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"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associate comprising of the consolidated Balance sheet as at March 31, 2022, 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 and associate, 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, its associate as at March 31, 2022, 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 and its associate 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 Matter

We draw attention to Note 31 of the Consolidated Financial Statement relating to 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. Our opinion is not modified in respect of this matter.

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, 2022. 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, 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 matters	How our audit addressed the key audit matter
A) Revenue recognition for engineering, procurement and construction contracts (as described in Note 21(c) of the consolidated financial statements)	

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.
 	
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.
 	
Revenue from such contracts amounted to Rs. 3,676.82 crores.
	The audit procedures performed by us and the auditors of the subsidiaries ('other auditors) included the following:
	• 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
	• We and other auditors evaluated management's estimates and assumptions for a selected (risk-based method) sample contracts and inspected the underlying documents which form the basis of revenue recognition under the input method.
	• 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.
	• Amongst others, for a sample of contracts, the procedures performed by us and other auditors included:
	  • 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.
	  • 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.
	  • 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.
	• 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.
	
	As part of our procedures, we read and assessed the presentation and disclosure of such EPC contracts in the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
B) Impairment of trade receivables and contract assets: (as described in note 7 and note 9(b) of the consolidated financial statements)	
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. 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 of future cash flows may also vary to some extent due to Covid-19. As at the March 31, 2022, the Group recorded an impairment allowance of Rs 420.81 crores for its receivables and unbilled revenue.	The audit procedures performed by us and the other auditors included the following: • We and other auditors evaluated the management's key data sources and assumptions used in the ECL model to determine impairment allowance • We and other auditors understood the management's basis to consider the associated risks for identifying homogeneous group of receivables. • 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. • For a sample of receivables, we and other auditors tested the ageing of the receivables considered for the calculation of impairment allowance. • We and other auditors assessed the completeness of financial assets included in the ECL calculations as of the reporting date. • We and other auditors considered the consistency of various inputs and assumptions used by the Group management to determine impairment provisions. 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.
C) Recoverability of deferred tax assets (as described in Note 10 of the consolidated financial statements)	
Thermax Babcock and Wilcock Energy Solutions Limited (TBWES), a subsidiary of the Holding Company has a net Deferred Tax Asset ("DTA") of Rs. 46.64 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. The assessment of utilization of accumulated tax losses against future taxable income involves significant estimates and therefore considered as a key audit matter.	As part of our audit, following procedures were performed by us: • 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. • Performed sensitivity analysis on management's assumptions used in the forecast model. • Tested the mathematical accuracy of the deferred tax calculation. • Used the knowledge and experience of tax specialists to assist in assessing the assumptions and judgements made by the TBWES. • Evaluated the adequacy of the Group's disclosures setting out the basis of the deferred tax balances and the level of estimation involved.

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 Business Responsibility Report and Director's Report including annexure to the Director's Report of the Annual Report of the Group including its associate, 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 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 and Those Charged with Governance 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 including its associate 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 and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of their respective assets 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 and of its associate are responsible for assessing the ability of their respective companies included in the Group and of its associate 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 and of its associate are also responsible for overseeing the financial reporting process of their respective companies included in the Group and of its associate.

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 and its associate 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 and its associate 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 and its associate 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, 2022 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

a) We did not audit the financial statements and other financial information, in respect of 21 subsidiaries, 2 branches of subsidiary and various trusts whose financial statements include total assets of Rs. 700.96 crores as at March 31, 2022, and total revenues of Rs. 460.59 crores and net cash inflows of Rs. 38.86 crores for the year ended on that date. These financial statement 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 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 the reports of such other auditors.

b) The accompanying consolidated financial statements include the Group's share of net profit of Rs. 0.13 crores for the year ended March 31, 2022, as considered in the consolidated financial statements, in respect of 1 associate, whose financial statements, other financial information have not been audited and whose unaudited financial statements, 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 associate, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid associate, 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.

c) 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 matter 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

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 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 the subsidiaries, incorporated in India, there are no qualifications or adverse remarks by the respective auditors in the Companies (Auditors Report) Order (CARO) reports of the companies included in the consolidated financial statements. Accordingly, the requirement to report on clause 3(xxi) of the Order is not applicable to the Holding Company.

2. 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 and associate, as noted in the 'other matter' 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) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2022 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 subsidiary companies, none of the directors of the Group's companies, incorporated in India, is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiary companies, incorporated in India, and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;

(g) 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, 2022 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;

(h) 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 and associate, as noted in the 'Other matter' paragraph:

i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group and its associate – 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 (a) Note 9(b) and 18(b) to the consolidated financial statements in respect of such items as it relates to the Group and its associate and (b) the Group's share of net profit in respect of its associate;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries and associate, incorporated in India during the year ended March 31, 2022.

iv. a) The respective managements of the Holding Company and its subsidiaries which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries respectively that, to the best of its knowledge and belief, other than as disclosed in the note 43 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or any of such subsidiaries to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the respective Holding Company or any of such subsidiaries ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The respective managements of the Holding Company and its subsidiaries which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries respectively that, to the best of its knowledge and belief, other than as disclosed in the note 43 to the consolidated financial statements, no funds (which are material either individually or in the aggregate) have been received by the respective Holding Company or any of such subsidiaries from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any of such subsidiaries shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and those performed by the auditors of the subsidiaries which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or other auditor's notice that has caused us or the other auditors to believe that the representations under sub-clause (a) and (b) contain any material mis-statement.

v. a) The final dividend paid by the Holding Company and its subsidiaries incorporated in India, during the year in respect of the same declared for the previous year is in accordance with section 123 of the Act to the extent it applies to payment of dividend.

b) The interim dividend declared and paid during the year by the subsidiary incorporated in India and until the date of the respective audit report of such subsidiary is in accordance with section 123 of the Act.

c) As stated in Note 15(b) to the consolidated financial statements, the Board of Directors of the Holding Company, incorporated in India have proposed final dividend for the year which is subject to the approval of the members of the Company at the ensuing Annual General Meeting. The dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership Number: 501160
UDIN: 22501160AJHPXV3996

Place of Signature: Pune
Date: May 20, 2022

Annexure 1 as referred to in paragraph 1(f) under the heading 'Report on Other Legal and Regulatory Requirements' to the Independent Auditor's Report of even date on the Consolidated Financial Statements of Thermax Limited

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

We have audited the internal financial controls with reference to consolidated financial statements of Thermax Limited ("the Holding Company") as of and for the year ended March 31, 2022 in conjunction with our audit of the 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 the date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the companies included in the Group, which 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 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 Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls with reference to these consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, as 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 these 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 these 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 these 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 Company's internal financial controls with reference to these consolidated financial statements.

Meaning of Internal Financial Controls with Reference to these Consolidated Financial Statements

A Company's internal financial controls 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 controls 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 control 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, has, 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, 2022, 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 these consolidated financial statements of the Holding Company, in so far as it relates to these 4 subsidiaries, which is Company incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries incorporated in India.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership Number: 501160
UDIN: 22501160AJHPXV3996

Place of Signature: Pune
Date: May 20, 2022

CONSOLIDATED BALANCE SHEET

as at March 31, 2022

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

Particulars	Note No.	As at March 31, 2022	As at March 31, 2021
Assets			
I. Non-current assets			
Property, plant and equipment	4 (a)	990.95	1,042.69
Capital work-in-progress	4 (a)	44.32	21.06
Right-of-use assets	4 (b)	163.24	167.40
Goodwill	4 (c)	3.03	3.03
Other intangible assets	4 (c)	37.52	28.92
Intangible assets under development	4 (c)	-	3.10
Investment in associate	5	6.63	-
Financial assets:			
(a) Investments	6 (a)	703.36	119.21
(b) Trade receivables	7 (a)	173.52	100.87
(c) Loans	8 (a)	5.18	6.43
(d) Finance lease receivables	32	85.89	61.02
(e) Other assets	9 (a)	94.08	70.03
Deferred tax assets (net)	10	130.21	161.04
Income tax assets (net)		191.07	163.09
Other assets	11 (a)	94.32	92.52
Total non-current assets		**2,723.32**	**2,040.41**
II. Current assets			
Inventories	12	727.01	404.74
Financial assets:			
(a) Investments	6 (b)	766.54	115.25
(b) Trade receivables	7 (b)	1,423.72	1,237.10
(c) Cash and cash equivalents	13 (a)	310.78	461.31
(d) Bank balances other than (c) above	13 (b)	642.72	1,477.89
(e) Loans	8 (b)	1.98	1.70
(f) Finance lease receivables	32	15.73	11.42
(g) Other assets	9 (b)	470.43	374.04
Income tax assets (net)		3.27	2.60
Other assets	11 (b)	375.61	380.41
Total current assets		**4,737.79**	**4,466.46**
Total assets		**7,461.11**	**6,506.87**
Equity and liabilities			
III. Equity			
Equity share capital	14	22.52	22.52
Other equity	15 (a)	3,469.97	3,228.87
Total equity		**3,492.49**	**3,251.39**
IV. Non-current liabilities			
Financial liabilities:			
(a) Borrowings	16 (a)	61.42	22.16
(b) Lease liabilities	32 (ii)	8.13	6.61
(c) Trade payables	17 (a)	47.64	32.94
(d) Other liabilities	18 (a)	17.28	18.07
Provisions	19 (a)	32.41	25.86
Deferred tax liabilities (net)	10	3.09	7.01
Other liabilities	20 (a)	40.58	72.18
Total non-current liabilities		**210.55**	**184.83**
V. Current liabilities			
Financial liabilities:			
(a) Borrowings	16 (b)	294.00	295.26
(b) Lease liabilities	32 (ii)	4.16	3.86
(c) Trade payables	17 (b)		
Total outstanding dues of micro and small enterprises (MSME)		402.18	252.65
Total outstanding dues of creditors other than micro and small enterprises		1,057.58	885.36
(d) Other liabilities	18 (b)	108.28	107.09
Other liabilities	20 (b)	1,661.68	1,306.18
Provisions	19 (b)	206.80	195.14
Income tax liabilities (net)		23.39	25.11
Total current liabilities		**3,758.07**	**3,070.65**
Total equity and liabilities		**7,461.11**	**6,506.87**
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 S R B C & CO LLP
Chartered Accountants
ICAI Firm Reg No. 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 20, 2022

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

Janhavi Khele
Company Secretary

Place: Pune
Date: May 20, 2022

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2022

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

Particulars	Note No.	Year ended March 31, 2022	Year ended March 31, 2021
Income			
Revenue from operations	21	6,128.33	4,791.25
Other income	22	127.01	107.74
Total Income (I)		**6,255.34**	**4,898.99**
Expenses			
Cost of raw materials and components consumed	23	3,506.01	2,467.43
Purchase of traded goods		121.55	83.36
(Increase) in inventories of finished goods, work-in-progress and traded goods	24	(142.52)	(12.16)
Employee benefits expense	25	812.93	758.76
Finance cost	26	25.17	20.64
Depreciation and amortisation expense	27	113.24	114.57
Other expenses	28	1,408.99	1,138.67
Total expenses (II)		**5,845.37**	**4,571.27**
Profit before exceptional items, tax and share of profit of associate (III) = (I-II)		**409.97**	**327.72**
Share of profit of associate (IV)	37	0.13	-
Profit before exceptional items and tax (V) = (III+IV)		**410.10**	**327.72**
Exceptional items (VI)	42	-	(52.53)
Profit before tax (VII) = (V-VI)		**410.10**	**275.19**
Tax expense	10		
Current tax (including write back of tax balance for earlier years)		72.55	74.85
Deferred tax (net)		25.24	(6.24)
Total tax expense (VIII)		**97.79**	**68.61**
Profit for the year (IX) = (VII-VIII)		**312.31**	**206.58**
Other Comprehensive Income (OCI)			
A. Items that will be reclassified subsequently to profit or loss	30		
i) Net gain on cash flow hedges		2.41	5.51
Less: Income tax effect		(0.49)	(1.59)
		1.92	3.92
ii) Exchange differences on translating of foreign operations		2.08	8.77
		4.00	**12.69**
B. Items that will not be reclassified subsequently to profit or loss	30		
Re-measurement gain on defined benefit plan		4.88	5.76
Less: Income tax effect		(1.26)	(1.54)
		3.62	**4.22**
Net other comprehensive income for the year (net of tax)		**7.62**	**16.91**
Total comprehensive income for the year		**319.93**	**223.49**
Profit for the year			
Attributable to :			
Equity holders of the parent		312.31	206.58
Other comprehensive income for the year			
Attributable to :			
Equity holders of the parent		7.62	16.91
Total comprehensive income for the year			
Attributable to :			
Equity holders of the parent		319.93	223.49
Earning per equity share [Nominal value per share Rs. 2/- each (March 31, 2021: Rs. 2/-)]	29		
Basic and Diluted		**27.73**	**18.34**
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 S R B C & CO LLP
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ICAI Firm Reg No. 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
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Janhavi Khele
Company Secretary

