

# INDEPENDENT AUDITOR'S REPORT

To the Members of Thermax Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Thermax Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31 2021, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2021, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

### Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Emphasis of Matters

- (a) We draw attention to note 31(A)(a) of the consolidated financial statements relating to the demand orders on the Group for Rs. 1,385.47 crores (including penalty of Rs. 331.88 crores and excluding interest not presently quantified) by the Commissioner of Central Excise, Pune. The Holding Company has filed an appeal against the said orders.
- (b) We draw attention to note 41 of the accompanying consolidated financial statements which describes the management's evaluation of impact of uncertainties related to COVID-19 and its consequential effects on the carrying value of its intangible assets, trade receivables, contract balances and inventories as at March 31, 2021 and the operations of the Group.

Our opinion is not qualified in respect of the above matters.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><b>a) Revenue recognition for Engineering, Procurement and Construction contracts</b> (as described in note 21(c) of the consolidated financial statements)</p>	
<p>The Group's significant portion of business is undertaken through Engineering, Procurement and Construction (EPC) contracts. Revenue from these contracts is recognized over a period of time in accordance with the requirements of Ind AS 115, Revenue from Contracts with Customers.</p> <p>Due to the nature of such contracts, revenue is accounted over a period of time (using input method) which requires identification of performance obligations, significant judgement with regards to determining contract costs incurred to date compared to estimated total contract costs, the Group's rights to receive payments for performance completed till date, changes in scope and consequential revised contract price and recognition of the liability for loss making contracts/ onerous obligations. Revenues and profits for the year under audit, may deviate significantly on account of change in such judgements and estimates.</p> <p>Furthermore, for the financial year 2020-21, the effects of the coronavirus pandemic (COVID-19) on the project business, such as delays in project execution due to access restrictions at customer sites including short-term interruptions to supply chains as well as the invocation of force majeure, contractual penalties for delays in delivery or any material changes in such contracts and the underlying accounting treatment were of key significance for our audit.</p> <p>Revenue from such contracts amounted to Rs. 2795.87 crores.</p>	<p>The audit procedures performed by us and the auditors of the subsidiaries ('other auditor') included the following:</p> <ul style="list-style-type: none"> <li>• We and other auditors understood the Group's policies and processes, control mechanisms and methods in relation to the revenue recognition for these contracts and evaluated the design and operative effectiveness of the financial controls from the above through our test of control procedures.</li> <li>• We and other auditors evaluated management's estimates and assumptions for a selected (risk-based method) sample contracts (including contracts impacted by COVID-19) and inspected the underlying documents which form the basis of revenue recognition under the input method.</li> <li>• We and other auditors evaluated the management's process to recognize revenue over a period of time, determine cost estimates, status of the projects and tested the arithmetical accuracy of the same.</li> <li>• Amongst others, for a sample of contracts, the procedures performed by us and other auditors included: <ul style="list-style-type: none"> <li>• Provision for liquidated damages: The procedures involved discussions with management and project teams to understand the status of the project and on-going discussions with the customers in terms of likelihood of imposing any contractual penalties and analyzed the above through inspection of the relevant documents and correspondences.</li> <li>• Adequacy of contingency provisions: Understood the management's estimate and rationale for provision movement during the year. We and other auditors analyzed the movement throughout the life of the contract, and discussed progress to date with individual project teams to determine whether the remaining contingency was sufficient to cover residual risks on the project.</li> </ul> </li> </ul>

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>• Assessment of costs-to-complete: Performed analytical procedures on balance cost estimation, tested the historical accuracy of previous forecasts and discussed variances with project teams. We and other auditors tested that the costs incurred were accrued at year end and also tested the assumptions for balance costs-to-complete.</li> <li>• We and other auditors understood the management’s assessment of the impact due to the lockdown and other restrictions caused by COVID-19 on project execution as well as the afore-mentioned procedures.</li> <li>• We and other auditors performed analytical procedures and checked exceptions for contracts with low or negative margins, loss making contracts, contracts with significant changes in cost estimates, probable penalties due to delay in contract execution and significant overdue net receivable positions for contracts with marginal or no movement to determine the level of provisioning required.</li> </ul> <p>As part of our procedures, we read and assessed the presentation and disclosure of such EPC contracts in the consolidated financial statements.</p>
<p><b><u>b) Impairment of trade receivables and contract assets:</u></b> (as described in note 7 and note 9(b) of the consolidated financial statements)</p>	
<p>The Group’s accounting with respect to Impairment of financial assets and contract assets is covered through Expected Credit Losses (ECL) method under Ind AS 109 and is expected to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. Impairment of financial assets is a key audit matter for the Group as it has devised a model to recognize impairment through ECL method using individual receivables or for homogeneous group of receivables with similar credit risk characteristics.</p> <p>The calculation of the impairment allowance under ECL method is highly judgmental as it requires management to make significant assumptions on customer payment behavior and other relevant risk characteristics when assessing the Group’s statistics of historical information and estimating the level and timing of expected future cash flows. The timing</p>	<p>The audit procedures performed by us and the other auditors included the following:</p> <ul style="list-style-type: none"> <li>• We and other auditors evaluated the management’s key data sources and assumptions used in the ECL model to determine impairment allowance including any updates to such assumptions due to COVID-19</li> <li>• We and other auditors understood the management’s basis to consider the associated risks for identifying homogeneous group of receivables.</li> <li>• We and other auditors evaluated the process followed by the Group for determination of credit risk and the resultant basis for classification of receivables into various stages.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p>of future cash flows may also vary to some extent due to COVID-19. As at the March 31, 2021, the Group recorded an impairment allowance of Rs 444.24 crores for its receivables and unbilled revenue.</p>	<ul style="list-style-type: none"> <li>• For a sample of receivables, we and other auditors tested the ageing of the receivables considered for the calculation of impairment allowance.</li> <li>• We and other auditors assessed the completeness of financial assets included in the ECL calculations as of the reporting date.</li> <li>• We and other auditors considered the consistency of various inputs and assumptions used by the Group management to determine impairment provisions.</li> </ul> <p>As part of our procedures, we read and tested the disclosures in the notes to consolidated financial statements are as per the relevant accounting standards.</p>
<p><b>c) Recoverability of deferred tax assets</b> (as described in note 10 of the consolidated financial statements)</p>	
<p>Thermax Babcock and Wilcock Energy Solutions Private Limited (TBWES), a subsidiary of the Holding Company has a net Deferred Tax Asset ("DTA") of Rs. 68.43 crores from unused tax losses. Ind AS 12 states that a DTA shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.</p> <p>The assessment of utilization of accumulated tax losses against future taxable income involves significant estimates and therefore considered as a key audit matter.</p>	<p>As part of our audit, following procedures were performed by us:</p> <ul style="list-style-type: none"> <li>• Evaluated the design and implementation of key controls relating to the assessment of the future profitability of TBWES. In evaluating management's judgements, we have considered, amongst other things, historical levels of taxable profits, the historical accuracy of forecasts, and the growth forecasts used by TBWES;</li> <li>• Performed sensitivity analysis on management's assumptions used in the forecast model</li> <li>• Tested the mathematical accuracy of the deferred tax calculation</li> <li>• Used the knowledge and experience of tax specialists to assist in assessing the assumptions and judgements made by the TBWES</li> <li>• Evaluated the adequacy of the Group's disclosures setting out the basis of the deferred tax balances and the level of estimation involved</li> </ul>

## Information Other than the Financial Statements and Auditor's Report Thereon

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Chairman's statement, Managing Director's statement, Business Responsibility Report and Director's Report including annexure to the Director's Report of the Annual Report of the Group, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation

and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities

included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Matters

- We did not audit the financial statements and other financial information, in respect of 23 subsidiaries, 2 branches of a subsidiary and various employee trusts, whose financial statements include total assets of Rs 650.11 crores as at March 31, 2021, and total revenues of Rs 595.59 crores and net cash inflows of Rs 28.93 crores for the year ended on that date. These financial statements and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in

respect of these subsidiaries, branches of a subsidiary and various trusts, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, branches of a subsidiary and trusts, is based solely on the reports of such other auditors.

- (b) The accompanying consolidated financial statements include unaudited financial statements and other unaudited financial information in respect of 1 subsidiary, whose financial statements and other financial information reflect total assets of Rs 3.41 crores as at March 31, 2021, and total revenues of Rs. 2.46 crores and net cash outflows of Rs. 2.74 crores for the year ended on that date. These unaudited financial statements and other unaudited financial information have been furnished to us by the management. Our opinion, in so far as it relates amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, is based solely on such unaudited financial statements and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group.

Our opinion above on the consolidated financial statements, and our report on 'Other Legal and Regulatory Requirements' below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the management.

## Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'Other Matters' paragraph we report, to the extent applicable, that:

- (a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) The matter related to demand orders against the Group as described in 'Emphasis of Matters' paragraph above, in our opinion, may have an adverse effect on the functioning of the Group;
- (f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiaries, none of the directors of the Group's companies, incorporated in India, is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
- (g) With respect to the adequacy and the operating effectiveness of the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiary companies, incorporated in India, refer to our separate report in "Annexure 1" to this Report. This Report does not include Report on the internal financial controls under clause (i) of Sub-section 3 of Section 143 of the Act (the 'Report on internal financial controls') for an unaudited subsidiary which is not material for the Group;
- (h) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries, the

managerial remuneration for the year ended March 31, 2021 has been paid/ provided by the Holding Company and its subsidiaries incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;

- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other Matters' paragraph:
- i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group – refer note 31(A) to the consolidated financial statements;
  - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material

foreseeable losses, if any, on long-term contracts including derivative contracts – refer note 18(b) to the consolidated financial statements; and

- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiaries incorporated in India during the year ended March 31, 2021.

### **For SRBC & COLLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/ E300003

### **per Tridevjal Khandelwal**

Partner

Membership Number: 501160

UDIN: 21501160AAAABN1384

Place: Pune

Date: May 25, 2021



## **Annexure 1 as referred to in paragraph 1(g) under the heading ‘Report on Other Legal and Regulatory Requirements’ of our report of even date**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

In conjunction with our audit of the consolidated financial statements of Thermax Limited (hereinafter referred to as the “Holding Company”) as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiaries (the Holding Company and its subsidiaries together referred to as “the Group”), which are companies incorporated in India, as of that date.

### **Management’s Responsibility for Internal Financial Controls**

The respective Board of Directors of the companies included in the Group, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India (“ICAI”). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the Holding Company’s internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both, issued by ICAI.

Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the ‘Other Matters’ paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

### **Meaning of Internal Financial Controls with Reference to Consolidated Financial Statements**

A company’s internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company;

and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls with Reference to Consolidated Financial Statements**

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Holding Company and its subsidiaries, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at

March 31, 2021, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

### **Other Matters**

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements of the Holding Company, in so far as it relates to this 1 subsidiary, which is company incorporated in India, is based on the corresponding reports of the auditor of such subsidiary incorporated in India.

### **For SRBC & COLLP**

Chartered Accountants  
ICAI Firm Registration Number: 324982E/ E300003

### **per Tridevlal Khandelwal**

Partner  
Membership Number: 501160  
UDIN: 21501160AAAABN1384

Place: Pune  
Date: May 25, 2021

# Consolidated Balance Sheet

as at March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

Particulars	Note No.	As at March 31, 2021	As at March 31, 2020
<b>ASSETS</b>			
<b>I Non-current assets</b>			
Property, plant and equipment	4 (a)	1,042.69	1,055.09
Capital work-in-progress	4 (a)	21.06	55.26
Right-of-use assets	4 (b)	167.40	169.67
Goodwill	4 (c)	3.03	35.31
Other intangible assets	4 (c)	28.92	22.91
Intangible assets under development	4 (c)	3.10	0.74
Financial assets:			
(a) Investments	5	119.21	59.13
(b) Trade receivables	7 (a)	100.87	92.13
(c) Loans	8 (a)	17.40	18.20
(d) Finance lease receivables	32	61.02	58.89
(e) Other assets	9 (a)	59.06	38.93
Deferred tax assets (net)	10	161.04	155.36
Income tax assets (net)		163.09	129.61
Other assets	11 (a)	92.52	87.38
<b>Total non-current assets</b>		<b>2,040.41</b>	<b>1,978.61</b>
<b>II Current assets</b>			
Inventories	12	404.74	454.56
Financial assets:			
(a) Investments	6	115.25	816.07
(b) Trade receivables	7 (b)	1,237.10	1,386.33
(c) Cash and cash equivalents	13 (a)	461.31	254.04
(d) Bank balances other than (c) above	13 (b)	1,477.89	227.45
(e) Loans	8 (b)	4.45	5.94
(f) Finance lease receivables	32	11.42	9.29
(g) Other assets	9 (b)	371.29	425.82
Income tax assets (net)		2.60	3.33
Other assets	11 (b)	380.41	394.45
<b>Total current assets</b>		<b>4,466.46</b>	<b>3,977.28</b>
<b>Total assets</b>		<b>6,506.87</b>	<b>5,955.89</b>
<b>EQUITY AND LIABILITIES</b>			
<b>III Equity</b>			
Equity share capital	14	22.52	22.52
Other equity	15 (a)	3,228.87	3,005.38
<b>Total equity</b>		<b>3,251.39</b>	<b>3,027.90</b>
<b>IV Non-current liabilities</b>			
Financial liabilities:			
(a) Borrowings	16 (a)	22.16	33.39
(b) Trade payables	17 (a)	32.94	39.73
(c) Other liabilities	18 (a)	24.68	17.86
Provisions	19 (a)	25.86	20.97
Deferred tax liabilities (net)	10	7.01	4.41
Other liabilities	20 (a)	72.18	24.79
<b>Total non-current liabilities</b>		<b>184.83</b>	<b>141.15</b>
<b>V Current liabilities</b>			
Financial liabilities:			
(a) Borrowings	16 (b)	282.90	178.15
(b) Trade payables	17 (b)		
Total outstanding dues of micro and small enterprises		252.65	183.75
Total outstanding dues of creditors other than micro and small enterprises		885.36	776.49
(c) Other liabilities	18 (b)	123.31	148.12
Other liabilities	20 (b)	1,306.18	1,319.64
Provisions	19 (b)	195.14	169.35
Income tax liabilities (net)		25.11	11.34
<b>Total current liabilities</b>		<b>3,070.65</b>	<b>2,786.84</b>
<b>Total equity and liabilities</b>		<b>6,506.87</b>	<b>5,955.89</b>
Summary of significant accounting policies	2		
Summary of significant accounting judgements, estimates and assumptions	3		
The accompanying notes are an integral part of these financial statements.			

For and on behalf of the Board of Directors of Thermax Limited

**For S R B C & COLL P**  
Chartered Accountants  
ICAI Firm Reg No. 324982E/E300003

**per Tridevjal Khandelwal**  
Partner  
Membership No. 501160

Place: Pune  
Date: May 25, 2021

**Meher Pudumjee**  
Chairperson  
DIN: 00019581

**Rajendran Arunachalam**  
Executive Vice President and Group Chief  
Financial Officer

Place: Pune  
Date: May 25, 2021

**Ashish Bhandari**  
Managing Director and CEO  
DIN: 05291138

**Kedar Phadke**  
Company Secretary

# Consolidated Statement of Profit and Loss

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

Particulars	Note No.	Year ended March 31, 2021	Year ended March 31, 2020
<b>INCOME</b>			
Revenue from operations	21	4,791.25	5,731.31
Other income	22	107.74	100.00
<b>Total Income (I)</b>		<b>4,898.99</b>	<b>5,831.31</b>
<b>EXPENSES</b>			
Cost of raw materials and components consumed	23	2,467.43	2,996.14
Purchase of traded goods		83.36	104.12
(Increase) in inventories of finished goods, work-in-progress and traded goods	24	(12.16)	(14.57)
Employee benefits expense	25	758.76	799.02
Finance cost	26	20.64	15.02
Depreciation and amortisation expense	27	114.57	116.63
Other expenses	28	1,138.67	1,440.42
<b>Total expenses (II)</b>		<b>4,571.27</b>	<b>5,456.78</b>
<b>Profit before exceptional items and tax (III) = (I-II)</b>		<b>327.72</b>	<b>374.53</b>
Exceptional items (IV)	40	(52.53)	-
<b>Profit before tax (V) = (III-IV)</b>		<b>275.19</b>	<b>374.53</b>
<b>Tax expense</b>	10		
Current tax (including write back of tax balance for earlier years)		74.85	96.03
Deferred tax (net)		(6.24)	66.05
<b>Total tax expense (VI)</b>		<b>68.61</b>	<b>162.08</b>
<b>Profit for the year (VII) = (V-VI)</b>		<b>206.58</b>	<b>212.45</b>
<b>Other Comprehensive Income (OCI)</b>			
<b>A. Items that will be reclassified subsequently to profit or loss</b>	30		
i) Net gain / (loss) on cash flow hedges		5.51	(10.92)
Less: Income tax effect		(1.59)	2.75
		3.92	(8.17)
ii) Exchange differences on translating of foreign operations		8.77	11.44
		8.77	11.44
		<b>12.69</b>	<b>3.27</b>
<b>B. Items that will not be reclassified subsequently to profit or loss</b>	30		
Re-measurement gain / (loss) of defined benefit plan		5.76	(14.98)
Less: Income tax effect		(1.54)	2.93
		<b>4.22</b>	<b>(12.05)</b>
<b>Net other comprehensive income for the year (net of tax)</b>		<b>16.91</b>	<b>(8.78)</b>
<b>Total comprehensive income for the year</b>		<b>223.49</b>	<b>203.67</b>
<b>Profit for the year</b>			
Attributable to :			
Equity holders of the parent		206.58	212.45
Non-controlling interest		-	-
<b>Other comprehensive income for the year</b>			
Attributable to :			
Equity holders of the parent		16.91	(8.78)
Non-controlling interest		-	-
<b>Total comprehensive income for the year</b>			
Attributable to :			
Equity holders of the parent		223.49	203.67
Non-controlling interest		-	-
Earning per equity share [Nominal value per share Rs.2/- each (March 31, 2020: Rs.2/-)]	29		
Basic and Diluted		<b>18.34</b>	<b>18.87</b>
Summary of significant accounting policies	2		
Summary of significant accounting judgements, estimates and assumptions	3		
The accompanying notes are an integral part of these financial statements.			

