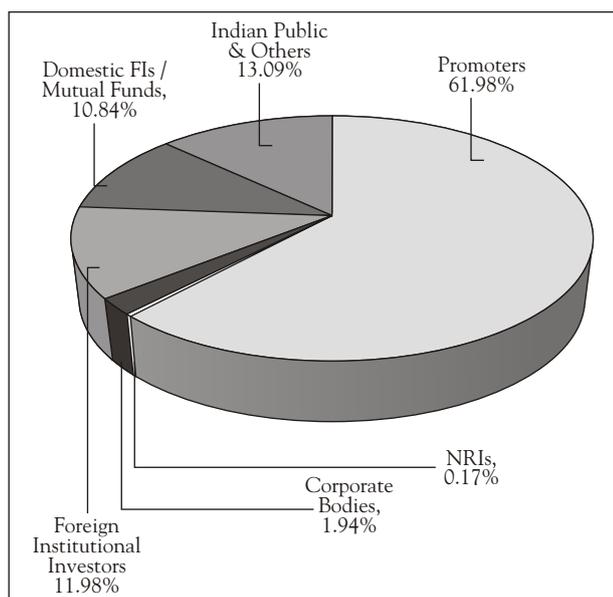
## I. Shareholding Pattern

Sr. No	Number of shares	No. of share holders	%	No. of shares held	% of share holding
1	1 - 500	37,488	93.78	37,86,712	3.18
2	501 - 1000	1,217	3.04	9,67,990	0.81
3	1001 - 2000	577	1.44	8,68,922	0.73
4	2001 - 3000	159	0.40	4,01,870	0.34
5	3001 - 4000	81	0.20	2,88,002	0.24
6	4001 - 5000	64	0.16	3,02,221	0.25
7	5001 - 10000	111	0.28	7,80,525	0.66
8	10001 & Above	279	0.70	11,17,60,058	93.79
	Total	39,976	100.00	11,91,56,300	100.00

Categories of equity shareholders as on March 31, 2012

Category	No. of shares held	% of shareholding
<b>(A) Promoters' holding</b>		
1 Individuals	95,26,805	7.99
2 Corporate bodies	6,43,28,500	53.99
<b>Total shareholding of promoters</b>	<b>7,38,55,305</b>	<b>61.98</b>
<b>(B) Non-Promoters' holding</b>		
1 Mutual Funds, banks, financial institutions, insurance companies, etc.	1,29,12,331	10.84
2 Foreign institutional investors	1,42,75,481	11.98
3 Corporate bodies	23,06,528	1.94
4 Non-resident individuals	2,05,797	0.17
5 Indian public & others	1,56,00,858	13.09
<b>Total shareholding of public</b>	<b>4,53,00,995</b>	<b>38.02</b>
<b>Total (A)+(B)</b>	<b>11,91,56,300</b>	<b>100.00</b>

**Shareholding Pattern as on March 31, 2012**



11,16,98,439 shares have been dematerialised as on March 31, 2012 which account for 93.74% of the total equity.

Top ten shareholders under non-promoter category as on March 31, 2012 are as under:

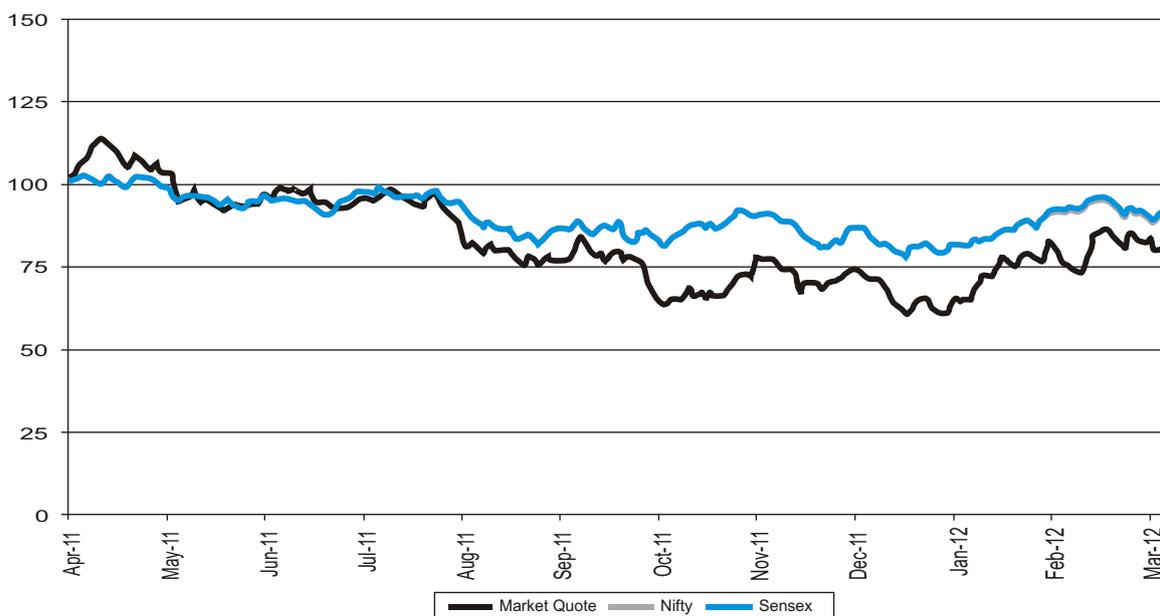
Name of shareholder	Number of shares held	% of shareholding
Life Insurance Corporation of India	25,18,626	2.11
Franklin Templeton Investment Funds	16,50,188	1.38
Morgan Stanley Mauritius Company Limited	14,25,405	1.20
Matthews India Fund	13,78,128	1.16
Reliance Capital Trustee Co. Ltd. A/c Reliance Div.	11,00,222	0.92
SBI Mutual Fund - Magnum Tax Gain 1993	10,41,011	0.87
LIC of India Market Plus 1 Growth Fund	10,03,829	0.84
Pinebridge Investments Asia Limited A/c Pinebridge	9,01,951	0.76
Amansa Investments Ltd.	9,00,281	0.76
HDFC Trustee Company Limited - HDFC Tax Saver Fund	8,50,000	0.71

**K. Details of Dematerialisation**

The company's equity shares are under compulsory demat trading for all categories of investors.

**J. Stock Performance**

Thermax share price vs NSE Nifty & BSE Sensex



NOTE: The company's share price and indices have been indexed to 100 as on the first working day of the financial year 2011-12 i.e. April 1, 2011.

## L. Plant Locations

### Pune

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

D-1 Block, MIDC Industrial Area,  
R. D. Aga Road,  
Chinchwad, Pune - 411 019,  
Maharashtra.

### Paudh

At Paudh, Post Mazgaon,  
Taluka - Khalapur,  
Dist. Raigad - 410206,  
Maharashtra.

### Khed

Gat No.125, Crusher Road,  
At post Rohakal , Taluka - Khed,  
Dist. Pune - 410501,  
Maharashtra.

### Savli

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

### Mundra SEZ

Survey no-169, Village Dhrub,  
Taluka - Mundra,  
Dist. Kutch - 370421,  
Gujarat.

### Jhagadia

Plot No 903/1, GIDC,  
Jhagadia Industrial Estate,  
Jhagadia, Dist. Bharuch- 393110,  
Gujarat.

## M. Address for correspondence

Investors should address their correspondence to the company's Registrar and Transfer Agent, Karvy Computershare Private Limited, whose address has been provided at (G) 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 Dy. Company Secretary,  
Thermax Limited,  
Thermax House,  
14, Mumbai-Pune Road,  
Wakdewadi,  
Pune - 411 003.  
Email: [cservice@thermaxindia.com](mailto:cservice@thermaxindia.com)

## V) 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.

### A. Shareholder Rights

Quarterly and half yearly statements are being published in newspapers.

### B. Audit Qualification

It is always the company's endeavor to present unqualified financial statements. There is no audit qualification in the company's financial statements for the year ended March 31, 2012.

### C. Training of Board Members

All Board members have enough experience in the company as well as in other companies. They are aware and are also updated as and when required, of their role, responsibilities and liabilities. They comprehend basic financial statements.

Presentations are made regularly to the Board and Audit Committee, where the directors get an opportunity to interact with senior managers. Presentations, inter alia, cover business strategies, management structure, HR policies, quarterly and annual financial results, budgets, treasury and forex management, review of internal audit reports, risk management framework, operations of subsidiary companies, etc.

Independent directors interact with the company's senior management employees i.e. Business Unit (BU) and Strategic Business Unit (SBU) Heads and such interactions happen during Board and committee meetings and even during the Board Retreat which usually takes place once a year.

#### **D. Whistle Blower Policy**

The Board has adopted a 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 a 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. The company has assigned e-mail ID - [tlgovernance@gmail.com](mailto:tlgovernance@gmail.com) on which an employee can report or send a written complaint to the Chairperson or the Managing Director.

#### **vi) RECONCILIATION OF SHARE CAPITAL AUDIT**

As stipulated by SEBI, a qualified practicing company secretary carries out share capital audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and report thereon is submitted to the Stock Exchanges. The audit confirms that:

1. The total of the shares held in NSDL, CDSL and in the physical form tally with the issued / paid-up capital.
2. The Register of Members is updated.
3. The dematerialisation requests have been confirmed within 21 days and there has been no delay beyond the stipulated time-frame.
4. There has been no change in the share capital of the company.

The company's RTA has the adequate software to monitor the compliance system.

#### **vii) OBSERVANCE OF THE SECRETARIAL STANDARDS ISSUED BY THE INSTITUTE OF COMPANY SECRETARIES OF INDIA**

The Institute of Company Secretaries of India, one of the premier professional bodies in India, has issued Secretarial Standards on important aspects like board meetings, general meetings, payment of dividend, maintenance of registers and records, minutes of meetings, transmission of shares and debentures, passing of resolutions by circulation, affixing of common seal, forfeiture of shares and Board's report. Although these standards are recommendatory in nature, the company substantially adheres to these standards voluntarily.

#### **viii) CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009**

The Ministry of Corporate Affairs, Government of India, has issued the Corporate Governance Voluntary Guidelines 2009, keeping in view the objective of encouraging the use of better practices through voluntary adoption, which not only serve as a benchmark for the corporate sector but also help them in achieving the highest standard of corporate governance. The company's practices embrace the elements of the Guidelines substantially. The management is taking efforts to review its corporate governance parameters from time to time in the context of the other recommendations under the Guidelines for appropriate adoption.

#### **ix) SHAREHOLDER REFERENCE**

##### **A. Unclaimed Dividend**

Unclaimed dividend for the years prior to and including the financial year 2003-04 has been transferred to the General Revenue Account / the Investor Education & Protection Fund (IEPF), established by the Central Government, as applicable. Shareholders who have not encashed their dividend warrants relating to financial year(s) upto and including 1994-95 may claim such

dividend, which has been transferred to the General Revenue Account, from the Registrar of Companies, 3rd Floor, PMT Building, Deccan Gymkhana, Pune – 411 004, in the prescribed form. This form can be downloaded from the company's website [www.thermaxindia.com](http://www.thermaxindia.com) under the section 'Investor Relations'.

Financial year	Dividend	Date of declaration	Total dividend amount (Rs. Crore)	Unclaimed dividend as on March 31, 2012		Due for transfer to IEPF on
				(Rs.)	%	
2004-05	Final	26.07.2005	Equity: 28.60	3,08,376	0.11	31.08.2012
			RPS* : 2.86	56,274	0.20	
2005-06	Final (pro rata)	26.07.2005	RPS* : 0.92	18,919	0.20	31.08.2012
2005-06	Final	20.07.2006	40.51	6,07,262	0.15	30.08.2013
2006-07	Interim	13.03.2007	40.51	5,82,972	0.14	18.04.2014
2006-07	Final	25.07.2007	30.98	4,62,466	0.15	30.08.2014
2007-08	Final	22.07.2008	95.33	12,66,808	0.13	27.08.2015
2008-09	Final	21.07.2009	59.57	9,09,110	0.15	27.08.2016
2009-10	Final	21.07.2010	59.57	9,64,085	0.16	26.08.2017
2010-11	Final	22.07.2011	107.24	15,59,106	0.15	27.08.2018

\* RPS = 6% Redeemable Preference Shares

The company had issued RPS of face value Rs. 10 each as bonus shares aggregating to Rs.47.7 crore in the ratio of two RPS for every equity share held. The shares were allotted on September 22, 2003 and were redeemed on July 26, 2005 at face value.

Dividend for the years noted above, if remains unclaimed for seven years, will be transferred by the company to the IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956. Please note that the unclaimed dividend for the financial year 2004-05 and pro-rata dividend on RPS for financial year 2005-06 are due for transfer to IEPF later this year as detailed above. Letters have been sent by the company to the shareholders concerned advising them to lodge their claim with respect to such unclaimed dividend.

Once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof.

## B. Bank details

Shareholders holding shares in physical form are requested to notify / send the following information to the Registrar and 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).

## C. Permanent Account Number

Securities and Exchange Board of India has made it mandatory for every participant in the securities/ capital market to furnish Permanent Account Number (PAN) issued by the Income Tax Department. Accordingly, all shareholders are required to submit their PAN along with a photocopy of both sides of the PAN card, duly attested.

Shareholders with shareholding in physical form are requested to send a copy of the PAN card of all holders (including joint holders) duly attested, by Notary Public/ Gazetted Officer/ Bank Manager under their official seal and stating their full name, address and folio no. to the company or its Registrar and Share Transfer Agent.

Shareholders holding shares in electronic form are required to furnish their PAN details to their Depository Participant with whom they maintain their account along with the documents as required by them.

#### **D. 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 and Transfer Agent.

#### **E. 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 the ECS mandate form. The ECS mandate form may be collected from the company's Corporate Office or its Registrar and Transfer Agent or may also be downloaded from the company's website ([www.thermaxindia.com](http://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 and Transfer Agent so as to reach before commencement of the book closure date i.e. July 16, 2012.
- 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 and 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.

Pune: May 11, 2012

M. S. Unnikrishnan  
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, 2012, 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  
Firm Regn. No : 105102W

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

Pune : May 11, 2012

# 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



Thermax strongly believes that education is the best enabler. Through education, talent is created and harnessed, which further strengthens society. To bridge the inequity gap in education and improve the quality of education meted out to children, Thermax has partnered with the Pune Municipal Corporation (PMC), the Akanksha Foundation and Teach for India, through its CSR arm, the Thermax Social Initiative Foundation (TSIF). Considering the wide range of tasks to be undertaken, the Thermax Board of Directors have decided to increase the allocation of funds from 1% to 3% of profit.

The activities and achievement during the year 2011-12 is given below:

## EDUCATIONAL INITIATIVES

### **K C Thackeray Vidya Niketan English Medium School**

The school has completed five years, and has 480 students in the academic year 2012-13. This school will see its first batch of students appear for the Board examination in 2013. This is also the first PMC English Medium School to have students appearing for the SSC Board Examination.

Two 7th standard students ranked 28th & 32nd, and a student from 4th standard ranked 17th on the district merit scholarship list. Another student from 7th standard was selected for the Duke's Talent Identification Programme organised by Educational Initiatives Pvt. Ltd.

### **Savitribai Phule English Medium School**

The school which began in 2008 with Junior and Senior KG, has reached the 4th standard during the academic year 2012-13 and now has 360 students. The school not only focuses on academic performance but also on holistic development.

To inculcate the habit of reading in the young minds, the school has started a literature circle which has generated a lot of excitement and interest among the students.

### **Adoption of Matoshri English Medium School**

TSIF Board has decided to fully fund another municipal school named Matoshri English Medium School from the academic year 2012-13. This school was earlier directly managed by Akanksha and TSIF supported Akanksha to liaise with the Government. This school has 340 students.



### **Partnership with Akanksha Foundation**

Thermax continues to support two learning centres that benefit 88 students of the Akanksha Foundation. The children from this centre took up a service project titled "Clean-up Mula Mutha river – nala ko nadi banayenge". Ten employees from Thermax also volunteered for this hour long river cleaning drive.

The students also visited the J W Marriott Hotel to be exposed to operations in the hospitality industry.

## TEACH FOR INDIA



Apart from partnering with Teach for India (TFI), Thermax has become the Platinum Sponsor of TFI through its CSR arm, TSIF. Thermax also encourages its employees below 35 years of age to be a part of the Teach for India program. Interested employees can join TFI as a fellow for two years and after completing his /her tenure can rejoin the company. The company takes care of the salary and the position of the employee for the entire two years of his /her deputation.

One employee from the Boiler & Heating division of the company has completed his two year tenure with TFI and has rejoined the company.

## CHILD DEVELOPMENT PROJECT

TSIF has been supporting two daycare centers run and managed by Annapurna Mahila Mandal (AMM). Through these centres, approximately 50 slum children aged between 1 and 5 years benefit from a safe environment, develop hygiene and healthy eating habits, learn to share and be sociable.

## AFFIRMATIVE ACTION

Thermax has been a signatory to the Confederation of Indian Industry (CII) code of conduct on affirmative action and has undertaken various steps to support this cause. Thermax sponsored and participated in the Trade Fair organized by Dalit Indian Chamber of Commerce and Industry (DICCI) along with CII in 2011.

The 13th batch of 35 students from the SC / ST back ground benefited from the Thermax sponsored CII-Symbiosis Finishing School. Thermax has also recruited two more students from the 11th batch who will join the company in August 2012.