Place: Pune
Date: May 20, 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2022

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

A Equity Share Capital ^

Particulars	Notes No	March 31, 2022	March 31, 2021
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	
As at April 1, 2020	**435.31**	**95.12**	**60.34**	**2,331.42**	**57.28**	**30.77**	**(4.86)**	**3,005.38**
Profit for the year	-	-	-	206.58	-	-	-	**206.58**
Other comprehensive income (net)	-	-	-	4.22	-	8.77	3.92	**16.91**
Total comprehensive income	**-**	**-**	**-**	**210.80**	**-**	**8.77**	**3.92**	**223.49**
As at March 31, 2021	**435.31**	**95.12**	**60.34**	**2,542.22**	**57.28**	**39.54**	**(0.94)**	**3,228.87**
Profit for the year	-	-	-	312.31	-	-	-	**312.31**
Other comprehensive income (net)	-	-	-	3.62	-	2.08	1.92	**7.62**
Total comprehensive income	**-**	**-**	**-**	**315.93**	**-**	**2.08**	**1.92**	**319.93**
Dividends paid	-	-	-	(78.83)	-	-	-	**(78.83)**
As at March 31, 2022	**435.31**	**95.12**	**60.34**	**2,779.32**	**57.28**	**41.62**	**0.98**	**3,469.97**

^ *There are no adjustments on account of prior period errors or due to changes in accounting policies.*

For S R B C & CO LLP
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Partner
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Place: Pune
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For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
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DIN: 05291138

Rajendran Arunachalam
Executive Vice President and Group Chief Financial Officer

Janhavi Khele
Company Secretary

Place: Pune
Date: May 20, 2022

CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2022

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

		Note No.	Year Ended March 31, 2022	Year Ended March 31, 2021
A)	**Cash flows from operating activities**			
	Profit before tax (after exceptional item and and share of profit of associate)		410.10	275.19
	Less: Share of profit on associate		0.13	-
	Profit before tax (after exceptional items and before share of profit of associate)		409.97	275.19
	Adjustments to reconcile profit before tax to net cash flows			
	Depreciation on property, plant and equipment and right-of-use assets	27	99.48	101.70
	Amortization of intangible assets	27	13.76	12.87
	Provision for impairment allowance of financial assets (net)	28	(9.41)	11.24
	Provision on account of impairment of certain assets	42	-	43.38
	Provision for advance (net)	28	5.01	-
	Interest expense	26	13.47	11.75
	Unwinding of discount on provisions	26	11.70	8.89
	Unrealized foreign exchange loss		3.46	9.99
	Interest income	22	(51.87)	(65.79)
	Dividend income	22	(1.37)	(1.87)
	Liabilities no longer required written back	22	(18.99)	(8.32)
	Fair value gain on financial instrument at fair value through profit and loss (net)	22	(39.32)	(9.94)
	(Profit)/Loss on sale / discard of assets (net)	28	(7.64)	0.76
	Working capital adjustments			
	Decrease / (Increase) in trade receivables		(249.70)	107.96
	Decrease / (Increase) in inventories		(322.27)	49.27
	Decrease / (Increase) in other financial assets		(122.87)	57.99
	Decrease in other assets		7.45	15.04
	Increase in trade payables		354.95	190.07
	Increase in other liabilities		323.90	32.25
	Increase in provisions		6.51	27.55
	(Decrease) / Increase in other financial liabilities		1.49	(6.70)
	Cash generated from operations		**427.71**	**863.28**
	Direct taxes paid (net of refunds received)		(103.00)	(93.80)
	Net cash inflow from operating activities		**324.71**	**769.48**
B)	**Cash flows from / (used in) investing activities**			
	Purchase of property, plant and equipment, right of use of assets (ROU) and intangible assets (net of disposal)		(83.78)	(83.37)
	Investment in associate		(6.50)	-
	(Investment) / proceeds in fixed deposits (net)		776.29	(1,229.59)
	Sale/ (purchase) of other investments (net)		(1,196.12)	650.68
	Interest and dividend received		88.53	26.60
	Net cash flows (used in) investing activities		**(421.58)**	**(635.68)**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2022
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

	Note No.	Year Ended March 31, 2022	Year Ended March 31, 2021
C) Cash flows from/(used in) financing activities			
(Repayment)/proceeds of borrowings (net)		76.19	94.66
Interest paid		(13.47)	(11.84)
Dividend paid		(78.83)	-
Payment of lease liability		(4.47)	(5.58)
Net cash flows from/(used in) financing activities		**(20.58)**	**77.24**
Net increase / (decrease) in cash and cash equivalents		**(117.45)**	**211.04**
Cash and cash equivalents at the beginning of the year		418.81	199.00
Exchange differences on translation of foreign operations		2.08	8.77
Cash and cash equivalents at the end of the year		**303.44**	**418.81**

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

Particulars	Note No.	March 31, 2022	March 31, 2021
Cash and cash equivalents	13 (a)	310.78	461.31
Bank overdraft	16 (b)	-	(40.77)
Book overdraft	18 (b)	(7.34)	(1.73)
Balances as per cash flow statement		**303.44**	**418.81**

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

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 20, 2022

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

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Chairperson
DIN: 00019581

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DIN: 05291138

Rajendran Arunachalam
Executive Vice President and Group Chief Financial Officer

Janhavi Khele
Company Secretary

Place: Pune
Date: May 20, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

1. Corporate Information

Thermax Limited ('the Holding Company' or 'the Company"), its subsidiaries and its associate (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 20, 2022. 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, 2021 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, its subsidiaries and its associate as at March 31, 2022. 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;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights; and
- 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, 2022.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

- 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.

2.2. Changes in accounting policies and disclosures

2.2.1 Consequent to amendments to the Schedule III to the Companies Act, 2013 current maturities of long-term borrowings (March 31, 2021: Rs. 12.36) have been presented as part of the short term borrowings, which were previously included under 'Other financial liabilities', lease liabilities (March 31, 2021: Rs. 10.47) have been presented on the face of balance sheet, which were previously included under under 'other financial liabilities' and Security deposits (March 31, 2021; Rs. 13.72) have been presented as part of other financial asset, which were previously included under 'loans' in financial assets.

2.2.2. Others

Several other amendments and interpretations apply for the first time for the year ended March 31, 2022, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

of the 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. Investment in associates

Associates are those entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control. If accounting policies of associates differ from those adopted by the Group, the accounting policies of associates are aligned with those of the Group. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Equity method of accounting (equity accounted investees)

An interest in an associate is accounted for using the equity method from the date the investee becomes an associate and are recognised initially at cost. The carrying value of investment in associates includes goodwill identified on date of acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of profits or losses, other comprehensive income and equity movements of equity accounted investments, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an equity accounted investment, the carrying amount of that interest (including any long-term interests in the nature of net investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has incurred constructive or legal obligations or has made payments on behalf of the investee. When the Company transacts with an associate of the Company, unrealised profits and losses are eliminated to the extent of the Company's interest in its associate.

Dividends are recognised when the right to receive payment is established.

c. 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.

d. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

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.

e. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

- 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 38)
- Financial instruments (including those carried at amortized cost) (note 38)

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.

f. Property, Plant and Equipment

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 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.

g. 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.

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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 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

h. 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.

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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.

i. 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**

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 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

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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 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.

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- **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).

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.

j. 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 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 meets write-off criteria, the

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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.

k. 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.

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

l. 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.

m. 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.

n. Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be

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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.

o. 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.

p. 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.

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q. 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.

r. Leases

Group as a lessee

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

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

s. 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

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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.

t. 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.

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.

u. Retirement and other employee benefits (also, refer note 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

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lead to, for example, a reduction in future payment or a cash refund.

The Group 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:

- 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.

v. 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.

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w. 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.

x. 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).

y. 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 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

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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.

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.

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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 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 plans - 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.

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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 38 for further disclosures.

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(f) and 2.3(g) 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.

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4 (a) Property, Plant and Equipment

Particulars	Freehold Land	Buildings	Plant and equipment	Office equipment	Computer	Furniture and fixtures	Vehicles	Total	Capital work-in-progress #
Gross carrying amount as at April 1, 2020*	**7.36**	**779.42**	**802.39**	**44.72**	**60.13**	**40.31**	**17.48**	**1,751.81**	**55.26**
Additions	0.21	3.58	58.76	1.93	11.80	0.98	4.93	**82.19**	47.99
Disposals/Transfers/Adjustments	-	(0.36)	(24.99)	(2.27)	(2.67)	(1.86)	(2.45)	**(34.60)**	(82.19)
Exchange differences	-	4.47	2.74	0.17	0.04	0.09	0.01	**7.52**	-
Gross carrying amount as at March 31, 2021	**7.57**	**787.11**	**838.90**	**44.55**	**69.30**	**39.52**	**19.97**	**1,806.92**	**21.06**
Additions	4.40	2.99	27.23	1.50	9.73	0.04	2.64	**48.53**	71.79
Disposals/Transfers/Adjustments	-	(4.43)	(12.22)	(4.07)	(4.71)	(1.37)	(3.42)	**(30.22)**	(48.53)
Exchange differences	-	(0.52)	(0.29)	(0.09)	0.02	0.07	(0.03)	**(0.84)**	-
Gross carrying amount as at March 31, 2022	**11.97**	**785.15**	**853.62**	**41.89**	**74.34**	**38.26**	**19.16**	**1,824.39**	**44.32**
Accumulated depreciation and impairment as at April 1, 2020*	**-**	**153.92**	**444.96**	**24.74**	**45.29**	**21.26**	**6.55**	**696.72**	**-**
Charge for the year	-	25.64	56.84	2.63	5.20	2.54	2.69	**95.54**	-
Impairment (Refer note. 42)	-	-	0.19	-	-	0.03	-	**0.22**	-
Disposals/Transfers/Adjustments	-	(0.36)	(22.54)	(1.91)	(2.51)	(1.55)	(1.69)	**(30.56)**	-
Exchange differences	-	0.95	1.09	0.17	0.03	0.06	0.01	**2.31**	-
Accumulated depreciation and impairment as at March 31, 2021	**-**	**180.15**	**480.54**	**25.63**	**48.01**	**22.34**	**7.56**	**764.23**	**-**
Charge for the year	-	25.48	52.56	2.58	6.56	2.29	4.55	**94.02**	-
Disposals/Transfers/Adjustments	-	(1.26)	(11.14)	(4.56)	(4.48)	(0.93)	(2.13)	**(24.50)**	-
Exchange differences	-	(0.14)	(0.16)	(0.08)	0.01	0.07	(0.01)	**(0.31)**	-
Closing accumulated depreciation and impairment as at March 31, 2022	**-**	**204.23**	**521.80**	**23.57**	**50.10**	**23.77**	**9.97**	**833.44**	**-**
Net Block as at March 31, 2022	**11.97**	**580.92**	**331.82**	**18.32**	**24.24**	**14.49**	**9.19**	**990.95**	**44.32**
Net Block as at March 31, 2021	**7.57**	**606.96**	**358.36**	**18.92**	**21.29**	**17.18**	**12.41**	**1,042.69**	**21.06**

**The Group had elected to continue with the carrying value of property, plant and equipment as recognised in the consolidated 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 borrowings.

Ageing of Capital work in progress (CWIP) :

CWIP		Amount in CWIP for a period of			Total
		Less than 1 year	1-2 years	2-3 years	
Project in progress	March 31, 2022	**43.90**	**0.42**	**-**	**44.32**
	March 31, 2021	12.59	6.85	1.62	**21.06**
Total Capital work-in-progress	March 31, 2022	**43.90**	**0.42**	**-**	**44.32**
	March 31, 2021	**12.59**	**6.82**	**1.62**	**21.06**

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For CWIP, there are no projects whose completion date is overdue or exceeded its cost as compared to its original plan for the year ended and as at March 31, 2022 and March 31, 2021.