For and on behalf of the Board of Directors of Thermax Limited

**For S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Reg No. 324982E/E300003

**Meher Pudumjee**  
Chairperson  
DIN: 00019581

**Ashish Bhandari**  
Managing Director and CEO  
DIN: 05291138

**per Tridevjal Khandelwal**  
Partner  
Membership No. 501160

**Rajendran Arunachalam**  
Executive Vice President and Group  
Chief Financial Officer

**Kedar Phadke**  
Company Secretary

Place: Pune  
Date: May 25, 2021

Place: Pune  
Date: May 25, 2021

# Consolidated Statement of Changes in Equity

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## A Equity Share Capital

Particulars	Note No.	March 31, 2021	March 31, 2020
Balance at the beginning of the year	14	22.52	22.52
Changes in equity shares capital during the year	14	-	-
Balance at the end of the year	14	22.52	22.52

## B Other Equity

Particulars	Reserves and surplus				Other reserves			Total other equity
	General reserve	Capital reserve	Capital redemption reserve	Retained earnings	Securities premium	Foreign currency translation reserve	Cash flow hedge reserve	
<b>As at April 1, 2019</b>	<b>435.31</b>	<b>95.12</b>	<b>50.34</b>	<b>2,331.08</b>	<b>57.28</b>	<b>19.33</b>	<b>3.31</b>	<b>2,991.77</b>
Profit for the year	-	-	-	212.45	-	-	-	212.45
Other Comprehensive Income (net)	-	-	-	(12.05)	-	11.44	(8.17)	(8.78)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200.40</b>	<b>-</b>	<b>11.44</b>	<b>(8.17)</b>	<b>203.67</b>
Redemption of preference shares	-	-	10.00	(10.00)	-	-	-	-
Dividends paid	-	-	-	(157.66)	-	-	-	(157.66)
Dividend distribution tax paid	-	-	-	(32.40)	-	-	-	(32.40)
<b>As at March 31, 2020</b>	<b>435.31</b>	<b>95.12</b>	<b>60.34</b>	<b>2,331.42</b>	<b>57.28</b>	<b>30.77</b>	<b>(4.86)</b>	<b>3,005.38</b>
Profit for the year	-	-	-	206.58	-	-	-	206.58
Other Comprehensive Income (net)	-	-	-	4.22	-	8.77	3.92	16.91
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210.80</b>	<b>-</b>	<b>8.77</b>	<b>3.92</b>	<b>223.49</b>
<b>As at March 31, 2021</b>	<b>435.31</b>	<b>95.12</b>	<b>60.34</b>	<b>2,542.22</b>	<b>57.28</b>	<b>39.54</b>	<b>(0.94)</b>	<b>3,228.87</b>

For and on behalf of the Board of Directors of Thermax Limited

**For S R B C & COLLP**

Chartered Accountants  
ICAI Firm Reg No. 324982E/E300003

**per Tridevlal Khandelwal**

Partner  
Membership No. 501160

Place: Pune  
Date: May 25, 2021

**Meher Pudumjee**

Chairperson  
DIN: 00019581

**Rajendran Arunachalam**

Executive Vice President and Group  
Chief Financial Officer

Place: Pune  
Date: May 25, 2021

**Ashish Bhandari**

Managing Director and CEO  
DIN: 05291138

**Kedar Phadke**

Company Secretary

# Consolidated Cash Flow Statement

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

Particulars	Note No.	Year ended March 31, 2021	Year ended March 31, 2020
<b>A) Cash flows from operating activities</b>			
Profit before tax (after exceptional item)		275.19	374.53
<b>Adjustments to reconcile profit before tax to net cash flows</b>			
Depreciation on property, plant and equipment and right-of-use assets	27	101.70	103.58
Amortization of intangible assets	27	12.87	13.05
Provision for impairment allowance of financial assets (net)	28	11.24	40.93
Provision on account of impairment of certain assets	40	43.38	-
Interest expense	26	11.75	8.61
Unwinding of discount on provisions	26	8.89	6.41
Unrealized foreign exchange (gain)/loss		9.99	(22.36)
Interest income	22	(65.79)	(20.40)
Dividend income	22	(1.87)	(5.51)
Liabilities no longer required written back	22	(8.32)	(11.10)
Fair value gain on financial instrument at fair value through profit and loss (net)	22	(9.94)	(47.24)
(Profit)/Loss on sale / discard of assets (net)	28	0.76	(5.49)
<b>Working capital adjustments</b>			
Decrease / (Increase) in trade receivables		107.96	(44.56)
Decrease / (Increase) in inventories		49.27	54.06
Decrease / (Increase) in other financial assets		57.99	769.14
Decrease / (Increase) in other assets		15.04	105.19
Increase / (decrease) in trade payables		190.07	(398.33)
Increase / (decrease) in other liabilities		32.25	(485.39)
Increase / (decrease) in provisions		27.55	9.60
(Decrease) / Increase in other financial liabilities		(6.70)	12.12
<b>Cash generated from operations</b>		<b>863.28</b>	<b>456.84</b>
Direct taxes paid (net of refunds received)		(93.80)	(131.26)
<b>Net cash inflow from operating activities</b>		<b>769.48</b>	<b>325.58</b>
<b>B) Cash flows from / (used in) investing activities</b>			
Purchase of property, plant and equipment, right-of-use assets and intangible assets (net of disposal)		(83.37)	(48.00)
(Investment) / proceeds in fixed deposits (net)		(1,229.59)	(145.72)
Sale/ (purchase) of other investments (net)		650.68	1.38
Interest and dividend received		26.60	23.83
<b>Net cash flows (used in) investing activities</b>		<b>(635.68)</b>	<b>(168.51)</b>

# Consolidated Cash Flow Statement

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

Particulars	Note No.	Year ended March 31, 2021	Year ended March 31, 2020
<b>C) Cash flows (used in) financing activities</b>			
(Repayment) / proceeds of borrowings (net)		94.66	(31.04)
Interest paid		(11.84)	(8.52)
Dividend paid and tax thereon		-	(190.06)
Payment of lease liability		(5.58)	(2.83)
<b>Net cash flows from / (used in) financing activities</b>		<b>77.24</b>	<b>(232.45)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>211.04</b>	<b>(75.38)</b>
Cash and cash equivalents at the beginning of the year		199.00	245.89
Adjustment on account of acquisition (relating to opening balance)		-	17.05
Exchange differences on translation of foreign operations		8.77	11.44
<b>Cash and cash equivalents at the end of the year</b>		<b>418.81</b>	<b>199.00</b>

Reconciliation of cash and cash equivalents as per the cash flow statement:

	Note No.	March 31, 2021	March 31, 2020
Cash and cash equivalents	13 (a)	461.31	254.04
Bank overdraft		(40.77)	(47.37)
Book overdraft	18 (b)	(1.73)	(7.67)
<b>Balances as per Cash flow statement</b>		<b>418.81</b>	<b>199.00</b>

## For and on behalf of the Board of Directors of Thermax Limited

### For SRBC & COLLP

Chartered Accountants  
ICAI Firm Reg No. 324982E/E300003

### per Tridevjal Khandelwal

Partner  
Membership No. 501160

Place: Pune  
Date: May 25, 2021

### Meher Pudumjee

Chairperson  
DIN: 00019581

### Rajendran Arunachalam

Executive Vice President and Group  
Chief Financial Officer

Place: Pune  
Date: May 25, 2021

### Ashish Bhandari

Managing Director and CEO  
DIN: 05291138

### Kedar Phadke

Company Secretary

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## 1. Corporate Information

Thermax Limited ('the Holding Company' or 'the Company') and its subsidiaries (together referred to as 'the Group') offers solutions to energy, environment and chemical sectors. The Group's portfolio includes boilers and heaters, absorption chillers/ heat pumps, power plants, solar equipment, air pollution control equipment/ system, water and waste recycle plant, ion exchange resins and performance chemicals and related services.

The Holding Company is a public limited company incorporated and domiciled in India. It is listed on the BSE Limited (BSE) and National Stock Exchange Limited (NSE) in India. The address of its registered office is D-13, MIDC Industrial Area, R.D. Aga Road, Chinchwad, Pune- 411019, India. The Board of Directors have authorized to issue these financial statements on May 25, 2021. The CIN of the Company is L29299PN1980PLC022787.

## 2. Significant Accounting Policies

### 2.1. Basis of preparation, measurement and consolidation

#### (a) Basis of preparation

These consolidated financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS), notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013 (the Act) (as amended) as applicable.

The preparation of the consolidated financial statements requires the use of certain critical accounting judgements, estimates and assumptions. It also requires the management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The accounting policies adopted for preparation and presentation of these consolidated financial statements have been consistently applied except for changes resulting from amendments to Ind AS issued

by the Ministry of Corporate Affairs, effective for financial years beginning on or after April 1, 2020 as disclosed in note 2.2.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the accrual and going concern basis under historical cost convention except the following:

- Derivative financial instruments;
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments); and
- Defined benefit plans whereby the plan assets are measured at fair value.

#### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Holding Company and its subsidiaries as at March 31, 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

There is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights; and



# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of an entity begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to the same reporting date as that of the Holding Company, i.e., year ended March 31, 2021.

## Consolidation procedure

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognized in the consolidated financial statements at the acquisition date.

(b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. The accounting policy regarding business combinations and goodwill explains how to account for any related goodwill.

(c) Eliminate in full, intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and property, plant and equipment, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 'Income Taxes' applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the carrying amount of assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## 2.2. Changes in accounting policies and disclosures

**2.2.1. Amendments to Ind AS 116: COVID-19-related rent concessions** amendments provide relief to lessees from applying Ind AS 116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under Ind AS 116, if the change were not a lease modification.

The amendments are applicable for annual reporting periods beginning on or after the April 1, 2020. In case, a lessee has not yet approved the financial statements for issue before the issuance of this amendment, then the same may be applied for annual reporting periods beginning on or after the April 1, 2019. This amendment had no impact on the consolidated financial statements of the Group.

### 2.2.2. Others

Several other amendments and interpretations apply for the first time for the year ended March 31, 2021, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards or amendments that have been issued but are not yet effective.

## 2.3 Summary of significant accounting policies

### a. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 'Income Taxes' and Ind AS 19 'Employee Benefits', respectively.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, pro-rata, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

### b. Current and non-current classification

All assets and liabilities have been classified as current and non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III to the Act. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### c. Foreign currencies

The Group's consolidated financial statements are prepared in INR, which is also the functional currency of the Company. For each entity, the Group

determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

### Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognized in the Consolidated Statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

### Group companies

On consolidation, the assets and liabilities of foreign operations are translated into INR at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising in the acquisition/ business combination of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## d. Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarizes accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Disclosures for significant judgements, estimates and assumptions (note 3)
- Quantitative disclosures of fair value measurement hierarchy (note 37)
- Financial instruments (including those carried at amortized cost) (note 37)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## e. Property, Plant and Equipment (PPE)

Property, Plant and Equipment (PPE) and capital work in progress are stated at cost of acquisition or construction net of accumulated depreciation and impairment loss, if any. All significant costs relating to the acquisition and installation of PPE are capitalised. Subsequent costs/replacement costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Consolidated Statement of profit and loss during the financial year in which they are incurred.

The Group identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to

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the total cost of the asset and has useful life that is materially different from that of the remaining asset.

Depreciation on PPE is calculated on a straight line basis using the rates arrived at based on the useful lives estimated by the management. The identified components are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset.

The management has estimated, supported by independent assessment by professionals, the useful lives of certain classes of assets. The following useful lives are adopted by the management:

Asset category	Group's estimate of useful life (years)	Useful life as prescribed under Schedule II (years)
Factory buildings	28 to 30	30
Other buildings	58	60
Plant and equipment	5 to 25	15 to 20
Roads	5 to 30	5 to 10
Office equipment	15	15
Furniture and fixtures	15	10
Computers and data processing units	4 to 6	3 to 6
Vehicles	7 to 10	8

The residual values, useful lives and methods of depreciation of PPE are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis.

### f. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the Consolidated Statement of profit and loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with

a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Consolidated Statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Consolidated Statement of profit and loss when the asset is derecognized.

#### *Research and development costs*

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Group can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses, if any. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of expected future benefit from the

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related project, i.e., the estimated useful life subject to a maximum of ten years. Amortization is recognized in the Statement of profit and loss unless such expenditure forms part of carrying value of another asset. During the period of development, the asset is tested for impairment annually.

A summary of amortization rates applied to the Group's intangible assets are as below:

Asset category	Life (years)
Technical know how	3 to 6
Computer software	3 to 5

## g. Inventories

Raw materials, components, stores and spares are valued at lower of cost and estimated net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Finished goods and work in progress are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost is determined on a weighted average basis.

Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Write down of inventories are calculated based on an analysis of foreseeable changes in demand, technology, market conditions and ageing of inventories.

## h. Revenue recognition

### i. Revenue from Contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the

consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognized when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks. The Group collects goods and services tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Group. Hence, it is excluded from revenue.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 3.

The Group has following streams of revenue:

- **Revenue from Engineering, Procurement and Construction contracts (EPC)**

Engineering, Procurement and Construction (EPC) contracts are contracts (or a group of contracts secured together) specifically negotiated for the construction of an asset which refers to any project 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. The Group identifies distinct performance obligations in each contract. For most of the project contracts, the customer contracts with the Group to provide a significant service of integrating a complex set of tasks and components into a single project or capability. Hence, the entire contract is accounted for as one performance obligation.

The Group may promise to provide distinct goods or services within a contract, in which case the Group separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Group allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices

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of the promised goods or services underlying each performance obligation. The Group uses the expected cost plus a margin approach to estimate the standalone selling price of each performance obligation in case of contracts with more than one distinct performance obligations.

The Group assesses for the timing of revenue recognition in case of each distinct performance obligation. The Group first assesses whether the revenue can be recognized over a period of time if any of the following criteria is met:

- (a) The customer simultaneously consumes the benefits as the Group performs, or
- (b) The customer controls the work-in-progress, or
- (c) The Group's performance does not create an asset with alternative use to the Group and the Group has right to payment for performance completed till date

The Group recognizes revenue over time as it performs because of continuous transfer of control to the customers. For all project contracts, this continuous transfer of control to the customer is supported by the fact that the customers typically control the work in process as evidenced either by contractual termination clauses or by the rights of the Group to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternative use.

The Group uses cost-based measure of progress (or input method) for contracts because it best depicts the transfer of control to the customer which occurs as it incurs costs on contracts. Under the cost-based measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated profits, are recorded proportionally as costs are incurred.

The Group estimates variable consideration amount which it expects to be entitled under the contract and includes it in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur and when the uncertainty associated with it

is subsequently resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available.

Costs associated with bidding for contracts are charged to the Consolidated Statement of profit and loss when they are incurred. Costs that relate directly to a contract and are incurred in securing the contract are included as part of the contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

Contract modification, when approved by both the parties to the contract, are considered as modification, if it creates new or changes the existing enforceable rights and obligations. Most of the contract modifications are not distinct from the existing contract due to the significant integration service provided under the contract prior to modifications and are therefore, accounted for as part of the existing contract. The effect of a contract modification is recognized as an adjustment to revenue on a cumulative catch-up basis.

When it becomes probable that the total contract costs will exceed the total contract revenue, the Group recognizes the expected losses from onerous contract as an expense immediately.

Penalties for any delay or improper execution of a contract are recognized as a deduction from revenue. In the balance sheet, such provisions are presented on net basis of the contract receivables.

### ● Revenue from Sale of goods

If the criteria for revenue under over-a-period of time as mentioned above are not met, the Group recognizes revenue at a point-in-time. The point-in-time is determined when the control of the goods or services is transferred which is determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Group also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the

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point in time where control has been transferred. The Group provides for warranty provision for general repairs up to 18 – 24 months on its products sold, in line with the industry practice. A liability is recognized at the time the product is sold. The Group does not provide any extended warranties.

## ● Revenue from Sale of services

Revenue in respect of operation and maintenance contract, awarded on a standalone basis or included in long term contracts and identified as a separate performance obligation, is recognized on a time proportion basis under the contracts.

## Contract balances

**Contract assets:** A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration and are transferred to trade receivables on completion of milestones and its related invoicing. Contract assets are recorded in balance sheet as unbilled revenue.

**Trade receivables:** A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Also refer note 2.3(i) below.

**Contract liabilities:** A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group satisfies the performance obligation. Contract liabilities are recorded in balance sheet as unearned revenue and customer advances as the case may be.

## ii. Interest income

For all debt instruments measured at amortized cost,

interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. Interest income is included in finance income in the Consolidated Statement of profit and loss.

## iii. Dividend

Revenue is recognized when the Group's right to receive the payment is established.

## iv. Rental income

Rental income from operating leases (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term.

## i. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## Financial assets

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through Profit and Loss, transactions costs that are attributable to the acquisition of the financial asset. For all subsequent measurements financial assets are classified in following categories by the Group:

## i. Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the



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effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortization is included in finance costs/income in the Consolidated Statement of profit and loss. The losses arising from impairment are recognized in the Consolidated Statement of profit and loss.

## ii. Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI is classified as FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the Consolidated Statement of profit and loss.

## iii. Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to the Consolidated Statement of profit and loss, even on the sale of the investment. However, the Group may transfer the cumulative gain or loss within equity.

## Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full

without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## Impairment of financial assets

In accordance with Ind AS 109, the Group applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss and credit risk exposure on the financial assets that are debt instruments measured at amortized costs e.g. loans, deposits, trade receivables, contractual receivables and bank balances. The Group follows ‘simplified approach’ for recognition of impairment allowance. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognizes impairment allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment allowance based on 12-month ECL. The Group considers current and anticipated future economic conditions relating to industries the Group deals with and the countries where it operates.

ECL impairment allowance (or reversal) recognized during the period is recognized as income/expense in the Consolidated Statement of profit and loss under the head ‘other expenses’ in the Consolidated Statement of profit and loss. ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset

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meets write-off criteria, the Group does not reduce impairment allowance from the gross carrying amount.

## Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement of financial liabilities depends on their classification as fair value through profit and loss or at amortized cost.

All changes in fair value of financial liabilities classified as FVTPL is recognized in the Consolidated Statement of profit and loss. Amortised cost category is applicable to loans and borrowings, trade and other payables. After initial recognition the financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognized in profit and loss when the liabilities are derecognized as well as through the EIR amortization process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are integral part on EIR. The EIR amortization is included as finance cost in the Consolidated Statement of profit and loss.

## Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Consolidated Statement of profit and loss.

## Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

## j. Derivative financial instruments and hedge accounting

### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Consolidated Statement of profit and loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the

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hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Group's risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

*(i) Fair value hedges*

The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the Consolidated Statement of profit and loss as finance costs. The Group has not undertaken Fair value hedges.

*(ii) Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the Consolidated Statement of profit and loss. The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognized in consolidated statement of profit and loss.

Amounts recognized in OCI are transferred to the Consolidated Statement of profit and loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in

OCI are transferred to the initial carrying amount of the non-financial asset or liability. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

## **k. Share held by ESOP and Welfare trusts**

The Group has created ESOP Trust and Welfare trusts for providing share-based payment to/welfare of its employees and various other employee benefit trusts for providing other employee benefits such as loans at concessional rates for various purposes, collectively referred to as Employee Benefit Trusts. Own equity instruments are recognized at cost and deducted from equity.

## **l. Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the Consolidated Statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

## **m. Government Grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in proportion to the depreciation charged over the expected useful life of the related asset. The Group accounts for export incentives for export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claims are fulfilled.

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## n. Share capital

Equity shares issued to shareholders are classified as equity. Incremental costs directly attributable to the issue of new equity shares are recognized as a deduction from equity, net of any related income tax effects.

## o. Income tax

### Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the tax jurisdictions where the Group operates and generates taxable income.

Current income tax relating to items recognized outside profit or loss is recognized either in OCI or in equity. Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at

each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in OCI or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity (or each tax group of entities when applicable) and the same taxation authority.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments.

## p. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

## q. Leases

### Group as a lessee

The Group lease asset classes primarily consist of leases for land, office buildings, guest house

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and other office equipment. The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: (1) the contract involves the use of an identified asset (2) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group recognizes a right-of-use (ROU) asset and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities include these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other

assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at present value of the future lease payments. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Lease liability and ROU asset have been separately presented in the Consolidated Balance Sheet and lease payments have been classified as financing cash flows.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

### Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Revenue from sale of utilities is recognised at the point in time when control of the asset is transferred to the customer, on supply of the utilities. Revenue from the sale of goods is measured at the

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fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

## r. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Group extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent periods, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the

market in which the asset is used. Impairment losses including impairment on inventory are recognized in the Consolidated Statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Consolidated Statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the year-end and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

## s. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Consolidated Statement of profit and loss net of any reimbursement.

# Notes to Consolidated Financial Statements

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If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

## Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty related costs is revised annually.

## Provision for onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

## Decommissioning liability

The Group records a provision for decommissioning costs of its manufacturing facilities. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The unwinding of the discount is expensed as incurred and recognized in the Consolidated Statement of profit and loss as finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

## t. Retirement and other employee benefits (also, refer Note no. 42)

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution

payable to the provident fund scheme as an expense, when an employee renders the related service.

If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Holding company and some of its Indian subsidiaries operate a defined benefit gratuity plan, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the Consolidated Statement of profit and loss in subsequent periods.

Past service costs are recognized in the Consolidated Statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation as an expense in the Consolidated Statement of profit and loss:

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- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Group presents the leave as a current liability in the balance sheet as it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

## Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates:

- (a) when the Group can no longer withdraw the offer of these benefits; and
- (b) when the entity recognizes cost for a restructuring that is within the scope of Ind AS 37 and involves payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## u. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of Directors of the Company has identified the Managing Director and Chief Executive Officer as the chief operating decision maker of the Group.

## v. Contingent liabilities

A disclosure for a contingent liability is made where there is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from the past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

## w. Earnings Per Share (EPS)

The Group presents the basic and diluted EPS data for its equity shares. Basic EPS is computed by dividing the net profit for the year attributable to the equity shareholders of the Parent by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by adjusting the net profit for the year attributable to the equity shareholders and the weighted average number of equity shares considered for deriving basic EPS for the effects of all the equity shares that could have been issued upon conversion of all dilutive potential equity shares (which includes the various stock options granted to employees).

## x. Dividends

Dividend to equity shareholders is recognized as a liability in the period in which the dividends are approved by the equity shareholders. Interim dividends that are declared by the Board of Directors without the need for equity shareholders' approvals are recognized as a liability and deducted from shareholders' equity in the year in which the dividends are declared by the Board of directors.

## 3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported



# Notes to Consolidated Financial Statements

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amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures and including the disclosure of contingent liabilities as at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

## 3.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

### i. Revenue from contracts with customers

A significant portion of the Group's business relates to EPC contracts which is accounted using cost-based input method, recognizing revenue as the performance on the contract progresses. This requires management to make judgement with respect to identifying contracts for which revenue need to be recognised over a period of time, depending upon when the customer consumes the benefit, when the control is passed to customer, whether the asset created has an alternative use and whether the Group has right to payment for performance completed till date, either contractually or legally. The input method requires management to make significant judgments of the extent of progress towards completion including accounting of multiple contracts which need to be combined and considered as a single contract.

### ii. Consolidation

#### Structured Entities

The Company has an ESOP trust and various Employee Welfare Trusts for the welfare of its employees. Determination of the Group's control over these trusts for the purpose of consolidation requires judgement on the part of the Management of the Group.

