

# DIRECTORS' REPORT

## Dear Shareholder,

Your directors are pleased to present the Fortieth Annual Report, together with the audited financial statements of your company for the year ended March 31, 2021.

## Financial Results

(Rs. in crore)

Particulars	Standalone		Consolidated	
	FY 2020-21	FY 2019-20	FY 2020-21	FY 2019-20
Total revenue	3,131.00	3,215.00	4,791.00	5,731.00
Profit before finance cost and depreciation and tax	358.51	317.88	462.93	506.18
Finance cost and depreciation	72.56	67.84	135.21	131.65
Profit before tax and exceptional items	285.95	250.04	327.72	374.53
Exceptional items	(103.03)	(14.89)	(52.53)	NIL
Profit before tax but after exceptional items	182.92	235.15	275.19	374.53
Provision for taxation (incl. deferred tax)	41.90	73.76	68.61	162.08
Profit after tax from continuing operations	141.02	161.39	206.58	212.45
Profit after tax from discontinuing operations	-	52.60	NA	NA
Other comprehensive income	0.87	(13.16)	16.91	(8.78)
Total comprehensive income	141.89	200.83	223.49	203.67
Total equity	2,879.38	2,737.49	3,251.39	3,027.90
Earnings Per Share (EPS) (Rs.) face value per share Rs. 2/- from continuing operations	11.83	13.54	18.34	18.87
Earnings Per Share (EPS) (Rs.) face value per share Rs. 2/- from continuing and discontinuing operations	11.83	17.95	18.34	18.87

## Annual Performance

Your company, on a standalone basis, posted a revenue of Rs. 3,131 crore for the financial year 2020-21, against last year's revenue of Rs. 3,215 crore. Revenue from exports was up 3% at Rs. 791 crore (Rs. 759 crore). Order booking from continuing operations stood at Rs. 3,079 crore, lower by 24% as compared to Rs. 4,058 crore in the previous year.

On a consolidated level, the group revenue was at Rs. 4,791 crore (Rs. 5,731 crore). The group's international business was lower by 15% at Rs. 1,675 crore (Rs. 1,969 crore). Consolidated order booking for FY 2020-21 reduced by 13% to Rs. 4,784 crore (Rs. 5,498 crore). Order booking in international markets at Rs. 1,363 crore was lower by 7% and accounted for 28.5% of the consolidated figure as compared to Rs. 1,470 crore last year (26.7%).

Considering the market condition and performance of step-down subsidiaries, an impairment of Rs. 97.17 crore has been recorded for Danstoker A/S (Denmark), subsidiary of Thermax Netherlands B.V. (Rs. 74.68 crore) and PT Thermax International Indonesia, subsidiary of Thermax Engineering Singapore PTE. Ltd. (Rs. 22.49 crore) - the same have been shown as exceptional items in the standalone results. During the year, the company announced a Voluntary Retirement Scheme for employees, an expense of Rs. 5.86 crore has been accounted as an exceptional item. Profit after tax and exceptional items from continuing operations stood at Rs. 141 crore, compared to Rs. 161 crore in the previous year. EPS was at Rs. 11.83 (Rs. 13.54).

## COVID-19

Measures taken by the company for COVID relief are covered in the Integrated Report.

## Dividend

The Board of Directors has recommended a dividend of Rs. 7/- (350%) per equity share of face value of Rs. 2/- each for the year ended March 31, 2021. The dividend is subject to the approval of members at the ensuing annual general meeting. In view of the changes made under the Income-tax Act, 1961, by the Finance Act, 2020, dividends paid or distributed by the Company shall be taxable in the hands of the Shareholders. Your company shall, accordingly, make the payment of the dividend after deduction of tax at the source.

## Transfer to Reserve

The closing balance of the retained earnings of the company for FY 2020-21, after all appropriation and adjustments

was Rs. 2,313 crore. During the year, the company has not transferred any amount to General Reserve.