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, 2022	March 31, 2021
Salaries and wages	-	0.04
Raw material and components	-	-
Others	0.12	0.04
Total	**0.12**	**0.08**

4 (b) Right-of-use assets

Particulars	Leasehold Land	Building	Vehicles	Total
Gross carrying amount as at April 1, 2020	**163.42**	**14.39**	**2.43**	**180.24**
Additions	-	0.91	0.93	**1.84**
Disposals/Transfers/Adjustments	(1.76)	(2.46)	(0.37)	**(4.59)**
Exchange differences	3.30	0.06	0.06	**3.42**
Gross carrying amount as at March 31, 2021	**164.96**	**12.90**	**3.05**	**180.91**
Additions	-	5.71	0.58	**6.29**
Disposals/Transfers/Adjustments	(6.50)	(0.35)	(0.06)	**(6.91)**
Exchange differences	1.91	0.19	(0.07)	**2.03**
Gross carrying amount as at March 31, 2022	**160.37**	**18.45**	**3.50**	**182.32**
Accumulated depreciation and impairment as at April 1, 2020	**7.94**	**2.10**	**0.53**	**10.57**
Charge for the year	1.68	3.26	1.22	**6.16**
Disposals/Transfers/Adjustments	(1.76)	(1.27)	(0.27)	**(3.30)**
Exchange differences	0.03	0.04	0.01	**0.08**
Accumulated depreciation and impairment as at March 31, 2021	**7.89**	**4.13**	**1.49**	**13.51**
Charge for the year	1.80	2.81	0.85	**5.46**
Disposals/Transfers/Adjustments	(0.05)	-	(0.06)	**(0.11)**
Exchange differences	-	0.12	0.10	**0.22**
Closing accumulated depreciation and impairment as at March 31, 2022	**9.64**	**7.06**	**2.38**	**19.08**
Net Block as at March 31, 2022	**150.73**	**11.39**	**1.12**	**163.24**
Net Block as at March 31, 2021	**157.07**	**8.77**	**1.56**	**167.40**

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.

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4 (c) Intangible assets and goodwill

Particulars	Computer Software	Technical Know-how #	Goodwill	Total	Intangibles under development ^
Gross carrying amount as at April 1, 2020*	**76.28**	**85.98**	**161.13**	**323.39**	**0.74**
Additions	13.60	8.33	-	**21.93**	24.29
Disposals/Transfers/Adjustments	(5.27)	(5.53)	-	**(10.80)**	(21.93)
Exchange difference	0.37	0.17	5.17	**5.71**	-
Gross carrying amount as at March 31, 2021	**84.98**	**88.95**	**166.30**	**340.23**	**3.10**
Additions	12.16	10.33	-	**22.49**	19.39
Disposals/Transfers/Adjustments	-	(13.83)	-	**(13.83)**	(22.49)
Exchange difference	(0.07)	(0.12)	(3.63)	**(3.82)**	-
Gross carrying amount as at March 31, 2022	**97.07**	**85.33**	**162.67**	**345.07**	**-**
Accumulated amortisation and impairment as at April 1, 2020*	**62.81**	**76.54**	**125.82**	**265.17**	**-**
Charge for the year	7.53	5.33	-	**12.87**	-
Impairment (Refer note. 4(d) and 42)	2.01	1.22	34.67	**37.90**	-
Disposals/Transfers/Adjustments	(5.20)	(5.44)	-	**(10.64)**	-
Exchange difference	0.17	0.04	2.78	**2.99**	-
Accumulated amortisation and impairment as at March 31, 2021	**67.32**	**77.69**	**163.27**	**308.28**	**-**
Charge for the year	9.48	4.28	-	**13.76**	-
Disposals/Transfers/Adjustments	0.15	(13.83)	-	**(13.68)**	-
Exchange difference	(0.09)	(0.12)	(3.63)	**(3.84)**	-
Closing accumulated amortisation and impairment as at March 31, 2022	**76.86**	**68.02**	**159.64**	**304.52**	**-**
Net Block as at March 31, 2022	**20.21**	**17.31**	**3.03**	**40.55**	**-**
Net Block as at March 31, 2021	**17.66**	**11.26**	**3.03**	**31.95**	**3.10**

Net Block	March 31, 2022	March 31, 2021
Goodwill	3.03	3.03
Other intangible assets	37.52	28.92

The ageing details for intangible assets under development (IAUD) :

Particulars		Amount in IAUD for a period of				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Project in progress	March 31, 2022	-	-	-	-	**-**
	March 31, 2021	3.10	-	-	-	**3.10**
Total intangible assets under development	March 31, 2022	-	-	-	-	**-**
	March 31, 2021	**3.10**	**-**	**-**	**-**	**3.10**

For IAUD, there are no projects whose completion date is overdue or exceeded its cost as compared to its original plan for the year ended and as at March 31, 2022 and March 31, 2021.

**The Group had elected to continue with the carrying value of intangible assets and goodwill as recognised in the consolidated 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. 9.99 (March 31, 2021 : Rs. 2.58)

^ Intangibles under development include implementation of new software

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
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4 (d) Impairment tests for goodwill

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

Particulars	March 31, 2022		March 31, 2021	
	Danstoker A/S	Rifox-Hans	Danstoker A/S	Rifox-Hans
Opening balance of goodwill	-	3.03	32.28	3.03
Add : Exchange differences	-	-	2.39	-
Less : Impairment charge for the year (including Boilerworks Property Aps of Rs. 1.79) (Refer note. 42)	-	-	34.67	-
Closing balance of goodwill	-	3.03	-	3.03

As at the March 31, 2022, the carrying amount of goodwill is Rs. 3.03 (March 31, 2021: Rs. 3.03). The Group performs impairment testing annually. The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five year period. The projected cash flows have been updated to reflect the demand changes for products pursuant to Covid-19 pandemic. Based on the cash flow projections, discount rate and other assumptions including gross margin, sales discount, market share, volume growth, etc it was concluded that the value in use exceeds the carrying value of goodwill and overall CGU. As a result of the analysis, no impairment of the Goodwill was required. As at March 31, 2022, there were no indicators of impairment noted by management.

5 Investments in Associates

Particulars	Face value per share/ unit	Number of shares/ units		Amount	
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Investments in Equity Instruments* :					
Investments accounted using the equity method					
Equity shares in associate (unquoted)					
ExactSpace Technologies Private Limited (10.41%)	Rs. 10	1,249	-	6.63	-
Total investments in associate				6.63	-

** Refer note. 37 for details*

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

6 (a) Non-current investments

Particulars	Face value per share/ unit	Number of shares / units		Amount	
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Investments in Equity Instruments :					
Investments at Fair Value through Profit and Loss					
Quoted equity shares (fully paid up)					
Metroglobal Limited	Rs. 10	-	2	-	**
Sanghvi Movers Limited	Rs. 2	-	16,453	-	0.16
Quoted equity shares (partly paid up)					
Parasrampuria Synthetics Limited (paid up Rs. 2.50 per share)	Rs. 10	-	125,000	-	**
Unquoted equity shares (fully paid up)					
GSL (India) Limited	Rs. 10	-	17,539	-	**
Sicom Limited #	Rs. 10	10,000	10,000	-	-
Total Investment in Equity Shares				**-**	**0.16**
Investments at Fair value through Profit and Loss					
Units of Mutual Funds (Quoted)				561.78	119.05
Sub total (A)				**561.78**	**119.05**
Investments in Corporate Fixed Deposits				141.58	-
Sub total (B)				**141.58**	**-**
Total C=(A+B)				**703.36**	**119.21**
Less: Impairment in value of investment (D)				-	-
Total Non-Current Investments E=(C-D)				**703.36**	**119.21**
Aggregate amount of quoted investments (Book value)				561.78	119.21
Aggregate amount of quoted investments (Market value)				561.78	119.21
Aggregate amount of unquoted investments				141.58	-
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 38 for determination of their fair values.

6 (b) Current investments

Particulars	Amount	
	March 31, 2022	March 31, 2021
Investments at Fair value through Profit and Loss:		
Units of Mutual Funds (Quoted)	602.21	115.25
Sub total (A)	**602.21**	**115.25**
Investments in Corporate Fixed Deposits	164.33	-
Sub total (B)	**164.33**	**-**
Total Current Investments A=(A+B)	**766.54**	**115.25**
Aggregate amount of quoted investments and market value thereof	602.21	115.25
Aggregate amount of unquoted investments	164.33	-
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 38 for determination of their fair values.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

7 Trade Receivables

(a) Non-current trade receivables

	As at March 31, 2022	As at March 31, 2021
Trade receivables from:		
i) Related parties (note 35)	-	-
ii) Others	173.52	100.87
Total	**173.52**	**100.87**
Break-up for security details		
Secured, considered good	-	-
Unsecured, considered good	193.16	126.42
Trade receivables which has a significant increase in credit risk	-	-
Trade receivables - credit impaired	-	-
	193.16	**126.42**
Less: impairment allowance	(19.64)	(25.55)
Total	**173.52**	**100.87**

The ageing of non-current trade receivables which are due for receipt *:

Particulars		Not due	Outstanding for the following period from due date of payments					Total
			Less than 6 months	6 months-1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed trade receivables- considered good	March 31, 2022	193.16	-	-	-	-	-	**193.16**
	March 31, 2021	126.42	-	-	-	-	-	**126.42**
Less: Impairment allowance	March 31, 2022							**(19.64)**
	March 31, 2021							**(25.55)**
Total	March 31, 2022	**193.16**	**-**	**-**	**-**	**-**	**-**	**173.52**
	March 31, 2021	**126.42**	-	-	-	-	-	**100.87**

The above ageing includes retention receivables which are classified as due or not due on the basis of the contractual terms with respective customers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

(b) Current trade receivables

	As at March 31, 2022	As at March 31, 2021
Trade receivables from:		
i) Related parties (note 35)	0.60	0.02
ii) Others	1,423.12	1,237.08
Total	**1,423.72**	**1,237.10**
Break-up for security details		
Secured, considered good	189.06	108.33
Unsecured, considered good	1,523.31	1,431.65
Trade receivables which have a significant increase in credit risk	58.71	51.70
Trade receivables - credit impaired	35.48	50.25
	1,806.56	**1,641.93**
Less: impairment allowance	(382.84)	(404.83)
Total	**1,423.72**	**1,237.10**

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

The ageing of current trade receivables which are due for receipt :

Particulars		Not due	Outstanding for the following period from due date of payments					Total
			Less than 6 months	6 months-1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed trade receivables- considered good	March 31, 2022	789.71	553.99	91.04	88.99	42.70	131.20	**1,697.63**
	March 31, 2021	773.16	407.85	47.61	94.88	40.77	138.24	**1,502.51**
(ii) Undisputed trade receivables- which have significant increase in credit risk	March 31, 2022	-	-	-	0.05	1.35	51.32	**52.72**
	March 31, 2021	-	0.01	-	1.94	0.06	45.61	**47.62**
(iii) Undisputed trade receivables- credit impaired	March 31, 2022	0.35	5.82	4.76	6.38	7.35	9.71	**34.37**
	March 31, 2021	9.77	10.53	7.37	10.22	13.93	1.28	**53.10**
(iv) Disputed Trade Receivables- Considered Good	March 31, 2022	-	-	0.94	1.26	0.92	11.14	**14.26**
	March 31, 2021	0.94	5.47	4.39	2.15	4.10	15.67	**32.72**
(v) Disputed Trade Receivables- which have significant increase in credit risk	March 31, 2022	-	-	-	-	-	5.98	**5.98**
	March 31, 2021	-	-	-	-	-	5.98	**5.98**
vi) Disputed Trade Receivables- credit impaired	March 31, 2022	-	-	-	0.33	0.27	1.00	**1.60**
	March 31, 2021	-	-	-	-	-	-	**-**
	March 31, 2022	790.06	559.81	96.74	97.01	52.59	210.35	1,806.56
	March 31, 2021	783.87	423.86	59.37	109.19	58.86	206.78	1,641.93
Less: Impairment allowance	March 31, 2022							(382.84)
	March 31, 2021							(404.83)
Total	March 31, 2022							1,423.72
	March 31, 2021							1,237.10

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

	Provision on Trade Receivables		Provision on Unbilled Revenue (Refer note 9(b)	
	March 31, 2022	**March 31, 2021**	**March 31, 2022**	**March 31, 2021**
At the beginning of the year	430.38	452.74	13.86	17.46
Less: Bad debts/ write off	(14.04)	(34.75)	-	-
	416.34	417.99	13.86	17.46
Provision made during the year	86.80	110.87	5.38	0.50
Utilized/reversed during the year	(100.80)	(98.64)	(0.91)	(4.10)
Exchange differences	0.14	0.16	-	-
At the end of the year	**402.48**	**430.38**	**18.33**	**13.86**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

8 Loans

(a) Non-current loans

	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
At amortized cost		
Loans to employees	5.18	6.43
Total	**5.18**	**6.43**
Classification of above is as follows:		
Loans receivables- considered good- Secured	-	-
Loans receivables- considered good- Unsecured	5.18	6.43
Loans receivables which have significant increase in credit risk	-	-
Loans receivables- credit impaired	-	-
Total	**5.18**	**6.43**

(b) Current loans

	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
At amortized cost		
Loans to employees	1.98	1.70
Total	**1.98**	**1.70**
Classification of above is as follows:		
Loans receivables- considered good- Secured	-	-
Loans receivables- considered good- Unsecured	1.98	1.70
Loans receivables which have significant increase in credit risk	-	-
Loans receivables- credit impaired	-	-
Total	**1.98**	**1.70**

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 Financials Assets

(a) Other non-current assets

	As at March 31, 2022	As at March 31, 2021
Bank deposits with remaining maturity more than twelve months #	82.54	59.06
Security deposits*	11.54	10.97
Total	**94.08**	**70.03**

 # Includes bank deposits Rs. 0.17 (March 31, 2021 : Rs. 0.13) which are pledged as margin money.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

(b) Other current assets

	March 31, 2022	March 31, 2021
Derivative instruments at fair value though OCI		
Cash flow hedges		
Foreign exchange forward contracts	2.25	1.66
Derivative instruments at fair value through profit or loss		
Derivative not designated as hedges		
Foreign exchange forward contracts	3.86	3.44
At amortized cost		
Export incentive receivable	31.61	36.62
Unbilled revenue (contract assets)^	394.87	301.49
Security deposits*	2.42	2.75
Others (includes claims receivable and GST paid on customer advance)	35.42	28.08
Total	**470.43**	**374.04**

**Includes lease deposits given to directors of Rs. 0.18 (March 31, 2021 : Rs. 0.18). The maximum amount due from directors during the year amounted to Rs. 0.18 (March 31, 2021 Rs. 0.18), refer note 35. This also includes deposits given to various other parties for rent, utilities etc.*

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. 18.33 (March 31, 2021 : Rs. 13.89).