The ESOP trust and various Employee Welfare Trusts, being separate legal entities, are not considered for the purpose of consolidation in the standalone

financial statements. However, these trusts have been consolidated in the consolidated financial statements under Ind AS 110.

### iii. Arrangements in the nature of lease

The Group has entered into certain arrangements with its customers where the Group will supply heat/ steam by installing the boiler/heater at the customers' premises. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that fulfillment of these arrangement is dependent on the use of specific assets and the arrangement conveys to customers a right to use these specific assets. Accordingly, the Group has determined that these arrangements qualify as arrangements in the form of lease as per Ind AS 116. The Group has also determined, based on evaluation of terms and conditions of these arrangements, such as the contract term constituting a major part of the economic life of the specific assets and the fair value of the asset, that it has transferred the significant risks and rewards in these assets to the customers and therefore these embedded lease arrangements have been classified as finance leases. The separation of lease and non-lease elements in these arrangements have been made at relative fair value of these elements, requiring Management judgment.

### iv. Contingencies relating to tax and legal matters

The Group has received various orders and notices from tax authorities in respect of direct taxes and indirect taxes. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable losses including the estimate of legal expense to resolve such matters. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the Group or the disclosure of any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.

# Notes to Consolidated Financial Statements

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## v. Segment reporting

Ind AS 108 'Operating Segments' requires Management to determine the reportable segments for the purpose of disclosure in consolidated financial statements based on the internal reporting reviewed by Chief Operating Decision Maker (CODM) to assess performance and allocate resources. The Standard also requires Management to make judgments with respect to aggregation of certain operating segments into one or more reportable segment.

Operating segments used to present segment information are identified based on the internal reports used and reviewed by the Managing Director and Chief Executive Officer to assess performance and allocate resources. The management has determined that some of the segments exhibit similar economic characteristics and meet other aggregation criteria and accordingly aggregated into three reportable segments i.e. energy, environment and chemical.

## vi. Segregation of lease and non-lease components of the consideration

The Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis by determining the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. Since the consideration is inclusive of the lease component, the stand-alone selling price is not directly observable. Hence, the Group estimates the standalone selling price by considering all the information (including market conditions, entity-specific factors and information about the customer or class of customer) that is reasonably available to the Group.

## 3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions

and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

## Estimation of uncertainties relating to the global health pandemic from the Coronavirus disease (COVID-19):

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of its assets such as investments, loans, receivables, unbilled revenues, lease receivables and inventories. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Group, as at the date of approval of these financial statements has used internal and external sources of information including credit reports and related information, economic forecasts and consensus estimates from market sources on the expected future performance of the Group. The Group has performed sensitivity analysis on the assumptions used and based on current estimates expects the carrying amount of these assets will be recovered. The impact of COVID-19 on the Group's financial statements may differ from that estimated as at the date of approval of these consolidated financial statements.

### i. EPC contracts:

- **Provisions for liquidated damages claims (LDs):** The Group provides for LD claims to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. This requires an estimate of the amount of LDs payable under a claim which involves a number of management judgments and assumptions regarding the amounts to be recognized.
- **Project cost to complete estimates:** At each reporting date, the Group is required to estimate

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costs to complete on fixed-price contracts.

Estimating costs to complete on such contracts requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date.

This estimate will impact revenues, cost of sales, work-in-progress, billings in excess of costs, estimated earnings and accrued contract expenses.

- **Recognition of contract variations:** The Group recognises revenues and margins from contract variations where it is considered probable that they will be awarded by the customer and this requires management to assess the likelihood of such an award being made by reference to customer communications and other forms of documentary evidence
- **Provision for onerous contracts:** The Group provides for future losses on EPC contracts where it is considered highly probable that the contract costs are likely to exceed revenues in future years. Estimating these future losses involves a number of assumptions about the achievement of contract performance targets and the likely levels of future cost escalation over time. Refer note 19(b) for details for provision for onerous contract.

## ii. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model. The cash flows are derived from the budget for the next five years as approved by the Management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as

the expected future cash-inflows and the terminal growth rate used.

## iii. Defined benefit plan - gratuity

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter which is most subjected to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on Indian Assured Lives Mortality (2012-14) Ultimate. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases are based on expected future inflation rates. Further details about gratuity obligations are given in note 33.

## iv. Fair value measurement of unquoted financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of assumption is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 37 for further disclosures.

# Notes to Consolidated Financial Statements

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## v. Warranty provision

The Group offers warranty for its various products. Warranty costs are provided based on a technical estimate of the costs required to be incurred for repairs, replacements, material costs, servicing cost and past experience in respect of warranty costs. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in current period are consistent with those in the prior year. Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives. Warranty provisions are discounted using a pre-tax discount rate which reflects current market assessments of time value of money and risks specific to the liability. Refer note 19 for further details.

## vi. Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default, expected loss rates and timing of cash flows. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions including those related to the COVID-19 Pandemic as well as forward looking estimates at the end of each reporting period.

As a practical expedient, the Group uses a provision matrix to determine ECL impairment allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the Group estimates a default rate of total revenue for trade

receivables and contract revenue for contract assets. The Group follows provisioning norms based on ageing of receivables to estimate the impairment allowance under ECL. For retention receivables, the Group additionally categorizes the receivables due from Public Sector Undertakings (PSUs) and Non-PSUs and follows a wider aged bucket provisioning norm as the performance guarantee tests require certain time period after the supplies are completed. Refer note 7 and 9(b) for details of impairment allowance recognized at the reporting date.

## vii. Useful lives of property, plant and equipment and intangible assets

The Group determines, based on independent technical assessment, the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates. Refer note 2.3(e) and 2.3(f) above for further details.

## viii. Deferred taxes

At each balance sheet date, the Group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the use of significant estimates with respect to assessment of future taxable income. The recorded amount of total deferred tax assets could change if estimates of projected future taxable income or if changes in current tax regulations are enacted for any of the tax jurisdictions in which the Group operates. Refer note 10 for further information on potential tax benefits for which no deferred tax asset is recognized.

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

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### 4 (a) Property, Plant and Equipment

Particulars	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Computer	Furniture and fixtures	Vehicles	Total	Capital work in progress#
<b>Gross carrying amount as at April 1, 2019*</b>	<b>7.36</b>	<b>130.11</b>	<b>804.65</b>	<b>836.30</b>	<b>47.18</b>	<b>54.92</b>	<b>41.55</b>	<b>14.09</b>	<b>1,936.16</b>	<b>40.12</b>
Additions	-	-	11.40	27.53	2.39	7.62	2.47	5.47	<b>56.88</b>	72.02
Disposals/Transfers/Adjustments	-	(130.11)	(40.33)	(64.01)	(5.24)	(2.39)	(3.74)	(2.09)	<b>(247.91)</b>	(56.88)
Exchange differences	-	-	3.70	2.57	0.39	(0.02)	0.03	0.01	<b>6.68</b>	-
<b>Gross carrying amount as at March 31, 2020</b>	<b>7.36</b>	<b>-</b>	<b>779.42</b>	<b>802.39</b>	<b>44.72</b>	<b>60.13</b>	<b>40.31</b>	<b>17.48</b>	<b>1,751.81</b>	<b>55.26</b>
Additions	0.21	-	3.58	58.76	1.93	11.80	0.98	4.93	<b>82.19</b>	47.99
Disposals/Transfers/Adjustments	-	-	(0.36)	(24.99)	(2.27)	(2.67)	(1.86)	(2.45)	<b>(34.60)</b>	(82.19)
Exchange differences	-	-	4.47	2.74	0.17	0.04	0.09	0.01	<b>7.52</b>	-
<b>Gross carrying amount as at March 31, 2021</b>	<b>7.57</b>	<b>-</b>	<b>787.11</b>	<b>838.90</b>	<b>44.55</b>	<b>69.30</b>	<b>39.52</b>	<b>19.97</b>	<b>1,806.92</b>	<b>21.06</b>
<b>Accumulated depreciation and impairment as at April 1, 2019*</b>	<b>-</b>	<b>6.19</b>	<b>144.59</b>	<b>432.07</b>	<b>26.05</b>	<b>43.85</b>	<b>21.95</b>	<b>6.48</b>	<b>681.18</b>	<b>-</b>
Charge for the year	-	-	26.97	61.44	2.89	3.71	2.55	1.80	<b>99.36</b>	-
Disposals/Transfers/Adjustments	-	(6.19)	(19.04)	(51.05)	(4.53)	(2.26)	(3.23)	(1.74)	<b>(88.04)</b>	-
Exchange differences	-	-	1.40	2.50	0.33	(0.01)	(0.01)	0.01	<b>4.22</b>	-
<b>Accumulated depreciation and impairment as at March 31, 2020</b>	<b>-</b>	<b>-</b>	<b>153.92</b>	<b>444.96</b>	<b>24.74</b>	<b>45.29</b>	<b>21.26</b>	<b>6.55</b>	<b>696.72</b>	<b>-</b>
Charge for the year	-	-	25.64	56.84	2.63	5.20	2.54	2.69	<b>95.54</b>	-
Impairment (Refer note. 40)	-	-	-	0.19	-	-	0.03	-	<b>0.22</b>	-
Disposals/Transfers/Adjustments	-	-	(0.36)	(22.54)	(1.91)	(2.51)	(1.55)	(1.69)	<b>(30.56)</b>	-
Exchange differences	-	-	0.95	1.09	0.17	0.03	0.06	0.01	<b>2.31</b>	-
<b>Closing accumulated depreciation and impairment as at March 31, 2021</b>	<b>-</b>	<b>-</b>	<b>180.15</b>	<b>480.54</b>	<b>25.63</b>	<b>48.01</b>	<b>22.34</b>	<b>7.56</b>	<b>764.23</b>	<b>-</b>
<b>Net Block as at March 31, 2021</b>	<b>7.57</b>	<b>-</b>	<b>606.96</b>	<b>358.36</b>	<b>18.92</b>	<b>21.29</b>	<b>17.18</b>	<b>12.41</b>	<b>1,042.69</b>	<b>21.06</b>
<b>Net Block as at March 31, 2020</b>	<b>7.36</b>	<b>-</b>	<b>625.50</b>	<b>357.43</b>	<b>19.98</b>	<b>14.84</b>	<b>19.05</b>	<b>10.93</b>	<b>1,055.09</b>	<b>55.26</b>

\*The Group had elected to continue with the carrying value of property, plant and equipment as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed cost on the date of transition (i.e. April 1, 2015). The Group has disclosed the gross cost and accumulated depreciation above, for information purpose only.

#Capital work in progress majorly includes expenditure towards extension of manufacturing facilities.

Refer note. 16 for property, plant and equipment given as security for borrowing.

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## Capitalisation of expenses

During the year, the Group has capitalized the following expenses of revenue nature to the cost of property, plant and equipment and intangible assets. Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the Group.

Particulars	March 31, 2021	March 31, 2020
Salaries and wages	0.04	0.10
Raw material and components	-	0.16
Others	0.04	0.74
<b>Total</b>	<b>0.08</b>	<b>1.00</b>

## 4 (b) Right-of-use assets

Particulars	Leasehold Land*	Building	Vehicles	Total
<b>Gross carrying amount as at April 1, 2019</b>	-	-	-	-
Additions	40.45	14.01	2.29	<b>56.75</b>
Disposals/Transfers/Adjustments	124.78	-	-	<b>124.78</b>
Exchange differences	(1.81)	0.38	0.14	<b>(1.29)</b>
<b>Gross carrying amount as at March 31, 2020</b>	<b>163.42</b>	<b>14.39</b>	<b>2.43</b>	<b>180.24</b>
Additions	-	0.91	0.93	<b>1.84</b>
Disposals/Transfers/Adjustments	(1.76)	(2.46)	(0.37)	<b>(4.59)</b>
Exchange differences	3.30	0.06	0.06	<b>3.42</b>
<b>Gross carrying amount as at March 31, 2021</b>	<b>164.96</b>	<b>12.90</b>	<b>3.05</b>	<b>180.91</b>
<b>Accumulated depreciation and impairment as at April 1, 2019</b>	-	-	-	-
Charge for the year	1.69	2.03	0.50	<b>4.22</b>
Disposals/Transfers/Adjustments	6.19	-	-	<b>6.19</b>
Exchange differences	0.06	0.07	0.03	<b>0.16</b>
<b>Accumulated depreciation and impairment as at March 31, 2020</b>	<b>7.94</b>	<b>2.10</b>	<b>0.53</b>	<b>10.57</b>
Charge for the year	1.68	3.26	1.22	<b>6.16</b>
Disposals/Transfers/Adjustments	(1.76)	(1.27)	(0.27)	<b>(3.30)</b>
Exchange differences	0.03	0.04	0.01	<b>0.08</b>
<b>Closing accumulated depreciation and impairment as at March 31, 2021</b>	<b>7.89</b>	<b>4.13</b>	<b>1.49</b>	<b>13.51</b>
<b>Net Block as at March 31, 2021</b>	<b>157.07</b>	<b>8.77</b>	<b>1.56</b>	<b>167.40</b>
<b>Net Block as at March 31, 2020</b>	<b>155.48</b>	<b>12.29</b>	<b>1.90</b>	<b>169.67</b>

The Group has taken certain assets on lease which has been accounted in accordance with Ind AS 116-Leases under right-of-use assets. Refer note 32 for further disclosure on leases.

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 4 (c) Intangible assets and Goodwill

Particulars	Computer Software	Technical know-how#	Goodwill	Total	Intangible assets under development^
<b>Gross carrying amount as at April 1, 2019*</b>	<b>65.98</b>	<b>84.00</b>	<b>150.15</b>	<b>300.13</b>	-
Additions	10.21	1.64	-	<b>11.85</b>	12.59
Disposals/Transfers/Adjustments	(0.21)	-	-	<b>(0.21)</b>	(11.85)
Exchange difference	0.30	0.34	10.98	<b>11.62</b>	-
<b>Gross carrying amount as at March 31, 2020</b>	<b>76.28</b>	<b>85.98</b>	<b>161.13</b>	<b>323.39</b>	<b>0.74</b>
Additions	13.60	8.33	-	<b>21.93</b>	24.29
Disposals/Transfers/Adjustments	(5.27)	(5.53)	-	<b>(10.80)</b>	(21.93)
Exchange difference	0.37	0.17	5.17	<b>5.71</b>	-
<b>Gross carrying amount as at March 31, 2021</b>	<b>84.98</b>	<b>88.95</b>	<b>166.30</b>	<b>340.23</b>	<b>3.10</b>
<b>Accumulated amortisation as at April 1, 2019*</b>	<b>57.43</b>	<b>68.74</b>	<b>117.08</b>	<b>243.25</b>	-
Charge for the year	5.37	7.68	-	<b>13.05</b>	-
Disposals/Transfers/Adjustments	(0.19)	-	-	<b>(0.19)</b>	-
Exchange difference	0.20	0.12	8.74	<b>9.06</b>	-
<b>Accumulated amortisation as at March 31, 2020</b>	<b>62.81</b>	<b>76.54</b>	<b>125.82</b>	<b>265.17</b>	-
Charge for the year	7.53	5.33	-	<b>12.87</b>	-
Impairment (Refer note. 40)	2.01	1.22	34.67	<b>37.90</b>	-
Disposals/Transfers/Adjustments	(5.20)	(5.44)	-	<b>(10.64)</b>	-
Exchange difference	0.17	0.04	2.78	<b>2.99</b>	-
<b>Closing accumulated amortisation and impairment as at March 31, 2021</b>	<b>67.32</b>	<b>77.69</b>	<b>163.27</b>	<b>308.28</b>	-
<b>Net Block as at March 31, 2021</b>	<b>17.66</b>	<b>11.26</b>	<b>3.03</b>	<b>31.95</b>	<b>3.10</b>
<b>Net Block as at March 31, 2020</b>	<b>13.47</b>	<b>9.44</b>	<b>35.31</b>	<b>58.22</b>	<b>0.74</b>
<b>Net Block</b>			<b>March 31, 2021</b>	<b>March 31, 2020</b>	
Goodwill			3.03	35.31	
Other intangible assets			28.92	22.91	

\*The Group had elected to continue with the carrying value of intangible assets and goodwill as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed cost on the date of transition (i.e. April 1, 2015). The Group has disclosed the gross cost and accumulated amortisation above, for information purpose only.

# Includes internally developed assets of net block Rs. 2.58 (March 31, 2020 : Rs. 6.33)

^ Intangibles under development include implementation of new software.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## 4 (d) Impairment tests for goodwill

Goodwill acquired through business combinations has been considered for impairment testing by the management.

Particulars	March 31, 2021		March 31, 2020	
	Danstoker A/S	Rifox-Hans	Danstoker A/S	Rifox-Hans
Opening balance of goodwill	32.28	3.03	30.04	3.03
Add : Exchange differences	2.39	-	2.24	-
Less : Impairment charge for the year (including Boilerworks Property Aps of Rs. 1.79 Crore)	34.67	-	-	-
Closing balance of goodwill	-	3.03	32.28	3.03

The Group performed its annual or more frequently when there is an indication that the unit may be impaired.

### Danstoker A/S

The recoverable value of Danstoker A/S (CGU) as at March 31, 2021, has been determined based on value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been reassessed by the management to reflect the decreased demand for products and services and uncertainties caused by negative budget variation due to various factors. It was observed that the net costs did not exceed the value in use. Hence, management has recognised an impairment charge of Rs. 34.67 (includes Boilerworks Properties ApS (Denmark) of Rs.1.79) in the current year against goodwill (March 31, 2020 : Nil). The impairment charge is recorded in the consolidated Statement of profit and loss.

The pre-tax discount rate applied to cash flow projections for impairment testing during the current year is 7.10 % p.a. (March 31, 2020: 7.52% p.a.) and cash flows beyond the 5-year period have been extrapolated using a 2% p.a. growth rate (March 31, 2020: 2% p.a.) which is based on long-term industry average growth rate for the CGU.

### Key assumptions used and sensitivity impact

The calculation of value in use is most sensitive to the following assumptions:

- 1 Sales growth rate
- 2 Discount rate

**Sales growth rate** - Sales growth rate has been considered at an average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development. Prices included in revenue forecasts include long-term inflation forecasts. The Management has considered an average sales growth rate of 2.9% p.a. over the forecast period.

**Discount rate** - Discount rate represents the current market assessment of the risks specific to Danstoker A/S, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and Danstoker A/S and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. CGU specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future taxes in order to reflect a pre-tax discount rate.



## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 5 Non-current Investments

Particulars	Face value per share / unit	Number of shares / units		Amount	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Investments in equity instruments :</b>					
<b>Investments at Fair Value through Profit and Loss</b>					
<b>Quoted equity shares (fully paid up)</b>					
Metroglobal Limited	Rs. 10	2	2	**	**
Sanghvi Movers Limited	Rs. 2	16,453	16,453	0.16	0.08
<b>Quoted equity shares (partly paid up)</b>					
Parasrampuriah Synthetics Limited (paid up Rs. 2.50 per share)	Rs. 10	125,000	125,000	**	**
<b>Unquoted equity shares (fully paid up)</b>					
GSL (India) Limited	Rs. 10	17,539	17,539	**	**
Sicom Limited #	Rs. 10	10,000	10,000	-	-
<b>Total investment in equity shares</b>				<b>0.16</b>	<b>0.08</b>
<b>Investments in Mutual Funds:</b>					
<b>Investments at Fair Value through Profit and Loss</b>					
<b>Unquoted</b>					
ABSL Fixed Term Plan Series OY (1218 Days) Direct Growth	Rs. 10	-	20,000,000	-	23.85
SBI Debt Fund Series C - 7 (1190 Days) - Direct - Growth	Rs. 10	-	15,000,000	-	17.77
SBI Debt Fund Series C - 27 (1260 Days) - Direct - Growth	Rs. 10	15,000,000	15,000,000	18.98	17.43
Bharat Bond FOF - April 2025 - Direct Plan Growth	Rs. 10	48,827,114	-	49.97	-
IDFC Corporate Bond Fund Direct Plan-Growth	Rs. 10	32,759,683	-	50.10	-
<b>Total investments in Mutual Funds</b>				<b>119.05</b>	<b>59.05</b>
<b>Total value of Investments</b>				<b>119.21</b>	<b>59.13</b>
Less: Impairment in value of investment				-	-
<b>Total Non-Current Investments</b>				<b>119.21</b>	<b>59.13</b>
Aggregate amount of quoted investments (Book value)				0.16	0.08
Aggregate amount of quoted investments (Market value)				0.16	0.08
Aggregate amount of unquoted investments				119.05	59.05
Aggregate amount of impairment in the value of investments				-	-

\*\* represents amount less than a lakh rupees

# Deemed cost is considered to be Nil as on April 1, 2015

Investments at fair value through profit or loss reflect investment in quoted and unquoted equity and debt securities. Refer note 37 for determination of their fair values.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## 6 Current Investments

Particulars	Face value per share/unit	Number of shares / units		Amount	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Investments in Mutual Funds :</b>					
<b>Investments at Fair value through Profit and Loss</b>					
Aditya Birla Sun Life Money Manager-Growth-Direct Plan	Rs. 100	11,967	-	0.34	-
Aditya Birla Sun Life Money Manager Fund Growth- Regular	Rs. 100	-	4,866,314	-	130.98
Aditya Birla Sun Life Overnight Fund-Growth-Direct Plan	Rs. 1,000	-	279,875	-	30.23
Aditya Birla Sun Life Overnight Fund-Growth-Regular Plan	Rs. 1,000	45,064	-	5.00	-
ABSL Fixed Term Plan - Series OY (1218 Days) Direct Growth	Rs. 10	20,000,000	-	25.39	-
Aditya Birla Sun Life Liquid Fund - Direct - Growth	Rs. 100	-	32,146	-	0.88
Axis Overnight Fund Direct Growth	Rs. 1,000	-	238,487	-	25.17
Axis Overnight Fund Regular Growth	Rs. 1,000	46,017	-	5.00	-
DSP Liquidity Fund Direct Growth	Rs. 1,000	-	33	-	0.01
DSP Overnight Fund - Direct - Growth	Rs. 1,000	-	486,536	-	52.00
DSP Overnight Fund - Regular - Growth	Rs. 1,000	-	531,025	-	56.68
HDFC Overnight Fund - Direct Plan - Growth Option	Rs. 1,000	-	166,163	-	49.34
HDFC Overnight Fund - Regular Plan - Growth	Rs. 1,000	-	33,846	-	10.00
HDFC Ultra Short Term Fund - Regular - Growth	Rs. 10	25,548,049	-	30.26	-
HDFC Liquid Fund - Direct Plan- Growth Option	Rs. 1,000	-	138	-	0.05
ICICI Prudential Overnight Fund-Direct-Growth	Rs. 100	-	2,906,181	-	31.31
ICICI Prudential Money Market Fund - Growth	Rs. 100	-	4,673,316	-	129.69
ICICI Prudential Liquid Fund -Direct Plan- Growth	Rs. 100	-	143,659	-	4.22
IDFC Overnight Fund Direct Plan-Growth	Rs. 1,000	-	190,797	-	20.30
IDFC Overnight Fund Regular Plan-Growth	Rs. 1,000	-	237,787	-	25.30
Kotak Overnight Fund Direct - Growth	Rs. 1,000	6	159,800	**	17.03
Kotak Overnight Fund Growth (Regular Plan)	Rs. 1,000	-	394,371	-	42.01
Kotak Liquid Fund - Direct Plan- Growth	Rs. 1,000	-	6	**	**
L&T Liquid Fund - Direct Plan- Growth	Rs. 1,000	-	51	-	0.01
Nippon India Overnight Fund	Rs. 100	-	752,587	-	8.07
SBI Debt Fund Series C - 7 (1190 Days) - Direct - Growth	Rs. 10	15,000,000	-	18.91	-
SBI Magnum Ultra Short Duration Fund - Reg - Growth	Rs. 1,000	32,499	-	15.20	-

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

Particulars	Face value per share / unit	Number of shares / units		Amount	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
SBI Overnight Fund Direct Growth	Rs. 1,000	-	113,427	-	36.91
SBI Liquid Fund - Direct Plan- Growth	Rs. 1,000	-	2,132	-	0.66
Tata Overnight Fund - Regular - Growth	Rs. 1,000	46,144	-	5.00	-
Tata Liquid Fund Direct Plan - Growth	Rs. 1,000	-	5,123	-	1.60
UTI Overnight Fund Direct Growth	Rs. 1,000	-	36,700	-	10.03
UTI Treasury Advantage Fund - Regular - Growth	Rs. 1,000	38,883	-	10.15	-
UTI Liquid Cash Plan - Regular Growth Plan	Rs. 1,000	-	396,606	-	128.40
UTI Liquid Cash Plan - Direct Growth	Rs. 1,000	-	15,956	-	5.18
<b>Total Investments in mutual funds</b>				<b>115.25</b>	<b>816.07</b>
Aggregate amount of quoted investments and market value thereof				-	-
Aggregate amount of unquoted investments				115.25	816.07
Aggregate amount of impairment in the value of investments				-	-

Investments at fair value through profit or loss reflect investment in unquoted equity and debt securities. Refer note 37 for determination of their fair values.

\*\* represents amount less than a lakh rupees

### 7 Trade receivables

#### (a) Non-current trade receivables

Particulars	As at March 31, 2021	As at March 31, 2020
Trade receivables from:		
i) Related parties (note 35)	-	-
ii) Others	100.87	92.13
<b>Total</b>	<b>100.87</b>	<b>92.13</b>
<b>Break-up for security details</b>		
Secured, considered good	-	-
Unsecured, considered good	126.42	111.36
Trade Receivables which have a significant increase in credit risk	-	-
Trade Receivables - credit impaired	-	-
	<b>126.42</b>	<b>111.36</b>
Less: Impairment allowance	(25.55)	(19.23)
<b>Total</b>	<b>100.87</b>	<b>92.13</b>

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### (b) Current trade receivable

Particulars	As at March 31, 2021	As at March 31, 2020
Trade receivables from:		
i) Related parties (note 35)	0.02	**
ii) Others	1,237.08	1,386.33
<b>Total</b>	<b>1,237.10</b>	<b>1,386.33</b>
<b>Break-up for security details</b>		
Secured, considered good	108.33	261.63
Unsecured, considered good	1,431.65	1,471.63
Trade receivables which have a significant increase in credit risk	51.70	52.68
Trade receivables - credit impaired	50.25	33.90
	<b>1,641.93</b>	<b>1,819.84</b>
Less: Impairment allowance *	(404.83)	(433.51)
<b>Total</b>	<b>1,237.10</b>	<b>1,386.33</b>

No trade or other receivables are due from directors or other officers of the Group either severally or jointly with any other person. Nor any receivable from firms or private companies in which any director is a partner, a director or a member, respectively.

\*Includes provision amounting to Rs.51.70 (March 31, 2020 : Rs.52.68) for trade receivables which have a significant increase in credit risk.

For terms and conditions relating to related party receivables, refer note 35.

Trade receivables are non-interest bearing and are generally on terms of 7 to 90 days.

\*\* represents amount less than a lakh rupees

The following table summarises the change in impairment allowance measured using the life time expected credit loss model (Pursuant to Ind AS 109):

Particulars	Provision on Trade receivables		Provision on Unbilled revenue (Refer Note 9 (b))	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
At the beginning of the year	452.74	452.94	17.46	19.24
Less: Bad debts / write off	(34.75)	(42.05)	-	-
	417.99	410.89	17.46	19.24
Provision made during the year	110.87	137.98	0.50	0.02
Utilized/reversed during the year	(98.64)	(96.15)	(4.10)	(1.80)
Exchange differences	0.16	0.02	-	-
<b>At the end of the year</b>	<b>430.38</b>	<b>452.74</b>	<b>13.86</b>	<b>17.46</b>

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 8 Loans

#### (a) Non-current loans

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Unsecured, considered good</b>		
<b>At amortized cost</b>		
Loans to employees	6.43	7.47
Security deposits*	10.97	10.73
<b>Total</b>	<b>17.40</b>	<b>18.20</b>

#### (b) Current loans

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Unsecured, considered good</b>		
<b>At amortized cost</b>		
Loans to employees	1.70	1.54
Security deposits*	2.75	4.40
<b>Total</b>	<b>4.45</b>	<b>5.94</b>

\*Includes lease deposits given to directors of Rs. 0.18 (March 31, 2020 : Rs. 0.18). The maximum amount due from directors during the year amounted to Rs. 0.18 (March 31, 2020 Rs. 0.18), refer note 35. This also includes deposits given to various other parties for rent, utilities etc.

Loans are various kinds of non-derivative financial assets which generate fixed interest income. The tenure of such loans have different time range based on employee eligibility.

No loans are due from directors or key managerial persons of the Group either severally or jointly with any other person or from firms or private companies in which any director is a partner, a director or a member, respectively.

### 9 Other financial assets

#### (a) Other non current assets

Particulars	As at March 31, 2021	As at March 31, 2020
Bank deposits with remaining maturity more than twelve months #	59.06	38.93
<b>Total</b>	<b>59.06</b>	<b>38.93</b>

# Includes bank deposits Rs. 0.13 (March 31, 2020: Rs. 0.13) which are pledged as margin money.

# Includes deposits of Rs. Nil (March 31, 2021 Rs. 1.01), which are against a charge, are for a term less than 12 months and shall be renewed on maturity as these are given against a borrowing.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## (b) Other current assets

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Derivative instruments at fair value through OCI</b>		
Cash flow hedges		
Foreign exchange forward contracts	1.66	2.00
<b>Derivative instruments at fair value through profit or loss</b>		
Derivative not designated as hedges		
Foreign exchange forward contracts	3.44	2.48
<b>At amortized cost</b>		
Export incentive receivable	36.62	69.05
Unbilled revenue (contract assets)^	301.49	347.30
Others #	28.08	4.99
<b>Total</b>	<b>371.29</b>	<b>425.82</b>

Financial assets at fair value through other comprehensive income reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales and purchases in various foreign currencies.

^ Unbilled revenue is disclosed net of provision for impairment allowance of Rs. 13.89 (March 31, 2020: Rs. 17.46).

#Others includes claims receivable and GST paid on customer advance.

## 10 Income taxes

The major components of income tax expense for the year ended March 31, 2021 and March 31, 2020 are:

### Statement of profit and loss

Particulars	March 31, 2021	March 31, 2020
<b>Current tax</b>		
Current income tax	74.85	96.03
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	(6.24)	66.05
<b>Income tax expense reported in the consolidated statement of profit or loss</b>	<b>68.61</b>	<b>162.08</b>

### Other comprehensive income

Particulars	March 31, 2021	March 31, 2020
<b>Deferred tax related to items recognised in other comprehensive income during the year</b>		
Net gain/(loss) on revaluation of Cash flow hedge	1.59	(2.75)
Net gain/(loss) on remeasurements of defined benefit plans	1.54	(2.93)
<b>Deferred tax credit in other comprehensive income</b>	<b>3.13</b>	<b>(5.68)</b>

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate for March 31, 2021 and March 31, 2020

Particulars	March 31, 2021	March 31, 2020
Accounting profit before tax (before exceptional items)	327.72	374.53
At India's statutory income tax rate (as per Income Tax Act, 1961) of 25.17% (March 31, 2020: 25.17%)	82.49	94.27
Effects of income not subject to tax	(2.47)	(1.19)
Taxes from prior periods	(5.61)	-
Deferred tax recognised on unabsorbed losses of earlier years	(2.1)	-
Utilisation of capital losses of current year	(12.91)	-
Unrecognized tax benefits on tax losses	4.43	4.47
Taxes paid / payable on repatriation of branches/subsidiary profits	5.09	2.57
Impact of change in statutory income tax rate#	-	62.11
Others (includes effect of non-deductible business expenses and tax rate difference).	(0.35)	(0.15)
Effective tax	68.61	162.08
<b>Income tax expense reported in the consolidated statement of profit or loss</b>	<b>68.61</b>	<b>162.08</b>

#The Holding Company and its Indian subsidiaries has computed the tax expense of the current financial year as per the tax regime announced under section 115BAA of the Income-tax Act, 1961. Accordingly, (a) the current and deferred tax expense for the year ended March 31, 2020, has been determined at the rate of 25.17% and (b) the deferred tax assets as at April 1, 2019, (on brought forward losses and other items) have been written down considering the enacted rate of 25.17%.

### Deferred Tax

#### Statement of profit and loss

Particulars	March 31, 2021	March 31, 2020
<b>Deferred tax relates to the following :</b>		
Impact of difference between tax depreciation and depreciation/amortisation charged for financial reporting purposes	(6.05)	(28.33)
Deferred tax utilized / (recognised) on unabsorbed losses of earlier year	18.84	40.15
Provision for doubtful debts, advances and liquidated damages	0.24	51.31
Employee benefit obligations	1.26	1.11
Fair value gains on investment classified as fair value through profit and loss	(14.40)	3.06
Temporary differences due to accounting treatment as required by Income tax standards	(1.02)	1.32
Items allowed on payment basis	(5.24)	2.69
Others*	0.13	(5.26)
<b>Deferred tax expense</b>	<b>(6.24)</b>	<b>66.05</b>

\* Includes impact on account of deferred tax created on unrealized profit elimination from inventory etc.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## Balance sheet

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Deferred tax relates to the following :</b>		
Impact of difference between tax depreciation and depreciation/amortisation charged for financial reporting purposes	(80.18)	(86.23)
Losses available for offsetting against future taxable income	75.78	94.62
Revaluation of cash flow hedges	-	1.69
Provision for doubtful debts, advances and liquidated damages	123.08	123.32
Items allowed on payment basis	13.64	8.40
Employee benefit obligations	14.61	17.41
Fair value gains on investments classified as fair value through profit and loss	-	(14.40)
Temporary differences in accounting treatment as required by Income tax standards	4.14	3.12
Others*	2.96	3.02
<b>Net deferred tax assets</b>	<b>154.03</b>	<b>150.95</b>

\* Includes impact on account of deferred tax created on unrealized profit elimination from inventory etc.

## Reconciliation of deferred tax assets (net)

Particulars	March 31, 2021	March 31, 2020
<b>Opening balance</b>	<b>150.95</b>	<b>212.02</b>
Tax (expense)/ income during the year recognised in profit or loss	6.24	(66.05)
Tax (expense)/ income during the year recognised in OCI	(3.13)	5.68
Currency translation effect	(0.03)	(0.70)
<b>Closing balance</b>	<b>154.03</b>	<b>150.95</b>

## Break up of gross deferred tax assets/liabilities

	March 31, 2021	March 31, 2020
Deferred tax assets	161.04	155.36
Deferred tax liabilities	(7.01)	(4.41)
<b>Net deferred tax assets</b>	<b>154.03</b>	<b>150.95</b>

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Group has tax losses of Rs. 153.76 (March 31, 2020: Rs. 132.33) that are available for offsetting against future taxable profits of the companies in which the losses arose. Majority of these losses will expire over a period by end of March 31, 2029. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and also does not meet the requirements of recognition of deferred tax assets on unabsorbed losses as per Ind AS 12 on Income taxes. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by Rs. 36.95 (March 31, 2020: Rs. 33.25).

At March 31, 2021, there is deferred tax liability of Rs. 5.09 (March 31, 2020: Rs. 2.57) for taxes that would be payable on the unremitted earnings of the Group's branches/one of subsidiary wherein the Group has determined that undistributed profits of its branches/subsidiary will be distributed in the foreseeable future. The deferred tax liabilities on temporary differences associated with investment in other subsidiaries which have not been recognised, where the Group is able to control the reversal of the temporary difference.

During the year ended March 31, 2020, the Holding Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution taxes (DDT) to the taxation authorities. The Group believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence DDT paid is charged to equity.



## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 11 Other assets

#### (a) Other non-current assets

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Unsecured, considered good</b>		
Advance to suppliers	0.61	0.28
Capital advance	9.05	2.50
Balances with government authorities	82.34	83.83
Prepayments	0.52	0.77
<b>Total</b>	<b>92.52</b>	<b>87.38</b>

#### (b) Other current assets

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Unsecured, considered good</b>		
Advance to suppliers	128.72	150.05
Advance to employees	8.39	8.25
Prepayments	19.04	17.63
Balances with government authorities	202.51	203.63
Prepaid employee benefits (note 33)	9.50	5.06
Others*	12.25	9.83
<b>Total</b>	<b>380.41</b>	<b>394.45</b>

\*Others include interest due on tax refunds, other recoveries of expenses, etc.

There were no advances due by directors or officers of the Holding company or any of them severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a member.

### 12 Inventories (valued at lower of cost and net realizable value)

Particulars	As at March 31, 2021	As at March 31, 2020
Raw materials, components and bought-outs **	219.24	276.27
Work-in-progress	112.84	104.52
Finished goods	60.75	54.30
Stores and spares	6.00	10.95
Traded goods	5.91	8.52
<b>Total</b>	<b>404.74</b>	<b>454.56</b>

\*\*Includes goods in transit Rs.16.67 (March 31, 2020 : Rs. 6.61)

For the year ended March 31, 2021 Rs. 23.09 was reversed (net of expense) for inventories carried at net realisable value. For the year ended March 31, 2020 Rs. 12.05 was recognised as expense (net of reversals) for inventories carried at net realisable value. These were recognised during the year and included in 'cost of raw materials and components consumed and consumption of stores and spare parts' in the Statement of profit and loss.

Inventories amounting to Rs. Nil (March 31, 2020 Rs. 8.91) has been hypothecated against borrowings.

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 13 (a) Cash and cash equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Balances with banks		
- in current accounts	285.84	157.48
- in deposits with original maturity of less than three months *	174.02	95.39
Cheques, drafts on hand	1.06	0.77
Cash on hand	0.39	0.40
<b>Total</b>	<b>461.31</b>	<b>254.04</b>

\*Short-term deposits are made for varying periods ranging between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash and cash equivalents include Rs. 9.63 (March 31, 2020 : Rs. 12.87) held by irrevocable trust controlled by the Group.

Cash and cash equivalents balance includes of Rs. 37.05 (March 31, 2020 : Rs. Nil) held as security against import commitments.

### 13 (b) Other bank balances

Particulars	As at March 31, 2021	As at March 31, 2020
Bank deposits with original maturity more than three months and remaining maturity less than twelve months*	1,477.00	226.48
Unpaid dividend account (restricted)	0.89	0.97
<b>Total</b>	<b>1,477.89</b>	<b>227.45</b>

\* includes deposits placed with bank amounting Rs. Nil (March 31, 2020 : Rs. 10.85) against revenue grant received during current year.

\* Includes Rs. 2.06 (March 31, 2020 Rs. Nil) pledged as margin money.

### 13 (c) Changes in liabilities arising from financing activities

Particulars	Borrowings	Unpaid dividend	Lease obligation
As on April 1, 2019	208.86	0.98	-
Cash flow (net)	(31.04)	-	-
Unrealized foreign exchange (gain)/ loss	5.10	-	-
Other*	-	(0.01)	14.21
<b>As on March 31, 2020</b>	<b>182.92</b>	<b>0.97</b>	<b>14.21</b>
Cash flow (net)	94.66	-	-
Unrealized foreign exchange (gain)/ loss	(0.93)	-	-
Other#	-	(0.08)	(3.74)
<b>As on March 31, 2021</b>	<b>276.65</b>	<b>0.89</b>	<b>10.47</b>

\* Lease obligation includes new leases.

# Lease obligation includes repayment of lease obligation net off new leases.

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 14 Share capital

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Authorized shares</b>		
375,000,000 (March 31, 2020: 375,000,000) equity shares of Rs. 2/- each.	75.00	75.00
	<b>75.00</b>	<b>75.00</b>
<b>Issued, subscribed and fully paid share capital</b>		
119,156,300 (March 31, 2020: 11,91,56,300) equity shares of Rs. 2/- each.	23.83	23.83
Less: 6,541,440 (March 31, 2020: 65,41,440) equity shares held by Trusts of Rs. 2/- each.	(1.31)	(1.31)
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>22.52</b>	<b>22.52</b>

#### (a) Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	No. of shares	Rs.
<b>Equity share of Rs. 2 each issued, subscribed and fully paid</b>		
As at April 1, 2019	112,614,860	22.52
Changes during the year	-	-
As at March 31, 2020	112,614,860	22.52
Changes during the year	-	-
<b>As at March 31, 2021</b>	<b>112,614,860</b>	<b>22.52</b>

#### (b) Terms/ rights attached to 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 of the Holding Company 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 share capital held by holding company

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Holding Company</b>		
RDA Holding Private Limited	12.87	12.87
6,43,28,500 (March 31, 2020: 6,43,28,500) equity shares of Rs. 2/- each fully paid		

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

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

Particulars	As at March 31, 2021	As at March 31, 2020
<b>RDA Holding Private Limited, India</b>		
%	53.99	53.99
No. of shares	64,328,500	64,328,500
<b>ARA Trusteeship Company Private Limited, India</b>		
%	7.99	7.99
No. of shares	9,520,805	9,520,805
<b>Kotak Mahindra Mutual Fund</b>		
%	7.36	6.94
No. of shares	8,771,354.00	8,272,216.00
<b>Nalanda India Equity Fund Ltd.</b>		
%	6.86	2.82
No. of shares	8,176,668.00	3,359,826.00

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents the legal ownerships of shares.

(e) There were no buy back of shares/issue of shares for consideration other than cash during the period of five years immediately preceding the reporting date.