## Share Capital

The paid up equity share capital of the company was Rs. 23.83 crore as on March 31, 2021. There was no public/preferential rights or bonus issued during the year. The company has neither issued any shares with differential voting rights, sweat equity shares, nor has it granted any stock options.

## Subsidiaries

Annual accounts of the subsidiary companies and related detailed information are available to the shareholders of the holding and subsidiary companies as well as to the statutory authorities. On request, these documents will be made available for inspection at the company's corporate office.

The report on the growth trends and outlook of those subsidiaries which impact your company's performance reasonably are captured in the Management Discussion and Analysis section of this report.

## Information on Newly Incorporated Subsidiaries and Acquisition during the Year

The company has set up a step-down subsidiary company through a wholly owned subsidiary of the company, Thermax Onsite Energy Solutions Limited (TOESL) named Enerxnt Private Limited, which was incorporated on January 5, 2021, for starting the Bio-CNG business of TOESL.

During the year, the company has acquired the remaining 24% stake in First Energy Private Limited (FEPL) effective December 21, 2020. Accordingly, the equity shareholding of the company in FEPL stands increased from 76% to 100%. Post this acquisition, FEPL is a wholly owned subsidiary of the company.

During the year, the company has approved the voluntary liquidation of Thermax Sustainable Energy Solutions Limited (TSES), a wholly owned subsidiary of the company under the Insolvency and Bankruptcy Code, 2016, which commenced on April 5, 2021.

The company has approved the liquidation and writing off of investments in its step-down wholly owned subsidiaries Thermax Hong Kong Limited (THKL) and Thermax (Zhejiang) Cooling and Heating Engineering Company Ltd. (TZL China) on March 17, 2021.

## Management Discussion and Analysis

The Management Discussion and Analysis section, highlighting the performance of the company's energy, environment and chemical segments, including details of select subsidiaries, information on the company's health, safety and environment measures, human resources, risk management and internal controls, is on page no. 20.

## Corporate Governance Report

A detailed Corporate Governance Report regarding SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 which also includes disclosures required as per Sections 134 and 177 of the Companies Act, 2013, is attached as Annexure 1 on page no. 72.

A certificate from the statutory auditors of the company regarding compliance with the conditions of corporate governance as required under Schedule V of the Listing Regulations is a part of this report.

## Integrated Report

An Integrated Report encompassing both financial and non-financial information enabling the company's diverse stakeholders to make well informed decisions and have a better understanding of the company's long term perspective is on page no. 1.

## Secretarial Standards

The company has complied with the revised Secretarial Standards on meetings of the Board of Directors (SS-1) and Secretarial Standards on general meetings (SS-2).

## Business Responsibility Report

In terms of the Listing Regulations, Business Responsibility Report describing the initiatives taken by the company from environmental, social and governance perspectives is enclosed as Annexure 2 on page no. 91.

## Vigil Mechanism/Whistle Blower Policy

The company has a vigil mechanism named 'Whistle Blower Policy' to deal with instances of fraud and mismanagement if any. The details of the policy are provided in the Corporate Governance Report and also posted on the website of the company: [www.thermaxglobal.com](http://www.thermaxglobal.com).

## Employee Strength

The total number of permanent employees on the rolls of

the company as on March 31, 2021, was 3,034 compared to 3,325 employees in the previous year. At group level, the total number of permanent employees are 3,627 compared to 3,601 employees in the previous year.

## Industrial Relations

The overall industrial relations at all the locations were amicable. The company has signed three years wage settlement with the union at Chinchwad which is up to April 30, 2022. The discussion on wage settlement with the union at Paudh is under discussion. The wage settlement at the Savli plant was signed for five years, and it will be in force up to March 31, 2022. During last year's COVID period, the union at Chinchwad came forward and offered salary cut of 4% for four months. Similarly, the union at Savli also deferred their settlement benefit by two months. This was a unique and rare gesture on the part of the union in any manufacturing set up.

During the year, the company approved a Voluntary Retirement Scheme for all eligible employees of the group who have completed 10 years of service with the company or aged more than 40 years. 46 employees opted for the Voluntary Retirement Scheme of the company involving a total payout of Rs. 10.96 crore over a period of five years.