10 Income Taxes

The major components of income tax expense for the year ended March 31, 2022 and March 31, 2021 are:

Statement of profit and loss

Particulars	March 31, 2022	March 31, 2021
Current tax	72.55	74.85
Deferred tax	25.24	(6.24)
Income tax expense reported in the consolidated statement of profit or loss	**97.79**	**68.61**

Other comprehensive income

Particulars	March 31, 2022	March 31, 2021
Deferred tax related to items recognised in other comprehensive income during the year		
Net gain/(loss) on revaluation of Cash flow hedge	0.49	1.59
Net gain/(loss) on remeasurements of defined benefit plans	1.26	1.54
Deferred tax credit in other comprehensive income	**1.75**	**3.13**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate

Particulars	March 31, 2022	March 31, 2021
Accounting profit before tax (before exceptional items)	410.10	327.72
Share of profit of associate	0.13	-
Accounting profit before tax (before exceptional items and share of profit of associate)	409.97	327.72
At India's statutory income tax rate (as per Income Tax Act, 1961) of 25.17% (March 31, 2021: 25.17%)	103.19	82.49
Effects of income not subject to tax	(4.82)	(2.47)
Taxes from prior periods	-	(5.61)
Deferred tax recognised on unabsorbed losses of earlier years	(0.16)	(2.10)
Utilisation of previously unrecognised tax benefits (including capital losses)	(3.22)	(12.91)
Unrecognized tax benefits on tax losses	0.56	4.43
Taxes paid / payable on repatriation of branches/subsidiary profits	2.31	5.09
Others (includes effect of non-deductible business expenses and tax rate difference).	(0.07)	(0.35)
Effective tax	97.79	68.61
Income tax expense reported in the consolidated statement of profit or loss	**97.79**	**68.61**

Deferred tax

Statement of profit and loss

Particulars	March 31, 2022	March 31, 2021
Deferred tax relates to the following :		
Impact of difference between tax depreciation and depreciation/amortisation charged for financial reporting purposes	0.43	(6.05)
Deferred tax utilized / (recognised) on unabsorbed losses of earlier year	20.81	18.84
Provision for doubtful debts, advances and liquidated damages	1.81	0.24
Employee benefit obligations	1.39	1.26
Fair value gains on investment classified as fair value through profit and loss	-	(14.40)
Temporary differences due to accounting treatment as required by Income tax standards	(0.88)	(1.02)
Items allowed on payment basis	1.63	(5.24)
Others*	0.05	0.13
Deferred tax expense	**25.24**	**(6.24)**

** 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, 2022

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

Balance sheet

Particulars	As at March 31, 2022	As at March 31, 2021
Deferred tax relates to the following :		
Impact of difference between tax depreciation and depreciation/amortisation charged for financial reporting purposes	(80.61)	(80.18)
Losses available for offsetting against future taxable income	54.97	75.78
Provision for doubtful debts, advances and liquidated damages	121.27	123.08
Items allowed on payment basis	12.01	13.64
Employee benefit obligations	11.96	14.61
Temporary differences in accounting treatment as required by Income tax standards	5.02	4.14
Others*	2.50	2.96
Net deferred tax assets	**127.12**	**154.03**

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

Reconciliation of deferred tax assets (net)

Particulars	As at March 31, 2022	As at March 31, 2021
Opening balance	**154.03**	**150.95**
Tax (expense)/ income during the year recognised in profit or loss	(25.24)	6.24
Tax (expense)/ income during the year recognised in OCI	(1.75)	(3.13)
Currency translation effect	0.08	(0.03)
Closing balance	**127.12**	**154.03**

Break up of gross deferred tax assets/liabilities

	As at March 31, 2022	As at March 31, 2021
Deferred tax assets	130.21	161.04
Deferred tax liabilities	(3.09)	(7.01)
Net deferred tax assets	**127.12**	**154.03**

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. 207.83 (March 31, 2021: Rs. 153.76) 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, 2030. 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. 48 (March 31, 2021: Rs. 36.95).

At March 31, 2022, there is deferred tax liability of Rs. 2.31 (March 31, 2021: Rs. 5.09) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

11 Other Assets

(a) Other non-current assets

	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Advance to suppliers	0.07	0.61
Capital advance	14.18	9.05
Balances with government authorities	79.81	82.34
Prepayments	0.26	0.52
Total	**94.32**	**92.52**

(b) Other current assets

	As at March 31, 2022	As at March 31, 2021
Unsecured, considered good		
Advance to suppliers	186.60	128.72
Advance to employees	13.01	8.39
Prepayments	24.69	19.04
Balances with government authorities	125.12	202.51
Prepaid employee benefits (note 33)	18.83	9.50
Others*	7.36	12.25
Total	**375.61**	**380.41**

**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)

	As at March 31, 2022	As at March 31, 2021
Raw materials, components and bought-outs **	395.93	219.24
Work-in-progress	226.06	112.84
Finished goods	90.11	60.75
Stores and spares	9.06	6.00
Traded goods	5.85	5.91
Total	**727.01**	**404.74**

***Includes goods in transit Rs.14.82 (March 31, 2021 : Rs. 16.67)*

For the year ended March 31, 2022 Rs. 8.55 (March 31, 2021 Rs. 23.09) was reversed (net of expense) 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.

Inventory amounting to Rs. 70.30 (March 31, 2021 Rs. Nil) has been hypothecated against borrowings (note 16).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

13 (a) Cash and cash equivalents

	As at March 31, 2022	As at March 31, 2021
Balances with banks		
- in current accounts	203.56	285.84
- in deposits with original maturity of less than three months*	106.01	174.02
Cheques, drafts on hand	0.81	1.06
Cash on hand	0.40	0.39
Total	**310.78**	**461.31**

**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. 5.25 (March 31, 2021 : Rs. 9.63) held by irrevocable trust controlled by the Group.

This includes bank balances of Rs. 6.24 (March 31, 2021 Rs. 9.05) at branches which can be used freely for business in those countries. For any repatriation to India, these are subject to repatriation taxes as per the local laws of those countries.

Cash and cash equivalents balance includes of Rs. 11.01 (March 31, 2021 : Rs. 37.05) held as security against import commitments.

13 (b) Other bank balances

	As at March 31, 2022	As at March 31, 2021
Bank deposits with original maturity more than three months and remaining maturity less than twelve months*	641.94	1,477.00
Unpaid dividend account (restricted)	0.78	0.89
Total	**642.72**	**1,477.89**

** Includes Rs. Nil (March 31, 2021 Rs. 2.06) pledged as margin money.*

13 (c) Changes in liabilities from financing activities

Particulars	Borrowings	Unpaid dividend	Lease liabilities
As on April 1, 2020	182.92	0.97	14.21
Cash flow (net)	94.66	-	-
Unrealized foreign exchange (gain)/ loss	(0.93)	-	-
Other#	-	(0.08)	(3.74)
As on March 31, 2021	**276.65**	**0.89**	**10.47**
Cash flow (net)	76.19	-	-
Unrealized foreign exchange (gain)/ loss	2.58	-	-
Other#	-	(0.11)	1.82
As on March 31, 2022	**355.42**	**0.78**	**12.29**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

14 Share Capital

	As at March 31, 2022	As at March 31, 2021
Authorized shares		
375,000,000 (March 31, 2021: 375,000,000) equity shares of Rs. 2/- each.	75.00	75.00
	75.00	**75.00**
Issued, subscribed and fully paid share capital		
119,156,300 (March 31, 2021: 119,156,300) equity shares of Rs. 2/- each.	23.83	23.83
Less: 6,541,440 (March 31, 2021: 6,541,440) equity shares held by Trusts of Rs. 2/- each.	(1.31)	(1.31)
Total issued, subscribed and fully paid-up share capital	**22.52**	**22.52**

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

	No. of shares	Rs.
Equity share of Rs. 2 each issued, subscribed and fully paid		
As at April 1, 2020	112,614,860	22.52
Changes during the year	-	-
As at March 31, 2021	112,614,860	22.52
Changes during the year	-	-
As at March 31, 2022	**112,614,860**	**22.52**

(b) Terms/ rights attached to equity shares

The Group 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 shares held by Holding Company

	As at March 31, 2022	As at March 31, 2021
Holding Company		
RDA Holding Private Limited	12.87	12.87
64,328,500 (March 31, 2021: 64,328,500) equity shares of Rs. 2/- each fully paid		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

(All amounts are in Rupees Crore, 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

	As at March 31, 2022	As at March 31, 2021
RDA Holding Private Limited, India		
%	53.99	53.99
No. of shares	64,328,500	64,328,500
ARA Trusteeship Company Private Limited, India		
%	7.99	7.99
No. of shares	9,520,805	9,520,805
Kotak Mahindra Mutual Fund		
%	7.02	7.36
No. of shares	8,362,109	8,771,354
Nalanda India Equity Fund Ltd.		
%	6.86	6.86
No. of shares	8,176,668	8,176,668

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) Details of equity shares held by promotors in the Holding Company

	As at March 31, 2022	As at March 31, 2021
RDA Holding Private Limited, India		
%	53.99	53.99
No. of shares	64,328,500	64,328,500
% of change during the year	-	-
ARA Trusteeship Company Private Limited, India		
%	7.99	7.99
No. of shares	9,520,805	9,520,805
% of change during the year	-	-
Mr. Pheroz Pudumjee		
%	*	*
No. of shares	6,000	6,000
% of change during the year	-	-

** represents less than 0.01%.*

(f) 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, 2022

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

15 (a) Other equity

	As at March 31, 2022	As at March 31, 2021
Reserves and surplus		
Capital redemption reserve	60.34	60.34
Securities premium	57.28	57.28
Capital reserve	95.12	95.12
General reserve	435.31	435.31
Opening balance		
Retained earnings		
Opening balance	2,542.22	2,331.42
Add: Profit for the year	312.31	206.58
Less: Dividends paid	78.83	-
Movement during the year	233.48	206.58
Items of other comprehensive income recognised directly in retained earnings:		
Re-measurement loss/(gain) on defined benefit plans, net of tax Rs. (1.26) (March 31, 2021 : Rs. (1.54))	3.62	4.22
Net surplus in the Statement of profit and loss	**2,779.32**	**2,542.22**
Total Reserves and Surplus	**3,427.37**	**3,190.27**
Other Reserves		
Cash flow hedge reserve		
Opening balance	(0.94)	(4.86)
Add: Movement during the year (net)	2.41	5.51
Less: Tax on above movement	(0.49)	(1.59)
Closing balance	**0.98**	**(0.94)**
Foreign currency translation reserve		
Opening balance	39.54	30.77
Add: Movement during the year (net)	2.08	8.77
Closing balance	**41.62**	**39.54**
Total	**3,469.97**	**3,228.87**

Capital redemption reserve

Pertains to reserve created towards redemption of debentures and can be utilised in accordance with the provisions of the Companies Act, 2013 (“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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

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 of India 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

	March 31, 2022	March 31, 2021
Cash dividend on equity shares declared and paid by Holding company:		
Final dividend for the year ended 2020-2021: Rs. 7 per share (2019-2020: Rs.Nil per share) (gross of consolidation adjustments)	83.41	-
	83.41	**-**
Proposed dividends on equity shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at the reporting date.		
Proposed dividend of Holding Company on equity shares:		
Proposed dividend for the year ended 2021-2022: Rs. 9 per share (2020-2021: Rs. 7 per share)	107.24	83.41
	107.24	**83.41**

16 Borrowings

(a) Non-current borrowings

	As at March 31, 2022	As at March 31, 2021
At amortized cost		
Term loans (from banks)		
Secured loans - Foreign currency	21.39	22.86
Indian currency	57.78	11.66
Total non-current borrowings	**79.17**	**34.52**
Less: amount disclosed under the head "Current borrowings" (note 16 (b))		
- Current maturities of term Loans	(17.75)	(12.36)
	61.42	**22.16**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

Secured loans from banks includes:

- Foreign currency loans from banks Rs. 21.39 (March 31,2021 : Rs. 22.86) are repayable on a quarterly / semi - annual / annual basis over a period of seventeen years. Land and building with a carrying value of Rs. 10.32 (March 31, 2021 : Rs. 12.23) and letter of comfort from Holding Company has been provided as collateral for these borrowings. These loans carry an annual interest rate of 1% - 4.72% p.a. (March 31, 2021 : 1% -5% p.a.)