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### (15) (a) Other equity

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Reserves and surplus</b>		
<b>Capital redemption reserve</b>		
Opening balance	60.34	50.34
Add: Redemption of preference shares of a subsidiary	-	10.00
Closing balance	60.34	60.34
<b>Securities premium</b>	57.28	57.28
<b>Capital reserve</b>	95.12	95.12
<b>General reserve</b>	435.31	435.31
<b>Retained earnings</b>		
Opening balance	2,331.42	2,331.08
Add: Profit for the year	206.58	212.45
Less: Dividends paid	-	78.83
Less: Tax on dividend	-	16.20
Less: Interim Dividend paid	-	78.83
Less: Tax on interim dividend	-	16.20
Less: Adjustment on account of redemption of preference shares in a subsidiary	-	10.00
Movement during the year	206.58	12.39
<b>Items of other comprehensive income recognised directly in retained earnings:</b>		
Re-measurement loss/(gain) on defined benefit plans, net of tax Rs. (1.54) (March 31, 2020 : Rs. 2.93)	4.22	(12.05)
<b>Net surplus in the Statement of profit and loss</b>	<b>2,542.22</b>	<b>2,331.42</b>
<b>Total Reserves and Surplus</b>	<b>3,190.27</b>	<b>2,979.47</b>
<b>Other reserves</b>		
<b>Cash flow hedge reserve</b>		
Opening balance	(4.86)	3.31
Add: Movement during the year (net)	5.51	(10.92)
Less: Tax on above movement	(1.59)	2.75
Closing balance	<b>(0.94)</b>	<b>(4.86)</b>
<b>Foreign currency translation reserve</b>		
Opening balance	30.77	19.33
Add: Movement during the year (net)	8.77	11.44
Closing balance	<b>39.54</b>	<b>30.77</b>
<b>Total</b>	<b>3,228.87</b>	<b>3,005.38</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## Capital redemption reserve

Pertains to reserve created towards redemption of debentures and can be utilised in accordance with the provisions of the Act.

## Securities premium

Securities premium is used to record the premium on issue of shares. The reserve can be utilised in accordance with the provisions of the Act.

## Capital reserve

Opening balance pertains to reserves arising on amalgamations in the past and step up acquisition of joint venture. This reserve is required to be maintained as per statute and cannot be distributed to the shareholders.

## General reserve

Represents amounts transferred from retained earning in earlier years as per the requirements of the erstwhile Companies Act 1956 and other countries' corporate laws.

## Cash flow hedge reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedge instruments related to hedged transactions that have not yet occurred.

## Foreign currency translation reserve

The foreign currency translation reserve pertains to exchange differences on the translation of subsidiaries and branches having a functional currency other than Indian Rupees.

## 15)(b) Distribution made and proposed

Particulars	March 31, 2021	March 31, 2020
<b>Cash dividend on equity shares declared and paid by Holding company:</b>		
Final dividend for the year ended 2019-2020: Rs. Nil per share (2018-2019: Rs.7 per share) (gross of consolidation adjustments)	-	83.41
Interim dividend for the year ended 2020-2021: Rs Nil per share (2019-2020: Rs. 7 per share)	-	83.41
Dividend Distribution Tax on the above	-	32.37
	-	<b>199.19</b>
Proposed dividends on equity shares are subject to approval at the Annual General Meeting and are not recognised as a liability (including Dividend Distribution Tax thereon) as at the reporting date.		
<b>Proposed dividend of Holding Company on equity shares:</b>		
Proposed dividend for the year ended 2020-2021: Rs. 7 per share (2019-2020: Rs. Nil per share)	<b>83.41</b>	-

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 16 Borrowings

#### (a) Non current borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
<b>At amortized cost</b>		
<b>Term loans (from banks)</b>		
Secured loans	34.52	50.53
<b>Term loans (other than banks)</b>		
Secured loans	-	1.61
<b>Total non-current borrowings</b>	<b>34.52</b>	<b>52.14</b>
Less: amount disclosed under the head "Other current financial liabilities" (note 18 (b))		
- Current maturities of Term Loans	(12.36)	(18.75)
	<b>22.16</b>	<b>33.39</b>

#### Secured loans from banks includes:

- Foreign currency loans from banks Rs. 22.86 (March 31, 2020 : Rs. 38.41) are repayable on a quarterly / semi - annual / annual basis over a period of seventeen years. Land and building with a carrying value of Rs. 12.23 (March 31, 2020 : Rs. 27.67) and letter of comfort from Holding Company has been provided as collateral for these borrowings. These loans carry an annual interest rate of 1% - 5% p.a. (March 31, 2020 : 1% -5% p.a.)

- Indian rupee loan from bank Rs. 11.66 (March 31, 2020 : Rs. 12.12) has been availed for 60 months and it is repayable in 48 monthly instalments along with interest, from the date the moratorium period ends. The loan has a moratorium period of 12 months for repayment of principal. The loan is secured by first charge on plant and equipment (finance lease receivable) with a carrying value of Rs. 15.25 (March 31, 2020 : Rs. 6.49) and deposit amounting Rs. Nil (March 31, 2020 : Rs. 1.01). This loan carries an effective interest rate ranging between 8.3% - 8.7% p.a. (March 31, 2020 : 8.3% - 8.7% p.a.)

#### Secured loans from others include:

- Outstanding loan of Rs. Nil (March 31, 2020 : Rs. 1.61) from mortgage credit institutions are repayable on monthly basis from April 2018 over a period of three years. The loan is secured by first charge on plant and machinery with a carrying value of Rs. Nil (March 31, 2020 : Rs. 0.01), present and future stock of inventories and stores and spares not related to plant and equipment, book debts and other moveable assets. The loan carried an annual interest rate of 10.90 % - 11.00% p.a. during March 31, 2020. The same has been repaid during the year.

#### (b) Current borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
<b>At amortized cost</b>		
<b>Loans (from banks)</b>		
Secured loans	80.58	114.19
Unsecured loans	202.32	63.96
<b>Total</b>	<b>282.90</b>	<b>178.15</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

Secured loans from banks includes working capital facilities viz. bank overdraft, cash credit and acceptances for bills discounted by suppliers which are repayable in 60 to 190 days Rs. 65.91 (March 31, 2020: Rs. 114.19). Loans are secured by hypothecation of present and future stock of inventories, book debts, other moveable assets, letter of comfort and corporate guarantee given by Holding Company .

Unsecured loan pertains to packing credit of Rs. 202.32 (March 31, 2020: Rs. 63.96) that carries an interest rate of 1.90% - 3.50 % p.a.(March 31, 2020 :4.50% - 5.30% p.a.) due for repayment within 177 to 360 days from date of disbursement or expected shipment date whichever is earlier.

Foreign currency loans from banks Rs. 14.67 (March 31,2020 : Rs. Nil) are repayable on a quarterly. Letter of comfort from Holding Company has been provided as collateral for these borrowings. The loan carry an annual interest rate of LIBOR+2.5% p.a. during March 31, 2021.

## 17 Trade payables

### (a) Non-current trade payables

Particulars	As at March 31, 2021	As at March 31, 2020
Trade payables	32.94	39.73
<b>Total</b>	<b>32.94</b>	<b>39.73</b>

### b) Current trade payables

Particulars	As at March 31, 2021	As at March 31, 2020
Total outstanding dues of micro enterprises and small enterprises	252.65	183.75
Total outstanding dues of creditors other than micro enterprises and small enterprises		
i) Related parties (note 35)	0.81	0.15
ii) Others	884.55	776.34
<b>Total</b>	<b>1,138.01</b>	<b>960.24</b>

For terms and conditions with related parties, refer note 35.

Trade payables are non-interest bearing and are generally on terms of 7 to 90 days.

## 18 Financial liabilities

### (a) Other non-current liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Trade deposits	11.63	8.18
Lease obligation (note 32 (ii))	6.61	9.68
Liability towards employee separation scheme (Refer note 40)	5.22	-
Payables for PPE and intangible assets	1.22	-
<b>Total</b>	<b>24.68</b>	<b>17.86</b>



## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### (b) Other current liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Derivative instruments at fair value through OCI</b>		
Cash flow hedges		
Foreign exchange forward contracts	2.70	25.55
<b>Derivative instruments at fair value through profit or loss</b>		
Derivative not designated as hedges		
Foreign exchange forward contracts	2.84	10.68
<b>At amortized cost</b>		
Current maturities of long-term borrowings (note 16 (a))	12.36	18.75
Lease obligation (note 32 (ii))	3.86	4.53
Interest accrued but not due on loans	-	0.09
Employee related payables	73.56	67.29
Payables for PPE and intangible assets	7.61	6.02
Book overdraft	1.73	7.67
Liability towards employee separation scheme (Refer note 40)	2.22	-
Unpaid dividend	0.89	0.97
Other payables *	15.54	6.57
<b>Total</b>	<b>123.31</b>	<b>148.12</b>

\* includes dealer deposits, security deposits, etc.

## 19 Provisions

### (a) Non-current provisions

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Provision for employee benefits</b>		
Provision for gratuity (note 33)	-	2.79
	-	2.79
<b>Other provisions</b>		
Provision for warranties	15.20	8.58
Provision for decommissioning liability	10.66	9.60
	25.86	18.18
<b>Total</b>	<b>25.86</b>	<b>20.97</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## (b) Current provisions

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Provision for employee benefits</b>		
Provision for gratuity (note 33)	0.22	0.45
Provision for leave encashment	76.21	72.33
	76.43	72.78
<b>Other provisions</b>		
Provision for onerous contracts	13.97	14.93
Provision for warranties	104.74	81.64
	118.71	96.57
<b>Total</b>	<b>195.14</b>	<b>169.35</b>

### Provision for decommissioning liability

A provision has been recognised for decommissioning costs associated with the properties taken on lease by the Group. The Group is committed to restore the sites on conclusion of the manufacturing activities. The timing of cash outflows in respect of such provision cannot be reasonably determined.

### Provision for warranties

Warranty costs are provided based on a technical estimate of the costs required to be incurred for repairs, replacements, material costs, servicing cost and past experience in respect of such costs. It is expected that this expenditure will be incurred over the contracted warranty period ranging up to 2 years. If warranty claim costs vary by 10% from management's estimate, the warranty provisions would be an estimated Rs. 11.99 higher or lower (March 31, 2020 : Rs. 9.02).

### Provision for onerous contracts

A provision for expected loss on contracts with customers is recognised when it is probable that the contracts costs will exceed total contract revenue. For all other contracts, provision is made when the unavoidable costs of meeting the obligation under the contract exceed the currently estimated economic benefits. The timing of cash outflows in respect of such provision is over the contract period.

### Movement in provisions

Particulars	Provision for onerous contracts	Provision for warranties	Provision for decommissioning liability
<b>As at April 1, 2020</b>	<b>14.93</b>	<b>90.22</b>	<b>9.60</b>
Additional provision recognised	4.62	53.61	0.18
Unused amounts reversed	(0.51)	(19.07)	-
Unwinding of discount	-	7.17	0.88
Utilised during the year	(5.07)	(11.99)	-
<b>As at March 31, 2021</b>	<b>13.97</b>	<b>119.94</b>	<b>10.66</b>
<b>Breakup of provisions:</b>			
Current	13.97	104.74	-
Non-current	-	15.20	10.66
<b>Total</b>	<b>13.97</b>	<b>119.94</b>	<b>10.66</b>

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 20 Other liabilities

#### (a) Other non-current liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Contract liabilities</b>		
Unearned revenue*	9.22	8.25
Customer advances	53.62	10.77
Advance lease rentals	9.34	5.77
<b>Total</b>	<b>72.18</b>	<b>24.79</b>

\*Pertains to revenue remaining unearned for the portion attributable to maintenance of leased equipment constructed at customer premises under finance lease arrangements.

#### (b) Other current liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Contract liabilities</b>		
Unearned revenue	379.02	383.85
Customer advances	888.30	893.12
Advance lease rentals	1.33	0.83
Statutory dues and other liabilities*	37.53	41.84
<b>Total</b>	<b>1,306.18</b>	<b>1,319.64</b>

\*includes tax deducted at source, GST, ESIC, provident fund, government grant received for a research project etc.

### 21 Revenue from operations

#### (a) Revenue from contracts with customers:

Particulars	March 31, 2021	March 31, 2020
Revenue from projects and products	4,061.28	4,906.80
Revenue from services	648.96	748.59
<b>Total revenue from contracts with customers (a)</b>	<b>4,710.24</b>	<b>5,655.39</b>

#### (b) Other operating income

Particulars	March 31, 2021	March 31, 2020
Export incentives	15.58	60.49
Sale of scrap	25.09	18.28
Interest income from finance lease	8.85	8.27
Commission income	1.65	2.24
Exchange fluctuation gain / (loss) (net) *	25.68	(16.94)
Royalty income	3.75	3.51
Miscellaneous income	0.41	0.07
<b>Total other operation income (b)</b>	<b>81.01</b>	<b>75.92</b>
<b>Total revenue from operations (a+b)</b>	<b>4,791.25</b>	<b>5,731.31</b>

\* Includes mark to market gain on forward contracts not subjected to hedge accounting Rs. 0.60 (March 31, 2020 : loss of Rs. 8.20)

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## (c) Disclosure pursuant to Ind AS 115: Revenue from Contracts with Customers

### i) Revenue by category of contracts:

Particulars	March 31, 2021	March 31, 2020
Over a period of time basis	2,795.87	3,694.86
At a point-in-time basis	1,914.37	1,960.53
<b>Total revenue from contracts with customers</b>	<b>4,710.24</b>	<b>5,655.39</b>

### Revenue by geographical market:

Particulars	March 31, 2021	March 31, 2020
Within India	3,116.12	3,762.23
Outside India *	1,675.13	1,969.08
<b>Total revenue from operations</b>	<b>4,791.25</b>	<b>5,731.31</b>

\*Includes deemed export of Rs. 16.39 (March 31, 2020: Rs. 28.85)

### Revenue by segment:

Particulars	March 31, 2021			
	Energy	Environment	Chemical	Total
<b>Revenue from contracts with customers</b>				
External revenue	3,548.10	795.17	426.59	4,769.86
Inter segment	(0.96)	(53.82)	(4.84)	(59.62)
<b>Total revenue from contracts with customers</b>	<b>3,547.14</b>	<b>741.35</b>	<b>421.75</b>	<b>4,710.24</b>
Other operating income	79.19	(1.04)	2.86	81.01
<b>Total revenue from operations</b>	<b>3,626.33</b>	<b>740.31</b>	<b>424.61</b>	<b>4,791.25</b>
Particulars	March 31, 2020			
	Energy	Environment	Chemical	Total
<b>Revenue from contracts with customers</b>				
External revenue	4,610.36	717.14	416.77	5,744.27
Inter segment	(4.39)	(79.50)	(4.99)	(88.88)
<b>Total revenue from contracts with customers</b>	<b>4,605.97</b>	<b>637.64</b>	<b>411.78</b>	<b>5,655.39</b>
Other operating income	66.60	4.83	4.49	75.92
<b>Total revenue from operations</b>	<b>4,672.57</b>	<b>642.47</b>	<b>416.27</b>	<b>5,731.31</b>

### ii) Contract balances:

The following table provides information about contract balances from contracts with customers as at the reporting date:

Particulars	As at March 31, 2021	As at March 31, 2020
Trade receivables (note 7)	1,337.97	1,478.46
Unbilled revenue (Contract asset) (note 9(b))	301.49	347.30
Unearned revenue (Contract liability) (note 20)	388.24	392.10
Customer advances (Contract liability) (note 20)	941.92	903.89

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date from projects and customised contracts. Contract assets are transferred to Trade receivables on completion of milestones and related invoicing.

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

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The Contract liabilities relate to unearned revenue and customer advances where performance obligations are yet to be fulfilled as per the contracts. The fulfilment of the performance obligations will extinguish these liabilities and revenue will be recognised, with no impact on the Group's cash positions on specific projects.

### iii) Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year.

Particulars	As at March 31, 2021	As at March 31, 2020
Unearned revenue	299.58	215.70
Customer advance	627.35	979.07

### iv) Changes in unbilled revenue and unearned revenue for the year

The explanation of the significant changes in the contract asset and the contract liability balances during the year presented in the table below

Particulars	March 31, 2021	March 31, 2020
<b>Opening unbilled revenue (note 9(b))</b>	<b>347.30</b>	<b>1,120.89</b>
<b>Opening unearned revenue (note 20)</b>	<b>392.10</b>	<b>313.38</b>
	<b>(A)</b>	<b>807.51</b>
- Transfer of contract assets to receivable from opening unbilled revenue	(317.96)	(1,056.63)
- Increase in revenue as a result of changes in the measure of progress from the opening unearned revenue	299.58	215.70
- Transfer of contract assets to receivable	(2,525.03)	(3,491.01)
- Increase in revenue as a result of changes in the measure of progress	2,496.29	3,479.16
- Others*	5.17	0.47
	<b>(B)</b>	<b>(852.31)</b>
<b>Closing unbilled revenue (note 9(b))</b>	<b>301.49</b>	<b>347.30</b>
<b>Closing unearned revenue (note 20)</b>	<b>388.24</b>	<b>392.10</b>
	<b>(A+B)</b>	<b>(44.80)</b>

\* includes adjustments on account of onerous contracts, impairment allowance for the year etc.

### v) Performance obligations

Performance obligation in a project or a group of projects which are contracted at or near same time with the same or related parties and negotiated simultaneously, are combined for the purpose of evaluation. The Group has estimated that multiple commitments pertaining to engineering, procurement and commissioning of such projects is a single performance obligation which is spread over different accounting periods.

Performance obligation for products are evaluated on standalone basis, recognised at a point in time. Generally, performance obligations for such contracts have an original expected duration of one year or less.

There are no major contracts with customers which have significant financing component included within them and therefore there is no difference between the timing of satisfaction of performance obligation vis a vis the timing of the payment.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

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## Remaining performance obligations:

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

The Group applies practical expedient included in para 121 of Ind AS 115 and does not disclose information about its remaining performance obligations for contracts that have an original expected duration of one year or less.

Particulars	March 31, 2021	March 31, 2020
Amount of revenue yet to be recognised for contracts in progress	3,333.59	3,103.66

The Group expects that a significant portion of the remaining performance obligation will be completed in the next 1 to 2 years.

The Group has disclosed remaining performance obligation expected to be fulfilled in next 12 months where the contracts with customers for supply of utilities/operation and maintenance services are for a longer period.

## 22 Other Income

Particulars	March 31, 2021	March 31, 2020
Interest income from financial assets at amortised cost		
Bank deposits	65.79	13.02
Other interest income	10.09	7.38
Dividend income from investments designated at fair value through profit and loss	1.87	5.51
Liabilities no longer required written back	8.32	11.10
Fair value gain on financial instruments at fair value through profit and loss (net)	9.94	47.24
Miscellaneous income ^^	11.73	15.75
<b>Total</b>	<b>107.74</b>	<b>100.00</b>

^^ Includes rent income of Rs. 0.13 (March 31, 2020: Rs. 1.07) refer note 32(i)(b).

## 23 Cost of raw material and components consumed

Particulars	March 31, 2021	March 31, 2020
Inventories at the beginning of the year	276.27	345.73
Add: Purchases	2,410.40	2,926.84
	<b>2,686.67</b>	<b>3,272.57</b>
Inventories at the end of the year	(219.24)	(276.27)
	<b>2,467.43</b>	<b>2,996.30</b>
Less: capitalised during the year (note 4 (a))	-	(0.16)
<b>Total</b>	<b>2,467.43</b>	<b>2,996.14</b>

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 24 (Increase) in inventories of finished goods, work-in-progress and traded goods

Particulars	March 31, 2021	March 31, 2020
Inventories at the beginning of the year		
Work-in-progress	104.52	91.84
Finished goods	54.30	52.04
Traded goods	8.52	8.89
	<b>167.34</b>	<b>152.77</b>
Less: inventories at the end of the year		
Work-in-progress	112.84	104.52
Finished goods	60.75	54.30
Traded goods	5.91	8.52
	<b>179.50</b>	<b>167.34</b>
<b>Total</b>	<b>(12.16)</b>	<b>(14.57)</b>

### 25 Employee benefits expense

Particulars	March 31, 2021	March 31, 2020
Salaries and wages	683.47	714.55
Contribution to provident and other funds	39.30	40.83
Gratuity expense (note 33)	9.86	8.63
Staff welfare expenses	26.17	35.11
	<b>758.80</b>	<b>799.12</b>
Less: capitalised during the year (note 4(a))	(0.04)	(0.10)
<b>Total</b>	<b>758.76</b>	<b>799.02</b>

### 26 Finance costs

Particulars	March 31, 2021	March 31, 2020
Interest expense*	11.75	8.61
Unwinding of discount	8.89	6.41
<b>Total</b>	<b>20.64</b>	<b>15.02</b>

\* Includes accretion of interest on lease obligation Rs. 0.16 (March 31, 2020: Rs. 0.08) (refer note 32(ii)).