## Particulars of Employees

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, duly amended, in respect of employees of the company, will be provided upon request. In terms of Section 136 of the Act, the Annual Report excluding the aforesaid information is being sent to all the members and others entitled to receive it. Any shareholder interested in obtaining such particulars may write to the company secretary.

## Details of Trusts for the Benefit of Employees

### a) ESOP and Welfare Trust

The company has a Thermax Employees ESOP and Welfare Trust which holds 29,06,250 equity shares of Rs. 2/- each of the company.

The trust has not entered into any transaction of buying or selling of shares in the secondary market.

The company, at present, does not have any ESOP scheme under this trust.

## b) Employee Welfare Trusts

The company has various Employee Welfare Trusts primarily for providing medical and educational aid to its employees and their families. These trusts presently hold 36,35,190 equity shares of Rs. 2/- each of the company. None of the trusts had any dealings in the secondary market.

The relevant disclosures as required under the SEBI (Share based Employee Benefits) Regulations, 2014 on Employee Welfare Trusts are available on the company's website: [www.thermaxglobal.com](http://www.thermaxglobal.com).

## Disclosure: Anti-Sexual Harassment Policy

The company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. All employees (permanent, contractual, temporary and trainees) are covered under this policy. To build awareness in this area, the company has been carrying out online induction/refresher programmes across the organisation on a periodical basis.

An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment under the provisions of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.

The following is a summary of sexual harassment complaints received and disposed of during the year 2020-21:

- Number of complaints received – Nil
- Number of complaints disposed of – NA

## Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The information on the conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014, is provided as Annexure 3 on page no. 96.

## Corporate Social Responsibility Initiatives

As a part of its initiatives under Corporate Social Responsibility (CSR), the company has undertaken projects mainly in the area of education. The projects are in accordance with Schedule VII of the Companies Act, 2013. Since 2007, CSR initiatives have been undertaken through Thermax Foundation. The detailed report on CSR is provided

in the Social and Relationship Capital on page no. 48.

The details of the CSR Committee and CSR Policy are available on the company's website: [www.thermaxglobal.com](http://www.thermaxglobal.com).

The Annual Report on CSR Activities and CSR Policy is provided as Annexure 4 on page no. 98.

## Directors and Key Managerial Personnel

The Board of Directors of the company as on March 31, 2021 comprised nine directors, of which six are independent directors. All independent directors of the company have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 (the Act), and the Listing Regulations.

All independent directors except Dr. Valentin von Massow have obtained registration certificates pursuant to provisions of section 150(3) of the Companies Act, 2013, read with Rule 6 of the Companies (Appointment and Qualification of Directors) Amendment Rules, 2020, from the Indian Institute of Corporate Affairs. Necessary application has been made to the MCA for condonation of delay for registration of Dr. Valentin von Massow with the ID databank.

Pursuant to the provisions of Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014, every individual whose name is included in the data bank shall pass an online proficiency self-assessment test. However, an individual who has fulfilled the criteria prescribed in Rule 6(4) of the said Rules, is exempted from passing the online proficiency self-assessment test. In view of the same, none of the independent directors was required to take the proficiency self-assessment test. The Board, at its meeting held on May 12, 2021, has reviewed the declarations received from all the independent directors and has confirmed that the independent directors fulfil the criteria laid down by requisite regulations and are independent of the management. Based on these disclosures and confirmations, the Board is of the opinion that the directors of the company are eminent persons with integrity and have the necessary expertise and experience to continue to discharge their responsibilities as directors of the company.