The company is also involved in sharing its human resource to conduct sessions at the CII - Yi - ITI Aundh Finishing School.

## EMPLOYEE INVOLVEMENT

Thermax offers different opportunities for employees to participate or contribute to social initiatives:

- Seven employees from Thermax regularly mentor adolescent children from the Akanksha centre.
- To enable the employees to contribute financially, Thermax has tied up with Give India for pay roll giving programme. There are around 1087 registered employees till date who have since its inception contributed over Rs.23,95,000.
- This year 593 donors from Pune and the Savli factory participated in the blood donation camp supported by Sassoon Hospital, Poona Hospital, DY Patil Medical Hospital, Deenanath Mangeshkar Hospital, SSG Hospital Baroda and the Rotary Club of Pune Sports City.



- 54 employees participated in the Pune Marathon organised on the theme, "Save the Girl Child".
- Mumbai Marathon was held on 15th January and like previous years, this year also Thermax was represented by two teams of 40 members. Thermax raised Rs. 9,80,500 for Akanksha, making it the company with the 3rd highest contribution.

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## **Auditors' Report**

To the members of Thermax Limited

1. We have audited the attached Balance Sheet of Thermax Limited as at 31st March 2012, and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 of India (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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss 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 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 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 2012;
    - (ii) in the case of the Statement of Profit and Loss, 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  
Firm Reg. No. 105102W

H.P. Mahajani  
Partner

Place: Pune

Date : May 11, 2012

(Membership no. 30168)

## **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 there under.
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) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee's state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and other material statutory dues were outstanding at the year end, for the period exceeding six months from the date they became payable.  
(c) As at 31st March 2012, 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	0.03	1992-93	Appellate Authority - upto Commissioner's level
		0.00	2000-01	
		0.01	2001-02	
		0.02	2003-04	
		0.02	2004-05	
		3.97	2004-05	
		0.01	2006-07	
		0.82	2007-08	
		0.90	2008-09	
		1.23	2009-10	
		1.28	2003-04	
		0.04	2003-04	
		3.80	2003-04	
		2.46	2004-05	
		0.00	2001-02	
1.14	2006-07	High Court		
0.05	2000-01			
0.41	2001-02			
0.18	2002-03			
0.16	2003-04			
0.34	2004-05			
The Central Excise Act, 1944	Excise duty including interest and penalty as applicable	0.70	2003-04	Appellate Authority - upto Commissioner's level
		0.03	2009-10	
		0.20	2001-02	
		0.34	2003-04	
		0.85	2005-06	
		0.07	2006-07	
		0.22	2008-09	
		0.15	2007-08	
		0.02	2001-02	
3.84	2006-07	Supreme court		
1.60	1997-98			
Custom Act, 1962	Custom duty including interest and penalty as applicable	0.34	2005-06	Appellate Authority - upto Commissioner's level
Service Tax (Finance Act, 1994)	Service tax including interest and penalty as applicable	0.43	2003-04	CESTAT, Mum
		2.31	2005-06	
ESI Act, 1948	Dues, interest and penalty as applicable	0.02	1989-91	ESI Court
		0.02	1989-91	
		0.05	1987-89	
Income Tax Act, 1961	Income Tax including interest and penalty as applicable	11.92	2008-09 to 2012-13 & 2007-08 to 2010-11	Commissioner (Appeals)
		5.37		
Maharashtra Mathadi, Hamal, & other Manual Workers Act 1969	Work of Mathadi nature carried out by unregistered workers w.r.t. applicability of the Mathadi Act.	0.24	2008-09	High Court

10. The Company has neither accumulated losses as at 31st March 2012, nor has it 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 by the the company 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  
Firm Regn. No.105102W

H.P. Mahajani  
Partner  
Membership No. 30168

Place : Pune  
Date : May 11, 2012

## Balance Sheet as at March 31, 2012

Particulars	Note No	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' Funds</b>			
a. Share Capital	1	23.83	23.83
b. Reserves and Surplus	2	1577.35	1268.51
		<u>1601.18</u>	<u>1292.34</u>
<b>2. Non-current Liabilities</b>			
a. Long-term Borrowings	3	0.08	0.08
b. Deferred Tax Liabilities (Net)	4	22.98	20.13
c. Other Long-term Liabilities	5	21.96	11.07
		<u>45.02</u>	<u>31.28</u>
<b>3. Current Liabilities</b>			
a. Short-term Borrowings	6	166.36	48.04
b. Trade Payables	7	895.44	844.55
c. Other Current Liabilities	8	1016.00	1154.59
d. Short-term Provisions	9	245.73	259.72
		<u>2323.53</u>	<u>2306.90</u>
<b>TOTAL</b>		<u><u>3969.73</u></u>	<u><u>3630.52</u></u>
<b>II ASSETS</b>			
<b>1. Non-current Assets</b>			
a. Fixed Assets	10		
i Tangible Assets		498.79	471.75
ii Intangible Assets		32.83	14.86
iii Capital Work-in-Progress		41.97	29.73
b. Non-current Investments	11	350.97	260.91
c. Long-term Loans and Advances	12	30.15	26.08
d. Other non-current Assets	13	102.00	169.33
		<u>1056.71</u>	<u>972.66</u>
<b>2. Current Assets</b>			
a. Current Investments	14	201.72	143.45
b. Inventories	15	279.22	282.32
c. Trade Receivables	16	1245.63	961.17
d. Cash and Cash Equivalents	17	569.75	595.69
e. Short-term Loans and Advances	18	158.12	183.11
f. Other Current Assets	19	458.58	492.12
		<u>2913.02</u>	<u>2657.86</u>
<b>TOTAL</b>		<u><u>3969.73</u></u>	<u><u>3630.52</u></u>

The notes are an integral part of these financial statements.

As per our report of even date  
**For B. K. Khare & Co.**  
*Chartered Accountants*  
 Firm Reg. No. 105102W

For and on Behalf of the Board  
**Meher Pudumjee**  
*Chairperson*

**M. S. Unnikrishnan**  
*Managing Director*

**H. P. Mahajani**  
*Partner*  
 Membership No. 30168  
 Pune, May 11, 2012

**Gopal Mahadevan**  
*Executive Vice President  
 & Chief Financial Officer*

**Devang Trivedi**  
*Dy. Company Secretary*

Pune, May 11, 2012

## Statement of Profit and Loss for the year ended March 31, 2012

Particulars	Note No	Year Ended March 31, 2012 Rs. Crore	Year Ended March 31, 2011 Rs. Crore
<b>I</b> Revenues from Operations (Gross)	<b>20</b>	<b>5442.59</b>	4997.22
Less : Excise Duty		<b>138.53</b>	144.86
Revenues from Operations (Net)		<b>5304.06</b>	4852.36
<b>II</b> Other Income	<b>21</b>	<b>70.49</b>	83.13
<b>III Total Revenue (I+II)</b>		<b>5374.55</b>	4935.49
<b>IV Expenses :</b>			
Cost of Materials Consumed	<b>22</b>	<b>3528.36</b>	3289.20
Purchases of Stock-in-Trade	<b>31.d</b>	<b>155.88</b>	141.53
Changes in Inventories	<b>23</b>	<b>(3.38)</b>	(14.88)
Employee Benefits	<b>24</b>	<b>387.43</b>	368.64
Finance Costs	<b>25</b>	<b>6.55</b>	2.18
Depreciation and Amortisation	<b>10</b>	<b>46.95</b>	43.33
Other Expenses	<b>26</b>	<b>651.86</b>	532.79
<b>Total Expenses</b>		<b>4773.65</b>	4362.79
<b>V</b> Profit before exceptional and extraordinary items and tax (III-IV)		<b>600.90</b>	572.70
<b>VI</b> Exceptional items		-	-
<b>VII</b> Profit before extraordinary items and tax (V - VI)		<b>600.90</b>	572.70
<b>VIII</b> Extraordinary Items		-	-
<b>IX</b> Profit before tax (VII- VIII)		<b>600.90</b>	572.70
<b>X</b> Tax Expense:			
1. Current tax		<b>(191.19)</b>	(187.36)
2. Deferred tax	<b>4</b>	<b>(2.85)</b>	(2.92)
<b>XI</b> Profit (Loss) for the period (IX - X)		<b>406.86</b>	382.42
<b>XII</b> Earnings per equity share (EPS) - Rs. [Equity Shares of Rs. 2/- each]	<b>44</b>		
1. Basic		<b>34.15</b>	32.09
2. Diluted		<b>34.15</b>	32.09

The notes are an integral part of these financial statements.

As per our report of even date  
**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Reg. No. 105102W

**H. P. Mahajani**  
Partner  
Membership No. 30168  
Pune, May 11, 2012

For and on Behalf of the Board  
**Meher Pudumjee**  
Chairperson

**Gopal Mahadevan**  
Executive Vice President  
& Chief Financial Officer

**M. S. Unnikrishnan**  
Managing Director

**Devang Trivedi**  
Dy. Company Secretary

Pune, May 11, 2012

## Cash Flow Statement

Rs. Crore

	2011-12	2010-11
<b>A Cash Flow from Operating Activities</b>		
Net profit before tax	600.90	572.70
<b>Add Adjustments for</b>		
Depreciation	46.95	43.33
Amortisation of deferred revenue expenses		
Net Provision for Doubtful Debts	14.98	(4.83)
Interest (expense)	6.55	2.18
Lease rentals Paid	0.04	0.01
Leave Encashment Provision	4.21	4.02
<b>Less Adjustments for</b>		
Interest / Dividend / Brokerage Income	(62.99)	(52.04)
(Profit) / Loss on sale of Investment	(6.01)	(0.22)
(Profit) / Loss on sale of assets	1.58	0.60
Provision for Long Term Investments written back	(1.50)	–
<b>Operating profit before working capital changes</b>	<b>604.71</b>	<b>565.75</b>
<b>Adjustments for</b>		
Trade and other receivables	(425.80)	(378.82)
Inventories	3.09	(35.95)
Trade payables	48.64	284.64
Contract in Progress	112.21	(46.92)
<b>Cash generated from operations (Before Extra Ordinary Items)</b>	<b>342.85</b>	<b>388.70</b>
<b>Adjustment for Extra Ordinary Items</b>		
Amount payable under out of court settlement	–	(155.71)
<b>Cash generated from operations</b>	<b>342.85</b>	<b>232.99</b>
Direct taxes paid	(168.31)	(179.62)
<b>Net cash from operating Activities</b>	<b>174.54</b>	<b>53.37</b>
<b>B Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets (Net)	(105.79)	(55.25)
Advance for Capital Expenditure	(2.33)	(2.06)
Investments in Subsidiaries / Group Companies	(88.58)	(192.74)
Purchase of other Investments	(1054.50)	(829.25)
Proceeds from sale of Investments	1002.27	996.01
Advance to Subsidiaries	(0.15)	(0.15)
Interest / Dividend / Brokerage received	60.58	43.64
<b>Net cash from Investing Activities</b>	<b>(188.50)</b>	<b>(39.80)</b>

## Cash Flow Statement (Contd.)

	Rs. Crore	
	2011-12	2010-11
<b>C Cash Flow from Financing Activities</b>		
Redemption of Preference Shares	(0.00)	(0.00)
Proceeds from Borrowings	118.32	48.12
Lease rentals paid	(0.04)	(0.01)
Interest paid	(5.71)	(2.08)
Dividend paid and Tax thereon	(124.55)	(69.46)
<b>Net cash from Financing Activities</b>	<b>(11.98)</b>	<b>(23.43)</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>	<b>(25.94)</b>	<b>(9.86)</b>
<b>Opening cash &amp; bank balances</b>	<b>595.69</b>	<b>605.55</b>
<b>Closing cash &amp; bank balances</b>	<b>569.75</b>	<b>595.69</b>

The notes are an integral part of these financial statements.

As per our report of even date  
**For B. K. Khare & Co.**  
*Chartered Accountants*  
Firm Reg. No. 105102W

**H. P. Mahajani**  
*Partner*  
*Membership No. 30168*  
Pune, May 11, 2012

For and on Behalf of the Board  
**Meher Pudumjee**  
*Chairperson*

**Gopal Mahadevan**  
*Executive Vice President  
& Chief Financial Officer*

**M. S. Unnikrishnan**  
*Managing Director*

**Devang Trivedi**  
*Dy. Company Secretary*

Pune, May 11, 2012

## Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	As at	As at
		March 31, 2012 Rs. Crore	March 31, 2011 Rs. Crore
<b>Note 1</b>			
<b>Share Capital</b>			
Equity Share Capital			
Authorised :			
37,50,00,000 Equity Sahares of Rs 2/- each (Previous year 37,50,00,000 equity Shares of Rs 2/- each)		<b>75.00</b>	75.00
		<u><b>75.00</b></u>	<u>75.00</u>
Issued, subscribed and fully paid :			
11,91,56,300 Euity Shares of Rs. 2/- each (Previous year 11,91,56,300 equity Shares of Rs 2/- each)		<b>23.83</b>	23.83
		<u><b>23.83</b></u>	<u>23.83</u>

(a) Reconciliation of number of equity shares	As at March 31, 2012		As at March 31, 2011	
	Number of Shaes	Rs Cores	Number of Shaes	Rs Crore
Shares outstanding at the begining of the period	11,91,56,300	23.83	11,91,56,300	23.83
Shares outstanding at the end of the period	11,91,56,300	23.83	11,91,56,300	23.83

(b) Rights, preferences and restrictions attached to shares

Equity Shares: The company has one class of equity shares having a par value of Rs.2 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Equity Shares held by holding company

6,43,28,500 share are held by holding company, RDA Holding & Trading Pvt. Ltd.

(Previous year 6,43,28,500 shares)

(d) Details of Equity shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of Shareholder	As at March 31, 2012		As at March 31, 2011	
	%	No of Share held	%	No of Share held
RDA Holding & Trading Pvt. Ltd.	53.99	64328500	53.99	64328500
Mrs. Anu Aga	5.78	6888305	5.78	6888305

## Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 2</b>			
<b>Reserves and Surplus</b>			
<b>Capital Redemption Reserve</b>			
Per Last Balance Sheet		50.34	50.34
<b>Share Premium Reserve</b>			
Per Last Balance Sheet		61.13	61.13
<b>Capital Reserve</b>			
Per Last Balance Sheet		1.92	1.92
<b>Hedging Reserve</b>			
Per Last Balance Sheet		3.58	19.81
Adjusted to Statement of Profit and Loss		(1.08)	(16.23)
		2.50	3.58
<b>General Reserve</b>			
Per Last Balance Sheet		328.00	288.00
Transferred from Surplus		42.00	40.00
		370.00	328.00
<b>Surplus</b>			
Per Last Balance Sheet		823.54	605.76
Profit for the year		406.86	382.42
Proposed Equity Dividend	45	(83.41)	(107.24)
Tax on Dividend		(13.53)	(17.40)
Transfer to General Reserve		(42.00)	(40.00)
		1091.46	823.54
		1577.35	1268.51
<b>Note 3</b>			
<b>Long-term Borrowings</b>			
Secured :	33		
Term loans			
From other than bank		0.08	0.08
		0.08	0.08
<b>Note 4</b>			
<b>Deferred Tax Liabilities (Net)</b>			
Deferred Tax Asset			
Provision for Doubtful Debts		16.39	12.72
Others		16.47	14.00
Total (A)		32.86	26.72
Deferred Tax Liability			
Depreciation on Fixed Assets		55.74	46.73
Others		0.10	0.12
Total (B)		55.84	46.85
<b>Net Deferred Tax Liability (B-A)</b>		<b>22.98</b>	<b>20.13</b>

## Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 5</b>			
<b>Other Long-term Liabilities</b>			
Trade Payables	29	2.05	1.51
Customer Advances		17.14	7.95
Trade Deposits		0.87	1.61
Other Liabilities		1.90	–
		<u>21.96</u>	<u>11.07</u>
<b>Note 6</b>			
<b>Short-term Borrowings</b>			
Secured :	33		
From Banks		3.56	–
Unsecured :	34		
From Banks		162.80	48.04
		<u>166.36</u>	<u>48.04</u>
<b>Note 7</b>			
<b>Trade Payables</b>			
Trade Payables	29	783.01	783.04
Acceptances		112.43	61.51
		<u>895.44</u>	<u>844.55</u>
<b>Note 8</b>			
<b>Other Current Liabilities</b>			
Contracts in Progress	32	207.23	101.40
Interest accrued but not due on Loans		0.95	0.11
Customer Advances		703.75	949.22
Foreign Currency Forward Contract		(0.67)	(5.23)
Trade Deposits		1.28	0.33
Unpaid Dividends	35	0.67	0.58
Sales Tax Payable		7.41	7.73
Other Liabilities		85.67	83.40
Other Payables		9.71	17.05
		<u>1016.00</u>	<u>1154.59</u>
<b>Note 9</b>			
<b>Short-term Provisions</b>			
Short Term Employee Benefits		89.80	97.63
Proposed Equity Dividend		83.41	107.24
Provision for Tax on Dividend		13.53	17.40
Provision for Warranty	47	58.99	37.45
		<u>245.73</u>	<u>259.72</u>