### 27 Depreciation and amortization expense

Particulars	March 31, 2021	March 31, 2020
Depreciation on property, plant and equipment (note 4(a))	95.54	99.36
Depreciation on right-of-use assets (note 4(b))	6.16	4.22
Amortisation of intangible assets (note 4(c))	12.87	13.05
<b>Total</b>	<b>114.57</b>	<b>116.63</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## 28 Other expenses

Particulars	March 31, 2021	March 31, 2020
Consumption of stores and spare parts	69.70	85.02
Power and fuel	38.59	44.36
Freight and forwarding charges (net)	116.05	162.40
Site expenses and contract labour charges	537.01	616.35
Drawing, design and technical service charges	21.10	25.61
Sales commission	17.49	18.77
Advertisement and sales promotion	11.25	28.90
Rent	14.89	28.34
Rates and taxes	13.51	26.06
Insurance	13.25	10.12
Repairs and maintenance:		
Plant and machinery	17.95	27.37
Buildings	3.60	7.00
Others	35.00	37.85
Travelling and conveyance	37.51	88.10
Legal and professional fees (includes payment to auditors)	77.66	83.24
Director sitting fees	0.84	0.74
Provision for impairment allowance of financial assets (net)	11.24	40.93
Warranty expenses (net)	41.00	45.20
(Gain) / loss on sale/ discard of assets (net)	0.76	(5.49)
CSR expenditure	7.84	8.26
Miscellaneous expenses (includes printing, communication, security expense, etc.)	52.47	62.03
	1,138.71	1,441.16
Less: capitalised during the year (note 4(a))	(0.04)	(0.74)
<b>Total</b>	<b>1,138.67</b>	<b>1,440.42</b>

## 29 Earnings per share

Particulars	March 31, 2021	March 31, 2020
Net profit attributable to the Equity shareholders of the Parent Company	206.58	212.45
Weighted average number of Equity shares of Rs. 2/- each (number in crores)	112,614,860	112,614,860
Basic and diluted Earning per share	18.34	18.87



## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 30 Components of Other Comprehensive Income (OCI)

The disaggregation of changes to OCI by each type of reserve and surplus in equity is shown below:

For the year ended March 31, 2021

Particulars	March 31, 2021			
	Cash flow hedge reserve	Foreign Currency translation reserve	Retained Earnings	Total
Foreign currency translation differences	-	8.77	-	<b>8.77</b>
Interest rate swap	(0.72)	-	-	<b>(0.72)</b>
Foreign exchange forward contracts	5.97	-	-	<b>5.97</b>
Reclassified to Statement of profit or loss (Net)	(1.33)	-	-	<b>(1.33)</b>
Re-measurement gains on defined benefit plans	-	-	4.22	<b>4.22</b>
<b>Total</b>	<b>3.92</b>	<b>8.77</b>	<b>4.22</b>	<b>16.91</b>
Particulars	March 31, 2020			
	Cash flow hedge reserve	Foreign Currency translation reserve	Retained Earnings	Total
Foreign currency translation differences	-	11.44	-	<b>11.44</b>
Interest rate swap	(1.68)	-	-	<b>(1.68)</b>
Foreign exchange forward contracts	(9.06)	-	-	<b>(9.06)</b>
Reclassified to Statement of profit or loss (Net)	2.57	-	-	<b>2.57</b>
Re-measurement gains on defined benefit plans	-	-	(12.05)	<b>(12.05)</b>
<b>Total</b>	<b>(8.17)</b>	<b>11.44</b>	<b>(12.05)</b>	<b>(8.78)</b>

### 31 Contingent liabilities and commitments

#### A - Contingent liabilities

- a) During earlier years and in the current year, the Group has received demand notices/show cause-cum-demand notices from the Excise department covering period from June 2000 till June 2017 for Rs. 1,385.47 crores (March 31, 2020: Rs.1,385.47) (including penalty but excluding interest and further penalty thereon).

These demands are of excise duty payable on inclusion of the cost of bought out items in the assessable value of certain products manufactured by the Group, though such duty paid bought out items were directly dispatched by the manufacturers thereof to the ultimate customer, without being received in the Group's factory. The Group has filed and appeal against the said orders received before CESTAT, Mumbai. Based on independent legal advice, the Group is confident of the issue being ultimately decided in its favour and accordingly no provision has been considered necessary.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## b) Taxes\*

Particulars	March 31, 2021	March 31, 2020
Excise, Customs duty and Service tax	26.63	26.55
Sales tax #	78.41	75.17
Income tax demands disputed in appellate proceedings #	77.17	67.69
References/appeals preferred by the Income tax department in respect of which, should the ultimate decision be unfavourable to the Group	3.30	9.87
Others	0.10	0.10

\* Excluding interest and penalty thereon.

# Includes Sales tax and Income tax demands disputed in appellate proceedings pertaining to Thermax Senegal S.A.R.L, a subsidiary which is under liquidation, of Rs. 9.16 and Rs.20.15 (March 31, 2020 of Rs.8.92 and Rs.19.62) respectively. Subsequent to the year end one of the subsidiaries of the Group has received income tax draft assessment orders adding to income ₹98 on account of sales to related parties in earlier years and ₹107 on account of share premium for shares issued, both in earlier years.

The above excludes the effects of similar disallowances, if any, for any subsequent period that are pending for assessments.

## c) Guarantees

The Group has issued various guarantees for performance, deposits, tender money, advances etc. The Group has issued various indemnity bonds, letter of support, corporate guarantees, etc. for working capital requirements purposes to banks for wholly owned subsidiaries. The management has considered the probability for outflow of the same to be remote and accordingly no amount has been disclosed here.

## d) Others

Particulars	March 31, 2021	March 31, 2020
Liability for export obligations	71.40	73.00
Claims against the Group not acknowledged as debt*	208.30	3.33

The timing and amount of the cash flow which will arise from these matters, will be determined by the relevant authorities on settlement of the cases or on receipt of claims from customers.

\*Claims against the Group not acknowledged as debt on account of ongoing arbitration/ legal dispute with the various customers / vendors of the Group. Based on the legal opinion on few matters and management assessments of the facts of the case, no provision is considered for the subject matter. Pending resolution of the matters, it is not practicable to estimate the timing of cash outflows, if any.

- e) There are certain law suits, disputes, warranty claims, etc., including commercial matters that arise from time to time in the ordinary course of business, the amounts involved in such matters are currently not quantifiable. However, based on managements assessment under Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets", that claims are not tenable / probability of final outcome against the Group is low and therefore not disclosed as contingent liabilities.

## B Capital and other commitments

- a) Liability in respect of partly paid shares Rs. 0.09 (March 31, 2020 Rs. 0.09).
- b) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs. 26.83 (March 31, 2020 Rs. 29.59).
- c) For lease commitments, refer note 32.

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 32 Leasing arrangements

#### i) Where the Group is lessor

##### a) Amounts receivable under Finance lease -

The Group has entered into certain arrangements with its customers where the Group will supply heat/steam/treated water by installing boiler/heater/water treatment plants at their customers' premises. The Group has determined, that fulfilment of these arrangements is dependent on the use of a specific asset and the arrangement conveys a right to use these specific asset to the customers. Accordingly, these arrangements qualify as arrangements in the form of lease as specified in Ind-AS 116. Based on the evaluation of terms and conditions of these arrangements, such as the contract term constituting a major part of the economic life of the specific assets, the fair value of the asset and that it has transferred the significant risks and rewards in these assets to the customers, these lease arrangements have been classified as finance leases.

Particulars	Gross Investment in lease		Present value of minimum lease payments	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Within one year	20.15	18.03	11.08	9.29
After one year but not more than five years	63.19	61.98	40.85	39.36
More than five years	26.68	26.38	20.51	19.53
	<b>110.02</b>	<b>106.39</b>	<b>72.44</b>	<b>68.18</b>
Less: Unearned finance income	37.58	38.21	-	-
Present value of minimum lease payments receivable	72.44	68.18	72.44	68.18
Allowance for uncollectible lease payments	-	-	-	-
Current portion of finance lease receivables*			11.42	9.29
Non-current portion of finance lease receivables*			61.02	58.89

Particulars	March 31, 2021	March 31, 2020
Estimated unguaranteed residual value of assets under finance lease	-	-
Contingent rent recognised as income during the year	-	-
Interest rate inherent in the lease per annum	<b>10.87% - 17.03%</b>	<b>10.87% - 17.03%</b>

\*Lease receivables amounting to Rs. 15.25 (March 31, 2020 Rs. 5.59) have been hypothecated against borrowings.

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### b) Operating lease

The Group has leased certain parts of its surplus office, buildings and equipment. The tenure of such lease agreements ranges from 1 to 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. For nature of assets, refer note 4 (a).

Particulars	March 31, 2021	March 31, 2020
Lease rental received for the year	0.13	1.07

Particulars	March 31, 2021	March 31, 2020
<b>Future minimum lease rental receivables under non-cancellable operating leases are as follows:</b>		
Within one year	-	-
After one year but not more than five years	-	-
More than five years	-	-

### ii) Where the Group is lessee

The Group has taken office buildings, factory sheds, guest house, warehouse, vehicles, printers and other office equipments on lease for a tenure of 1 to 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are no variable lease payments and residual value guarantees for these leases. The leases are renewable on mutually agreeable terms. At the expiry of the lease term, either party has an option to terminate the agreement or extend the term by giving notice in writing.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

#### Carrying amounts of finance lease liabilities and the movements during the period.

Particulars	March 31, 2021	March 31, 2020
Finance lease liabilities at the beginning of the year	14.21	14.20
Additions (for new lease during the year)	1.84	2.76
Accretion of interest	0.16	0.08
Exchange differences	(0.16)	-
Payments made	(5.58)	(2.83)
<b>As at 31 March</b>	<b>10.47</b>	<b>14.21</b>
Current portion of finance lease payable	3.86	4.53
Non-current portion of finance lease payable	6.61	9.68
<b>Total</b>	<b>10.47</b>	<b>14.21</b>

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### Details of amounts recognised in Consolidated Statement of Profit and Loss

Particulars	March 31, 2021	March 31, 2020
Depreciation expense of right-of-use assets	6.16	4.22
Interest expense on lease liabilities	0.16	0.08
Expense relating to short-term leases (included in other expenses and staff welfare expenses)	15.00	32.50
Expense relating to leases of low-value assets (included in other expenses)	2.29	2.48
<b>Total amount recognised in Consolidated Statement of Profit or Loss</b>	<b>23.61</b>	<b>39.28</b>

Refer note 38(a) III for maturities of finance lease liabilities.

### 33 Gratuity

The Holding Company and its Indian subsidiaries operate a defined benefit plan viz. gratuity for its employees. Under the gratuity plan, every employee who has completed the specified years of service gets a gratuity on departure at 15 days (minimum) of the last drawn salary for each completed year of service. The scheme is funded with an insurance company. The fund has formed a trust and it is governed by a Board of Trustees. Overseas subsidiaries do not operate any defined benefit plans for employees.

The fund is subject to risks such as asset volatility, changes in asset yields and asset liability mismatch risk. In managing the plan assets, Board of Trustees reviews and manages these risks associated with the funded plan. Each year, the Board of Trustees reviews the level of funding in the gratuity plan. Such a review includes asset-liability matching strategy and investment risk management policy (which includes contributing to plans that invest in risk-averse markets). The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed) will arise.

Particulars	March 31, 2021	March 31, 2020
Total asset	9.50	5.06
Total liability	(0.22)	(3.24)
	<b>9.28</b>	<b>1.82</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## I Changes in the net benefit obligation and fair value of plan assets are as follows :

Particulars	Present value of obligation	Fair value of plan assets	Net amount
<b>April 1, 2019</b>	<b>91.36</b>	<b>(100.69)</b>	<b>(9.33)</b>
Current service cost	9.31	-	<b>9.31</b>
Interest expense/(income)	7.24	(7.92)	<b>(0.68)</b>
<b>Total amount recognised in Consolidated Statement of Profit or Loss</b>	<b>16.55</b>	<b>(7.92)</b>	<b>8.63</b>
Experience adjustments	4.46	-	<b>4.46</b>
Return on plan assets (income)	-	0.84	<b>0.84</b>
Demographic adjustments	(1.29)	-	<b>(1.29)</b>
Actuarial loss from change in financial assumptions	10.97	-	<b>10.97</b>
<b>Total amount recognised in Other Comprehensive Income</b>	<b>14.14</b>	<b>0.84</b>	<b>14.98</b>
Employer contributions	-	(16.10)	<b>(16.10)</b>
Benefits paid	(13.63)	13.63	-
<b>March 31, 2020</b>	<b>108.42</b>	<b>(110.24)</b>	<b>(1.82)</b>
Current service cost	10.12	-	<b>10.12</b>
Interest expense/(income)	6.11	(6.37)	<b>(0.26)</b>
<b>Total amount recognised in Consolidated Statement of Profit or Loss</b>	<b>16.23</b>	<b>(6.37)</b>	<b>9.86</b>
Experience adjustments	1.91	-	<b>1.91</b>
Return on plan assets (income)	-	(1.38)	<b>(1.38)</b>
Actuarial (gain) from change in financial assumptions	(7.12)	-	<b>(7.12)</b>
Amount not recognised due to asset ceiling	-	0.83	<b>0.83</b>
<b>Total amount recognised in Other Comprehensive Income</b>	<b>(5.21)</b>	<b>(0.56)</b>	<b>(5.76)</b>
Employer contributions	-	(11.56)	<b>(11.56)</b>
Benefits paid	(18.16)	18.16	-
<b>March 31, 2021</b>	<b>101.28</b>	<b>(110.56)</b>	<b>(9.28)</b>

## II - The net liability disclosed above relates to funded plans which are as follows :

Particulars	March 31, 2021	March 31, 2020
Present value of funded obligation	101.28	108.42
Fair value of plan assets	(110.56)	(110.24)
<b>Surplus of funded plan</b>	<b>(9.28)</b>	<b>(1.82)</b>

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

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### III Significant assumptions

The principal actuarial assumptions were as follows :

Particulars	March 31, 2021	March 31, 2020
Discount rate	6.4% to 6.9%	6.04% to 6.4%
Salary growth rate	5 % to 8 %	5 % to 7 %
Normal retirement age	60 years	60 years
Mortality table	Indian Assured Lives Mortality (2012-14) Ultimate	Indian Assured Lives Mortality (2012-14) Ultimate
Employee turnover	5% to 14%	5% to 14%

### IV Sensitivity analysis

The sensitivity of defined obligation to changes in the weighted principal assumptions is:

Assumption	March 31, 2021		March 31, 2020	
	Impact of 1% increase	Impact of 1% decrease	Impact of 1% increase	Impact of 1% decrease
Discount rate	Decrease by 6.07	Increase by 6.86	Decrease by 6.52	Increase by 7.48
Future salary increase	Increase by 6.14	Decrease by 5.54	Increase by 6.70	Decrease by 5.94
Attrition Rate	Increase by 0.25	Decrease by 0.27	Increase by 0.54	Decrease by 0.69

The above sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of defined benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting year) has been applied as and when calculating the defined benefit liability recognised in the balance sheet.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

The following are the expected cash outflows to the defined benefit plan in future years:

Particulars	March 31, 2021	March 31, 2020
Within next 12 months	13.57	17.45
Between 2-5 years	40.89	41.87
Next 5 years	41.89	40.01

The average duration of the defined benefit plan obligation at the end of the reporting year is 8.82 years (March 31, 2020: 9 years).

The Group expects to contribute Rs. 3.25 to gratuity fund in the next year (March 31, 2020 : Rs. 4.26)

### V The major categories of plan assets are as follows:

Particulars	March 31, 2021	March 31, 2020
Investments with insurer (LIC of India)	100.00%	100.00%

# Notes to Consolidated Financial Statements

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## 34 Interests in other entities

Group information

### A Subsidiaries

The consolidated financial statements of the Group includes subsidiaries listed in the table below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Sr No.	Name of the entity	Place of business / Country of incorporation	Ownership interest held by the Group		Principal activities
			March 31, 2021	March 31, 2020	
1	Thermax Onsite Energy Solutions Ltd	India	100%	100%	Supply of steam and heat on build, own and operate basis
2	Thermax Instrumentation Ltd.	India	100%	100%	Civil, Erection & Commissioning and Operation and Maintenance of power plants
3	Thermax Engineering Construction Company Ltd.	India	100%	100%	Installation of industrial machinery and equipment
4	Thermax Sustainable Energy Solutions Ltd.	India	100%	100%	Carbon Advisory Services
5	Thermax International Ltd.	Mauritius	100%	100%	Investment Company
6	Thermax Europe Ltd.	United Kingdom	100%	100%	Sale and service of vapour absorption chillers
7	Thermax Inc.	USA	100%	100%	Sale and service of vapour absorption chillers and sale of chemicals
8	Thermax do Brasil Energia e Equipamentos Ltda	Brazil	100%	100%	Rendering services including technical assistance
9	Thermax (Zhejiang) Cooling & Heating Engineering Company Ltd. ^^^^	China	NA	100%	Products and services in heating, cooling, waste heat recovery, captive power, water treatment and recycling, waste management and performance chemicals
10	Thermax Netherlands BV.	Netherlands	100%	100%	Investment Company
11	Thermax Denmark ApS	Denmark	100%	100%	Investment Company
12	Danstoker A/S	Denmark	100%	100%	Produces and sells boilers to the energy market
13	Ejendomsanp artsselskabet Industrivej Nord 13	Denmark	100%	100%	Own and lease out property within Group
14	Boilerworks A/S	Denmark	100%	100%	Produces and supplies high-pressure boilers and components
15	Boilerworks Properties ApS	Denmark	100%	100%	Own and lease out the property within Group
16	Danstoker Poland Spółka Z Ograniczona Odpowiedzialnoscia	Poland	100%	100%	Produces and supplies high-pressure boilers and components
17	Rifox-Hans Richter GmbH Spezialarmaturen	Germany	100%	100%	Manufacturing steam trap systems
18	Thermax Sdn.Bhd	Malaysia	100%	100%	Turnkey solutions provider



## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

Sr No.	Name of the entity	Place of business / Country of incorporation	Ownership interest held by the Group		Principal activities
			March 31, 2021	March 31, 2020	
19	Thermax Engineering Singapore Pte. Ltd.	Singapore	100%	100%	Investment Company
20	PT Thermax International Indonesia	Indonesia	100%	100%	Manufacturing of industrial products
21	Thermax Senegal S.A.R.L ^^^^	Senegal	100%	100%	Plant management services
22	First Energy Private Limited	India	100%	76%	Alternative energy solution company
23	Thermax Energy & Environment Philippines Corporation	Philippines	100%	100%	Marketing and sales of component parts of boilers
24	Thermax Energy & Environment Lanka (Private) Limited	Sri Lanka	100%	100%	Marketing and sales of component parts of boilers
25	Thermax Nigeria Limited	Nigeria	100%	100%	Marketing and sales of component parts of boilers
26	Thermax Babcock & Wilcox Energy Solutions Pvt Ltd	India	100%	100%	Manufacture of steam or other vapour generating boilers and hot water boilers other than central heating boilers
27	Thermax Cooling Solutions Limited (formerly known as Thermax SPX Energy Technologies Ltd)	India	100%	100%	Supply and erection commissioning of Air cooled condenser (ACC), Rotary air Pre-Heater (RAPH), electrostatic precipitator (ESP), Bag Houses
28	Thermax Engineering Construction FZE	Nigeria	100%	100%	Operation and Maintenance
29	Thermax International Tanzania Limited^^	Tanzania	100%	100%	Supervision for project business, operation and maintenance services and sales related support.
30	Thermax (Thailand) Limited	Thailand	100%	100%	Trade and investment support office.
31	ESOP Trust and Employee Welfare Trusts**	India	100%	100%	Employee welfare
32	Enernxt Private Limited^^^	India	100%	NA	Supply of biogas on build, own, operate and transfer basis

Thermax Hong Kong Ltd. (wholly owned subsidiary) has not been considered for consolidation as the same has been closed on September 11, 2020.

During the year ended March 31, 2020, the non-controlling interest held in First Energy Private Limited is not material to the Group. Hence, the disclosures required under Para 12 of Ind AS 112 Disclosure of Interests in other entities are not considered necessary.

\*\* The Group has ESOP trust and Employee Welfare Trusts for the welfare of the employees. Pursuant to the arrangement between the Trusts and the Holding Company, the Holding Company has determined that it has power to direct the relevant activities of the trust while being exposed to variable returns from its involvement with these entities. As a result, these entities have been consolidated in these financial statements.

^^ Date of incorporation December 7, 2019. There are no transaction during the year, hence not consolidated.

^^^ Date of incorporation January 5, 2021. There are no transaction during the year, hence not consolidated.

^^^^ The subsidiaries are under liquidation process.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## B Parent Entity

Sr No.	Name of the entity	Place of business / Country of incorporation	Ownership interest held by the Group		Type
			March 31, 2021	March 31, 2020	
1	RDA Holdings Pvt Ltd	India	53.99%	53.99%	Ultimate Holding company

The above percentage of shareholding is before elimination of Trust's holding\*\*.