Further, pursuant to the provisions of the Companies Act, 2013, the shareholders in the 36<sup>th</sup> AGM of the company held on August 8, 2017, appointed Harsh Mariwala (DIN:00210342) as an independent director of the company to hold office for five consecutive years up to November 9, 2021. Mr. Mariwala is eligible for re-appointment as an Independent Director for another term of five consecutive years. According to the provisions of the Companies Act, 2013, and based on the recommendation of the Nomination

and Remuneration Committee, the Board has recommended the re-appointment of Mr. Mariwala as an Independent Director for another term of five consecutive years with effect from November 10, 2021, up to November 9, 2026, for the approval of the members through a special resolution to be passed at the 40<sup>th</sup> AGM of the company. His brief profile and other details as required under the Companies Act, 2013 and Listing Regulations pertaining to his re-appointment, are provided in the Notice of the 40<sup>th</sup> AGM of the company and the explanatory statement under section 102 of the Companies Act, 2013, annexed to it.

The company has formulated a policy on 'Familiarisation Programme for Independent Directors', which is available on the company's website: [www.thermaxglobal.com](http://www.thermaxglobal.com).

Nawshir Mirza and Rajani Kesari are nominated as Directors on the Board of Thermax Babcock & Wilcox Energy Solutions Private Limited, a material subsidiary of the company.

During the year, M.S. Unnikrishnan, Managing Director and CEO of the company superannuated from the services of the company w.e.f. August 31, 2020. Ashish Bhandari, who was earlier appointed as Joint Managing Director, took charge as the Managing Director and CEO w.e.f. September 1, 2020.

In accordance with the provisions of the Companies Act, 2013, and the company's Articles of Association, Pheroze Pudemjee (DIN: 00019602) retires by rotation at the ensuing AGM and being eligible, offers himself for re-appointment as a Director.

## Meetings

A calendar of meetings is prepared and circulated in advance to the directors.

During the year, six Board Meetings were convened and held, the details of which are given in the Corporate Governance Report.

## Remuneration Policy

The Remuneration Policy details for selection, appointment and remuneration of directors and senior management is given in the Corporate Governance Report, and the said policy is available on the company's website: [www.thermaxglobal.com](http://www.thermaxglobal.com).

## Board Evaluation

Pursuant to the provisions of the Companies Act, 2013, and Listing Regulations, the Board has carried out an annual evaluation of its performance. The details of the

Board/Committee evaluations are given in the Corporate Governance Report.

## Board Diversity

The company recognises and embraces the importance of a diverse Board in its success. It believes that a truly diverse Board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical backgrounds, age, ethnicity, race and gender that will help in retaining its competitive advantage. The Board Diversity Policy adopted by the Board sets out its approach to diversity. The policy is available on the company's website: [www.thermaxglobal.com](http://www.thermaxglobal.com).

## Directors' Responsibility Statement

In terms of Section 134(3)(c) of the Companies Act, 2013, the directors of the company, to the best of their knowledge and belief and according to the information and explanations obtained by them in the normal course of their work, state that, in all material respects:

- a) In the preparation of the annual financial statements for the year ended March 31, 2021, the applicable accounting standards have been followed;
- b) Appropriate accounting policies have been selected, applied consistently and judgment and estimates have been made that are reasonable and prudent to give a true and fair view of the state of affairs of the company as on March 31, 2021, and of the profit of the company for the year ended on that date;
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) The annual financial statements have been prepared on a going concern basis;
- e) Proper internal financial controls were in place and the financial controls were adequate and operating effectively; and
- f) Proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

Please refer to the Internal Controls section of the Management Discussion and Analysis for further details.

## Related Party Transactions

All related party transactions entered into during the financial year were at an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions made by the company with promoters, directors, key managerial personnel or other designated persons, which may have a potential conflict with the interest of the company at large.

All related party transactions are placed before the Audit Committee. Prior omnibus approval of the Audit Committee is obtained annually for transactions that are foreseeable and repetitive. The transactions entered pursuant to the omnibus approval so granted and a statement giving details of all related party transactions are placed before the Audit Committee for their approval on a quarterly basis. The company has developed a Related Party Transactions Manual and Standard Operating Procedures for the purpose of identification and monitoring such transactions.

The policy on Related Party Transactions as approved by the Board is available on the company's website: [www.thermaxglobal.com](http://www.thermaxglobal.com).