## Notes attached to and forming part of the Financial Statements

### Note 10 Fixed Assets

Rs. Crore

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1.4.2011	Additions/ Adjustments during the year	Deductions during the year	Total Cost as at 31.3.2012	Upto 31.3.2011	Deductions/ Adjustments during the year	Provisions during the year	Total as at 31.3.2012	As at 31.3.2012	As at 31.3.2011
<b>A. TANGIBLE :</b>										
Land - Freehold	7.36	–	–	<b>7.36</b>	–	–	–	–	<b>7.36</b>	7.36
Land - Leasehold	25.19	2.19	0.38	<b>27.00</b>	–	–	0.38	–	<b>27.00</b>	25.19
Building	192.18	24.39	0.09	<b>216.48</b>	23.97	0.00	5.39	<b>29.36</b>	<b>187.12</b>	168.21
Plant & Machinery	306.51	20.87	0.88	<b>326.50</b>	116.06	0.76	19.03	<b>134.33</b>	<b>192.17</b>	190.45
Electrical Installation	32.85	4.45	0.18	<b>37.12</b>	8.71	0.13	2.00	<b>10.58</b>	<b>26.54</b>	24.14
Office Equipment & Computer	61.64	8.98	1.79	<b>68.83</b>	37.44	1.09	6.75	<b>43.10</b>	<b>25.73</b>	24.20
Furniture & Fixtures	30.17	1.84	0.74	<b>31.27</b>	12.80	0.44	1.63	<b>13.99</b>	<b>17.28</b>	17.37
R & D Equipments	3.13	0.32	0.00	<b>3.45</b>	1.40	–	0.22	<b>1.62</b>	<b>1.83</b>	1.73
Vehicles	19.45	4.62	2.89	<b>21.18</b>	6.35	1.69	2.76	<b>7.42</b>	<b>13.76</b>	13.10
<b>Total Tangible Assets (A)</b>	<b>678.48</b>	<b>67.66</b>	<b>6.95</b>	<b>739.19</b>	<b>206.73</b>	<b>4.11</b>	<b>38.16</b>	<b>240.40</b>	<b>498.79</b>	<b>471.75</b>
<b>B. INTANGIBLE :</b>										
Software	25.73	7.77	–	<b>33.50</b>	18.09	–	5.37	<b>23.46</b>	<b>10.04</b>	7.64
Technical Know How	12.92	18.99	–	<b>31.91</b>	5.70	–	3.42	<b>9.12</b>	<b>22.79</b>	7.22
<b>Total Intangible Assets (B)</b>	<b>38.65</b>	<b>26.76</b>	<b>–</b>	<b>65.41</b>	<b>23.79</b>	<b>–</b>	<b>8.79</b>	<b>32.58</b>	<b>32.83</b>	<b>14.86</b>
<b>TOTAL FIXED ASSETS (A+B)</b>	<b>717.13</b>	<b>94.42</b>	<b>6.95</b>	<b>804.60</b>	<b>230.52</b>	<b>4.11</b>	<b>46.95</b>	<b>272.98</b>	<b>531.62</b>	<b>486.61</b>
Previous Year	688.44	43.75	15.06	717.13	194.59	7.01	43.33	230.52	486.61	493.85
Capital W.I.P									41.97	29.73

Particulars	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
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### Note 11 Non-current Investments

#### Non Trade :

#### A. Investments in Equity Instruments :

##### Quoted Equity Shares (fully paid up)

1 25 (Previous year 25) Equity Shares of Rs.10/- each in Metroglobal Boards Ltd.	0.00	0.00
2 16,453 (Previous year 16,453) Equity Shares of Rs.2/- each in Sanghvi Movers Ltd.	0.03	0.03

##### Quoted Equity Shares (partly paid up)

3 1,25,000 (Previous year 1,25,000) Equity Shares of Rs.10/- each Rs.2.50 paid up in Parasrampuria Synthetics Ltd.	0.06	0.06
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##### Unquoted Equity Shares (fully paid up)

4 1,375 (Previous year 1,375) Equity Shares of Rs.20/-each in Cosmos Co-operative Bank Ltd.	0.00	0.00
5 17,539 (Previous year 17,539) Equity Shares of Rs.10/- of GSL (India) Ltd.	0.00	0.00
6 10,000 (Previous year 10,000) Equity Shares of Rs.10/- of Sicom Ltd.	0.07	0.07

##### Equity Share in Subsidiary Companies (fully paid up)

7 47,50,000 (Previous year 47,50,000) Equity Shares of Rs.10/- each in Thermax Sustainable Energy Solutions Ltd.	4.45	4.45
8 45,00,000 (Previous year 45,00,000) Equity Shares of Rs.10/- each in Thermax Engineering Construction Company Ltd.	4.50	4.50
9 90,00,000 (Previous year 90,00,000) Equity Shares of Rs.10/- each in Thermax Instrumentation Ltd.	4.59	4.59

## Notes attached to and forming part of the Financial Statements

Particulars	As at		As at	
	March 31, 2012	Rs. Crore	March 31, 2011	Rs. Crore
10 2,00,000 (Previous year 2,00,000) Ordinary Shares of GBP 1 each in Thermax Europe Ltd.		1.17		1.17
11 9,88,776 (Previous year 9,88,776) Equity Shares of Rs.10/- each in Thermax Energy Performance Services Ltd.*		0.99		0.99
12 14,95,000 (Previous year 14,80,000) Equity Shares of USD 1 each in Thermax International Ltd., Mauritius		6.98		6.90
13 10,87,130 (Previous year 10,87,130) Equity Shares of Brazilian Real 1 each in Thermax do Brasil - Energia e Equipamentos Ltda.		1.88		1.88
14 59,83,333 (Previous year 59,83,333) Equity Shares of Hongkong Dollar 1 each in Thermax Hongkong Ltd.		3.52		3.52
15 USD 1,34,70,000 (Previous year USD 1,14,70,000) Equity Shares in Thermax (Zhejiang) Cooling and Heating Engineering Co Ltd.		58.16		47.64
16 36,50,000 (Previous Year 15,50,000) Equity Shares of Rs.10/- each in Thermax Onsite Energy Solutions Ltd.		3.65		1.55
17 2,05,00,000 (Previous Year 2,05,00,000) Equity Shares of Euro 1 each in Thermax Netherlands B.V		134.82		134.82
<b>Equity Share in Joint Venture Subsidiary Companies (fully paid up)</b>				
18 1,02,00,000 (Previous Year 1,02,00,000) Equity Shares of Rs.10/- each in Thermax SPX Energy Technologies Ltd.		10.20		10.20
19 12,31,56,465 (Previous Year 3,54,36,465) Equity Shares of Rs.10/- each in Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.		123.16		35.43
<b>Application Money</b>				
Towards Shares		4.00		15.87
<b>Total</b>	<b>(A)</b>	<b>362.23</b>		<b>273.67</b>
* The company is in the process of voluntary winding up.				
<b>B. Investments in Preference shares :</b>				
<b>Unquoted Preference Shares (fully paid up)</b>				
20 21,800 (Previous year 21,800) 18% Redeemable Cumulative Preference Shares of Rs.10/- each in Indian Food Fermentation Ltd.		0.02		0.02
<b>Preference Share in Subsidiary Companies (fully paid up)</b>				
21 17,47,300 (Previous year 17,47,300) 6% Redeemable Preference Shares of USD 1 with conversion option in Thermax International Ltd., Mauritius		7.81		7.81
<b>Total</b>	<b>(B)</b>	<b>7.83</b>		<b>7.83</b>
Total Non Current Non Trade Investments	<b>(A + B)</b>	<b>370.06</b>		281.50
Provision for diminution in value of investments		<b>19.09</b>		20.59
<b>Total Non Current Investments</b>		<b>350.97</b>		<b>260.91</b>

	As at March 31, 2012		As at March 31, 2011	
	*Cost (Rs. Crore)	Market Value (Rs. Crore)	*Cost (Rs. Crore)	Market Value (Rs. Crore)
Aggregate amount of quoted investments	0.09	0.18	0.09	0.19
Aggregate amount of unquoted investments	369.97	–	281.41	–
Aggregate provision for diminution in value of investments	19.09	–	20.59	–

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

## Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 12</b>			
<b>Long-term Loans and Advances</b>			
<b>Unsecured, considered good</b>			
Capital Advances		7.05	4.72
Security Deposits		12.97	13.80
Housing Deposit to Key Managerial Personnel		0.58	0.58
Loans given to Subsidiary Company		2.95	2.80
Advances recoverable in cash or kind		3.90	1.52
Advances to Staff and Workers		2.70	2.66
		<b>30.15</b>	<b>26.08</b>
<b>Note 13</b>			
<b>Other Non-current Assets</b>			
Long Term Trade Receivables			
Unsecured Considered good		4.48	40.09
Considered doubtful		-	-
Less : Provided for		-	-
Fixed Deposit with more than 12 month in maturity	17	-	60.96
Interest accrued on Fixed Deposit		-	0.76
Advance Payment of Income Tax and Wealth Tax [Net of Provision of Rs. 1088.80 Crore (Previous year Rs. 897.24 Crore)]		46.29	28.80
Advance Payment of Fringe Benefit Tax [Net of Provision of Rs.12.09 Crore (Previous year Rs. 12.09 Crore)]		1.07	1.07
Sales Tax Recoverable		50.16	37.65
		<b>102.00</b>	<b>169.33</b>
<b>Note 14</b>			
<b>Current Investments</b>			
<b>Investments in Mutual Funds :</b>			
<b>Current Portion of Long term Investments (valued at cost) :</b>			
<b>Units - Listed but not Quoted</b>			
1 Nil (Previous Year 1,00,00,000) units of Birla Sunlife Fixed Term Plan Series CL - Growth of Birla Sunlife Mutual Fund		-	10.00
2 2,50,00,000 (Previous Year Nil) units of Birla Sunlife Fixed Term Plan Series EF - Growth of Birla Sunlife Mutual Fund		25.00	-
3 Nil (Previous Year 80,00,000) units of DSP Fixed Maturity Plan 12 months Series 13 - Growth of DSP Blackrock Mutual Fund		-	8.00
4 87,90,320 (Previous Year Nil) units of DSP Fixed Maturity Plan 12 months Series 32 - Growth of DSP Blackrock Mutual Fund		8.79	-
5 2,50,00,000 (Previous Year Nil) units of ICICI Prudential FMP Series 54 - 1 year plan C- Growth of ICICI Prudential Mutual Fund		25.00	-
6 2,50,00,000 (Previous Year Nil) units of ICICI Prudential FMP Series 61 - 1 year plan C- Growth of ICICI Prudential Mutual Fund		25.00	-
7 2,00,00,000 (Previous Year Nil) units of IDFC FMP Series 66 - Growth of IDFC Mutual Fund		20.00	-

## Notes attached to and forming part of the Financial Statements

Particulars	As at	
	March 31, 2012 Rs. Crore	March 31, 2011 Rs. Crore
8 Nil (Previous Year 1,00,01,041) units of Kotak Fixed Maturity Plan 370 days Series 3 - Growth of Kotak Mahindra Mutual Fund	–	10.00
9 Nil (Previous year 2,50,00,000) units of Kotak Fixed Maturity Plan 370 days Series 34 - Growth of Kotak Mahindra Mutual Fund	–	25.00
10 2,75,50,795 (Previous year Nil) units of Kotak Fixed Maturity Plan Series 75 - Growth of Kotak Mahindra Mutual Fund	<b>27.55</b>	–
11 Nil (Previous year 10,00,000) units of Reliance Fixed Horizon Fund-XVI Series 5 - Growth of Reliance Mutual Fund	–	1.00
12 Nil (Previous year 1,00,00,000) units of Reliance Fixed Horizon Fund-XVII Series 4 - Growth of Reliance Mutual Fund	–	10.00
13 Nil (Previous Year 2,50,00,000 ) units of DSP Fixed Maturity Plan 3 months Series 27 - Dividend of DSP Blackrock Mutual Fund	–	25.00
<b>Total</b>	<b>(A)</b>	<b>89.00</b>

### Current Investments (valued at lower of cost and fair value) :

#### Units - Quoted but not Listed

#### Liquid and Liquid Plus

14 30,16,346 (Previous year 2,52,02,798) units of Birla Sunlife Ultra Short Term Fund	<b>30.18</b>	25.20
15 Nil (Previous year 29,25,236) units of ICICI Prudential Floating Rate Plan D	–	29.25
16 3,60,652 (Previous year Nil) units of Tata Liquid Fund Super High Investment Plan	<b>40.20</b>	–
<b>Total</b>	<b>(B)</b>	<b>54.45</b>
<b>Total Current Investments</b>	<b>(A + B)</b>	<b>143.45</b>

Particulars	As at March 31, 2012		As at March 31, 2011	
	*Cost (Rs. Crore)	Market Value (Rs. Crore)	*Cost (Rs. Crore)	Market Value (Rs. Crore)
Aggregate amount of quoted investments	<b>70.38</b>	<b>70.38</b>	54.45	54.45
Aggregate amount of unquoted investments	<b>131.34</b>	<b>134.68</b>	89.00	90.55

## Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 15</b>			
<b>Inventories</b>			
Raw Materials [Including Rs. 2.27 crore Goods in Transit (Previous year Rs. 4.46 crore)]	31.e	226.13	232.89
Work-in-Progress	31.f	23.35	23.42
Finished Goods	31.g	6.41	8.21
Stores and Spares		6.70	6.42
Stock-in-Trade	31.h	16.63	11.38
		<u>279.22</u>	<u>282.32</u>
<b>Note 16</b>			
<b>Trade Receivables</b>			
Unsecured			
Outstanding for a period exceeding 6 months from the date they are due for payment :			
Considered good		77.34	50.70
Considered doubtful		94.13	79.15
Less : Provided for		94.13	79.15
Others		1168.29	910.47
		<u>1245.63</u>	<u>961.17</u>
<b>Note 17</b>			
<b>Cash and Cash Equivalents</b>			
Cash on hand		0.25	0.39
Balances with banks			
Balances in current accounts		1.71	19.85
Deposit with more than 12 month in maturity		-	60.96
Deposit others		555.83	529.27
Unpaid dividend account		0.77	0.69
Cheques, drafts on hand		11.19	45.49
		<u>569.75</u>	<u>656.65</u>
Less : Deposit with more than 12 month in maturity disclosed under "Other Non-current Assets"	13	-	60.96
		<u>569.75</u>	<u>595.69</u>
<b>Note 18</b>			
<b>Short-term Loans and Advances</b>			
Unsecured, considered good			
Advances recoverable in cash or kind		148.33	173.47
Security Deposits		4.50	5.52
Advances to Staff and Workers		5.29	4.12
		<u>158.12</u>	<u>183.11</u>
<b>Note 19</b>			
<b>Other Current Assets</b>			
Contracts in Progress	32	350.74	357.11
Prepaid Long Term Employee Benefits	43	1.21	1.78
Balance in Central Excise & Customs Accounts		32.73	15.67
Advance Payment of Income Tax and Wealth Tax		12.52	52.90
Other Current Assets		61.38	64.66
		<u>458.58</u>	<u>492.12</u>

## Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 20</b>			
<b>Revenue from Operations</b>			
A. Sale (Product and Project)			
(i) Domestic		4082.66	3753.40
Add : Closing Contracts in Progress		99.07	192.12
Less : Opening Contracts in Progress		192.12	209.70
		<u>3989.61</u>	<u>3735.82</u>
(ii) Exports		1152.89	993.43
Add : Closing Contracts in Progress		44.44	63.59
Less : Opening Contracts in Progress		63.59	(0.91)
		<u>1133.74</u>	<u>1057.93</u>
[Including Deemed Exports of Rs 108.87 Crore (Previous Year Rs 399.76 Crore)]			
Total (A)	<b>31.a</b>	<u>5123.35</u>	<u>4793.75</u>
B. Sale of Services			
(i) Domestic		250.04	131.29
(ii) Exports		8.99	7.99
Total (B)	<b>31.b</b>	<u>259.03</u>	<u>139.28</u>
C. Other Operating Revenues			
Claims and Refunds		0.55	0.18
Balances earlier Written Off now Recovered		2.09	1.42
Commission		4.82	4.96
Sale of Scrap		16.97	12.86
Miscellaneous Income		35.78	44.77
Total (C)		<u>60.21</u>	<u>64.19</u>
D. Less: Excise duty		138.53	144.86
Revenue from Operations (Net) (A+B+C-D)		<u>5304.06</u>	<u>4852.36</u>
<b>Note 21</b>			
<b>Other Income</b>			
Interest Income		56.74	42.79
Dividend Income :			
Long-term Investment		0.00	0.01
Current Investment		6.25	9.24
Net gain/loss on sale of investments :			
Long-term Investment		6.00	0.22
Current Investment		0.00	0.00
Provision for Diminution in value of Investments Written Back		1.50	—
Exchange Fluctuation Income (Net)		—	30.87
		<u>70.49</u>	<u>83.13</u>

## Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	Year ended March 31, 2012 Rs. Crore	Year ended March 31, 2011 Rs. Crore
<b>Note 22</b>			
<b>Cost of Material Consumed</b>			
Consumption of raw materials and components			
Opening Stocks		234.85	207.75
Add: Purchases		3524.07	3316.30
		3758.92	3524.05
Less: Closing Stocks		230.56	234.85
	<b>31.c &amp; i</b>	<b>3528.36</b>	<b>3289.20</b>
 <b>Note 23</b>			
<b>Changes in Inventories</b>			
Opening Stocks:			
Work-in-Progress		23.42	20.00
Finished Goods		8.21	5.72
Stock in Trade		11.38	2.41
		43.01	28.13
Less: Closing Stocks :			
Work-in-Progress		23.35	23.42
Finished Goods		6.41	8.21
Stock in Trade		16.63	11.38
		46.39	43.01
		<b>(3.38)</b>	<b>(14.88)</b>
 <b>Note 24</b>			
<b>Employee Benefits Expense</b>			
Salaries and Wages		328.22	310.58
Contribution to provident and other funds	43	41.98	40.98
Staff Welfare Expenses		17.23	17.08
		<b>387.43</b>	<b>368.64</b>
 <b>Note 25</b>			
<b>Finance Costs</b>			
Interest Expense		2.99	2.18
Applicable net gain/loss on foreign currency transactions and translation		3.56	-
		<b>6.55</b>	<b>2.18</b>

## Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	Year ended March 31, 2012 Rs. Crore	Year ended March 31, 2011 Rs. Crore
<b>Note 26</b>			
<b>Other Expenses</b>			
Consumption of stores and spare parts		22.28	19.30
Power and Fuel		24.86	22.71
Drawing, Design and Technical Service Charges		55.20	57.35
Site Expenses and Contract Labour Charges		100.37	78.00
Freight Outward		101.39	91.26
Commission on Sales		25.50	15.43
Other Selling and Distribution Expenses		34.44	35.95
Free of Cost Supplies and Modifications		44.80	24.50
Bad Debts		3.31	6.40
Provision for Doubtful Debts		11.16	0.11
Liquidated Damages		25.03	13.48
Rent and Service Charges		12.20	7.67
Rates and taxes, excluding taxes on income.		4.48	3.08
Insurance		5.32	4.59
Repairs to buildings		4.73	5.67
Repairs to machinery		5.44	7.53
Repairs - others		11.41	10.78
Communication		7.79	7.45
Traveling and Conveyance		48.11	46.73
Advertising and Exhibition Expenses		0.85	1.17
Legal & Professional Charges		31.72	30.18
Printing and Stationery		3.74	3.59
Bank Charges		8.75	9.11
Additional Sales Tax and Turnover Tax		4.10	2.01
Net loss on foreign currency transaction and translation		19.47	-
Loss on Assets sold/discarded (net)		1.58	0.60
Donations		5.98	7.61
Miscellaneous Expenses		27.85	20.53
		<b>651.86</b>	<b>532.79</b>

## Notes attached to and forming part of the Financial Statements

### Note 27

#### Significant Accounting Policies

##### 27.1 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.

##### 27.2 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.

##### 27.3 Fixed Assets – Tangible and Intangible Assets

- a. 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.
- b. Borrowing costs, if any, attributable to qualifying assets, are capitalised.
- c. Machinery specific spares other than those required for regular maintenance are capitalised as a part of the tangible fixed assets.
- d. 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.

##### 27.4 Depreciation

- a. Cost incurred on Leasehold land is amortised over the period of lease.
- b. 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.
- c. Depreciation in respect of capitalised 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 the statement of profit and loss when issued for consumption.
- d. 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.
- e. Depreciation on the entire plant and machinery of chemical division is charged considering the chemical plant as a "Continuous Process Plant".

##### 27.5 Asset Impairment

Provision for impairment loss, if any, is recognized to the extent to 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.

##### 27.6 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 recognize a decline, other than temporary in nature, in the carrying amount of such long term investments.

## Notes attached to and forming part of the Financial Statements

### 27.7 Inventories

- a. Inventories are valued at lower of cost and estimated net realisable value.
- b. Cost of raw materials, components, consumables, tools, stores & spares is arrived at on the basis of weighted average cost.
- c. Cost of finished goods & work in progress is arrived at on the basis of weighted average cost of raw materials & the cost of conversion thereof for bringing the inventories upto their present location and condition.
- d. Inventory obsolescence is provided for on the basis of standard norms and also where required, on actual evaluation.

### 27.8 Employee Benefits

- a. Provident Fund  
Liability on account of the company's obligation under the employee's provident fund, a defined contribution plan, is charged to the statement of profit and loss on the basis of actual liability calculated as a percentage of salary.
- b. Superannuation Fund  
Liability on account of the company's obligation under the employee's superannuation fund, a defined contribution plan, is charged to the statement of profit and loss on the basis of actual liability calculated as a percentage of salary.
- c. Gratuity
  - i. Liability on account of company's obligation under the employee gratuity plan, a defined benefit plan, is provided on the basis of actuarial valuation.
  - ii. 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 an asset.
  - iii. Current service cost, interest cost and actuarial gains and losses are charged to the statement of profit and loss.
  - iv. Past service cost/effect of any curtailment or settlement is charged/credited to the statement of profit and loss, as applicable.
- d. Compensated Absences  
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.

- e. 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.

- f. Bonus & Employee 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.

### 27.9 Provisions and Contingent Liabilities

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

### 27.10 Revenue Recognition

- a. Revenue in respect of products is recognised on dispatch of goods to the customer or when they are unconditionally appropriated to the contract.
- b. Revenue in respect of projects for construction of plants and systems, involving designing, engineering, fabrication, supply, erection (or supervision thereof), commissioning, guaranteeing performance thereof etc., execution of which is spread over different accounting periods is recognized on the basis of percentage of completion method.
- c. Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.

## Notes attached to and forming part of the Financial Statements

- d. Difference between costs incurred plus recognised profits / less recognised losses and the amount of invoiced sale is disclosed as contract in progress.
- e. Determination of revenues under the percentage of completion method necessarily involves making estimates by the Company (some of which are of a technical nature) concerning the costs to completion, the expected revenue from the contract (adjusted for probable liquidated damages, if any) and the foreseeable losses to completion.
- f. Supply of spare parts and services are accounted on 'as billed' basis.
- g. Revenue in respect of long-term service contracts / maintenance contracts is recognised on the basis of stage of completion.
- h. Dividend from investments is recognized when the company's right to receive is established.
- i. Government Grants
  - \* Government Grant is accounted when there is reasonable certainty of compliance with its conditions and its ultimate collection.
  - \* Revenue expenses (net of government grants, if any) incurred during research and development phase of internal projects are recognised as and when incurred.
  - \* Any Intangible asset (net of government grants, if any) arising from the development phase of such projects is recognised to the extent there is reasonable certainty of generating sufficient future economic benefits through commercial exploitation of such asset.

### 27.11 Borrowing Costs

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

qualifying intangible assets are capitalised till the date they are put to use.

### 27.12 Foreign Currency Transactions

- a. Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.
- b. Exchange difference on settlement of transactions in foreign currencies is recognised in the statement of profit and loss.
- c. Foreign currency monetary items are translated at the closing exchange rates and the resulting exchange difference is recognised in the statement of profit and loss.
- d. 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.
- e. Revenue items of foreign branches are translated at average rate.

### 27.13 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 the statement of profit and loss in the same period during which the underlying transactions affect the statement of profit and loss and / or the foreign currency forward contract expires or is exercised, terminated or no longer qualifies for hedge accounting.

### 27.14 Taxes on Income

- a. Current tax is provided on the basis of estimated tax liability, computed as per applicable provisions of the Income Tax Act, 1961.
- 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 originate in one period and are capable

## Notes attached to and forming part of the Financial Statements

of reversal in one or more subsequent periods.

### 27.15 Others

- a. Liability for liquidated damages is recognised when it is deducted / claimed by the customer or when a reasonable estimate of the likely obligation can be made.
- b. 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.
- c. Annual fees payable under a License Agreement for acquisition of a right to use Licensed Marks are recognised and charged to the statement of profit and loss on payment.

### Note 28 Contingent Liability

- a. Disputed demands in respect of Excise, Customs Duty and Service Tax Rs. 14.82 Crore (*Previous Year Rs. 19.88 Crore*), Sales Tax Rs. 17.40 Crore (*Previous Year Rs. 14.41 Crore*) and other Statutes Rs. 0.10 Crore (*Previous Year Rs. 0.09 Crore*).
- b. Income Tax
  - i. Demands disputed in appellate proceedings Rs. 73.01 Crore (*Previous Year Rs. 41.99 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. 19.44 Crore (*Previous Year Rs. 19.44 Crore*)

- c. Counter Guarantees given by the company to the banks on behalf of group companies : Rs. 56.84 Crore on behalf of Thermax Instrumentation Ltd. (TIL) (*Previous Year Rs. 64.78 Crore*).
- d. Indemnity Bonds/Corporate Guarantees given by the Company on behalf of group companies: Thermax Denmark ApS, Denmark Rs. Nil (*Previous Year Rs. 62.84 Crore*) and Thermax Engineering Construction Company Ltd. (TECC) Rs. 14 crore (*Previous Year Rs. Nil*).
- e. Liability for unexpired export obligations Rs. 7.97 Crore (*Previous Year Rs. 56.84 Crore*).
- f. Claims against the company not acknowledged as debts Rs. 8.64 Crore (*Previous Year Rs. 9.00 Crore*).
- g. Bills Discounted with banks Rs. 152.42 Crore (*Previous Year Rs. 119.43 Crore*).
- h. Liability in respect of partly paid shares in Parasrampuria Synthetics Ltd. Rs. 0.19 Crore (*Previous Year Rs. 0.19 Crore*).

### Note 29 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.

Trade Payables include following amount due to MSMED parties :

Rs. Crore

Sr. No.	Particulars	2011-12			2010-11		
		Principal	Interest	Total	Principal	Interest	Total
a)	Total Outstandings to micro and small enterprises	31.23	0.03	31.26	13.13	0.01	13.14
b)	Principal amount due and Interest thereon remaining unpaid as at end of the year	0.16	0.00	0.16	0.36	0.01	0.37
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	4.34	0.05	4.39	9.39	0.09	9.48
d)	Outstanding Interest (where principal amount has been paid off to the supplier but interest amount is outstanding as on March 31)	NA	0.03	0.03	NA	0.00	0.00
e)	Total Interest out standing as on March 31 (Interest in 'b' + interest in 'd' above)	NA	0.03	0.03	NA	0.01	0.01

## Notes attached to and forming part of the Financial Statements

### Note 30 Auditors' Remuneration & Directors fees :

Other expenses include (Note No.26):

	2011-12	Rs. Crore 2010-11
a) Auditors' Remuneration (excluding service tax)		
i) As Auditors	0.56	0.52
ii) For Taxation matters (including Tax Audits)	0.46	0.32
iii) Certification fees	0.12	0.07
iv) Reimbursement of expenses	0.02	0.01
b) Directors Sitting fees	0.16	0.14

### Note 31 Additional Information under Part II of Revised Schedule VI to the Companies Act, 1956 :

#### a. Turnover of goods manufactured & traded (net of excise)

Rs. Crore

Particulars	2011-12	2010-11
Boilers, Heaters & Chillers	2390.32	2211.17
Power Plants	1385.72	1422.53
Air Pollution Control, Water & Waste Treatment Plants & Systems	859.28	717.29
Ion Exchange Resins & Chemicals	195.03	187.80
Goods Traded In, Accessories, Spares etc.	154.47	110.10
<b>Total</b>	<b>4984.82</b>	<b>4648.89</b>

#### b. Service Revenue under broad heads

Rs. Crore

Particulars	2011-12	2010-11
Operation & Mentance	133.27	92.50
Erection & Commissioning	108.79	37.89
Other Services	16.97	8.89
<b>Total</b>	<b>259.03</b>	<b>139.28</b>

#### c. Consumption of raw materials & components etc.

Rs. Crore

Particulars	2011-12	2010-11
Ferrous Sheets, Plates	77.88	87.13
Ferrous Tubes	181.10	283.56
Fabricated Items	611.65	808.82
Chemicals	121.46	121.31
Brought out items and other materials	2688.77	2115.03
<b>Total</b>	<b>3680.86</b>	<b>3415.85</b>

## Notes attached to and forming part of the Financial Statements

### d. Trading Purchases under broad heads

Rs. Crore

Particulars	2011-12	2010-11
Steel and other metals	101.09	86.05
Spares Parts	47.56	49.98
Chemicals	4.19	5.50
Other Purchases	3.04	–
Total	155.88	141.53

### e. Raw Material Stock under broad heads

Rs. Crore

Particulars	2011-12	2010-11
Ferrous Sheets, Plates	24.74	21.01
Ferrous Tubes	42.39	61.26
Fabricated Items	49.92	39.34
Chemicals	6.89	8.16
Others	102.19	103.12
Total	226.13	232.89

### f. WIP Stock under broad heads

Rs. Crore

Particulars	2011-12	2010-11
Boilers, Heaters & Chillers	18.79	17.87
Air Pollution Control, Water and Waste Treatment Plants & Systems	1.31	2.67
Ion Exchange Resins & Chemicals	3.25	2.88
Total	23.35	23.42

### g. Finished Goods Stock under broad heads

Rs. Crore

Particulars	2011-12	2010-11
Boilers, Heaters & Chillers	1.28	2.04
Air Pollution Control, Water and Waste Treatment Plants & Systems	–	0.03
Ion Exchange Resins & Chemicals	5.13	6.13
Others	–	0.01
Total	6.41	8.21

### h. Stock of Traded Goods under broad heads

Rs. Crore

Particulars	2011-12	2010-11
Steel and other metals	4.64	1.45
Spares Parts	11.43	9.24
Chemicals	0.41	0.47
Others	0.15	0.22
Total	16.63	11.38

## Notes attached to and forming part of the Financial Statements

**i. Value of imported & indigenous Raw Materials, Components & Spare Parts consumed** Rs. Crore

Particulars	%	2011-12	%	2010-11
Imported	16	578.71	14	476.42
Indigenous	84	3102.15	86	2939.43
Total		3680.86	100	3415.85

**j. CIF Value of Imports** Rs. Crore

Particulars	2011-12	2010-11
Raw Materials	464.97	325.43
Components & Spares	116.78	142.39
Consumables	6.32	8.46
Capital Goods	3.17	1.52
Total	591.24	477.80

**k. Earnings in Foreign Currency (on accrual basis)** Rs. Crore

Particulars	2011-12	2010-11
Export of goods on FOB	725.73	612.20
Others	6.14	5.40
Total	731.87	617.60

**l. Expenditure in Foreign Currency (on accrual basis)** Rs. Crore

Particulars	2011-12	2010-11
Technical Fees	3.76	2.46
Expenses in Foreign Offices	10.67	13.53
Royalty	18.66	19.08
Travelling, Commission, Legal & Professional Charges and Others	62.93	29.28
Capital Expenditure at foreign offices	–	0.02
Total	96.02	64.37

**Note 32 Contracts in Progress (CIP)** Rs. Crore

Particulars	2011-12	2010-11
a) Aggregate amount recognised as Contract Revenue (RR) for the Year	4438.43	3892.92
b) In respect of contracts in progress as on 31st March :		
1. Aggregate amount of costs incurred and recognised profits (less recognised losses) (including amounts carried forward from previous years)	9743.40	8434.38
2. Amount of Customer Advances received	613.95	854.03
3. Amount of Retentions	416.50	249.65
c) Gross amount due from customers for contract work	350.74	357.11
d) Gross amount due to customers for contract work	207.23	101.40

## Notes attached to and forming part of the Financial Statements

### Note 33 Secured Loan

Secured loans represent following categories of borrowings :

- i) Working Capital Loans (Cash Credits & Overdrafts) taken from consortium of banks. These are secured by hypothecation of present and future stock of raw materials, stock in process, semi finished & finished goods, stores and spares not relating to plant & machinery, consumables & book debts. These are repayable on demand. Working Capital loans outstanding as on March 31, 2012 are Rs. NIL (Previous Year Rs. 0.56 Crore).
- ii) Post Shipment Credit of Rs. 3.56 Crore (Previous Year Nil) due for repayment on various dates between April 16, 2012 to July 16, 2012. These loans are secured by hypothecation of present and future stock of raw materials, stock in process, semi finished & finished goods, stores and spares not relating to plant & machinery, consumables & book debts.
- iii) Loan from Department of Bio Technology Rs 0.08 Crore (Previous Year Rs.0.08 Crore) due for repayment in 36 months from July 1, 2013. and carrying interest rate of 2% p.a.. Loan is secured by hypothecation of R&D equipments purchased out of these funds.

### Note 34 Unsecured Loan

Buyers Credit availed from bank. The loan amount outstanding on March 31, 2012 is Rs 162.80 Crore (Previous Year Rs. 48.04 Crore).

- a. Rs. 32.72 Crore due for repayment on June 5, 2012.
- b. Rs. 47.01 Crore due for repayment on Oct 29, 2012.
- c. Rs. 83.07 Crore due for repayment on Nov 29, 2012.

### Note 35 Unpaid Dividend

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

	As at 31.03.12	As at 31.03.11
a. Unclaimed Dividend on Equity	0.66	0.57
b. Unclaimed Dividend on Redeemable Preference Share (RPS)	0.01	0.01

### Note 36

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.