- Indian rupee loan from bank Rs. 57.78 (March 31, 2021 : Rs. 11.66) has been availed for 60/84 months and it is repayable in 48/72 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 machinery (property, plant & equipment) of Rs.5.50 (March 31, 2021: Rs.Nil), finance lease receivable of Rs. 22.83 (March 31, 2021: Rs.15.25), and inventory work in progress of Rs.70.30 (March 31, 2021: Rs.Nil) and an escrow of cashflow for the specific project for which such facility was availed. This loan carries an effective interest rate ranging between 6.09% -7.25% p.a. (March 31, 2021 : 8.3% - 8.7% p.a.).

(a) Current borrowings

		As at March 31, 2022	As at March 31, 2021
At amortized cost			
Loans (from banks)			
Secured loans	- Bank overdraft	-	40.77
	- Short term borrowings	13.76	14.67
Unsecured loans	- Packing credit	254.00	202.32
	- Hundi	8.49	25.14
Current maturities of long-term borrowings		17.75	12.36
Total		**294.00**	**295.26**

Bank overdraft 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.

Short term borrowings (foreign currency loans from banks) are repayable on a fixed date (March 31, 2021: quarterly). Letter of comfort from Holding Company has been provided as collateral for these borrowings. The loan carry an annual interest rate of 1.25% p.a. (March 31,2021 : LIBOR+2.5% p.a.).

Packing credit carries an interest rate of 2% to 2.85% p.a.(March 31, 2021 :1.90% - 3.50% p.a.) due for repayment within 180 to 365 days from date of disbursement or expected shipment date whichever is earlier.

Hundi includes working capital facility of acceptances for bills discounted by suppliers which are repayable in 60 to 120 days (March 31, 2021: 60 to 190 days).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

17 Trade Payables

(a) Non-current trade payables

	As at March 31, 2022	As at March 31, 2021
Total outstanding dues of creditors other than micro enterprises and small enterprises		
(i) Related parties (note 35)	-	-
(ii) Others	47.64	32.94
Total	**47.64**	**32.94**

The ageing of non-current trade payables which are due for payment :

Particulars		Not Due	Outstanding for the following period from due date of payments				Total
			Less than a year	1-2 years	2-3 years	More than 3 years	
(i) Others	March 31, 2022	47.57	-	-	-	-	**47.57**
	March 31, 2021	32.87	-	-	-	-	**32.87**
(ii) Disputed dues- Others	March 31, 2022	0.07	-	-	-	-	**0.07**
	March 31, 2021	0.07	-	-	-	-	**0.07**
Total	March 31, 2022	**47.64**	**-**	**-**	**-**	**-**	**47.64**
	March 31, 2021	**32.94**	**-**	**-**	**-**	**-**	**32.94**

(b) Current trade payables

	As at March 31, 2022	As at March 31, 2021
Total outstanding dues of micro enterprises and small enterprises	402.18	252.65
Total outstanding dues of creditors other than micro enterprises and small enterprises		
(i) Related parties (note 35)	1.01	0.81
(ii) Others	1,056.57	884.55
Total	**1,459.76**	**1,138.01**

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

The ageing of non-current trade payables which are due for payment :

Particulars		Not Due	Outstanding for the following period from due date of payments				Total
			Less than a year	1-2 years	2-3 years	More than 3 years	
(i) MSME	March 31, 2022	362.22	30.63	2.22	2.09	4.19	**401.35**
	March 31, 2021	233.31	10.23	2.98	2.90	2.40	**251.82**
(ii) Others	March 31, 2022	565.23	243.18	25.56	13.90	25.75	**873.62**
	March 31, 2021	433.05	213.92	33.63	12.10	21.23	**713.93**
(iii) Disputed dues- MSME	March 31, 2022	0.10	-	-	-	0.73	**0.83**
	March 31, 2021	0.10	-	-	-	0.73	**0.83**
(iv) Disputed dues- Others	March 31, 2022	-	0.27	-	-	0.24	**0.51**
	March 31, 2021	0.00	1.90	0.68	2.95	0.00	**5.53**
Subtotal	March 31, 2022	**927.55**	**274.08**	**27.78**	**15.99**	**30.91**	**1,276.31**
	March 31, 2021	**666.46**	**226.05**	**37.29**	**17.95**	**24.36**	**972.11**
Unbilled trade payable*	March 31, 2022						**183.45**
	March 31, 2021						**165.90**
Total	March 31, 2022						**1,459.76**
	March 31, 2021						**1,138.01**

**Pertains to accured expenses/liabilities.*

18 Financial Liabilities

(a) Other non-current liabilities

	As at March 31, 2022	As at March 31, 2021
At amortised cost		
Trade deposits	15.33	11.63
Liability towards employee separation scheme (Refer note 42)	1.95	5.22
Payables for PPE and intangible assets	-	1.22
Total	**17.28**	**18.07**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

(b) Other current liabilities

	As at March 31, 2022	As at March 31, 2021
Derivative instruments at fair value through OCI		
Cash flow hedges		
Foreign exchange forward contracts	0.84	2.70
Derivative instruments at fair value through profit or loss		
Derivative not designated as hedges		
Foreign exchange forward contracts	2.94	2.84
At amortized cost		
Employee related payables	84.28	73.56
Payables for Property, plant and equipment and intangible assets	2.35	7.61
Book overdraft	7.34	1.73
Liability towards employee separation scheme (Refer note 42)	2.16	2.22
Unpaid dividend	0.78	0.89
Other payables *	7.59	15.54
Total	**108.28**	**107.09**

** includes dealer deposits, security deposits, etc.*

19 Provisions

(a) Non-current provisions

	As at March 31, 2022	As at March 31, 2021
Provision for warranties	20.70	15.20
Provision for decommissioning liability	11.71	10.66
	32.41	25.86
Total	**32.41**	**25.86**

(b) Current provisions

	As at March 31, 2022	As at March 31, 2021
Provision for employee benefits		
Provision for gratuity (note 33)	0.41	0.22
Provision for leave encashment	66.56	76.21
	66.97	**76.43**
Other provisions		
Provision for onerous contracts	17.33	13.97
Provision for warranties	122.50	104.74
	139.83	**118.71**
Total	**206.80**	**195.14**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

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. 14.32 higher or lower (March 31, 2021 : Rs. 11.99).

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

	Provision for onerous contracts	Provision for warranties	Provision for decommissioning liability
As at April 1, 2021	**13.97**	**119.94**	**10.66**
Additional provision recognised	11.13	60.84	0.08
Unused amounts reversed	(1.80)	(29.04)	-
Unwinding of discount	-	9.51	0.97
Utilised during the year	(5.97)	(18.05)	-
As at March 31, 2022	**17.33**	**143.20**	**11.71**
Breakup of provisions:			
Current	17.33	122.50	-
Non-current	-	20.70	11.71
Total	**17.33**	**143.20**	**11.71**

20 Other Liabilities

(a) Other non-current liabilities

	As at March 31, 2022	As at March 31, 2021
Contract liabilities		
Unearned revenue *	9.26	9.22
Customer advances	21.42	53.62
Advance lease rentals	9.90	9.34
Total	**40.58**	**72.18**

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

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for the year ended March 31, 2022

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

(b) Other current liabilities

	As at March 31, 2022	As at March 31, 2021
Contract liabilities		
Unearned revenue	437.03	379.02
Customer advances	1,174.85	888.30
Advance lease rentals	1.57	1.33
Statutory dues and other liabilities**	48.23	37.53
Total	**1,661.68**	**1,306.18**

***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:

	March 31, 2022	March 31, 2021
Revenue from projects and products	5,384.47	4,061.28
Revenue from services	679.56	648.96
Total revenue from contracts with customers (a)	**6,064.03**	**4,710.24**

(b) Other operating income

	March 31, 2022	March 31, 2021
Export incentives	15.67	15.58
Sale of scrap	28.80	25.09
Interest income from finance lease	11.23	8.85
Commission income	2.41	1.65
Exchange fluctuation gain / (loss) (net) *	1.67	25.68
Royalty income	3.97	3.75
Miscellaneous income	0.55	0.41
Total Other operating income (b)	**64.30**	**81.01**
Total revenue from operations (a+b)	**6,128.33**	**4,791.25**

** Includes mark to market gain on forward contracts not subjected to hedge accounting Rs. 0.92 (March 31, 2021 : loss of Rs. 0.60)*

(c) Disclosure pursuant to Ind AS 115: Revenue from contract with customers

i) By category of contracts:

	March 31, 2022	March 31, 2021
Over a period of time basis	3,676.82	2,795.87
At a point-in-time basis	2,387.21	1,914.37
Total revenue from contracts with customers	**6,064.03**	**4,710.24**

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for the year ended March 31, 2022

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Revenue by segment

	March 31, 2022			
	Energy	Environment	Chemical	Total
Revenue from contracts with customers				
External revenue	4,377.47	1,291.57	533.47	6,202.51
Inter segment	(0.34)	(129.76)	(8.27)	(138.37)
Total revenue from contracts with customers	**4,377.13**	**1,161.81**	**525.20**	**6,064.14**
Other operating income	56.80	2.35	5.04	64.19
Total revenue from operations	**4,433.93**	**1,164.16**	**530.24**	**6,128.33**

	March 31, 2021			
	Energy	Environment	Chemical	Total
Revenue from contracts with customers				
External revenue	3,548.10	795.17	426.59	4,769.86
Inter segment	(0.96)	(53.82)	(4.84)	(59.62)
Total revenue from contracts with customers	**3,547.14**	**741.35**	**421.75**	**4,710.24**
Other operating income	79.19	(1.04)	2.86	81.01
Total revenue from operations	**3,626.33**	**740.31**	**424.61**	**4,791.25**

ii) Contract balances:

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

	March 31, 2022	March 31, 2021
Trade receivables (note 7)	1,597.24	1,337.97
Unbilled revenue (Contract asset) (note 9(b))	394.87	301.49
Unearned revenue (Contract liability) (note 20)	446.29	388.24
Customer advances (Contract liability) (note 20)	1,196.27	941.92

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.

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 :

	March 31, 2022	March 31, 2021
Unearned revenue	299.01	299.58
Customer advance	612.13	627.35

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for the year ended March 31, 2022

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

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:

	March 31, 2022	March 31, 2022
Opening unbilled revenue (note 9(b))	**301.49**	
Opening unearned revenue (note 20)	**388.24**	**(86.75)**
- Transfer of contract assets to receivable from opening unbilled revenue	(276.89)	
- Increase in revenue as a result of changes in the measure of progress from the opening unearned revenue	299.01	
- Transfer of contract assets to receivable	(3,366.75)	
- Increase in revenue as a result of changes in the measure of progress	3,377.81	
- Others*	2.15	**35.33**
Closing unbilled revenue (note 9(b))	**394.87**	
Closing unearned revenue (note 20)	**446.29**	**(51.42)**

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

	March 31, 2021	March 31, 2021
Opening unbilled revenue (note 9(b))	**347.30**	
Opening unearned revenue (note 20)	**392.10**	**(44.80)**
- Transfer of contract assets to receivable from opening unbilled revenue	(317.96)	
- Increase in revenue as a result of changes in the measure of progress from the opening unearned revenue	299.58	
- Transfer of contract assets to receivable	(2,525.03)	
- Increase in revenue as a result of changes in the measure of progress	2,496.29	
- Others*	5.17	**(41.95)**
Closing unbilled revenue (note 9(b))	**301.49**	
Closing unearned revenue (note 20)	**388.24**	**(86.75)**

** includes adjustments on account of onerous contracts, impairment allowance on contract assets 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, 2022

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

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.