## 35 Related party disclosures

**A** For details of Holding company, refer note 34.

### **B Individuals having significant influence over the Group by reason of voting power, and their relatives**

- 1 Mrs. Meher Pudumjee - Chairperson
- 2 Mrs. Anu Aga - Relative of Chairperson / Director (Retired on August 8, 2018)
- 3 Mr. Pheroze Pudumjee - Director
- 4 Mr. Zahaan Pudumjee - Relative of Chairperson / Director

### **C Key Management Personnel:**

- 1 Mr. M S Unnikrishnan - Managing Director and Chief Executive Officer (Retired on August 31, 2020)
- 2 Mr. Ashish Bhandari - Managing Director and Chief Executive Officer (w.e.f. April 7, 2020)
- 3 Dr. Valentin A. H. von Massow - Independent Director
- 4 Dr. Jairam Varadaraj - Independent Director
- 5 Mr. Nawshir Mirza - Independent Director
- 6 Mr. Harsh Mariwala - Independent Director
- 7 Mr. Sashishekhar Balakrishna (Ravi) Pandit - Independent Director
- 8 Mrs. Rajani Kesari - Independent Director
- 9 Mr. Rajendran Arunachalam - Chief Financial Officer (w.e.f. June 1, 2019)
- 10 Mr. Amitabha Mukhopadhyay - Chief Financial Officer (Resigned on May 31, 2019)
- 11 Mr. Kedar Phadke - Company Secretary

### **D Enterprises with whom transactions have taken place during the year, over which control is exercised by individuals listed in 'B' and 'C' above:**

- 1 Thermax Foundation, India
- 2 ARA Trusteeship Company Private Limited, India
- 3 Marico Limited, India
- 4 Elgi Ultra Industries Limited, India
- 5 Elgi Equipments Limited, India
- 6 The Akanksha Foundation, India
- 7 Festo India Private Limited, India
- 8 Kirtane & Pandit LLP, India

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### E Transactions with related parties:

Particulars	Enterprises over which control is exercised by Individuals having Significant influence over the company and Key Management Personnel		Key Management Personnel and Individuals having Significant influence over the company mentioned in B and C above		Total	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>a. Transactions during the year</b>						
Sales of products and services	0.04	0.68	-	-	0.04	0.68
Purchase of raw material and components	1.44	0.35	-	-	1.44	0.35
Miscellaneous expense	0.02	0.01	-	-	0.02	0.01
Remuneration to key management personnel*	-	-	22.21	6.93	22.21	6.93
Donation	7.84	8.26	-	-	7.84	8.26
Director's sitting fees ^	-	-	0.60	0.44	0.60	0.44
Commission paid	-	-	3.93	3.72	3.93	3.72
Rent paid	-	-	0.35	0.51	0.35	0.51

\* Does not include gratuity and leave encashment since the same is calculated for all employees of the Group as a whole.

Dividend paid to RDA Holdings Pvt. Ltd., India is Rs. Nil (March 31, 2020: Rs. 90.06) including interim dividend for the year 2019-20.

^ Includes sitting fees paid to director's of holding companies.

Particulars	Enterprises over which control is exercised by Individuals having Significant influence over the company and Key Management Personnel		Key Management Personnel and Individuals having Significant influence over the company mentioned in B and C above		Total	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>b. Balances as at the year end</b>						
Trade receivables	0.02	**	-	-	0.02	**
Security deposit	-	-	0.18	0.18	0.18	0.18
Trade payables and other liabilities	0.81	0.15	-	-	0.81	0.15

\*\* represents amount less than a lakh rupees.

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

**F Related party transactions include transactions pertaining to the following parties with whom the percentage of the transactions are 10% or more of the total of the above:**

Particulars	March 31, 2021	March 31, 2020
<b>Transactions during the year</b>		
<b>Sale of product and services</b>		
Marico Limited	0.04	0.55
Elgi Ultra Industries Limited	-	0.13
<b>Purchase of raw material and components</b>		
Elgi Equipments Limited	1.43	0.30
Festo India Private Limited	0.01	0.05
<b>Miscellaneous expense</b>		
The Akanksha Foundation	-	0.01
<b>Remuneration to key management personnel</b>		
Mr. M. S. Unnikrishnan	14.82	4.00
Mr. Ashish Bhandari	5.64	-
Mr. Rajendran Arunachalam	1.39	1.27
Mr. Amitabha Mukhopadhyay	-	1.26
<b>Donation</b>		
Thermax Foundation, India	7.84	8.26
<b>Directors sitting fees</b>		
Mrs. Meher Pudumjee	0.07	0.06
Mr. Pheroze Pudumjee	0.10	0.08
Dr. Valentin A. H. von Massow	0.07	0.06
Dr. Jairam Varadaraj	0.09	0.07
Mr. Nawshir Mirza	0.11	0.06
Mr. Ravi Pandit	0.06	0.06
Mrs. Rajani Kesari	0.07	0.04
<b>Commission paid</b>		
Mrs. Meher Pudumjee	0.45	0.45
Mr. Pheroze Pudumjee	0.20	0.20
Dr. Valentin A. H. von Massow	0.38	0.37
Dr. Jairam Varadaraj	0.20	0.20
Mr. Nawshir Mirza	0.35	0.35
Mr. Harsh Mariwala	0.25	0.25
Mr. Ravi Pandit	0.15	0.15
Mrs. Rajani Kesari	0.15	0.15
Mr. M. S. Unnikrishnan	1.60	1.60

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

Particulars	March 31, 2021	March 31, 2020
<b>Rent paid</b>		
Mrs. Meher Pudumjee	0.11	0.14
Mrs. Anu Aga	0.13	0.24
Mr. Pheroze Pudumjee	0.11	0.14

Particulars	March 31, 2021	March 31, 2020
<b>Trade receivables</b>		
Marico Limited	0.02	**
<b>Trade payables and other liabilities</b>		
Elgi Equipments Limited	0.01	0.03
Festo India Private Limited	-	0.02
Marico Limited	0.80	0.10
<b>Security deposits</b>		
Mr. Pheroze Pudumjee	0.18	0.18

\*\* represents amount less than a lakh rupees.

### G. Terms and conditions of related party transactions:

The sales to and purchases from related parties are assessed to be at arm's length by the management. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

For the year ended March 31, 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2020: Rs. Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

All outstanding balances are unsecured and repayable in cash.

### 36 Segment reporting

The Group's portfolio includes boilers and heaters, absorption chillers/heat pumps, power plants, solar equipment, related services, air pollution control equipment/system, water and waste recycle plant, ion exchange resins and performance chemicals and related services. The CEO and Managing Director (CMD) of the Company has been identified as the chief operating decision maker ('CODM'). Management has determined the operating segments based on the reports reviewed by the CMD; that are used to make strategic decisions, allocation of resources and assessing the performance of the segments. The CMD evaluates the segments based on their revenue and operating results.

The CODM evaluates performance based on the revenues and operating profit for the three segments- Energy, Environment and Chemical. The composition of these segments is given below:

Segment	Products Covered
a) Energy	Boilers and heaters, Absorption Chillers/Heat Pumps, Power Plants, Solar equipment and related services.
b) Environment	Air Pollution Control equipment/systems, Water & Waste Recycle Plants and related services.
c) Chemical	Ion Exchange Resins, Performance Chemicals, Water Treatment Chemicals, Oil Field Chemicals, Paper Chemicals and Construction Chemicals.

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

Inter-segment transfer price is calculated as cost plus reasonable mark-up.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## I Information about Business Segments:

Sr. No.	Particulars	As at March 31, 2021	As at March 31, 2020
<b>i</b>	<b>Segment Revenue</b>		
	a. Energy	3,627.29	4,676.96
	b. Environment	794.13	721.97
	c. Chemical	429.45	421.26
	<b>Total</b>	<b>4,850.87</b>	<b>5,820.19</b>
	Less: Inter segment revenue	59.62	88.88
	<b>Income From operations</b>	<b>4,791.25</b>	<b>5,731.31</b>
<b>ii</b>	<b>Depreciation and amortization</b>		
	a. Energy	72.72	81.85
	b. Environment	5.94	5.91
	c. Chemical	17.34	15.68
	d. Unallocated	18.57	13.19
		<b>114.57</b>	<b>116.63</b>
<b>iii</b>	<b>Segment Results</b>		
	Profit before tax and interest from each segment		
	a. Energy	217.71	249.25
	b. Environment	37.59	38.07
	c. Chemical	103.38	78.04
	<b>Total</b>	<b>358.68</b>	<b>365.36</b>
	Less : i) Interest	20.64	15.02
	ii) Other unallocable expenditure net of unallocable (income)	10.32	(24.19)
	iii) Exceptional items (relating to Energy segment)	52.53	-
	<b>Total profit before tax</b>	<b>275.19</b>	<b>374.53</b>
<b>iv</b>	<b>Segment Assets</b>		
	a. Energy	2,759.84	3,182.41
	b. Environment	521.21	459.78
	c. Chemical	415.06	391.15
	d. Unallocated	2,810.76	1,922.55
	<b>Total Assets</b>	<b>6,506.87</b>	<b>5,955.89</b>
<b>v</b>	<b>Segment Liabilities</b>		
	a. Energy	2,445.37	2,194.86
	b. Environment	516.41	404.33
	c. Chemical	61.90	53.43
	d. Unallocated	231.80	275.37
	<b>Total Liabilities</b>	<b>3,255.48</b>	<b>2,927.99</b>

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### Reconciliations to amounts consolidated in financial statements

#### Reconciliation of profit

Particulars	As at March 31, 2021	As at March 31, 2020
Segment profit	358.68	365.36
Other income	107.74	100.00
Exceptional items	(52.53)	-
Finance cost	(20.64)	(15.02)
Other corporate costs*	(118.06)	(75.81)
<b>Profit before tax</b>	<b>275.19</b>	<b>374.53</b>

\* Mainly includes employee cost, legal and professional expenses, depreciation on unallocable assets, etc.

#### Reconciliation of assets

Particulars	As at March 31, 2021	As at March 31, 2020
Segment operating assets	3,696.11	4,033.34
Investments	234.46	875.20
Cash and bank balances	1,939.20	481.49
Balances with government authorities	163.85	166.56
Income tax assets	165.69	132.94
Other unallocated assets (includes deferred tax, etc.)	307.56	266.36
<b>Total assets</b>	<b>6,506.87</b>	<b>5,955.89</b>

#### Reconciliation of liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Segment operating liabilities	3,023.68	2,652.62
Borrowings	115.10	211.54
Income tax liabilities	25.11	11.34
Other unallocable liabilities	91.59	52.49
<b>Total liabilities</b>	<b>3,255.48</b>	<b>2,927.99</b>

## II Information about geographic segment

### Revenue from external customers

Particulars	As at March 31, 2021	As at March 31, 2020
India	3,116.12	3,762.23
Outside India	1,675.13	1,969.08
<b>Total</b>	<b>4,791.25</b>	<b>5,731.31</b>

No individual customer contributed more than 10% of Group's total revenue for the year ended March 31, 2021 and March 31, 2020.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## Non-current asset

Particulars	As at March 31, 2021	As at March 31, 2020
India	1,373.80	1,369.18
Outside India	148.01	186.79
<b>Total</b>	<b>1,521.81</b>	<b>1,555.97</b>

## 37 Fair value measurements

### a) Category of financial instruments and valuation techniques

#### Details of financial assets carried at amortised cost

Particulars	As at March 31, 2021	As at March 31, 2020
Trade receivables	1,337.97	1,478.46
Loans	21.85	24.14
Finance lease receivables	72.44	68.18
Other assets	425.25	460.27
Cash and cash equivalents	461.31	254.04
Bank balances other than cash and cash equivalents	1,477.89	227.45
<b>Total</b>	<b>3,796.71</b>	<b>2,512.54</b>
Current assets	3,558.36	2,304.39
Non-current assets	238.35	208.15
<b>Total</b>	<b>3,796.71</b>	<b>2,512.54</b>

The management has assessed that the carrying amounts of the above financial instruments approximate their fair values.

#### Details of financial assets carried at fair value through profit and loss

Particulars	As at March 31, 2021	As at March 31, 2020
Investments	234.46	875.20
<b>Total</b>	<b>234.46</b>	<b>875.20</b>
Current assets	115.25	816.07
Non-current assets	119.21	59.13
<b>Total</b>	<b>234.46</b>	<b>875.20</b>

The fair values of the quoted shares are based on price quotations at the reporting date.



## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### Details of derivative assets

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Derivative instruments</b>		
Cash flow hedges		
Foreign exchange forward contracts	1.66	2.00
Derivative not designated as hedges		
Foreign exchange forward contracts	3.44	2.48
<b>Total</b>	<b>5.10</b>	<b>4.48</b>
Current assets	5.10	4.48
Non-current assets	-	-
<b>Total</b>	<b>5.10</b>	<b>4.48</b>

### Details of financial liabilities carried at amortised cost

Particulars	As at March 31, 2021	As at March 31, 2020
Borrowings	305.06	211.54
Trade payables	1,170.95	999.97
Employee related payables	73.56	67.29
Other liabilities	68.89	62.46
<b>Total</b>	<b>1,618.46</b>	<b>1,341.26</b>
Current liabilities	1,538.68	1,250.28
Non-current liabilities	79.78	90.98
<b>Total</b>	<b>1,618.46</b>	<b>1,341.26</b>

The management has assessed that the carrying amounts of the above financial instruments approximate their fair values.

The Group enters into derivative financial instruments with banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs which captures credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies and currency basis spreads between the respective currencies. The Group has practice to settle all derivative contracts on or before its maturity using the sanctioned finance limits with banks, thereby eliminating both counterparty and the Group's own non-performance risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## Details of derivative liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Derivative instruments</b>		
Cash flow hedges		
Foreign exchange forward contracts	2.70	25.55
Derivative not designated as hedges		
Foreign exchange forward contracts	2.84	10.68
<b>Total</b>	<b>5.54</b>	<b>36.23</b>
Current liabilities	5.54	36.23
Non-current liabilities	-	-
<b>Total</b>	<b>5.54</b>	<b>36.23</b>

## b) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2021

Particulars	Date of valuation	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Investments					
Equity instruments	March 31, 2021	0.16	-	-	0.16
Mutual funds	March 31, 2021	-	234.30	-	234.30
Derivative financial assets	March 31, 2021	-	5.10	-	5.10
<b>Financial liabilities</b>					
Derivative financial liabilities	March 31, 2021	-	5.54	-	5.54

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2020

Particulars	Date of valuation	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Investments					
Equity instruments	March 31, 2020	0.08	-	-	0.08
Mutual funds	March 31, 2020	-	875.12	-	875.12
Derivative financial assets	March 31, 2020	-	4.48	-	4.48
<b>Financial liabilities</b>					
Derivative financial liabilities	March 31, 2020	-	36.23	-	36.23

There has been no transfer between level 1 and level 2 during the year and during the previous year.

The fair value of forward contracts is determined using observable inputs, such as currency exchange rates applied to notional amounts stated in the applicable contracts.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## 38 (a) Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise trade and other payables and loans and borrowings. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables and cash and cash equivalents that derive directly from its operations. The Group also holds FVTPL investments and enters into derivative transactions.

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to market risk, credit risk and liquidity risk.

The Group's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No significant changes were made in the risk management objectives and policies during the years ended March 31, 2021 and March 31, 2020. The management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

### I Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

#### a Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not currently exposed significantly to such risk as most of the borrowings are on fixed interest terms.

#### b Foreign currency risk

Foreign exchange risk arises when future commercial transactions and relevant assets and liabilities are denominated in a currency that is not the Group's functional currency. Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk is managed on the basis of limits determined by management and a continuous assessment of current and expected exchange rate movements and entering into derivative contracts that hedge the maximum period of exposure of underlying transactions (i.e. highly probable forecast sales and purchases).

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

#### Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, SEK, EUR and JPY exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives not designated as cash flow hedge and foreign currency derivatives with underlying foreign currency monetary assets/liabilities designated as cash flow hedge. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

Particulars	Impact on profit before tax		Impact on other components of equity	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>USD Sensitivity</b>				
INR/ USD - Increase by 1%	(2.68)	(1.21)	1.68	(0.14)
INR/ USD - Decrease by 1%	2.68	1.21	(1.68)	0.14
<b>SEK Sensitivity</b>				
INR/ SEK - Increase by 1%	0.10	0.35	0.02	0.09
INR/ SEK - Decrease by 1%	(0.10)	(0.35)	(0.02)	(0.09)
<b>EUR Sensitivity</b>				
INR/ EUR - Increase by 1%	0.53	0.43	0.20	0.71
INR/ EUR - Decrease by 1%	(0.53)	(0.43)	(0.20)	(0.71)
<b>JPY Sensitivity</b>				
INR/ EUR - Increase by 1%	0.07	-	-	-
INR/ EUR - Decrease by 1%	(0.07)	-	-	-

Favourable impact shown as positive and adverse impact as negative.

The exposure to other foreign currencies is not significant to the Group's financial statements.

## c Price risk

The Group's investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. These securities are unquoted. The Group manages the price risk through diversification and by placing limits on individual and total equity/mutual fund instruments. Further, the price risk is also mitigated by switching the investment portfolio between investment in equity/mutual fund instruments and investments in bank deposits. Reports on the investment portfolio are submitted to the Group senior management on a regular basis.

The Holding Company's Board of Directors reviews and approves all equity investment decisions. The Company is not currently exposed significantly to such risk

## II Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables, lease assets and contract assets) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

### Trade receivables / contract assets / lease receivable

Customer credit risk is managed by each business unit. An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous group and assessed for impairment collectively. The calculation is based on losses as per historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in notes 7, 9(b) and 32 above. The charge of impairment to Statement of profit and loss is disclosed in note 28 above. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

### Financial instruments and bank deposits

Credit risk from balances with banks, mutual funds, loans and other financial assets are managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties having a good market reputation and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

The Group's maximum exposure to credit risk for bank balances and deposits as at March 31, 2021 and March 31, 2020 is the carrying amounts as disclosed in Note 9(a) and 13, maximum exposure relating to financial derivative instruments disclosed in notes 9(b) and 18(b) to the financial statements.

### III Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The management monitors rolling forecasts of the Group's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at operating segments level in the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting future cash flows and considering the level of liquid assets necessary to meet these and monitoring balance sheet liquidity ratios against internal requirements.

#### (i) Maturities of financial liabilities

The tables below summarises the Group's financial liabilities into relevant maturity profile based on contractual undiscounted payments :

March 31, 2021	< 1 year	1 to 3 years	> 3 years	Total
<b>Non-derivative</b>				
Borrowings				
Loans	282.90	12.45	9.71	305.06
Trade Payables	1,138.01	32.94	-	1,170.95
Other financial liabilities				
Current maturities of long-term borrowings	12.36	-	-	12.36
Lease obligation	3.86	6.87	1.35	12.08
Unpaid dividend	0.89	-	-	0.89
Other payables	100.66	5.31	24.13	130.10
<b>Derivatives (net settled)</b>				
Foreign exchange forward contracts	5.54	-	-	5.54

March 31, 2020	< 1 year	1 to 3 years	> 3 years	Total
<b>Non-derivative</b>				
Borrowings				
Loans	178.15	20.76	12.63	211.54
Trade Payables	960.24	39.73	-	999.97
Other financial liabilities				
Current maturities of long-term borrowings	18.75	-	-	18.75
Lease obligation	4.53	5.89	3.79	14.21
Interest accrued but not due on loans	0.09	-	-	0.09
Unpaid dividend	0.97	-	-	0.97
Other payables	87.55	1.10	7.08	95.73
<b>Derivatives (net settled)</b>				
Foreign exchange forward contracts	36.23	-	-	36.23

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## 38 (b) Hedging activities and derivatives

### Cash flow hedges

#### Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales in EUR, USD, SEK, and forecast purchases in USD, JPY and SEK. These forecast transactions are highly probable, and fully cover the Group's expected future sales and future purchases based on the orders received.

While the Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

Particulars	March 31, 2021		March 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Fair Value of Foreign exchange forward contracts designated as hedging instruments	5.10	(4.38)	4.48	(34.75)

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arise requiring recognition through profit or loss. Notional amounts of hedged instruments mentioned as assets for export transaction and as liabilities for import transactions, are as mentioned below.

Particulars	March 31, 2021		March 31, 2020	
	Assets	Liabilities	Assets	Liabilities
<b>Cash flow hedge</b>				
Foreign exchange forward contracts	304.44	24.58	709.04	(40.99)
<b>Derivatives not designated as hedges</b>				
Foreign exchange forward contracts	558.33	151.18	381.54	(84.39)

All the derivative contracts expire in next 12 months.

The cash flow hedges of the expected future sales and purchases were assessed to be highly effective and following net unrealised gain / (loss) with a deferred tax asset/ (liability) relating to the hedging instruments, is included in OCI.