### Note 37 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 (net) in foreign currency on account of the following:

Particulars	Amount in Rs. Crore	Amount in Foreign Currency
Export of Goods	3.90	USD 7,62,528
Export of Goods	3.69	EURO 5,43,677
Import of Goods	(1.33)	GBP 1,63,531
Import of Goods	(3.10)	YEN 4,96,66,160

## Notes attached to and forming part of the Financial Statements

### Note 38 Capital and other Commitments

- a. Capital Commitments : Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 54.31 Crore (Previous year Rs. 13.49 Crore).
- b. Other Commitments : The Company has entered into "Share Purchase Agreement" (SPA) with two Indian Companies to acquire their share holding in an overseas Company. The amount involved in this contract and not provided for is Rs. 13.39 Crore (Previous year Rs. Nil).

### Note 39 Capitalisation of expenses

Raw materials, labour and overheads capitalised in respect of Plant & Machinery Rs. 1.16 Crore (*Previous Year Rs. 0.18 Crore*).

### Note 40 Previous year's expenses / income included under various heads of accounts: Rs. Crore

Particulars	2011-12	2010-11
Commission on Sales	0.85	–
Labour charges	–	0.07
Other Miscellaneous Expenses	0.52	0.06

### Note 41 Segment Reporting

- a. 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.

- b. 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.

- c. Secondary segments have been identified with reference to geographical location of external customers. Composition of secondary segments is as follows:
  - i. India
  - ii. Outside India
- d. Inter-segment transfer price is arrived at on the basis of cost plus a reasonable mark-up.

## Notes attached to and forming part of the Financial Statements

### I) Information about Primary Business Segments :

Rs. Crore

Particulars	2011-12			2010-11		
	Energy	Environment	Total	Energy	Environment	Total
<b>Revenue :</b>						
Gross Revenue	4150.93	1285.10	5436.03	3879.58	1143.92	5023.50
Less : Intersegment Revenue	0.82	131.15	131.97	0.29	170.85	171.14
Net Revenue	4150.11	1153.95	5304.06	3879.29	973.07	4852.36
<b>Result :</b>						
Segment Result	446.52	160.55	607.07	388.88	143.70	532.58
Unallocated expenses net of unallocated income			(0.38)			(42.30)
Operating Profit			607.45			574.88
Interest expenses			6.55			2.18
Taxation for the year			194.04			190.28
Profit after taxation and before exceptional items			406.86			382.42
Extra-ordinary items of expenses			-			-
<b>Net Profit</b>			406.86			382.42
<b>Other Information :</b>						
Segment Assets	1723.48	584.83	2308.31	1550.33	505.37	2055.70
Unallocated Corporate Assets			1260.53			1179.98
Total Assets			3568.84			3235.68
Segment Liabilities	1305.14	379.86	1685.00	1379.83	364.93	1744.76
Unallocated Corporate Liabilities			282.66			198.58
Total Liabilities			1967.66			1943.34
Capital Expenditure	40.69	63.51	104.20	45.48	9.04	54.52
Depreciation	36.85	10.10	46.95	34.45	8.88	43.33
Non-cash expenses other than depreciation	-	-	-	-	-	-

### II) Information about Secondary Segments:

Rs. Crore

	2011-12	2010-11
<b>Revenue</b>		
India*	4270.20	4186.20
Outside India	1033.86	666.16
Total Revenue	5304.06	4852.36
<b>Carrying Amount of Segment Assets :</b>		
India	2153.16	1942.47
Outside India	155.15	113.23
<b>Addition to Fixed Assets :</b>		
India	104.28	54.49
Outside India	(0.08)	0.03

\* Including Deemed export.

## Notes attached to and forming part of the Financial Statements

### Note 42 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) Holding Company

RDA Holding & Trading Pvt. Ltd.

B) Enterprises controlled by the Company :

Subsidiary Companies:

i. **Domestic:**

Thermax Sustainable Energy Solutions Ltd.	Thermax Instrumentation Ltd.
Thermax Engineering Construction Co. Ltd.	Thermax Onsite Energy Solutions Ltd.
Thermax SPX Energy Technologies Ltd. (Joint venture with SPX Netherlands BV)	
Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. (Joint Venture with Babcock & Wilcox India Holdings Inc.)	

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	
Thermax Netherlands BV., Netherlands	Thermax Denmark ApS, Denmark
Danstoker A/S, Denmark	Danstoker (UK) Ltd., UK
Ejendomsanpartsselskabet Industrivej Nord 13 (EIN), Denmark	
Omnicel Kessel & Apparatebau GmbH, Germany	

C) 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. Pheroze Pudumjee – Director

D) Enterprise, over which control is exercised by individuals listed in 'C' above

Thermax Social Initiative Foundation

E) Key Management Personnel:

Mr. M S Unnikrishnan – Managing Director

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

	Rs. Crore	
<b>Details of Transactions with enterprises referred to in “B” and “D” above</b>	<b>2011-12</b>	<b>2010-11</b>
<b>Particulars</b>		
<b>I Sales, Service, Other income</b>		
Sales of Goods		
i Thermax Europe Ltd.	<b>14.00</b>	17.80
ii Thermax Inc.	<b>39.00</b>	31.43
iii Others	<b>2.95</b>	1.75
Total	<b>55.95</b>	50.98

## Notes attached to and forming part of the Financial Statements

Particulars	2011-12	Rs. Crore 2010-11
Rendering of Services	0.25	1.23
Interest Income	0.16	0.16
Reimbursement of Expenses / cost of material / Stores		
i Thermax Babcock Wilcox Energy Solutions Pvt. Ltd.	–	11.68
ii Thermax Engineering Construction Co Ltd.	3.66	1.97
iii. Thermax SPX Energy Technologies Ltd.	1.00	–
iv Others	0.42	0.68
Total	5.08	14.33
Sale of Fixed Assets		
i Thermax Onsite Energy Solutions Ltd.	–	2.82
<b>II Purchase of Material / Services</b>		
Purchase of Goods / Services		
i Thermax Engineering Construction Co Ltd.	50.17	54.59
ii Thermax Instrumentation Ltd.	21.72	17.98
iii Thermax SPX Energy Technologies Ltd.	3.04	7.48
iv Thermax (Zhejiang) Cooling & Heating Eng. Co. Ltd.	2.59	3.65
v Others	0.02	–
Total	77.54	83.70
<b>III Expenses</b>		
Receiving of Services	0.40	0.19
Liquidated Damages	–	0.06
Reimbursement of Expenses	12.04	2.52
Deputation of employees	0.98	0.09
Donation to Thermax Social Initiative Foundation	5.87	7.59
<b>IV Finance (Including Loan / Equity Contribution)</b>		
Equity Contribution (including share application money)		
i Thermax Sustainable Energy Solutions Ltd.	4.00	–
iii Thermax (Zhejiang) Cooling & Heating Eng. Co. Ltd.	10.56	5.12
iv Thermax Babcock Wilcox Energy Solutions Pvt. Ltd.	73.95	49.21
v Thermax Netherlands BV.	–	129.66
vi Thermax Onsite Energy Solutions Ltd.	–	3.60
vii Thermax Inc.	0.08	–
Total	88.59	187.59
Diminution in value of investments earlier provided now written back		
i Thermax Instrumentation Ltd.	1.50	–
<b>V Guarantee / Bond / Collateral Given on behalf of subsidiaries and out standing as on 31st March</b>		
i Thermax Instrumentation Ltd.	56.84	64.78
ii Thermax Engineering Construction Co Ltd.	14.00	–
iii Thermax Denmark ApS	–	62.84
Total	70.84	127.62

## Notes attached to and forming part of the Financial Statements

<b>Particulars</b>	<b>2011-12</b>	<b>Rs. Crore 2010-11</b>
<b>VI Amount Outstanding - Loan / Advances, Receivable</b>		
Loan / Advances Outstanding		
i Thermax Sustainable Energy Solutions Ltd.	<b>2.95</b>	2.80
Account Receivable		
i Thermax Inc.	<b>11.50</b>	12.72
ii Thermax Europe Ltd.	<b>1.45</b>	4.11
iii Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	<b>6.74</b>	6.99
iv Others	<b>2.07</b>	0.94
Total	<b>21.76</b>	24.76
Trade Advances		
i Thermax Engineering Construction Co Ltd.	<b>0.15</b>	0.28
ii Thermax Instrumentation Ltd.	<b>0.36</b>	1.39
iii Thermax SPX Energy Technologies Ltd.	<b>0.09</b>	0.51
iv Thermax (Zhejiang) Cooling & Heating Eng. Co. Ltd.	–	0.05
Total	<b>0.60</b>	2.23
<b>VII Amount Outstanding - Payable</b>		
Accounts Payable		
i Thermax Engineering Construction Co Ltd.	<b>8.27</b>	13.98
ii Thermax Instrumentation Ltd.	<b>5.33</b>	2.72
iii Thermax (Zhejiang) Cooling & Heating Eng. Co. Ltd.	<b>1.42</b>	–
iv Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	<b>0.89</b>	–
v Thermax SPX Energy Technologies Ltd.	<b>1.89</b>	3.75
vi Others	<b>0.57</b>	0.81
Total	<b>18.37</b>	21.26

### Details of Transactions relating to the Persons referred to in “C” and “E” above

Managerial Remuneration	2.35	1.99
Director’s Sitting Fees	0.07	0.07
Rent Paid to Directors	0.30	0.28
Commission paid to Directors	0.42	0.42
Loans, Advance / Deposit outstanding at the end of the year	0.58	0.58

### Note 43 Defined Benefit Plans for Employees (AS 15)

As per Actuarial valuation as on March 31, 2012 and recognised in financial statements in respect of Gratuity schemes:

<b>Particulars</b>	<b>2011-12</b>	<b>Rs. Crore 2010-11</b>
i Components of Employer expense		
a Current service cost	<b>2.40</b>	3.73
b Interest Cost	<b>3.83</b>	2.51
c Expected Return on Plan Assets	<b>(4.64)</b>	(3.70)
d Actuarial (Gain) / Loss	<b>10.36</b>	13.10
e Total Expense recognised in the Statement of Profit and Loss	<b>11.95</b>	15.64

## Notes attached to and forming part of the Financial Statements

Particulars	Rs. Crore	
	2011-12	2010-11
ii Net Assets / (Liability) recognised in Balance Sheet as at 31 <sup>st</sup> March		
a Present Value of Obligation	63.08	49.87
b Fair Value of Plan Assets	64.29	51.65
c (Asset)/Liability recognised in the Balance Sheet	(1.21)	(1.78)
iii Change in Gratuity Obligation during the year		
a Present Value of Obligation as at 31 <sup>st</sup> March	49.87	32.94
b Current Service Cost	2.40	3.73
c Interest Cost	3.83	2.51
d Actuarial (Gain)/ Loss	11.04	13.75
e Benefit Paid	(4.06)	(3.06)
f Present Value of Obligation as at 31 <sup>st</sup> March	63.08	49.87
iv Changes in the Fair Value of Plan Assets		
a Present Value of Plan Assets as 31 <sup>st</sup> March	51.65	40.80
b Expected Return on Plan Assets	4.64	3.70
c Actual Company Contribution	7.37	6.50
d Benefits Paid	(0.05)	Nil
e Actuarial Gain / (Loss)	0.68	0.65
f Present Value of Plan Assets as 31 <sup>st</sup> March	64.29	51.65
v Actuarial Assumptions		
a Discount Rate	8% p.a.	8% p.a.
b Expected Rate of Return	8% p.a.	8% p.a.

### Note 44 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	2011-12	2010-11
Profit After Tax but before Extra-ordinary items (Rs. Crore)	406.86	382.42
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.)	34.15	32.09
Profit After Tax and Extra-ordinary items (Rs. Crore)	406.86	382.42
Basic & Diluted EPS after Extra-ordinary items (Rs.)	34.15	32.09

### Note 45 Proposed Dividend

The dividend proposed for the year is as follows :

[On Equity share of Rs. 2/- each]

Particulars	2011-12	2010-11
Amount of dividend (Rs. Crore)	83.41	107.24
Dividend per equity share (Rs.)	7.00	9.00

### Note 46 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.

## Notes attached to and forming part of the Financial Statements

### Note 47 Disclosure as required by AS - 29 (Liabilities and Provisions):

Rs. Crore

Particulars	Warranty Provision	
	2011-12	2010-11
Opening Balance (as on 1st April)	<b>37.45</b>	38.29
Additions during the year	<b>43.03</b>	26.54
Utilisation during the year	<b>6.33</b>	10.35
Reversals during the year	<b>15.16</b>	17.03
<b>Closing Balance (as on 31st March)</b>	<b>58.99</b>	37.45

### Note 48 Disclosure in relation to In-house Research & Development (R&D) expenses and fixed assets.

#### A) Details of R&D Revenue Expenses incurred during the year :

Rs. Crore

Particulars	2011-12			2010-11		
	DSIR*	Others	Total	DSIR*	Others	Total
Material Cost	<b>6.44</b>	<b>0.10</b>	<b>6.54</b>	5.71	0.50	6.21
Employee Cost	<b>7.78</b>	<b>0.93</b>	<b>8.71</b>	6.39	0.29	6.68
Consumable & Maintenance Cost	<b>0.57</b>	<b>0.07</b>	<b>0.64</b>	0.81	0.04	0.85
Drawing Design, licence fees & Professional fees	<b>1.26</b>	<b>0.12</b>	<b>1.38</b>	1.84	0.08	1.92
Site Expenses	<b>0.11</b>	-	<b>0.11</b>	1.05	-	1.05
Labour Charges	<b>1.21</b>	<b>0.06</b>	<b>1.27</b>	0.29	-	0.29
Travelling Expenses	<b>0.73</b>	<b>0.08</b>	<b>0.81</b>	0.69	-	0.69
Other Costs	<b>1.24</b>	<b>0.08</b>	<b>1.32</b>	0.75	0.01	0.76
Depreciation	<b>1.30</b>	<b>0.02</b>	<b>1.32</b>	0.80	0.01	0.81
Less: Government Grants	<b>(6.81)</b>	-	<b>(6.81)</b>	(5.88)	-	(5.88)
<b>Grand Total</b>	<b>13.83</b>	<b>1.46</b>	<b>15.29</b>	12.45	0.93	13.38

\*Expenses of sites approved by Department of Scientific and Industrial Research (DSIR).

#### B) Fixed Asset schedule of R&D Assets :

Fixed Assets included in respective category of Schedule 4, used for the purpose of in-house Research and Development activity.

Rs. Crore

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1.4.2011	Additions/ Adjustments during the year	Deductions during the year	Total Cost as at 31.3.2012	Upto 31.3.2011	Deductions/ Adjustments during the year	Provisions during the year	Total as at 31.3.2012	As at 31.3.2012	As at 31.3.2011
<b>TANGIBLE :</b>										
Building	0.64	-	-	<b>0.64</b>	0.29	-	0.01	<b>0.30</b>	<b>0.34</b>	0.35
Plant & Machinery	1.17	2.90	-	<b>4.07</b>	0.26	0.00	0.19	<b>0.45</b>	<b>3.62</b>	0.91
Electrical Installation	0.17	0.04	-	<b>0.21</b>	0.01	-	0.01	<b>0.02</b>	<b>0.19</b>	0.16
Furniture, Fixtures, Office Equipment & Computer	1.02	0.32	-	<b>1.34</b>	0.15	-	0.24	<b>0.39</b>	<b>0.95</b>	0.87
R&D Equipments	2.81	0.32	0.00	<b>3.13</b>	1.38	0.00	0.20	<b>1.58</b>	<b>1.55</b>	1.43
R&D Equipments (others)**	0.31	-	-	<b>0.31</b>	0.02	-	0.02	<b>0.04</b>	<b>0.27</b>	0.29
Vehicles	0.09	-	-	<b>0.09</b>	0.01	-	0.01	<b>0.02</b>	<b>0.07</b>	0.08
<b>INTANGIBLE :</b>										
Software	1.55	0.32	-	<b>1.87</b>	0.69	-	0.55	<b>1.24</b>	<b>0.63</b>	0.86
<b>Total</b>	<b>7.76</b>	<b>3.90</b>	<b>0.00</b>	<b>11.66</b>	<b>2.81</b>	<b>0.00</b>	<b>1.23</b>	<b>4.04</b>	<b>7.62</b>	<b>4.95</b>
Previous Year	5.13	2.82	0.18	7.77	2.16	0.15	0.81	2.82	4.95	2.97
Capital CWIP									4.77	5.87

\*\* Fixed Assets other than DSIR approved sites.

## Notes attached to and forming part of the Financial Statements

### Note 49

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfilment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption.

### Note 50

The financial statements have been prepared in accordance with the requirement of the revised schedule VI to the Companies Act, 1956 as per the Government Notification no. F.No.2/6/2008-C.L-V dated March 30, 2011. The comparative figures for previous year have also been accordingly restated to conform to the current year's presentation.