	March 31, 2022	March 31, 2021
Amount of revenue yet to be recognised for contracts in progress	6,370.44	3,333.59

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.

vi) Reconciliation between revenue recognised in statement of profit and loss and contract price:

There is no significant variation between revenue recognised in Statement of profit and loss and contract price except price variation claims, which are considered to be part of contract price.

22 Other Income

	March 31, 2022	March 31, 2021
Interest income from financial assets at amortised cost		
Bank deposits	51.87	65.79
Other interest income	5.80	10.09
Dividend income from investments designated at fair value through profit and loss	1.37	1.87
Liabilities no longer required written back	18.99	8.32
Fair value gain on financial instruments at fair value through profit and loss (net)	39.32	9.94
Miscellaneous income ^^	9.66	11.73
Total	**127.01**	**107.74**

^^ Includes rent income of Rs. 0.02 (March 31, 2021 : Rs. 0.13) refer note 32(i)(b).

23 Cost of Raw Material and Components Consumed

	March 31, 2022	March 31, 2021
Inventories at the beginning of the year	219.24	276.27
Add: Purchases	3,682.70	2,410.40
	3,901.94	**2,686.67**
Inventories at the end of the year	(395.93)	(219.24)
Total	**3,506.01**	**2,467.43**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

24 (Increase) in Inventories of Finished Goods, Work-in-Progress and Traded Goods

	March 31, 2022	March 31, 2021
Inventories at the beginning of the year		
Work-in-progress	112.84	104.52
Finished goods	60.75	54.30
Traded goods	5.91	8.52
	179.50	**167.34**
Less: inventories at the end of the year		
Work-in-progress	226.06	112.84
Finished goods	90.11	60.75
Traded goods	5.85	5.91
	322.02	**179.50**
	(142.52)	**(12.16)**

25 Employee Benefits Expense

	March 31, 2022	March 31, 2021
Salaries and wages	727.34	683.47
Contribution to provident and other funds	41.24	39.30
Gratuity expense (note 33)	9.27	9.86
Staff welfare expenses	35.08	26.17
	812.93	**758.80**
Less: capitalised during the year (note 4(a))	-	(0.04)
Total	**812.93**	**758.76**

26 Finance Costs

	March 31, 2022	March 31, 2021
Interest expense*	13.47	11.75
Unwinding of discount	11.70	8.89
Total	**25.17**	**20.64**

** Includes accretion of interest on lease obligation Rs. 0.23 (March 31, 2021 : Rs. 0.16) (refer note 32(ii)).*

27 Depreciation and Amortization Expense

	March 31, 2022	March 31, 2021
Depreciation on property, plant and equipment (note 4(a))	94.02	95.54
Depreciation on right-of-use assets (note 4(b))	5.46	6.16
Amortisation of intangible assets (note 4(c))	13.76	12.87
Total	**113.24**	**114.57**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

28 Other Expenses

	March 31, 2022	March 31, 2021
Consumption of stores and spare parts	103.04	69.70
Power and fuel	52.31	38.59
Freight and forwarding charges (net)	176.09	116.05
Site expenses and contract labour charges	652.90	537.01
Drawing, design and technical service charges	24.65	21.10
Sales commission	25.34	17.49
Advertisement and sales promotion	10.48	11.25
Rent	19.19	14.89
Rates and taxes	20.09	13.51
Insurance	11.88	13.25
Repairs and maintenance:		
Plant and machinery	22.99	17.95
Buildings	5.05	3.60
Others	40.14	35.00
Travelling and conveyance	60.14	37.51
Legal and professional fees	103.52	77.66
Director sitting fees	1.00	0.84
Provision for advance (net)	5.01	-
Provision for impairment allowance of financial assets (net)	(9.41)	11.24
Warranty expenses (net)	35.39	41.00
(Gain) / loss on sale/ discard of assets (net)	(7.64)	0.76
CSR expenditure	7.54	7.84
Miscellaneous expenses (includes printing, communication, security expense, etc.)	49.41	52.47
	1,409.11	**1,138.71**
Less: capitalised during the year (note 4(a))	(0.12)	(0.04)
Total	**1,408.99**	**1,138.67**

29 Earnings Per Share

	March 31, 2022	March 31, 2021
Net profit attributable to the Equity shareholders of the Parent Company	312.31	206.58
Weighted average number of Equity shares of Rs. 2/- each (number in crore)	112,614,860	112,614,860
Basic and diluted earning per share	27.73	18.34

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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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, 2022

Particulars	Cash flow hedge reserve	Foreign Currency translation reserve	Retained Earnings	Total
Foreign currency translation differences	-	2.08	-	**2.08**
Foreign exchange forward contracts	3.46	-	-	**3.46**
Reclassified to statement of profit or loss (Net)	(1.54)	-	-	**(1.54)**
Re-measurement gains on defined benefit plans	-	-	3.62	**3.62**
Total	**1.92**	**2.08**	**3.62**	**7.62**

For the year ended March 31, 2021

Particulars	Cash flow hedge reserve	Foreign Currency translation reserve	Retained Earnings	Total
Foreign currency translation differences	-	8.77	-	**8.77**
Interest rate swap	(0.72)	-	-	**(0.72)**
Foreign exchange forward contracts	5.97	-	-	**5.97**
Reclassified to statement of profit or loss (Net)	(1.33)	-	-	**(1.33)**
Re-measurement gains on defined benefit plans	-	-	4.22	**4.22**
Total	**3.92**	**8.77**	**4.22**	**16.91**

31 Contingent Liabilities and Commitments

A Contingent liabilities

a) During earlier years, 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, 2021: 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 an 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.

b) Taxes*

	March 31, 2022	March 31, 2021
Excise, Customs Duty and Service tax	26.73	26.63
Sales tax #	35.63	78.41
Income tax demands disputed in appellate proceedings ## ^	200.01	77.17
References/appeals preferred by the Income tax department in respect of which, should the ultimate decision be unfavourable to the Group	16.91	3.30
Others	0.10	0.10

** Excluding interest and penalty thereon.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

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

 # 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. 9.18 and Rs.20.20 (March 31, 2021 of Rs.9.16 and Rs.20.15) respectively.

During the FY 2019-20, the subsidiary received an assessment order for AY 2016-17 majorly adding back income of Rs. 95.53 for sales made to related parties. The subsidiary has filed an appeal with CIT(A) against the said order. Based on the advice obtained from tax consultant, the subsidiary's management does not expect any outflow in respect of this order.

During the FY 2021-22, the subsidiary has received a income tax assessment order for AY 2017-18 majorly adding back income of Rs. 97.93 for sales made to related parties and Rs. 107.19 on account of share premium for shares issued. The subsidiary has filed an appeal with ITAT against the said order. Based on the advice obtained from tax expert, the subsidiary's management does not expect any outflow in respect of this order.

^ Against income tax disputed demand, the Company has received favourable ITAT orders in earlier years (similar issues) for Rs. 59.45 (March 31, 2021 :Rs. Nil).

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

	March 31, 2022	March 31, 2021
Liability for export obligations	1.90	71.40
Claims against the Group not acknowledged as debt*	209.68	208.30

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 against above claim is considered. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
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B Capital and other commitments

a) Liability in respect of partly paid shares Rs. Nil (March 31, 2021 Rs. 0.09).

b) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs. 14.61 (March 31, 2021 Rs. 26.83).

c) For lease commitments, refer note 32.

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, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Within one year	27.46	20.15	15.72	11.08
After one year but not more than five years	84.14	63.19	50.97	40.85
More than five years	48.19	26.68	34.93	20.51
	159.79	**110.02**	**101.62**	**72.44**
Less: Unearned finance income	58.17	37.58	-	-
Present value of minimum lease payments receivable	101.62	72.44	101.62	72.44
Allowance for uncollectible lease payments	-	-	-	-

	March 31, 2022	March 31, 2021
Current portion of finance lease receivables*	15.73	11.42
Non-current portion of finance lease receivables*	85.89	61.02

Particulars	March 31, 2022	March 31, 2021
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	10.87% - 17.03%	10.87% - 17.03%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
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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).

	March 31, 2022	March 31, 2021
Lease rental received for the year	0.2	0.13

	March 31, 2022	March 31, 2021
Future minimum lease rental receivables under non-cancellable operating leases are as follows:		
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 lease liabilities and the movements during the period

	March 31, 2022	March 31, 2021
Lease liabilities at the beginning of the year	10.47	14.21
Additions (for new lease during the year)	6.29	1.84
Accretion of interest	0.23	0.16
Exchange differences	(0.23)	(0.16)
Payments made	(4.47)	(5.58)
As at 31 March	**12.29**	**10.47**
Current portion of lease liabilities	8.13	3.86
Non-current portion of lease liabilities	4.16	6.61
Total	**12.29**	**10.47**

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Details of amounts recognised in statement of profit and loss

	March 31, 2022	March 31, 2021
Depreciation expense of right-of-use assets	5.46	6.16
Interest expense on lease liabilities	0.23	0.16
Expense relating to short-term leases (included in other expenses and staff welfare expenses)	19.44	15.00
Expense relating to leases of low-value assets (included in other expenses)	2.15	2.29
Total amount recognised in Consolidated Statement of Profit or Loss	**27.28**	**23.61**

Refer note 39(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 at least 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 in the form of qualifying insurance policy. The fund has formed a trust and it is governed by the 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, 2022	March 31, 2021
Current asset	18.83	9.50
Current liability	(0.41)	(0.22)
Net asset	18.42	9.28

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
April 1, 2020	**108.42**	**(110.24)**	**(1.82)**
Current service cost	10.12	-	10.12
Interest expense/(income)	6.11	(6.37)	(0.26)
Total amount recognised in Profit or Loss	**16.23**	**(6.37)**	**9.86**
Experience adjustments	1.91	-	1.91
Asset ceiling adjustment	-	0.82	0.82
Return on plan assets (income)	-	(1.38)	(1.38)
Actuarial gain from change in financial assumptions	(7.12)	-	(7.12)
Total amount recognised in Other Comprehensive Income	**(5.21)**	**(0.56)**	**(5.76)**
Employer contributions	-	(11.56)	(11.56)
Benefits paid	(18.16)	18.16	-
March 31, 2021	**101.28**	**(110.56)**	**(9.28)**
Arising on account of acquisition	-	-	-
Current service cost	10.49	-	10.49
Interest expense/(income)	6.00	(7.22)	(1.22)
Total amount recognised in Profit or Loss	**16.49**	**(7.22)**	**9.27**
Experience adjustments	(3.23)	-	(3.23)
Return on plan assets (income)	-	(0.28)	(0.28)
Actuarial gain from change in demographic assumptions	(0.36)	-	(0.36)
Actuarial gain from change in financial assumptions	(1.24)	0.23	(1.01)
Total amount recognised in Other Comprehensive Income	**(4.83)**	**(0.05)**	**(4.88)**
Employer contributions	-	(13.52)	(13.52)
Benefits paid	(10.59)	10.59	-
March 31, 2022	**102.34**	**(120.76)**	**(18.42)**

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

Particulars	March 31, 2022	March 31, 2021
Present value of funded obligation	102.34	101.28
Fair value of plan assets	(120.76)	(110.56)
Surplus of funded plan	**(18.42)**	**(9.28)**

III Significant assumptions

The principal actuarial assumptions were as follows :

Particulars	March 31, 2022	March 31, 2021
Discount rate	6.5% to 7.2%	6.4% to 6.9%
Salary growth rate	5 % to 9 %	5 % to 8 %
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, 2022		March 31, 2021	
	Impact of 1% increase	Impact of 1% decrease	Impact of 1% increase	Impact of 1% decrease
Discount rate	Decrease by 6.18	Increase by 7.51	Decrease by 6.07	Increase by 6.86
Future salary increase	Increase by 5.87	Decrease by 5.36	Increase by 6.14	Decrease by 5.54
Attrition rate	Increase by 0.28	Decrease by 0.31	Increase by 0.25	Decrease by 0.27

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 period) has been applied as 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.