None of the directors has any pecuniary relationships or transactions vis-à-vis the company except as disclosed under Sr. No. 2A of the Corporate Governance Report.

## Standalone and Consolidated Financial Statements

The financial statements for the year ended March 31, 2021, have been prepared as per Schedule III to the Companies Act, 2013, as amended from time to time. The consolidated financial statements of the group are prepared in compliance with the Accounting Standards and Listing Regulations as prescribed by SEBI. The cash flow for the year is attached to the balance sheet. A separate statement containing the salient features of subsidiaries and joint ventures in the prescribed Form (AOC-1) is available on page no. 286.

## Significant and Material Orders Passed by the Regulators or Courts

There are no significant material orders passed by the regulators and courts, which would impact the going concern status of the company.

## Public Deposits

The company had no unpaid/unclaimed deposit(s) as on March 31, 2021. The company has not accepted any fixed deposits during the year.

## Particulars of Loans, Guarantees or Investments

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013, are given in the notes to the financial statements.

## Material Changes and Commitments

There have been no material changes and commitments, affecting the financial position of the company, which have occurred between the end of the financial year and the date of this report.

## Internal Financial Control Systems and their Adequacy

The details in respect of internal financial control and their adequacy are included in the Management Discussion and Analysis section, which is a part of this report.

## Risk Management

The Board of Directors of the company has formed a Risk Management Committee to assess the risks facing the business and the mitigation measures taken thereof. The committee is responsible for assisting the Board in understanding existing risks and reviewing the mitigation and elimination plans for those. The Audit Committee has additional oversight in the area of financial risks and controls. The major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

## Committees of the Board

The details of all committees and their terms of reference are set out in the Corporate Governance Report.

## Auditors

### Statutory Auditors

M/s. SRBC & Co. LLP, Chartered Accountants, were appointed statutory auditors for a period of five years commencing from the 39<sup>th</sup> AGM until the conclusion of the 44<sup>th</sup> AGM.

In accordance with the Companies Amendment Act, 2017, enforced on May 7, 2018, by the Ministry of Corporate Affairs, the appointment of statutory auditors is not required to be ratified at every Annual General Meeting.

As required under the Listing Regulations, M/s. SRBC & Co. LLP, the auditors have confirmed that they hold a valid

certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

Details of total fees for all services paid by the company and its subsidiaries, on a consolidated basis, to the statutory auditors are set out in the Corporate Governance Report.

### **Cost Auditors**

In terms of Section 148 of the Companies Act, 2013, read with the Companies (Cost Records and Audit) Amendment Rules, 2014, M/s. Dhananjay V. Joshi & Associates, Cost Accountants, Pune, have been appointed as the cost auditors of the company for FY 2021-22.

### **Secretarial Audit**

In accordance with the provisions of Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the company has appointed M/s. SVD & Associates, Company Secretaries, Pune, to undertake the secretarial audit of the company for FY 2021-22. The Secretarial Audit Report for FY 2020-21 is attached as Annexure 7 on page no. 102.

The observations of the secretarial auditors in their report are self-explanatory and therefore, the directors do not have any further comments to offer on the same.

### **Annual Return**

The company shall place an annual return filed with the Registrar of Companies for the financial year 2020-21 on its website: [www.thermaxglobal.com](http://www.thermaxglobal.com). Since the Annual General

Meeting is proposed to be held on August 6, 2021, the company shall upload a copy of the Annual Return for FY 2020-21, once the same is filed with the Registrar of Companies.

### **Awards and Recognition**

Your company is proud to have received various awards during the year. Details of the awards received during the year are given on page no. 4.

### **Acknowledgements**

Your directors place on record their appreciation for the continued support extended during the year by the company's customers, business associates, suppliers, bankers, investors, government authorities and joint venture partners. They also place on record their appreciation for the dedication and value added contribution made by all the employees.

Your directors would also like to thank all the shareholders for continuing to repose faith in the company and its future.

### **For and on behalf of the Board,**

#### **Meher Pudumjee**

Chairperson (DIN: 00019581)  
Pune, May 25, 2021