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As per our report of even date

**For B. K. Khare & Co.**  
*Chartered Accountants*  
Firm Reg. No. 105102W

**H. P. Mahajani**  
*Partner*  
Membership No. 30168  
Pune, May 11, 2012

For and on Behalf of the Board

**Meher Pudumjee**  
*Chairperson*

**Gopal Mahadevan**  
*Executive Vice President  
& Chief Financial Officer*

**M. S. Unnikrishnan**  
*Managing Director*

**Devang Trivedi**  
*Dy. Company Secretary*

Pune, May 11, 2012

## **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 2012, and also the Consolidated Statement of Profit and Loss 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 ten foreign subsidiaries, whose financial statements reflect total assets of Rs.591.69 Crore as at 31st March 2012 and total revenues of Rs.504.44 Crore for the year then ended and cash flows amounting to Rs. 7.99 Crore for the year then ended and the Profit of Rs.9.35 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, as notified by the Companies (Accounting Standard) Rules, 2006 as amended 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 together with the Notes to accounts thereon and attached there to given in the prescribed manner, 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 2012;
  - (b) the Consolidated Statement of Profit and Loss, 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  
Firm Reg. No. 105102W

Place : Pune  
Date : May 11, 2012

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

## Consolidated Financial Statements

### Balance Sheet as at March 31, 2012

Particulars	Note No	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' Funds</b>			
a. Share Capital	1	23.83	23.83
b. Reserves and Surplus	2	1605.50	1291.06
		<u>1629.33</u>	<u>1314.89</u>
<b>2. Minority Interest</b>		111.64	51.97
<b>3. Non-current Liabilities</b>			
a. Long-term Borrowings	3	87.60	84.91
b. Deferred tax Liabilities (Net)	4	37.77	29.88
c. Other Long-term Liabilities	5	48.48	54.04
d. Long-term Provisions	6	0.18	0.16
		<u>174.03</u>	<u>168.99</u>
<b>4. Current Liabilities</b>			
a. Short-term Borrowings	7	182.79	63.11
b. Trade Payables	8	968.96	892.82
c. Other Current Liabilities	9	1334.21	1329.43
d. Short-term Provisions	10	271.93	278.05
		<u>2757.89</u>	<u>2563.41</u>
<b>TOTAL</b>		<u><u>4672.89</u></u>	<u><u>4099.26</u></u>
<b>II ASSETS</b>			
<b>1. Non-current Assets</b>			
a. Fixed Assets	11		
i Tangible Assets		662.22	625.12
ii Intangible Assets		181.87	160.21
iii Capital Work-in-progress		246.57	35.44
b. Non-current Investments	12	–	11.50
c. Long-term Loans and Advances	13	62.76	24.39
d. Other Non-current Assets	14	113.13	177.71
		<u>1266.55</u>	<u>1034.37</u>
<b>2. Current Assets</b>			
a. Current Investments	15	239.50	229.96
b. Inventories	16	366.61	365.67
c. Trade Receivables	17	1370.68	1020.87
d. Cash and Cash Equivalents	18	698.25	688.04
e. Short-term Loans and Advances	19	180.09	199.38
f. Other Current Assets	20	551.21	560.97
		<u>3406.34</u>	<u>3064.89</u>
<b>TOTAL</b>		<u><u>4672.89</u></u>	<u><u>4099.26</u></u>

The notes are an integral part of these financial statements.

As per our report of even date  
**For B. K. Khare & Co.**  
*Chartered Accountants*  
 Firm Reg. No. 105102W

For and on Behalf of the Board  
**Meher Pudumjee**  
*Chairperson*

**M. S. Unnikrishnan**  
*Managing Director*

**H. P. Mahajani**  
*Partner*  
 Membership No. 30168  
 Pune, May 11, 2012

**Gopal Mahadevan**  
*Executive Vice President  
 & Chief Financial Officer*

**Devang Trivedi**  
*Dy. Company Secretary*

Pune, May 11, 2012

## Consolidated Financial Statements

### Statement of Profit and Loss for the year ended March 31, 2012

Particulars	Note No	Year Ended March 31, 2012 Rs. Crore	Year Ended March 31, 2011 Rs. Crore
<b>I</b> Revenues from Operations (Gross)	<b>21</b>	<b>6229.74</b>	5443.87
Less : Excise Duty		<b>138.53</b>	144.86
Revenues from Operations (Net)		<b>6091.21</b>	5299.01
<b>II</b> Other Income	<b>22</b>	<b>82.95</b>	94.61
<b>III Total Revenue (I+II)</b>		<b>6174.16</b>	5393.62
<b>IV Expenses :</b>			
Cost of Materials Consumed	<b>23</b>	<b>3618.59</b>	3246.99
Purchases of Stock-in-Trade		<b>227.74</b>	265.97
Changes in Inventories	<b>24</b>	<b>(2.83)</b>	(32.63)
Employee Benefits	<b>25</b>	<b>557.80</b>	454.66
Finance Costs	<b>26</b>	<b>12.17</b>	4.47
Depreciation and Amortisation	<b>11</b>	<b>66.25</b>	54.16
Other Expenses	<b>27</b>	<b>1097.97</b>	826.56
<b>Total Expenses</b>		<b>5577.69</b>	4820.18
<b>V</b> Profit before exceptional and extraordinary items and tax (III-IV)		<b>596.47</b>	573.44
<b>VI</b> Exceptional items		-	-
<b>VII</b> Profit before extraordinary items and tax (V - VI)		<b>596.47</b>	573.44
<b>VIII</b> Extraordinary Items		-	-
<b>IX</b> Profit before tax (VII- VIII)		<b>596.47</b>	573.44
<b>X</b> Tax expense:			
1. Current tax		<b>(198.22)</b>	(193.96)
2. Deferred tax		<b>(6.11)</b>	(2.54)
Profit after tax		<b>392.14</b>	376.94
<b>XI</b> Less : Minority Interest		<b>(11.38)</b>	(4.69)
<b>XII</b> Profit (Loss) for the period (IX - X - XI)		<b>403.52</b>	381.63
<b>XIII</b> Earnings per equity share (EPS) - Rs. [Equity Shares of Rs. 2/- each]	<b>35</b>		
1. Basic		<b>33.86</b>	32.03
2. Diluted		<b>33.86</b>	32.03

The notes are an integral part of these financial statements.

As per our report of even date  
**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Reg. No. 105102W

**H. P. Mahajani**  
Partner  
Membership No. 30168  
Pune, May 11, 2012

For and on Behalf of the Board  
**Meher Pudumjee**  
Chairperson

**Gopal Mahadevan**  
Executive Vice President  
& Chief Financial Officer

**M. S. Unnikrishnan**  
Managing Director

**Devang Trivedi**  
Dy. Company Secretary

Pune, May 11, 2012

## Consolidated Cash Flow Statement

	2011-12	Rs. Crore 2010-11
<b>A Cash Flow from Operating Activities</b>		
Net profit before tax before Extra-ordinary items	596.47	573.44
<b>Add Adjustments for</b>		
Depreciation	66.25	54.16
Provision for Doubtful Debts	15.59	(4.05)
Interest paid	12.17	4.47
Lease rentals Paid	3.27	2.71
<b>Less Adjustments for</b>		
Interest / Dividend / Brokerage ( Income received)	(47.92)	(58.42)
(Profit)/Loss on sale of Investment	(8.79)	(0.22)
(Profit)/Loss on sale of assets	1.61	0.59
Provision for Long Term Investments-Written back	(1.50)	–
Operating profit before working capital changes	637.15	572.68
<b>Adjustments for</b>		
Trade and Other Receivables	(506.26)	(373.41)
Inventories	(0.94)	(53.10)
Trade Payables	309.81	274.31
Cash generated from Operations (Before Extra Ordinary Items)	439.76	420.48
<b>Adjustment for Extra Ordinary Items</b>		
Amount payable under out of court settlement	–	(155.71)
<b>Cash generated from Operations ( After Extra Ordinary Items before tax)</b>	439.76	264.77
Direct taxes paid	(178.37)	(191.63)
<b>Net Cash from Operating Activities (after tax)</b>	261.39	73.14
<b>B Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(372.43)	(150.65)
Purchase of Investments	(1000.29)	(866.92)
Proceeds from sale of Investments	1002.26	996.01
Acquisition of Subsidiary	–	(183.48)
Exchange Rate Fluctuation	20.35	(4.94)
Minority Interest Contribution	71.05	47.28
Interest / Dividend / Brokerage received	45.50	50.04
<b>Net Cash from Investing Activities</b>	(233.56)	(112.66)

## Consolidated Cash Flow Statement (Contd.)

	Rs. Crore	
	2011-12	2010-11
<b>C Cash Flow from Financing Activities</b>		
Increase/(Decrease) in borrowings	<b>122.37</b>	116.64
Lease rentals paid	<b>(3.27)</b>	(2.71)
Interest paid	<b>(12.17)</b>	(4.47)
Dividend paid and Tax thereon	<b>(124.55)</b>	(69.46)
<b>Net Cash from Financing Activities</b>	<b>(17.62)</b>	40.00
<b>Net (decrease)/increase in Cash &amp; Cash Equivalents</b>	<b>10.21</b>	0.48
Opening cash & bank balances	<b>688.04</b>	670.21
Opening cash & bank balances of Acquired Subsidiaries	–	17.35
Closing cash & bank balances	<b>698.25</b>	688.04

The notes are an integral part of these financial statements.

As per our report of even date  
**For B. K. Khare & Co.**  
*Chartered Accountants*  
Firm Reg. No. 105102W

**H. P. Mahajani**  
*Partner*  
Membership No. 30168  
Pune, May 11, 2012

For and on Behalf of the Board  
**Meher Pudumjee**  
*Chairperson*

**Gopal Mahadevan**  
*Executive Vice President  
& Chief Financial Officer*

**M. S. Unnikrishnan**  
*Managing Director*

**Devang Trivedi**  
*Dy. Company Secretary*

Pune, May 11, 2012

## Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 1</b>			
<b>Share Capital</b>			
Equity Share Capital			
Authorised :			
37,50,00,000 Equity Sahares of Rs 2/- each		75.00	75.00
<i>(Previous year 37,50,00,000 equity Shares of Rs 2/- each)</i>		<u>75.00</u>	<u>75.00</u>
Issued, subscribed and fully paid :			
11,91,56,300 Euity Shares of Rs. 2/- each		23.83	23.83
<i>(Previous year 11,91,56,300 equity Shares of Rs 2/- each)</i>		<u>23.83</u>	<u>23.83</u>

(a) Reconciliation of number of equity shares	As at March 31, 2012		As at March 31, 2011	
	Number of Shaes	Rs Cores	Number of Shaes	Rs Crore
Shares outstanding at the begining of the period	11,91,56,300	23.83	11,91,56,300	23.83
Shares outstanding at the end of the period	11,91,56,300	23.83	11,91,56,300	23.83

(b) Rights, preferences and restrictions attached to shares

Equity Shares: The company has one class of equity shares having a par value of Rs.2 per share Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Equity Shares held by holding company

6,43,28,500 share are held by holding company, RDA Holding & Trading Pvt. Ltd.

*(Previous year 6,43,28,500 shares)*

(d) Details of Equity shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of Shareholder	As at March 31, 2012		As at March 31, 2011	
	%	No of Share held	%	No of Share held
RDA Holding & Trading Pvt. Ltd.	53.99	64328500	53.99	64328500
Mrs. Anu Aga	5.78	6888305	5.78	6888305

## Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 2</b>			
<b>Reserves and Surplus</b>			
<b>Capital Redemption Reserve</b>			
Per Last Balance Sheet		50.34	50.34
<b>Share Premium Reserve</b>			
Per Last Balance Sheet		61.13	61.13
<b>Capital Reserve</b>			
Per Last Balance Sheet		13.10	13.10
<b>Capital Reserve on Consolidation</b>			
		4.71	4.71
<b>Hedging Reserve</b>			
Per Last Balance Sheet		4.44	19.82
Adjusted to Profit and loss statement		(2.21)	(15.38)
		2.23	4.44
<b>General Reserve</b>			
Per Last Balance Sheet		332.94	291.94
Transferred from Surplus		43.00	41.00
		375.94	332.94
<b>Foreign Currency Translation Reserve</b>			
		9.13	(0.94)
<b>Surplus</b>			
Per Last Balance Sheet		825.34	609.35
Profit for the year		403.52	381.63
Proposed Equity Dividend		(83.41)	(107.24)
Tax on Dividend		(13.53)	(17.40)
Transfer to General Reserve		(43.00)	(41.00)
		1088.92	825.34
		1605.50	1291.06
<b>Note 3</b>			
<b>Long-Term Borrowings</b>			
Secured Long Term Borrowings			
Term Loans			
From Banks		87.52	84.83
From other than Banks		0.08	0.08
		87.60	84.91
<b>Note 4</b>			
<b>Deferred Tax Liabilities (Net)</b>			
Deferred Tax Asset			
Provision for Doubtful Debts		17.92	14.62
Others		17.58	15.41
Total (A)		35.50	30.03
Deferred Tax Liability			
Depreciation on Fixed Assets		57.92	48.50
Others		15.35	11.41
Total (B)		73.27	59.91
<b>Net Deferred Tax Liability (B-A)</b>			
		37.77	29.88

## Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 5</b>			
<b>Other Long-term Liabilities</b>			
Trade Payables		10.87	10.16
Customer Advances		19.17	8.54
Trade Deposits		0.87	1.61
Other Liabilities		17.57	33.73
		<u>48.48</u>	<u>54.04</u>
<b>Note 6</b>			
<b>Long-term Provisions</b>			
Others		0.18	0.16
		<u>0.18</u>	<u>0.16</u>
<b>Note 7</b>			
<b>Short-term Borrowings</b>			
Secured :			
From Banks		19.72	15.07
Unsecured :			
From Banks	32	163.07	48.04
		<u>182.79</u>	<u>63.11</u>
<b>Note 8</b>			
<b>Trade Payables</b>			
Trade Payables		856.53	831.31
Acceptances		112.43	61.51
		<u>968.96</u>	<u>892.82</u>
<b>Note 9</b>			
<b>Other Current Liabilities</b>			
Contracts in Progress		242.79	131.79
Current Maturities of Long-term Debt		2.19	–
Interest Accrued but not due on Loans		0.95	0.11
Customer Advances		833.22	1057.07
Foreign Currency Forward Contract		(0.67)	(5.23)
Trade Deposits		1.37	0.45
Unpaid Dividends		0.67	0.58
Sales Tax Payable		7.41	7.73
Other Liabilities		196.90	87.22
Other Payables		49.38	49.71
		<u>1334.21</u>	<u>1329.43</u>
<b>Note 10</b>			
<b>Short-term provisions</b>			
Short-term Employee Benefits		97.30	102.91
Long-term Employee Benefits		0.81	–
Proposed Equity Dividend		83.41	107.24
Provision for Tax on Dividend		13.53	17.40
Provision for Warranty		67.15	42.86
Others		9.73	7.64
		<u>271.93</u>	<u>278.05</u>

## Notes attached to and forming part of the Consolidated Financial Statements

### Note 11 Fixed Assets

Rs. Crore

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1.4.2011	Additions/ Adjustments during the year	Deductions during the year	Total Cost as at 31.3.2012	Upto 31.3.2011	Deductions/ Adjustments during the year	Provisions during the year	Total as at 31.3.2012	As at 31.3.2012	As at 31.3.2011
<b>A. TANGIBLE :</b>										
Land - Freehold	7.36	-	-	7.36	-	-	-	-	7.36	7.36
Land - Leasehold	75.15	3.00	0.49	77.66	0.20	(0.46)	0.38	0.66	77.00	74.95
Building	285.60	34.37	0.10	319.87	42.71	(1.80)	8.13	52.64	267.23	242.89
Plant & Machinery	351.58	28.29	1.20	378.67	136.72	(0.90)	23.05	160.67	218.00	214.86
Electrical Installation	33.23	4.47	0.18	37.52	9.08	0.13	2.01	10.96	26.56	24.15
Office Equipment & Computer	68.89	13.60	1.86	80.63	42.43	0.86	8.79	50.36	30.27	26.46
Furniture & Fixtures	31.86	2.70	0.79	33.77	13.73	0.38	2.11	15.46	18.31	18.13
R & D Equipments	3.13	0.32	0.00	3.45	1.40	-	0.22	1.62	1.83	1.73
Vehicles	21.80	5.49	3.11	24.18	7.21	1.79	3.10	8.52	15.66	14.59
<b>Total Tangible Assets (A)</b>	<b>878.60</b>	<b>92.24</b>	<b>7.73</b>	<b>963.10</b>	<b>253.48</b>	<b>-</b>	<b>47.79</b>	<b>300.89</b>	<b>662.22</b>	<b>625.12</b>
<b>B. INTANGIBLE :</b>										
Goodwill	118.15	9.08	0.00	127.23	2.46	(0.39)	6.17	9.02	118.21	115.69
Software	27.03	8.29	0.07	35.25	19.17	(0.07)	5.51	24.75	10.50	7.86
Technical Know How	44.01	23.28	-	67.29	7.35	-	6.78	14.13	53.16	36.66
<b>Total Intangible Assets (B)</b>	<b>189.19</b>	<b>40.65</b>	<b>0.07</b>	<b>229.77</b>	<b>28.98</b>	<b>(0.46)</b>	<b>18.46</b>	<b>47.90</b>	<b>181.87</b>	<b>160.21</b>
<b>TOTAL FIXED ASSETS (A+B)</b>	<b>1067.79</b>	<b>132.89</b>	<b>7.80</b>	<b>1192.87</b>	<b>282.46</b>	<b>(0.46)</b>	<b>66.25</b>	<b>348.79</b>	<b>844.09</b>	<b>785.33</b>
Previous Year	741.75	364.96	38.92	1067.79	204.91	(23.64)	54.16	282.46	785.33	536.91
Capital W.I.P									246.57	35.44

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
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### Note 12

#### Non-current Investments

Non Trade :

Investments in Equity Instruments :