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

Particulars	March 31, 2022	March 31, 2021
Within next 12 months	13.73	13.57
Between 2-5 years	45.24	40.89
Next 5 years	43.29	41.89

The average duration of the defined benefit plan obligation at the end of the reporting period is 8.84 years (March 31, 2021: 8.82 years)

V The major categories of plan assets are as follows:

Particulars	March 31, 2022	March 31, 2021
Investments with insurer (LIC of India)	100.00%	100.00%

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, 2022	March 31, 2021	
1	Thermax Onsite Energy Solutions Ltd	India	100%	100%	Supply of steam,heat and solar 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 Netherlands BV.	Netherlands	100%	100%	Investment Company
10	Thermax Denmark ApS	Denmark	100%	100%	Investment Company
11	Danstoker A/S	Denmark	100%	100%	Produces and sells boilers to the energy market
12	Ejendomsanp artsselskabet Industrivej Nord 13	Denmark	100%	100%	Own and lease out property within Group
13	Boilerworks A/S	Denmark	100%	100%	Produces and supplies high-pressure boilers and components
14	Boilerworks Properties ApS Industrivej^^^^	Denmark	100%	100%	Own and lease out the property within Group
15	Danstoker Poland Spółka Z Ograniczona Odpowiedzialnoscia	Poland	100%	100%	Produces and supplies high-pressure boilers and components
16	Rifox-Hans Richter GmbH Spezialarmaturen	Germany	100%	100%	Manufacturing steam trap systems
17	Thermax Sdn.Bhd	Malaysia	100%	100%	Turnkey solutions provider
18	Thermax Engineering Singapore Pte. Ltd.	Singapore	100%	100%	Investment Company and trading of solar power modules
19	PT Thermax International Indonesia	Indonesia	100%	100%	Manufacturing of industrial products
20	Thermax Senegal S.A.R.L ^^^^	Senegal	100%	100%	Plant management services
21	First Energy Private Limited	India	100%	100%	Solar business
22	Thermax Energy & Environment Philippines Corporation	Philippines	100%	100%	Marketing and sales of component parts of boilers
23	Thermax Energy & Environment Lanka (Private) Limited	Sri Lanka	100%	100%	Marketing and sales of component parts of boilers
24	Thermax Nigeria Limited	Nigeria	100%	100%	Marketing and sales of component parts of boilers
25	Thermax Babcock & Wilcox Energy Solutions Ltd (formerly known asThermax 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

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Sr No.	Name of the entity	Place of business/ Country of incorporation	Ownership interest held by the Group		Principal activities
			March 31, 2022	March 31, 2021	
26	Thermax Cooling Solutions Limited	India	100%	100%	Supply and erection commissioning of Air cooled condenser (ACC), Rotary air Pre-Heater (RAPH), electrostatic precipitator (ESP), Bag Houses
27	Thermax Engineering Construction FZE	Nigeria	100%	100%	Operation and maintenance of power plants
28	Thermax International Tanzania Limited	Tanzania	100%	100%	Supervision for project business, operation and maintenance services and sales related support.
29	Thermax (Thailand) Limited	Thailand	100%	100%	Trade and investment support office.
30	ESOP Trust and Employee Welfare Trusts**	India	100%	100%	Employee welfare
31	Enernxt Private Limited	India	100%	100%	Supply of biogas on build, own, operate and transfer basis
32	First Energy TN 1 Private Limited^^	India	100%	NA	Supply of solar power on build, own and operate basis
33	First Energy 2 Private Limited^^^	India	100%	NA	Supply of solar power on build, own and operate basis

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

*** 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 January 31, 2022.

^^^ Date of incorporation March 29, 2022. There are no transaction during the year, hence not consolidated.

^^^^ The subsidiaries are under liquidation process.

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B Parent entity

Sr No.	Name of the entity	Place of business/ Country of incorporation	Ownership interest held by the Group		Type
			March 31, 2022	March 31, 2021	
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**.*

C Associate

Sr No.	Name of the entity	Place of business/ Country of incorporation	Ownership interest held by the Group		Type
			March 31, 2022	March 31, 2021	
1	Exactspace Technologies Private Limited (date of acquisition - January 25, 2022)	India	10.41%	NA	Business of developing artificial intelligence solutions for the energy industry

The investments listed above has been accounted by equity method.

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 Mr. Pheroz Pudumjee - Director

3 Mrs. Anu Aga - Relative of Chairperson / Director

4 Mr. Zahaan Pudumjee - Relative of Chairperson / Director

5 Ms. Lea Pudumjee - Relative of Director / Chairperson

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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
10 Mr. Kedar Phadke - Company Secretary (Deceased on August 19, 2021)
11 Ms. Janhavi Khele- Company Secretary (w.e.f. September 1, 2021) *
12 Mr. Ravi Shankar Gopinath (w.e.f. November 10, 2021)

** appointed Compliance officer for the intermittent period between August 19, 2021 to September 01, 2021.*

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 Equipments Limited, India

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, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
a. Transactions during the year						
Sales of products and services	5.65	0.04	-	-	5.65	0.04
Purchase of raw material and components	0.34	1.44	-	-	0.34	1.44
Reimbursement of expenses	0.03	-	-	-	0.03	-
Other expenses	0.04	-	-	-	0.04	-
Miscellaneous expense	-	0.02	-	-	-	0.02
Remuneration to key management personnel*	-	-	7.36	22.21	7.36	22.21
Donation	7.54	7.84	-	-	7.54	7.84
Director's sitting fees ^	-	-	0.78	0.60	0.78	0.60
Commission paid	-	-	4.82	3.93	4.82	3.93
Rent paid	-	-	0.60	0.35	0.60	0.35

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

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Dividend paid to RDA Holdings Pvt. Ltd., India is Rs.4.58 (March 31, 2021 : Rs. Nil) including interim dividend for the year 2020-21.

^ 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, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
b. Balances as at the year end						
Trade receivables	0.60	0.02	-	-	0.60	0.02
Security deposit	-	-	0.53	0.18	0.53	0.18
Trade payables and other liabilities	1.01	0.81	-	-	1.01	0.81

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, 2022	March 31, 2021
Transactions during the year		
Sale of product and services		
Marico Limited	5.65	0.04
Purchase of raw material and components		
Elgi Equipments Limited	0.34	1.43
Festo India Private Limited	-	0.01
Reimbursement of expenses		
Dr. Jairam Varadaraj	**	-
Dr. Valentin A. H. von Massow	**	-
Mr. Ravi Shankar Gopinath	0.02	-
Other expenses		
Ms. Lea Pudumjee	0.03	-
Remuneration to key management personnel		
Mr. M. S. Unnikrishnan	-	14.82
Mr. Ashish Bhandari	5.25	5.64
Mr. Rajendran Arunachalam	1.49	1.39
Mr. Kedar Phadke	0.25	0.36
Ms. Janhavi Khele	0.37	-

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Particulars	March 31, 2022	March 31, 2021
Donation		
Thermax Foundation, India	7.54	7.84
Directors sitting fees		
Mrs. Meher Pudumjee	0.09	0.07
Mr. Pheroz Pudumjee	0.12	0.10
Dr. Valentin A. H. von Massow	0.09	0.07
Dr. Jairam Varadaraj	0.11	0.09
Mr. Nawshir Mirza	0.14	0.11
Mr. Ravi Pandit	0.08	0.06
Mrs. Rajani Kesari	0.10	0.07
Commission paid		
Mrs. Meher Pudumjee	0.41	0.45
Mr. Pheroz Pudumjee	0.18	0.20
Dr. Valentin A. H. von Massow	0.29	0.38
Dr. Jairam Varadaraj	0.14	0.20
Mr. Nawshir Mirza	0.32	0.35
Mr. Harsh Mariwala	0.18	0.25
Mr. Ravi Pandit	0.14	0.15
Mrs. Rajani Kesari	0.14	0.15
Mr. M. S. Unnikrishnan	-	1.60
Mr. Ashish Bhandari	3.04	-
Rent paid		
Mrs. Meher Pudumjee	0.16	0.11
Mrs. Anu Aga	0.28	0.13
Mr. Pheroz Pudumjee	0.16	0.11

*** represents amount less than a lakh rupees*

Particulars	March 31, 2022	March 31, 2021
Trade receivables		
Marico Limited	0.60	0.02
Trade payables and other liabilities		
Elgi Equipments Limited	0.16	0.01
Marico Limited	0.76	0.80
Security deposits		
Mr. Pheroz Pudumjee	0.18	0.18
Mrs. Anu Aga	0.35	0.35

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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, 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2021: 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's 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.

I Information about Business Segments:

Sr. No.	Particulars	March 31, 2022	March 31, 2021
i	**Segment Revenue**		
	a. Energy	4,434.27	3,627.29
	b. Environment	1,293.92	794.13
	c. Chemical	538.51	429.45
	Total	**6,266.70**	**4,850.87**
	Less: Inter segment revenue	138.37	59.62
	Income From operations	**6,128.33**	**4,791.25**
ii	**Depreciation and amortization**		
	a. Energy	65.38	72.72
	b. Environment	5.66	5.94

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
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Sr. No.	Particulars	March 31, 2022	March 31, 2021
	c. Chemical	19.49	17.34
	d. Unallocated	22.71	18.57
		113.24	**114.57**
iii	**Segment Results**		
	Profit before tax and interest from each segment		
	a. Energy	285.50	217.71
	b. Environment	42.97	37.59
	c. Chemical	62.38	103.38
	Total	**390.85**	**358.68**
	Less : i) Interest	25.17	20.64
	ii) Other unallocable expenditure net of unallocable (income)	(44.29)	10.32
	iii) Share of profit on associate (relating to energy segment)	(0.13)	-
	iv) Exceptional items (relating to Energy segment)	-	52.53
	Total profit before tax	**410.10**	**275.19**

Sr. No.	Particulars	March 31, 2022	March 31, 2021
iv	**Segment Assets**		
	a. Energy	3,252.66	2,759.84
	b. Environment	710.89	521.21
	c. Chemical	477.52	415.06
	d. Unallocated	3,020.04	2,810.76
	Total Assets	**7,461.11**	**6,506.87**
v	**Segment Liabilities**		
	a. Energy	2,942.03	2,445.37
	b. Environment	687.51	516.41
	c. Chemical	88.07	61.90
	d. Unallocated	251.01	231.80
	Total Liabilities	**3,968.62**	**3,255.48**

Reconciliations to amounts consolidated in financial statements

Reconciliation of profit

Particulars	March 31, 2022	March 31, 2021
Segment profit	390.85	358.68
Other income	127.01	107.74
Exceptional items	-	(52.53)
Finance cost	(25.17)	(20.64)
Other corporate costs*	(82.59)	(118.06)
Profit before tax	**410.10**	**275.19**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
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Reconciliation of assets

Particulars	As at March 31, 2022	As at March 31, 2021
Segment operating assets	4,441.07	3,696.11
Investments	1,476.53	234.46
Cash and bank balances	953.50	1,939.20
Balances with government authorities	124.00	163.85
Income tax assets	194.34	165.69
Other unallocated assets (includes deferred tax, etc.)	271.67	307.56
Total assets	**7,461.11**	**6,506.87**

Reconciliation of liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Segment operating liabilities	3,717.61	3,023.68
Borrowings	101.42	115.10
Income tax liabilities	23.39	25.11
Other unallocable liabilities	126.20	91.59
Total liabilities	**3,968.62**	**3,255.48**

II Information about geographic segment

Revenue from external customers

Particulars	March 31, 2022	March 31, 2021
India	4,505.94	3,116.12
Outside India	1,622.39	1,675.13
Total	**6,128.33**	**4,791.25**

No individual customer contributed more than 10% of Group's total revenue for the year ended March 31, 2022 and March 31, 2021.

Non-current asset

Particulars	March 31, 2022	March 31, 2021
India	1,382.03	1,373.80
Outside India	149.05	148.01
Total	**1,531.08**	**1,521.81**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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37 Investment in an Associate

The Group has acquired 10.41% share in Exactspace Technologies Private Limited (Exactspace), which is involved in business of developing artificial intelligence solutions for the energy industry. The Group has right to participates in policy-making decision. As a result, the Holding Company holds significant influence in Exactspace and the interest in Exactspace is accounted for using equity method in consolidated financial statements.

The summarised financial information of the associate, based on their unaudited Ind AS financial statements, and reconciliation with the carrying amount of investment in consolidated financial statements are set out below:

Summarised balance sheet	As at March 31, 2022
Current assets	
Cash and cash equivalents	6.41
Other current assets	2.75
Total current assets (A)	**9.16**
Total Non-current assets (B)	**0.38**
Non-current liabilities	
Financial liabilities	0.29
Other Non-current liabilities	0.27
Total Non-current liabilities (C)	**0.56**
Current liabilities	
Financial liabilities	0.13
Other current liabilities	0.40
Total current liabilities (D)	**0.53**
Net assets E=(A+B-C-D)	**8.45**
Group's share in net assets - 10.41% (March 31, 2021: Rs. Nil)	**0.88**
Goodwill	**5.75**
Carrying amount	**6.63**

The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not Thermax Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method.