Particulars	March 31, 2021		March 31, 2020	
	Expected future sales	Expected future purchase	Expected future sales	Expected future purchase
Unrealised gain/ (loss)	0.35	(0.25)	(12.76)	11.88
Deferred tax asset/ (liability)	(0.09)	0.06	3.21	(2.99)
	<b>0.26</b>	<b>(0.19)</b>	<b>(9.55)</b>	<b>8.89</b>

The amounts retained in OCI at March 31, 2021 are expected to mature and affect the statement of profit and loss during the year ended March 31, 2022.

Reclassifications to profit or loss during the year gains or losses included in OCI are shown in Note 30.

## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### Interest rate swap (cash flow hedge)

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

The carrying value of interest rate swap at the end of the reporting year are as follows:

Particulars	March 31, 2021		March 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	-	(1.16)	-	(1.48)

The nominal value of interest rate swap are:

Particulars	March 31, 2021		March 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	-	(8.23)	-	(9.07)

### 39 Capital Management

The Group's objective for capital management is to maximise long term shareholder value, safeguard business continuity and support the growth of the Group. The Group determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through equity and operating cash flows generated. No changes were made in the objectives, policies or processes during the years ended March 31, 2021 and March 31, 2020. Capital represents equity attributable to equity holders of the Parent Company.

Particulars	As at March 31, 2021	As at March 31, 2020
Borrowings	305.06	211.54
Trade payables	1,170.95	999.97
Book overdraft	1.73	7.67
Less: Cash and cash equivalents (includes deposits with maturity of more than 3 months but less than 12 months)	(1,939.20)	(481.49)
<b>Net (surplus) / debt</b>	<b>(461.46)</b>	<b>1,700.67</b>
Equity	3,251.39	3,027.90
<b>Capital and net debt</b>	<b>2,789.93</b>	<b>4,728.57</b>
<b>Gearing ratio</b>	<b>NA</b>	<b>1 : 2.78</b>

### 40 Exceptional Items

Particulars	Note	March 31, 2021	March 31, 2020
Impairment of Goodwill related to Thermax Netherlands B.V. group #	4(c)	32.88	-
Voluntary Retirement Scheme ##		9.15	-
Impairment of certain assets of Boilerworks A/S *	4 (a) & (c)	8.82	-
Provision for closure of Omnicall Kessel & Apparatebau GmbH, Germany ^		1.68	-
<b>Total</b>		<b>52.53</b>	<b>-</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

# Item pertains to impairment of goodwill for Rs. 32.88 related to the stepdown subsidiary of Thermax Netherlands B.V. (i.e. Thermax Denmark ApS).

## The Group as on October 05, 2020 announced a Voluntary Retirement Scheme (VRS) for its eligible employees. The amount of scheme benefits payable to employees who opted for it is Rs. 9.15 (March 31,2020 : Rs Nil). The outstanding amount of scheme benefits payable to employees as on March 31, 2021 is Rs. 7.44 (March 31,2020 : Rs Nil).

\* Impairment of certain assets of Boilerworks A/S (Denmark) of Rs. 8.82 on account of discontinuation of service operations.

^ The Group has made provision for closure of Omnicl Kessel & Apparatebau GmbH, Germany Rs. 1.68.

## 41 Impact of COVID-19

The Group has considered the possible effects that may result from COVID-19 in the preparation of these financial statements including the recoverability of carrying amounts of financial and non-financial assets. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of COVID-19, the Group has, at the date of approval of the financial statements, used internal and external sources of information and expects that the carrying amount of the assets will be recovered. The impact of COVID-19 on the Group's financial statements may differ from that estimated as at the date of approval of the same.

## 42 Code on Social Security, 2020

The Code on Social Security, 2020 ('Code') relating to employee benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India, however, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued by the Government of India. The Group will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.



## Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

### 43 Additional information required by Schedule III

**Disclosure of additional information pertaining to the parent company, and its subsidiaries:  
For the year ended March 31, 2021**

Name of the Entity	Net Assets (Total assets- otal liabilities)		Share in Profit and loss (PAT)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
	As a % of consolidated net assets	Amount	As a % of consolidated net assets	Amount	As a % of consolidated net assets	Amount	As a % of consolidated net assets	Amount
<b>Parent Company</b>								
Thermax Limited	88.56%	2,879.43	68.26%	141.01	5.14%	0.87	63.48%	141.88
<b>Indian subsidiaries</b>								
Thermax Babcock & Wilcox Energy Solutions Private Limited	14.01%	455.51	13.50%	27.88	52.22%	8.83	16.43%	36.71
Thermax Onsite Energy Solutions Limited	2.93%	95.40	5.41%	11.18	(0.24%)	(0.04)	4.98%	11.14
Thermax Instrumentation Limited	1.22%	39.67	3.76%	7.76	(4.67%)	(0.79)	3.12%	6.97
Thermax Engineering Construction Co. Ltd.	0.57%	18.55	-0.16%	(0.34)	(4.55%)	(0.77)	(0.50%)	(1.11)
Thermax Cooling Solutions Limited (formerly known as Thermax SPX Energy Technologies Ltd)	0.15%	4.88	0.02%	0.05	(0.41%)	(0.07)	(0.01%)	(0.02)
Thermax Sustainable Energy Solutions Limited	(0.12%)	(3.83)	0.76%	1.58	-	-	0.71%	1.58
First Energy Private Limited	(0.63%)	(20.49)	(1.03%)	(2.13)	0.00%	-	(0.95%)	(2.13)
<b>Foreign subsidiaries</b>								
Thermax Engineering Singapore Pte. Ltd.	3.48%	113.14	(17.88%)	(36.93)	-	-	(16.52%)	(36.93)
PT Thermax International Indonesia	2.16%	70.07	(6.98%)	(14.42)	(0.12%)	(0.02)	(6.46%)	(14.44)
Thermax Inc.	2.05%	66.74	5.91%	12.20	-	-	5.46%	12.20
Thermax Europe Limited	1.96%	63.70	1.81%	3.73	-	-	1.67%	3.73
Thermax Netherlands B.V.	0.30%	9.84	(39.34%)	(81.26)	-	-	(36.36%)	(81.26)
Thermax Denmark ApS (Consol.)	0.40%	13.11	(22.98%)	(47.47)	(4.26%)	(0.72)	(21.56%)	(48.19)
Thermax International Limited	0.17%	5.68	(2.98%)	(6.16)	-	-	(2.76%)	(6.16)
Thermax Energy and Environment Lanka (Pvt) Limited	0.19%	6.17	0.12%	0.24	-	-	0.11%	0.24
Rifox-Hans Richter GmbH Spezialarmaturen	0.21%	6.67	0.44%	0.91	-	-	0.41%	0.91
Thermax Energy & Environment Philippines Corporation	0.15%	4.86	(0.00%)	(0.01)	-	-	(0.00%)	(0.01)
Thermax Engineering Construction FZE	0.46%	15.04	4.78%	9.88	-	-	4.42%	9.88
Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. #	0.00%	-	(0.27%)	(0.56)	-	-	(0.25%)	(0.56)
Thermax Sdn.Bhd	0.04%	1.43	0.03%	0.07	-	-	0.03%	0.07
Thermax Nigeria Limited	0.03%	1.11	0.16%	0.33	-	-	0.15%	0.33
Thermax Senegal S.A.R.L ^	0.00%	-	(0.05%)	(0.11)	-	-	(0.05%)	(0.11)
Thermax do Brasil-Energia e Equipamentos Ltda.	0.01%	0.43	0.02%	0.04	-	-	0.02%	0.04
Thermax (Thailand) Limited	0.02%	0.66	(0.11%)	(0.22)	-	-	(0.10%)	(0.22)
<b>Controlled Trusts</b>								
ESOP Trust and Employee Welfare Trusts	3.70%	120.38	2.23%	4.60	-	-	2.06%	4.60
Consolidation Adjustments	(22.04%)	(716.76)	84.58%	174.73	56.89%	9.62	82.49%	184.35
<b>Total</b>	<b>100.00%</b>	<b>3,251.39</b>	<b>100.00%</b>	<b>206.58</b>	<b>100.00%</b>	<b>16.91</b>	<b>100.00%</b>	<b>223.49</b>

Thermax International Tanzania Limited has been incorporated on December 7, 2019. Hence, not included in above statement.

Enernxt Private Limited has been incorporated on January 5, 2021. Hence, not included in above statement.

^ Thermax Senegal S.A.R.L, subsidiary handed over to liquidator for liquidation, hence consolidated up to the date of loss of control..

# The subsidiary was liquidated on March 02, 2021, hence consolidated up to the date of liquidation.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2021

(All amounts are in Rupees Crores except per share data and unless stated otherwise)

## Disclosure of additional information pertaining to the parent company, and its subsidiaries: For the year ended March 31, 2020

Name of the Entity	Net Assets (Total assets- total liabilities)		Share in Profit and loss (PAT)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
	As a % of consolidated net assets	Amount	As a % of consolidated net assets	Amount	As a % of consolidated net assets	Amount	As a % of consolidated net assets	Amount
<b>Parent Company</b>								
Thermax Limited	90.41%	2,737.54	100.73%	214.00	150.11%	(13.18)	98.60%	200.82
<b>Indian subsidiaries</b>								
Thermax Babcock & Wilcox Energy Solutions Private Limited	13.83%	418.80	0.29%	0.61	63.44%	(5.57)	(2.44%)	(4.96)
Thermax Onsite Energy Solutions Limited	2.00%	60.62	5.95%	12.65	0.34%	(0.03)	6.20%	12.62
Thermax Instrumentation Limited	1.44%	43.50	3.85%	8.17	(11.85%)	1.04	4.52%	9.21
Thermax Engineering Construction Co. Ltd.	1.31%	39.66	2.99%	6.35	(0.46%)	0.04	3.14%	6.39
Thermax Cooling Solutions Limited (formerly known as Thermax SPX Energy Technologies Ltd)	0.16%	4.90	2.25%	4.79	0.23%	(0.02)	2.34%	4.77
Thermax Sustainable Energy Solutions Limited	(0.18%)	(5.41)	(0.74%)	(1.58)	-	-	(0.78%)	(1.58)
First Energy Private Limited	(0.61%)	(18.35)	(4.93%)	(10.47)	(1.25%)	0.11	(5.09%)	(10.36)
<b>Foreign subsidiaries</b>								
Thermax Engineering Singapore Pte. Ltd.	4.80%	145.32	(0.48%)	(1.01)	-	-	(0.50%)	(1.01)
PT Thermax International Indonesia	2.32%	70.16	(2.55%)	(5.41)	(0.23%)	0.02	(2.65%)	(5.39)
Thermax Inc.	1.87%	56.54	1.85%	3.92	-	-	1.92%	3.92
Thermax Europe Limited	1.84%	55.72	0.46%	0.98	-	-	0.48%	0.98
Thermax Netherlands B.V.	1.26%	38.15	(0.26%)	(0.55)	-	-	(0.27%)	(0.55)
Thermax Denmark ApS (Consol.)	1.17%	35.33	(11.66%)	(24.78)	19.13%	(1.68)	(12.99%)	(26.46)
Thermax International Limited	0.39%	11.79	0.37%	0.79	-	-	0.39%	0.79
Thermax Energy and Environment Lanka (Pvt) Limited	0.21%	6.45	0.12%	0.25	-	-	0.12%	0.25
Rifox-Hans Richter GmbH Spezialarmaturen	0.18%	5.60	0.56%	1.20	-	-	0.59%	1.20
Thermax Energy & Environment Philippines Corporation	0.16%	4.81	0.04%	0.08	-	-	0.04%	0.08
Thermax Engineering Construction FZE	0.16%	4.73	2.09%	4.44	-	-	2.18%	4.44
Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd.	0.07%	2.16	(2.33%)	(4.95)	-	-	(2.43%)	(4.95)
Thermax Sdn.Bhd	0.04%	1.35	0.06%	0.12	-	-	0.06%	0.12
Thermax Nigeria Limited	0.03%	0.87	(0.01%)	(0.02)	-	-	(0.01%)	(0.02)
Thermax Senegal S.A.R.L	0.02%	0.54	(0.59%)	(1.25)	-	-	(0.61%)	(1.25)
Thermax do Brasil-Energia e Equipamentos Ltda.	0.01%	0.43	0.04%	0.08	-	-	0.04%	0.08
<b>Controlled Trusts</b>								
ESOP Trust and Employee Welfare Trusts	3.82%	115.78	5.62%	11.95	-	-	5.87%	11.95
Consolidation Adjustments	(26.72%)	(809.07)	(3.72%)	(7.91)	(119.48%)	10.49	1.27%	2.58
<b>Total</b>	<b>100%</b>	<b>3,027.90</b>	<b>100%</b>	<b>212.45</b>	<b>100%</b>	<b>(8.78)</b>	<b>100%</b>	<b>203.67</b>

Thermax International Tanzania Limited has been incorporated on December 7, 2019. Hence, not included in above statement.

Thermax (Thailand) Limited has been incorporated on March 9, 2019. Hence, not included in above statement.

### For and on behalf of the Board of Directors of Thermax Limited

#### For S R B C & CO LLP

Chartered Accountants  
ICAI Firm Reg No. 324982E/E300003

#### per Tridevjal Khandelwal

Partner  
Membership No. 501160

Place: Pune  
Date: May 25, 2021

#### Meher Pudumjee

Chairperson  
DIN: 00019581

#### Rajendran Arunachalam

Executive Vice President and Group  
Chief Financial Officer

Place: Pune  
Date: May 25, 2021

#### Ashish Bhandari

Managing Director and CEO  
DIN: 05291138

#### Kedar Phadke

Company Secretary

## FORM AOC- I

### Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014.

#### Part "A" : Subsidiaries

(₹ in Crore)

Particulars	Reporting Period	Date of acquisition	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit Before Tax	Provision for tax	Profit After Tax	Proposed Dividend	% of Share Holding	Reporting Currency	Exchange Rate as on 31st March 2021
Thermax Sustainable Energy Solutions Ltd.	2020-21		4.75	(8.58)	0.24	4.07	-	-	1.58	-	1.58	-	100.00	INR	
Thermax Engineering Construction Co. Ltd.	2020-21		4.50	14.05	24.32	5.77	0.01	2.17	0.31	0.65	(0.34)	20.00	100.00	INR	
Thermax Instrumentation Ltd.	2020-21		9.00	30.67	136.22	96.55	-	116.23	13.77	6.01	7.76	10.80	100.00	INR	
Thermax Onsite Energy Solutions Ltd.	2020-21		42.28	53.12	169.35	73.95	-	116.79	15.18	4.00	11.18	-	100.00	INR	
First Energy Private Limited	2020-21	31-Aug-16	13.47	(33.95)	3.41	23.90	0.34	1.93	(2.13)	-	(2.13)	-	100.00	INR	
Thermax International Ltd. (Mauritius)	2020-21		25.17	(18.95)	9.91	3.70	4.67	-	(6.16)	-	(6.16)	-	100.00	USD	73.11
Thermax Europe Ltd. (U.K.)	2020-21		2.01	61.68	71.39	7.69	-	64.77	4.61	0.88	3.73	-	100.00	GBP	100.73
Thermax Inc. (U.S.A.)	2020-21		3.66	63.09	97.31	30.56	-	154.09	15.66	3.45	12.20	-	100.00	USD	73.11
Thermax do Brasil Energia e Equipamentos Ltda. (Brazil)	2020-21		1.41	(0.98)	0.46	0.03	-	0.14	0.04	-	0.04	-	100.00	Brazilian Real	12.98
Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. (China)#	2 020		121.64	(119.75)	1.90	-	-	0.11	(1.42)	-	(1.42)	-	100.00	Yuan	11.16
Thermax Denmark ApS.	2020-21		149.89	(128.10)	164.07	142.28	71.14	-	(46.11)	(1.51)	(44.60)	-	100.00	DKK	11.53
Thermax Netherlands BV.	2020-21		263.65	(248.60)	15.90	0.85	14.89	-	(81.26)	-	(81.26)	-	100.00	EUR	85.74
Danstoker A/S	2020-21	1-Oct-10	11.53	37.93	144.82	105.73	24.10	173.07	(8.94)	(0.23)	(8.71)	-	100.00	DKK	11.53
Ejendomsanp-artsselskabet Industrivej Nord 13	2020-21	1-Oct-10	0.23	31.82	63.88	31.82	10.84	-	3.37	0.70	2.67	-	100.00	DKK	11.53
Boilerworks A/S	2020-21		0.58	(5.19)	19.26	23.87	-	66.90	(10.80)	(1.86)	(8.94)	-	100.00	DKK	11.53
Boilerworks Properties ApS	2020-21		0.12	10.72	11.53	0.69	-	-	-	-	-	-	100.00	DKK	11.53
Rifox-Hans Richter GmbH Spezialarmaturen	2020-21	1-Apr-12	6.14	0.53	14.07	7.39	-	23.93	0.91	-	0.91	-	100.00	EUR	85.74
Thermax SDN.BHD	2020-21		0.88	0.55	1.78	0.35	-	2.42	0.14	0.07	0.07	-	100.00	Malaysian Ringet	17.64
Thermax Engineering Singapore Pte. Ltd	2020-21		168.04	(37.87)	131.87	1.71	120.19	-	(36.93)	-	(36.93)	-	100.00	USD	73.11
PT Thermax International Indonesia	2020-21		130.78	(60.78)	125.37	55.37	-	52.23	(14.42)	0.00	(14.42)	-	100.00	Indonesian Rupiah	0.0050
Thermax Senegal S.A.R.L#	2020		1.35	(0.80)	1.40	0.84	-	-	(1.47)	-	(1.47)	0.96	100.00	Central African Franc	0.13
Thermax Energy and Environment Philippines Corporation	2020-21		7.40	(2.52)	5.50	0.63	-	1.62	0.03	0.04	(0.01)	-	100.00	PHP	1.51
Thermax Nigeria Limited	2020-21		0.96	0.15	1.33	0.21	-	1.59	0.43	0.11	0.33	-	100.00	NGN	0.19
Thermax Energy and Environment Lanka (pvt) Limited	2020-21	8-Aug-17	5.65	0.52	6.24	0.07	-	0.65	0.28	0.04	0.24	-	100.00	LKR	0.37
Thermax Babcock & Wilcox Energy Solutions Pvt Ltd	2020-21		628.22	(86.27)	1,543.92	1,001.97	0.00	1,229.95	17.98	8.97	9.01	-	100.00	INR	
Thermax Cooling Solutions Limited (formerly known as Thermax SPX Energy Technologies Ltd)	2020-21		20.00	(15.12)	28.83	23.95	-	62.88	0.05	-	0.05	-	100.00	INR	
Thermax Engineering Construction FZE	2020-21		0.73	14.31	18.64	3.61	-	22.35	9.88	-	9.88	-	100.00	USD	73.11
Danstoker Poland Spółka Z Ograniczona Odpowiedzialnoscia	2020-21	4-May-17	0.93	6.30	63.37	56.15	-	47.70	(5.77)	(0.96)	(4.81)	-	100	PLN	18.53
Thermax (Thailand) Limited	2020-21		0.88	(0.22)	0.79	0.13	-	0.06	(0.22)	-	(0.22)	-	100.00	THB	2.34

**Notes :**

- i) The reporting period of Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. (China) and Thermax Senegal S.A.R.L is 2020, A31 whereas the same for all other subsidiaries is 2020-21
- ii) 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.
- iii) Thermax Hong Kond Ltd. has been closed on September 11, 2020. Hence, not included in the above statement
- iv) Balance sheet figures of foreign subsidiaries are converted at an exchange rate prevailing on closing day of the financial year of the subsidiary for the purpose of this statement
- v) Statement of Profit and Loss figures of foreign subsidiaries are converted at an average exchange rate of the subsidiary for the purpose of this statement  
# For the year ended December 31, 2020  
# Exchange rates as on December 31, 2020
- vi) Thermax International Tanzania Limited has been incorporated on December 7, 2019. Hence, not included in above statement.
- vii) Enerntx Private Limited has been incorporated on January 5, 2021. Hence, not included in above statement.

## Part “B” : Associates and Joint Ventures

### Statement pursuant to section 129(3) of the companies Act 2013 related to Associate companies and joint ventures

(₹ in Crore)

	Particulars
1	Latest Audited Balance Sheet Date
2	Date of acquisition*
3	Shares of Joint Ventures held by the Company on the year end
	i) Number
	ii) Amount of Investment in Joint Venture
	iii) Extent of Holding %
4	Description of how there is significant influence
5	Reason why the joint venture is not consolidated
6	Net Worth attributable to shareholding as per latest Balance Sheet
7	Profit/Loss for the year#
	i) Considered in Consolidation
	ii) Not considered in Consolidation

N.A.

For and on behalf of the Board of Directors of Thermax Limited

**Meher Pudumjee**

Chairperson  
DIN: 00019581

**Ashish Bhandari**

Managing Director and CEO  
DIN: 05291138

**Rajendran Arunachalam**

Executive Vice President and  
Group Chief Financial Officer

**Kedar Phadke**

Company Secretary

Place : Pune  
Date : May 25, 2021