Quoted Equity Shares (fully paid up)	0.03	0.03
Quoted Equity Shares (partly paid up)	0.06	0.06
Unquoted Equity Shares (fully paid up)	0.07	0.07
Equity Instruments in Subsidiary (fully paid up)	7.10	7.10

Investments in Preference shares :

Unquoted Preference Shares (fully paid up)	0.02	0.02
Preference shares in Subsidiary (fully paid up)	7.58	7.58

Investments in Mutual Funds

-	11.50
<b>14.86</b>	<b>26.36</b>
<b>14.86</b>	<b>14.86</b>
-	11.50

Provision for Diminution in value of Long-term Investments

## Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 13</b>			
<b>Long-term Loans and Advances</b>			
<b>Unsecured, considered good</b>			
Capital Advances		39.41	4.73
Security Deposits		14.57	14.41
Housing Deposit to Key Managerial Personnel		0.58	0.58
Advances recoverable in cash or kind		5.31	2.01
Advances to Staff and Workers		2.70	2.66
Other Loans and Advances		0.19	0.00
		<b>62.76</b>	<b>24.39</b>
<b>Note 14</b>			
<b>Other Non-current Assets</b>			
Long Term Trade Receivables			
Unsecured Considered good		9.78	45.59
Considered doubtful		-	-
Less : Provided for		-	-
Fixed Deposit with more than 12 month in maturity	18	1.95	61.67
Interest accrued on Fixed Deposit		0.02	0.87
Advance Payment of Income Tax and Wealth Tax		46.29	28.80
Advance Payment of Fringe Benefit Tax		1.07	1.07
Sales Tax Recoverable		50.16	37.65
Others		3.86	2.06
		<b>113.13</b>	<b>177.71</b>
<b>Note 15</b>			
<b>Current Investments</b>			
Non Trade :			
Investments in Mutual Funds		239.50	229.96
		<b>239.50</b>	<b>229.96</b>
<b>Note 16</b>			
<b>Inventories</b>			
Raw Materials		248.79	250.96
Work-in-Progress		72.02	71.69
Finished Goods		10.87	12.93
Stores and Spares		6.76	6.80
Stock-in-Trade		28.17	23.29
		<b>366.61</b>	<b>365.67</b>

## Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 17</b>			
<b>Trade Receivables</b>			
Unsecured:			
Outstanding for a period exceeding 6 months from the date they are due for payment :			
Considered good		137.03	80.46
Considered doubtful		99.08	83.36
Less : Provided for		99.08	83.36
Others		1233.65	940.41
		<b>1370.68</b>	<b>1020.87</b>
<b>Note 18</b>			
<b>Cash and Cash Equivalents</b>			
Cash on hand		11.29	7.30
Balances with banks			
Balances in current accounts		47.20	48.92
Deposit with more than 12 month in maturity		1.95	61.67
Deposit others		627.80	584.35
Unpaid dividend account		0.77	0.69
Cheques, drafts on hand		11.19	46.78
		<b>700.20</b>	<b>749.71</b>
Less : Deposit with more than 12 month in maturity disclosed under "Other Non-current Assets"	14	1.95	61.67
		<b>698.25</b>	<b>688.04</b>
<b>Note 19</b>			
<b>Short-term Loans and Advances</b>			
Unsecured, considered good			
Advances recoverable in cash or kind		167.80	187.86
Security Deposits		4.81	6.06
Advances to Staff and Workers		7.28	5.39
Others		0.20	0.07
		<b>180.09</b>	<b>199.38</b>
<b>Note 20</b>			
<b>Other Current Assets</b>			
Contracts in Progress		391.43	381.61
Prepaid Long Term Employee Benefits		-	1.43
Balance in Central Excise & Customs Accounts		41.63	21.97
Advance Payment of Income Tax and Wealth Tax		40.21	78.50
Advance Payment of Fringe Benefit Tax		2.03	0.45
Other Current Assets		75.91	77.01
		<b>551.21</b>	<b>560.97</b>

## Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 21</b>			
<b>Revenue from Operations</b>			
A. Sale (Product and Project)			
(i) India		<b>4026.58</b>	3686.57
Add : Closing Contracts in Progress		<b>99.07</b>	191.83
Less : Opening Contracts in Progress		<b>191.83</b>	209.70
		<b>3933.82</b>	3668.70
(ii) Outside India		<b>1545.21</b>	1154.52
Add : Closing Contracts in Progress		<b>44.44</b>	63.59
Less : Opening Contracts in Progress		<b>63.59</b>	(0.90)
		<b>1526.06</b>	1219.01
Total	(A)	<b>5459.88</b>	4887.71
B. Sale of services			
(i) India		<b>661.85</b>	473.08
(ii) Outside India		<b>48.14</b>	31.25
Total	(B)	<b>709.99</b>	504.33
C. Other Operating Revenues			
Claims and Refunds		<b>0.74</b>	0.32
Balances earlier Written Off now Recovered		<b>2.09</b>	2.82
Commission		<b>4.82</b>	5.11
Sale of Scrap		<b>20.79</b>	14.38
Profit on sale of assets		<b>0.00</b>	0.04
Provision for Doubtful Debt Written-back		<b>0.00</b>	0.49
Interest Income		<b>0.10</b>	0.01
Miscellaneous Income		<b>31.33</b>	28.66
Total	(C)	<b>59.87</b>	51.83
D. Less: Excise duty		<b>138.53</b>	144.86
Revenue from Operations (Net)	(A+B+C-D)	<b>6091.21</b>	5299.01
<b>Note 22</b>			
<b>Other Income</b>			
Interest Income		<b>60.14</b>	44.83
Dividend Income			
Long-term Investment		<b>0.69</b>	0.42
Current Investment		<b>8.96</b>	12.69
Net gain/loss on sale of investments			
Long-term Investment		<b>6.15</b>	0.22
Current Investment		<b>2.58</b>	0.00
Provision for Diminution in value of Investments Written Back		<b>1.50</b>	–
Other non-operating income		<b>2.93</b>	7.06
Exchange Fluctuation Income (Net)		<b>–</b>	29.39
		<b>82.95</b>	94.61

## Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 23</b>			
<b>Cost of Material Consumed</b>			
Consumption of raw materials and components			
Opening Stocks		252.92	208.60
Add : Stock of subsidiary acquired during the year		–	16.95
Add: Purchases		3618.89	3274.36
		3871.81	3499.91
Less: Closing Stocks		253.22	252.92
		3618.59	3246.99
 <b>Note 24</b>			
Changes in Inventories			
Opening Stocks:			
Work-in-Progress		71.69	21.79
Finished Goods		12.93	4.43
Stock in Trade		23.67	11.05
Stock of Subsidiaries Acquired during the year		–	38.39
		108.29	75.66
Less: Closing Stocks :			
Work-in-Progress		69.73	71.69
Finished Goods		10.69	12.93
Stock in Trade		30.70	23.67
		111.12	108.29
		(2.83)	(32.63)
 <b>Note 25</b>			
<b>Employee Benefits Expense</b>			
Salaries and Wages		490.73	391.59
Contribution to provident and other funds		46.63	43.42
Staff Welfare Expenses		20.44	19.65
		557.80	454.66
 <b>Note 26</b>			
<b>Finance Costs</b>			
Interest Expense		8.92	4.47
Applicable net gain/loss on foreign currency transactions and translation		3.25	–
		12.17	4.47

## Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	As at March 31, 2012 Rs. Crore	As at March 31, 2011 Rs. Crore
<b>Note 27</b>			
<b>Other Expenses</b>			
Consumption of stores and spare parts		157.62	23.16
Power and Fuel		32.90	28.08
Drawing, Design and Technical Service Charges		59.66	59.73
Site Expenses and Contract Labour Charges		150.15	91.75
Erection, Fabrication Charges etc.		182.66	231.58
Freight Outward		106.53	93.29
Commission on Sales		27.89	16.48
Other Selling and Distribution Expenses		36.34	37.68
Free of Cost Supplies and Modifications		49.96	26.44
Bad Debts		3.44	6.75
Provision for Doubtful Debts		12.62	3.30
Liquidated Damages		27.39	19.98
Rent and Service Charges		15.11	8.73
Rates and taxes, excluding taxes on income.		5.33	3.51
Insurance		10.79	8.15
Repairs to buildings		6.46	6.15
Repairs to machinery		7.92	8.39
Repairs - others		12.67	11.59
Communication		11.01	9.47
Traveling and Conveyance		62.37	57.21
Advertising and Exhibition Expenses		1.95	1.70
Legal & Professional Charges		40.54	34.69
Printing and Stationery		4.26	3.93
Bank Charges		10.03	10.21
Additional Sales Tax and Turnover Tax		4.10	2.01
Net loss on foreign currency transaction and translation		18.49	-
Loss on Assets sold/discarded (net)		1.61	0.62
Donations		5.98	7.61
Miscellaneous Expenses		32.19	14.37
		<b>1097.97</b>	<b>826.56</b>

## Notes attached to and forming part of the Consolidated Financial Statements

### Note 28

The Consolidated Financial Statements (CFS) pertains to Thermax Ltd. and its sixteen subsidiaries of which ten are overseas subsidiaries. In the CFS, the term “Parent” refers to Thermax Ltd. and “Group” refers to the Parent along with its subsidiaries.

### Note 29

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, 2012
1	Thermax Sustainable Energy Solutions Limited	India	100
2	Thermax Engineering Construction Co. Ltd.	India	100
3	Thermax Instrumentation Limited	India	100
4	Thermax Onsite Energy Solutions Limited	India	100
5	Thermax SPX Energy Technologies Limited	India	51
6	Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	India	51
7	Thermax International Limited	Mauritius	100
8	Thermax Europe Limited	UK	100
9	Thermax Inc.	USA	100
10	Thermax do Brasil-Energia e Equipamentos Ltda.	Brazil	100
11	Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd.	China	100
12	Thermax Netherlands B.V.	Netherlands	100
13	Thermax Denmark ApS,	Denmark	100
14	Danstoker A/S	Denmark	100
15	Ejendomsanpartsselskabet Industrivej Nord 13 (EIN)	Denmark	100
16	Omnical Kessel & Apparatebau GmbH	Germany	100

### Note 30

#### Significant Accounting Policies

##### 30.1 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.

##### 30.2 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.

##### 30.3 Principles of Consolidation :

- a. The financial statements of the Parent and its Subsidiaries have been consolidated on a line-by-line basis by adding together the book value of like item of assets, liabilities, income and expenses, after eliminating intra group balance and unrealised profit / losses on intra group transaction, and are presented to the extent possible, in the same manner as the Parent’s independent financial statements.
- b. The excess / deficit of cost to the Parent of its investment over its portion of equity in the Subsidiary at the respective dates on which the investment in such Subsidiary was made is recognised in CFS as goodwill / capital reserve.
- c. Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the date on which investment are made by the company in the subsidiary companies and further movement in their share in the equity, subsequent to the date of investment.

## Notes attached to and forming part of the Consolidated Financial Statements

### 30.4 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.

### 30.5 Fixed Assets – Tangible and Intangible Assets & Depreciation

- a. Tangible fixed assets are stated at cost (net of refundable taxes and levies) and include any other attributable cost for bringing the assets to working condition for their intended use.
- b. Borrowing costs, if any, attributable to qualifying assets, are capitalised.
- c. Expenditure incurred on acquisition or development of goodwill, technical know how, software, patents, research and development and such other intangibles are recognised as Intangible Asset, if it is expected that such assets will generate sufficient future economic benefits.
- d. Cost incurred on leasehold land is amortised over the period of lease.
- e. Depreciation on all fixed assets is provided by the domestic companies on straight line method at the rates and in the manner prescribed by Schedule XIV of the Companies Act, 1956 / the economic useful life of the asset, to the extent relevant and applicable.
- f. 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.

### 30.6 Assets Impairment

Provision for impairment loss, if any, is recognized to the extent to 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.

### 30.7 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 recognize a decline, other than temporary in nature, in the carrying amount of such long term investments.

### 30.8 Inventories

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

### 30.9 Deferred Revenue Expenditure

Deferred 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.

## Notes attached to and forming part of the Consolidated Financial Statements

### 30.10 Employee Benefits

a. Provident Fund

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

b. Superannuation Fund

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

c. Gratuity

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

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

iii. Current service cost, interest cost and actuarial gains and losses are charged to the statement of profit and loss.

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

d. Compensated Absences

Liability on account of 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 each balance sheet date.

e. Medical and Leave Travel Assistance benefits

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

f. Bonus & Employee's 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.

### 30.11 Provisions and Contingent Liabilities

a. Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation.

b. Provisions for warranty obligations are made in the accounts on substantial completion of contracts based on technical evaluation and past experience.

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

### 30.12 Revenue Recognition

a. Revenue in respect of products is recognized on dispatch of goods to the customer or when they are unconditionally appropriated to the contract.

b. Revenue in respect of projects for construction of plants and systems, involving designing, engineering, fabrication, supply, erection (or supervision thereof), commissioning, guaranteeing performance thereof etc., execution of which is spread over different accounting periods is recognized on the basis of percentage of completion method.

c. Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.

## Notes attached to and forming part of the Consolidated Financial Statements

- d. Difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sale is disclosed as contract in progress.
- e. Determination of revenues under the percentage of completion method necessarily involves making estimates (some of which are of a technical nature) concerning the costs to completion, the expected revenue from the contract (adjusted for probable liquidated damages, if any) and the foreseeable losses to completion.
- f. Supply of spare parts and services are accounted on 'as billed' basis.
- g. Revenue in respect of long-term service contracts / maintenance contracts is recognized on the basis of stage of completion.
- h. Dividend from investments is recognized when the right to receive the dividend is established.
- i. Government Grants
  - \* Government Grant is accounted when there is reasonable certainty of compliance with its conditions and its ultimate collection.
  - \* Revenue expenses (net of government grants, if any) incurred during research and development phase of internal projects are recognised as and when incurred.
  - \* Any Intangible asset (net of government grants, if any) arising from the development phase of such projects is recognised to the extent there is reasonable certainty of generating sufficient future economic benefits through commercial exploitation of such asset.

### 30.13 Borrowing Costs

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

### 30.14 Foreign Currency Transactions

- a. Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.
- b. Exchange difference on settlement of transactions in foreign currencies is recognized in the statement of profit and loss.
- c. 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.
- d. Revenue items of foreign branches are translated at average rate.

### 30.15 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 the statement of profit and loss in the same period during which the underlying transactions affect the statement of profit and loss and / or the foreign currency forward contract expires or is exercised, terminated or no longer qualifies for hedge accounting.

## Notes attached to and forming part of the Consolidated Financial Statements

### 30.16 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 recognized, subject to the consideration of prudence, in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods.

### 30.17 Others

- a. Liability for liquidated damages is recognised when it is deducted/claimed by the customer or when a reasonable estimate of the likely obligation can be made.
- b. 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.
- c. Annual fees payable under a License Agreement for acquisition of a right to use Licensed Marks are recognised and charged to the statement of profit and loss on payment.

### Note 31 Contingent Liabilities not provided for

- a. Disputed demands in respect of Excise, Customs Duty & Service Tax Rs. 14.82 Crore (*Previous year Rs. 19.88 Crore*), Sales Tax Rs. 18.51 Crore (*Previous year Rs. 14.50 Crore*) and other Statutes Rs. 0.10 Crore (*Previous year Rs.0.09 Crore*)
- b.
  - i) Income Tax demands disputed in appellate proceedings Rs. 75.86 Crore (*Previous year Rs.44.04 Crore*)
  - ii) References / Appeals preferred by Income Tax department in respect of which, should the ultimate decision be unfavorable to the Group, the liability is estimated to be Rs. 20.82 Crore (*Previous year Rs. 20.82 Crore*)
- c. Liability for unexpired export obligations Rs. 7.97 Crore (*Previous year Rs.56.84 Crore*)
- d. Claims against Group not acknowledged as debts Rs. 8.64 Crore (*Previous year Rs.9.00 Crore*)
- e. Bills Discounted with banks Rs. 152.42 Crore (*Previous year Rs.119.43 Crore*)
- f. Liability in respect of partly paid shares Rs. 0.19 Crore (*Previous year Rs.0.19 Crore*)
- g. Future Lease obligations payable on non-cancelable operating leases Rs. 1.73 Crore (*Previous year Rs.2.11 Crore*)

### Note 32 Secured Loans

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, semi finished goods, finished goods and book debts.

### Note 33 Segment Reporting

- a) The Group has disclosed Business Segment as the primary segment. Segments have been identified by the Management taking in to 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.

## Notes attached to and forming part of the Consolidated Financial Statements

- b) 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.
- c) Secondary segments have been identified with reference to the geographical location of external customers. Composition of secondary segments is as follows:  
India  
Outside India
- d) 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	2011-12				2010-11			
	Energy	Environment	Others	Total	Energy	Environment	Others	Total
<b>Revenue :</b>								
Gross Revenue	4909.03	1305.02	9.15	6223.20	4298.91	1165.05	6.18	5470.14
Less : Intersegment Revenue	0.82	131.17	-	131.99	0.29	170.84	-	171.13
Net Revenue	4908.21	1173.85	9.15	6091.21	4298.62	994.21	6.18	5299.01
<b>Result :</b>								
Segment Result	440.03	156.08	(1.96)	594.15	382.83	141.88	(0.76)	523.95
Unallocated expenses net of unallocated income				(14.49)				(53.96)
Operating Profit				608.64				577.91
Interest expenses				12.17				4.47
Taxation for the year				204.33				196.50
Profit after taxation and before exceptional items				392.14				376.94
Extra-ordinary items of expenses / (Income)				-				-
<b>Net Profit</b>				392.14				376.94
<b>Other Information :</b>								
Segment Assets	2682.88	602.53	16.89	3302.30	2131.46	521.70	10.85	2664.01
Unallocated Corporate Assets				971.89				1039.37
Total Assets				4274.19				3703.38
Segment Liabilities	1741.50	384.62	5.91	2132.03	1655.95	370.01	3.09	2029.05
Unallocated Corporate Liabilities				401.19				307.47
Total Liabilities				2533.22				2336.52
Capital Expenditure	272.06	63.56	0.51	336.13	133.80	9.52	4.12	147.44
Depreciation	55.51	10.28	0.46	66.25	44.98	8.93	0.25	54.16
Non-cash expenses other than depreciation	-	-	-	-	-	-	-	-

### II) Information about Secondary Segments :

Rs. Crore

Particulars	2011-12	2010-11
<b>Revenue</b>		
India	4622.22	4446.70
Outside India	1468.99	852.31
<b>Total</b>	<b>6091.21</b>	<b>5299.01</b>
<b>Carrying amount of Segment Assets :</b>		
India	2694.73	2166.40
Outside India	607.57	497.61
<b>Additions to Fixed assets :</b>		
India	312.61	145.67
Outside India	23.52	1.77

## Notes attached to and forming part of the Consolidated Financial Statements

### Note 34 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 :

- i) Holding Company : RDA Holding & Trading Pvt. Ltd.
- ii) Individuals having control or significant influence over the Group by reason of voting power, and their relatives :
  - a) Mrs. Anu Aga                      b) Mrs. Meher Pudumjee                      c) Mr. Pheroz Pudumjee
- iii) Enterprise, over which control is exercised by individuals listed in '(ii)' above  
Thermax Social Initiative Foundation
- iv) Key Management Personnel : Mr. M S Unnikrishnan

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

Nature of Transactions	Rs. Crore	
	2011-12	2010-11
Rent Paid	0.30	0.28
Managerial Remuneration	2.35	1.99
Sitting Fees	0.07	0.07
Commission	0.42	0.42
Loan, Advance/ Deposits Outstanding at the end of the year	0.58	0.58
Donation paid to Thermax Social Initiative Foundation	5.87	7.59

### Note 35 Earnings Per Share

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

Particulars	2011-12	2010-11
Profit After Tax and minority interest but before Extra-ordinary items (Rs. Crore)	403.52	381.63
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.)	33.86	32.03
Profit After Tax, minority interest and Extra-ordinary items (Rs. Crore)	403.52	381.63
Basic & Diluted EPS after Extra-ordinary items (Rs.)	33.86	32.03

## Notes attached to and forming part of the Consolidated Financial Statements

### Note 36 Capital and other Commitments

- a. Capital Commitments : Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 59.02 Crore (Previous year Rs. 208.21 Crore).
- b. Other Commitments : The Company has entered into "Share Purchase Agreement" (SPA) with two Indian Companies to acquire their share holding in an overseas Company. The amount involved in this contract and not provided for is Rs. 13.39 Crore (Previous year Rs. Nil).

### Note 37

The financial statements have been prepared in accordance with the requirement of the revised schedule VI to the Companies Act, 1956 as per the Government Notification F.No.2/6/2008-C.L-V dated March 30, 2011. The comparative figures for previous year have also been accordingly restated to conform to the current year's presentation.

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As per our report of even date  
**For B. K. Khare & Co.**  
*Chartered Accountants*  
Firm Reg. No. 105102W

**H. P. Mahajani**  
*Partner*  
Membership No. 30168  
Pune, May 11, 2012

For and on Behalf of the Board  
**Meher Pudumjee**  
*Chairperson*

**Gopal Mahadevan**  
*Executive Vice President  
& Chief Financial Officer*

**M. S. Unnikrishnan**  
*Managing Director*

**Devang Trivedi**  
*Dy. Company Secretary*

Pune, May 11, 2012

# THERMAX LIMITED

## THIRTY FIRST ANNUAL REPORT 2011-2012

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

Sr No.	Particulars	Rs Crore															
		Thermax Sustainable Energy Solutions Ltd.	Thermax Engineering Construction Co. Ltd.	Thermax Instrumentation Ltd.	Thermax Onsite Energy Solutions Ltd.	Thermax SPX Energy Technologies Ltd.	Thermax Babcock & Wilcox Energy Solutions	Thermax International Ltd. (Mauritius)	Thermax Europe Ltd. (UK)	Thermax Inc. (U.S.A.)	Thermax do Brazil Energia Equipamentos Ltda. (Brazil)	Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. (China)	Thermax Denmark Aps.	Thermax Netherlands BV.	Danstoker AIS	Ejendomsanpartsselskabet Industrijet Nord 13 (EIN)	Omnical Kessel & Apparatebau GmbH
		2011-12	2011-12	2011-12	2011-12	2011-2	2011-12	2011-12	2011-12	2011-12	2011-12	2011-12	2010-12 <sup>^</sup>	2010-12 <sup>^</sup>	2010-12 <sup>^</sup>	2010-12 <sup>^</sup>	2010-12 <sup>^</sup>
1	Capital	8.75	4.50	9.00	3.65	20.00	241.48	15.51	1.53	2.39	3.06	80.18	68.44	139.15	9.13	0.18	1.70
2	Reserves	(6.63)	23.04	3.68	1.63	(5.38)	(28.27)	(13.03)	18.16	7.85	(2.57)	(37.38)	74.10	(0.54)	76.82	4.91	29.86
3	Total Assets	7.40	91.90	162.85	9.31	12.34	323.04	0.10	27.12	34.23	0.56	88.43	0.80	2.77	95.79	29.08	70.63
4	Total Liabilities	5.28	66.03	152.51	4.03	3.93	137.37	0.02	7.43	23.98	0.06	45.63	67.54	0.06	41.41	23.99	39.08
5	Investments	-	-	-	-	-	-	2.39	-	-	-	-	-	-	-	-	-
	A) Long Term (Non-Trade Investments)	-	-	-	-	-	-	2.39	-	-	-	-	-	-	-	-	-
	B) Current Investments	-	-	-	-	-	-	-	-	-	-	-	209.28	135.90	31.56	-	-
	a. Unquoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b. Quoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c. Units	-	1.67	2.34	-	6.22	27.54	-	-	-	-	-	-	-	-	-	-
	Total Current Investments	-	1.67	2.34	-	6.22	27.54	-	-	-	-	209.28	135.90	31.56	31.56	-	-
	Total Investments (A+B)	-	1.67	2.34	-	6.22	27.54	2.39	-	-	-	209.28	135.90	31.56	31.56	-	-
6	Turnover	0.34	170.97	249.46	9.23	4.32	3.44	-	40.89	65.21	0.33	49.21	-	-	296.21	5.12	211.79
7	Profit Before Tax	(3.01)	10.51	(11.59)	1.65	(3.46)	(19.09)	(0.04)	4.67	2.35	0.20	(7.04)	(13.06)	(0.54)	24.48	2.30	(2.57)
8	Provision for tax	-	(3.43)	1.19	(0.54)	(0.69)	-	-	(1.21)	(1.32)	(0.01)	-	0.97	-	(6.06)	(0.56)	1.15
9	Profit After Tax	(3.01)	7.08	(10.40)	1.11	(4.15)	(19.09)	(0.04)	3.46	1.03	0.19	(7.04)	(12.09)	(0.54)	18.42	1.73	(1.42)
	Proposed Dividend (Excluding Tax on Dividend)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Original Currency	INR	INR	INR	INR	INR	INR	USD	GBP	USD	Brazilian Real	Yuan	DKK	EUR	DKK	DKK	EUR
12	Exchange rate as on March 31, 2012 in INR	-	-	-	-	-	-	47.84	76.36	47.84	28.16	8.44*	9.13	67.88	9.13	9.13	67.88

### Notes

- 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.
- Thermax Energy Performance Service Ltd. has been referred for voluntary winding up hence not included in above statement.
- Thermax Hong Kong Ltd. has been registered for dormancy as per laws of Hongkong hence not included in the above statement.
- Thermax Netherlands B.V. and Thermax Denmark Aps. have been incorporated in month of November 2010. The financial year end of these Companies has been extended from September 30 to March 31. Hence, the first financial year for the addressed companies beginning November 1, 2010, has ended on March 31, 2012, and included in above statement.
- Danstoker AIS, Ejendomsanpartsselskabet Industrijet Nord 13 (EIN), and Omnical Kessel & Apparatebau GmbH have been acquired in month of November 2010. The financial year end of these Companies has been extended from September 30 to March 31. Hence, the first financial year for the addressed companies beginning November 1, 2010, has ended on March 31, 2012, and included in above statement.
  - For the year ended December 31, 2011
  - Exchange Rate as on December 31, 2011

## THERMAX LIMITED - FINANCIALS AT A GLANCE

	Rs. Crore									
PARTICULARS	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Domestic Sales (excluding excise duty)	4101	3722	2432	2299	2479	1735	1157	740	446	398
Export (Including Deemed Export)	1143	1066	656	912	678	402	308	176	118	116
% to Total Sales	22%	22%	21%	28%	21%	19%	21%	19%	21%	22%
Total Sales	5244	4788	3088	3211	3157	2137	1465	916	564	514
% Growth	10%	55%	(4%)	2%	48%	46%	60%	62%	10%	17%
Other Income	131	147	147	92	89	73	33	25	40	39
Total Income	5375	4935	3235	3303	3246	2210	1498	941	604	552
Total Expenses	4720	4317	2801	2850	2795	1894	1289	848	516	473
Profit before Depreciation, Interest, Extra Ordinary Items and Tax	655	618	434	453	451	316	209	93	87	80
(% to Total Income)	12%	13%	13%	14%	14%	14%	14%	10%	14%	14%
Depreciation	47	43	40	32	22	19	15	9	9	10
Interest	7	2	2	3	1	1	1	1	0	1
Extra-ordinary Items of Expenses	0	0	115	(1)	(2)	5	0	0	6	6
Profit before Tax	601	573	277	419	430	291	193	83	72	64
(% to Total Income)	11%	12%	9%	13%	13%	13%	13%	9%	12%	11%
Tax	194	191	136	132	150	103	69	28	18	15
Profit after Tax	407	382	141	287	281	188	123	55	54	48
(% to Total Income)	8%	8%	4%	9%	9%	8%	8%	6%	9%	9%
Gross Block	805	717	688	603	419	279	243	177	165	166
Net Block	574	516	505	458	326	170	138	102	83	81
Investments	553	404	378	176	580	578	417	316	276	240
Current Assets	2913	2658	1663	1287	1008	929	533	368	265	201
Current Liabilities	2324	2307	2044	1270	1163	1087	600	368	227	150
Net Current Assets	589	351	(381)	17	(155)	(158)	(67)	(0)	38	51
Deferred Revenue Expenses	0	0	0	0	0	0	0	1	1	8
Capital Employed	1601	1292	1051	962	736	579	474	402	383	356
Equity Share Capital	24	24	24	24	24	24	24	24	24	24
Preference Share Capital <sup>§</sup>	0	0	0	0	0	0	0	48	48	0
Reserves and Surplus	1577	1268	1027	938	712	555	450	332	312	340
Networth	1601	1292	1051	962	736	579	474	355	335 <sup>#</sup>	356
Loan Funds	0	0	0	0	0	0	0	0	0	0
<i>Fixed Asset Turnover Ratio</i>	9.14	9.27	6.12	7.02	9.68	12.60	10.64	9.01	6.80	6.33
<i>Working Capital Turnover Ratio</i>	8.90	13.64	0.00	187.74	0.00	0.00	0.00	0.00	14.74	9.98
<i>Debt-Equity Ratio</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Current Ratio</i>	1.25	1.15	0.81	1.01	0.87	0.85	0.89	1.00	1.17	1.34
<i>Return on Capital Employed</i>	38%	44%	37%	44%	58%	51%	41%	21%	21%	20%
<i>Return on Net Worth</i>	25%	30%	13%	30%	38%	32%	24%	15%	16%	14%
<i>Cash Earnings per Share (Rs.) **</i>	38.09	35.73	15.26	26.81	25.39	17.34	10.97	5.14	5.13	4.86
<i>Earnings per Share (Rs.) **</i>	34.15	32.09	11.87	24.11	23.56	15.76	9.69	4.37	4.40	4.05
<i>Dividend(%)</i>	350%	450%	250%	250%	400%	300%	170%	120%	120%	120%
<i>Book Value per Share (Rs.) **</i>	134	108	88	81	62	49	40	30	28	30

§ 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 Rs. 2/- each and accordingly all the previous years' figures have been restated.

Note : The Working Capital figures for FY 10-11 and FY 11-12 are based on revised Schedule VI classification and hence are not strictly comparable with previous years' figures.

## THERMAX GROUP - FINANCIALS AT A GLANCE

PARTICULARS	Rs. Crore									
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Domestic Sales (excluding excise duty)	4457	3997	2557	2445	2718	1849	1214	895	570	501
Export	1574	1250	720	959	715	441	393	352	207	198
% to Total Sales	26%	24%	22%	28%	21%	19%	24%	28%	27%	28%
Total Sales	6031	5247	3277	3404	3433	2290	1606	1247	777	699
% Growth	15%	60%	(4%)	(1%)	50%	43%	29%	60%	11%	19%
Other Income	143	146	145	97	93	73	34	34	51	42
Total Income	6174	5393	3422	3501	3525	2363	1640	1281	829	741
Total Expenses	5500	4762	2975	3038	3055	2038	1449	1165	721	641
Profit before Depreciation, Interest, Extra Ordinary Items and Tax	674	631	447	463	471	325	190	117	108	100
(% to Total Income)	11%	12%	13%	13%	13%	14%	12%	9%	13%	14%
Depreciation	66	54	44	35	23	19	16	12	12	14
Interest	12	4	2	4	2	2	2	1	1	1
Extra-ordinary Items of Expenses	0	0	115	(1)	(2)	5	0	0	6	6
Profit before Tax	596	573	286	425	448	298	173	104	89	79
(% to Total Income)	10%	11%	8%	12%	13%	13%	11%	8%	11%	11%
Tax	204	196	142	136	157	105	70	37	23	20
Profit after Tax and before Minority	392	377	144	289	291	194	103	67	65	59
Minority Interest	(11)	(5)	0	-	-	-	-	(1)	3	3
Profit after Tax and Minority interest	403	381	144	289	291	194	103	68	62	56
(% to Total Income)	7%	7%	4%	8%	8%	8%	6%	5%	8%	8%
Gross Block	1193	1068	742	661	433	292	253	232	207	215
Net Block	1091	821	548	509	349	179	144	134	102	102
Investments	240	241	370	143	560	574	397	318	287	242
Current Assets	3406	3065	1832	1402	1119	1024	590	536	379	270
Current Liabilities	2758	2563	2239	1372	1259	1178	655	519	321	210
Net Current Assets	648	502	(407)	30	(140)	(154)	(66)	17	58	59
Deferred Revenue Expenses	0	0	0	0	4	0	0	1	1	8
Capital Employed	1829	1452	1096	995	756	592	462	455	434	388
Equity Share Capital	24	24	24	24	24	24	24	24	24	24
Preference Share Capital <sup>§</sup>	0	0	0	0	0	0	0	48	48	0
Reserves and Surplus	1605	1291	1054	967	736	566	431	378	337	357
Networth	1629	1315	1078	991	756	590	455	401	377	386
Minority Interest	112	52	9	0	0	0	0	0	17	13
Loan Funds	88	85	8	4	0	2	7	7	9	2
<i>Fixed Asset Turnover Ratio</i>	5.5	6.39	5.98	6.69	9.85	12.80	11.16	9.32	7.60	6.87
<i>Working Capital Turnover Ratio</i>	9.30	10.46	0.00	113.89	0.00	0.00	0.00	74.19	13.34	11.81
<i>Debt-Equity Ratio</i>	0.05	0.06	0.01	0.00	0.00	0.00	0.02	0.02	0.02	0.00
<i>Current Ratio</i>	1.23	1.20	0.82	1.02	0.89	0.87	0.90	1.03	1.18	1.28
<i>Return on Capital Employed</i>	33%	40%	37%	43%	59%	52%	38%	23%	22%	22%
<i>Return on Net Worth</i>	25%	29%	13%	29%	38%	33%	23%	17%	16%	14%
<i>Cash Earnings per Share (Rs.) **</i>	39.42	36.57	15.82	27.20	26.34	17.89	9.30	6.46	6.11	5.89
<i>Earnings per Share (Rs.) **</i>	33.86	32.03	12.11	24.25	24.40	16.26	7.96	5.46	5.07	4.67
<i>Dividend(%)</i>	350%	450%	250%	250%	400%	300%	170%	120%	120%	120%
<i>Book Value per Share (Rs.) **</i>	137	110	90	83	63	49	38	34	32	32

§ 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 Rs. 2/- each and accordingly all the previous years' figures have been restated.

Note : The Working Capital figures for FY 10-11 and FY 11-12 are based on revised Schedule VI classification and hence are not strictly comparable with previous years' figures.







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