Summarised Statement of Profit and Loss	January 25, 2022 to March 31, 2022
Total income	2.39
Cost of raw materials and components consumed	0.17
Depreciation and amortisation expense	0.12
Employee benefits expense	0.22
Other expenses	0.66
Profit before tax	**1.22**
Tax Expense	-
Profit for the period	**1.22**
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax	-
Other comprehensive income that will not be reclassified to profit or loss in the subsequent periods, net of tax	-
Total comprehensive income for the period	**1.22**
Group's share of profit - 10.41% (March 31, 2021 of Nil)	**0.13**

The Group has an agreement with its Associate that the profits of the Associate will not be distributed until it obtains the consent of the Holding Company. The Parent does not foresee giving such consent at the reporting date.
The Associate had no contingent liabilities or capital commitments as at March 31, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
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38 Fair Value Measurements

a) Category of financial instruments and valuation techniques

Details of financial assets carried at amortised cost:

	As at March 31, 2022	As at March 31, 2021
Trade receivables	1,597.24	1,337.97
Loans	7.16	8.13
Finance lease receivables	101.62	72.44
Other assets	558.40	438.97
Cash and cash equivalents	310.78	461.31
Bank balances other than cash and cash equivalents	642.72	1,477.89
Total	**3,217.92**	**3,796.71**
Current assets	2,859.25	3,558.36
Non-current assets	358.67	238.35
Total	**3,217.92**	**3,796.71**

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:

	As at March 31, 2022	As at March 31, 2021
Investments	1,469.90	234.46
Total	**1,469.90**	**234.46**
Current assets	766.54	115.25
Non-current assets	703.36	119.21
Total	**1,469.90**	**234.46**

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

Details of derivative assets

	As at March 31, 2022	As at March 31, 2021
Derivative instruments		
Cash flow hedges		
Foreign exchange forward contracts	2.25	1.66
Derivative not designated as hedges		
Foreign exchange forward contracts	3.86	3.44
Total	**6.11**	**5.10**
Current assets	6.11	5.10
Non-current assets	-	-
Total	**6.11**	**5.10**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Details of financial liabilities carried at amortised cost

	As at March 31, 2022	As at March 31, 2021
Borrowings	355.42	317.42
Trade payables	1,507.40	1,170.95
Employee related payables	84.28	73.56
Other liabilities	49.79	56.53
Total	**1,996.89**	**1,618.46**
Current liabilities	1,862.42	1,538.68
Non-current liabilities	134.47	79.78
Total	**1,996.89**	**1,618.46**

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.

Details of derivative liabilities

	As at March 31, 2022	As at March 31, 2021
Derivative instruments		
Cash flow hedges		
Foreign exchange forward contracts	0.84	2.70
Derivative not designated as hedges		
Foreign exchange forward contracts	2.94	2.84
Total	**3.78**	**5.54**
Current liabilities	3.78	5.54
Non-current liabilities	-	-
Total	**3.78**	**5.54**

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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, 2022

	Date of valuation	Level 1	Level 2	Level 3	Total
Financial assets					
Investments					
Equity instruments	March 31, 2022	-	-	-	-
Mutual funds	March 31, 2022	1,163.99	-	-	1,163.99
Derivative financial assets	March 31, 2022	-	6.11	-	6.11
Financial liabilities					
Derivative financial liabilities	March 31, 2022	-	3.78	-	3.78

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

	Date of valuation	Level 1	Level 2	Level 3	Total
Financial assets					
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
Financial liabilities					
Derivative financial liabilities	March 31, 2021	-	5.54	-	5.54

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.

39 (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, 2022 and March 31, 2021. The management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

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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 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.

	Impact on profit before tax		Impact on other components of equity	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
USD Sensitivity				
INR/ USD - Increase by 1%	(0.76)	(2.68)	(0.45)	1.68
INR/ USD - Decrease by 1%	0.76	2.68	0.45	(1.68)
SEK Sensitivity				
INR/ SEK - Increase by 1%	(0.22)	0.10	-	0.02
INR/ SEK - Decrease by 1%	0.22	(0.10)	-	(0.02)
EUR Sensitivity				
INR/ EUR - Increase by 1%	1.34	0.53	0.35	0.20
INR/ EUR - Decrease by 1%	(1.34)	(0.53)	(0.35)	(0.20)
JPY Sensitivity				
INR/ JPY - Increase by 1%	0.17	0.07	-	-
INR/ JPY - Decrease by 1%	(0.17)	(0.07)	-	-

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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/corporate deposits. Reports on the investment portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions. The Group 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.

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The Group's maximum exposure to credit risk for bank balances and deposits as at March 31, 2022 and March 31, 2021 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 consolidated 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, Group 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, 2022	< 1 year	1 to 3 years	> 3 years	Total
Non-derivative				
Borrowings				
Loans	294.00	34.12	27.30	355.42
Trade Payables	1,459.76	47.64	-	1,507.40
Other financial liabilities				
Lease obligation	4.16	4.27	5.95	14.38
Unpaid dividend	0.78	-	-	0.78
Other payables	103.72	7.60	24.21	135.53
Derivatives (net settled)				
Foreign exchange forward contracts	3.78	-	-	3.78

March 31, 2021	< 1 year	1 to 3 years	> 3 years	Total
Non- derivative				
Borrowings				
Loans	295.26	12.45	9.71	317.42
Trade Payables	1,138.01	32.94	-	1,170.95
Other financial liabilities				
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
Derivatives (net settled)				
Foreign exchange forward contracts	5.54	-	-	5.54

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39 (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, 2022		March 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Fair Value of Foreign exchange forward contracts designated as hedging instruments	6.11	(3.19)	5.10	(4.38)

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, 2022		March 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedge				
Foreign exchange forward contracts	308.77	18.52	304.44	24.58
Derivatives not designated as hedges				
Foreign exchange forward contracts	592.71	89.54	558.33	151.18

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, 2022		March 31, 2021	
	Expected future sales	Expected future purchases	Expected future sales	Expected future purchases
Unrealised gain/ (loss)	1.16	(0.01)	0.35	(0.25)
Deferred tax asset/ (liability)	(0.29)	0.00	(0.09)	0.06
	0.87	**(0.01)**	**0.26**	**(0.19)**

The amounts retained in OCI at March 31, 2022 are expected to mature and affect the statement of profit and loss during the year ending March 31, 2023.

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

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, 2022		March 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	-	(0.59)	-	(1.16)

The nominal value of interest rate swap are:

Particulars	March 31, 2022		March 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	-	(6.81)	-	(8.23)

40 Struck Off Companies^

Below are details of investment, receivable, payable and any other transactions outstanding with struck off companies.

For the year ended March 31, 2022

Name of struck off company	Entity name	Nature of transactions	Transaction during the year	Balance outstanding at the end of the year	Relationship with the struck off Company, if any, to be disclosed
Draj Engineering System Private Limited	Thermax Limited	Payable	0.03	0.02	None
Ecomax Engineering Service Private Limited	Thermax Limited	Payable	-	0.01	None
Inlay Infra Private Limited	Thermax Limited	Payable	0.02	-	None
Optimus Ventures Private Limited	Thermax Limited	Payable	0.01	-	None
Parim Infocomm Private Limited	Thermax Instrumentation Limited	Payable	**	-	None
Reliance Communications Infrastructure Limited	Thermax Limited	Payable	**	-	None
Sapre Designs and Instruments Private Limited	Thermax Limited	Payable	**	-	None
Sharda IT Services Private Limited	Thermax Limited	Payable	0.03	-	None
Thermochill Engineering Service Private Limited	Thermax Limited	Payable	-	**	None
Urja Sealants Private Limited	Thermax Limited	Payable	**	-	None
Jahannagar Textile Mill Private Limited	Thermax Limited	Receivable	0.26	-	None
Madras Engineering Works	Thermax Limited	Receivable	**	-	None

*** Less than a lac rupees*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

For the year ended March 31, 2021

Name of struck off company	Entity name	Nature of transactions	Transaction during the year	Balance outstanding at the end of the year	Relationship with the struck off Company, if any, to be disclosed
Amrit Non Conventional Energy System Limited	Thermax Limited	Payable	-	**	None
Anj Securedocs Security Private Limited	Thermax Limited	Payable	-	0.01	None
Draj Engineering System Private Limited	Thermax Limited	Payable	0.23	-	None
Ecomax Engineering Service Private Limited	Thermax Limited	Payable	-	0.01	None
Fanuc India Private Limited	Thermax Babcock & Wilcox Energy Solutions Limited	Payable	0.01	**	None
Industrial Systems & Equipments Limited	Thermax Limited	Payable	-	**	None
Inlay Infra Private Limited	Thermax Limited	Payable	-	0.24	None
Optimus Ventures Private Limited	Thermax Limited	Payable	0.09	-	None
Parim Infocomm Private Limited	Thermax Instrumentation Limited	Payable	-	**	None
Reliance Communications Infrastructure Limited	Thermax Limited	Payable	-	**	None
Sai Bhavani Powertech Private Limited	Thermax Limited	Payable	-	0.01	None
Sharda IT Services Private Limited	Thermax Limited	Payable	-	0.03	None
Sonar Communications Private Limited	Thermax Limited	Payable	-	**	None
Steelmen Infratech Private Limited	Thermax Limited	Payable	-	0.01	None
Super Synthetics Limited	Thermax Limited	Payable	0.02	-	None
Roto Pumps Ltd	Thermax Babcock & Wilcox Energy Solutions Limited	Payable	-	**	None
Tele-Net Engineers Private Limited	Thermax Limited	Payable	-	**	None
Thermochill Engineering Service Private Limited	Thermax Limited	Payable	-	**	None
Thermochill Engineering Service Private Limited	Thermax Limited	Payable	**	-	None
Urja Sealants Private Limited	Thermax Limited	Payable	**	-	None
Anand Polymers Limited	Thermax Limited	Receivable	-	**	None
Anil Ghosh Tea Factory Private Limited	Thermax Limited	Receivable	-	0.04	None
AVS Hospitality (P) Limited	Thermax Limited	Receivable	-	**	None
Graphite India Limited	Thermax Limited	Receivable	-	0.02	None
Jahannagar Textile Mill Private Limited	Thermax Limited	Receivable	-	0.06	None
Manas Watertech Engineers Private Limited	Thermax Limited	Receivable	-	**	None
Panjwani Foods Limited	Thermax Limited	Receivable	-	0.07	None
Rana Sponge Limited	Thermax Limited	Receivable	-	**	None
S M S Exports Limited	Thermax Limited	Receivable	-	**	None
Shree Rengaa Papers Private Limited	Thermax Limited	Receivable	-	0.12	None
Shri Samarth Engineering Private Limited	Thermax Limited	Receivable	-	0.01	None
Super Synthetics Limited	Thermax Limited	Receivable	0.15	-	None
Thermochill Engineering Service Private Limited	Thermax Limited	Receivable	-	0.01	None
Thermochill Engineering Service Private Limited	Thermax Limited	Receivable	0.12	-	None

*** Less than a lac rupees*

^ Information in this regard is on basis of intimation received, on requests made by the Company, with regards to registration of vendors and customers under the Act.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

41 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, 2022 and March 31, 2021. Capital represents equity attributable to equity holders of the Parent Company.

	March 31, 2022	March 31, 2021
Borrowings	355.42	317.42
Trade payables	1,507.40	1,170.95
Book overdraft	7.34	1.73
Less: Cash and cash equivalents(includes deposits with maturity of more than 3 months but less than 12 months)	(954.28)	(1,939.20)
Net (surplus) / debt	**915.88**	**(449.10)**
Equity	3,492.49	3,251.39
Capital and net debt	**4,408.37**	**2,802.29**
Gearing ratio	**1:4.81**	**NA**

42 Exceptional Items

	Note	March 31, 2022	March 31, 2021
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 Omnical Kessel & Apparatebau GmbH, Germany		-	1.68
Total		**-**	**52.53**

 # 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. Nil (March 31, 2021 : Rs. 9.15). The outstanding amount of scheme benefits payable to employees as on March 31, 2022 is Rs. 4.11 (March 31,2021 : Rs. 7.44).

43 Other Statutory Information

(i) The Group do not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami property.

(ii) The Group do not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.

(iii) The Group have not traded or invested in crypto currency or virtual currency during the financial year.

(iv) The Group have not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

(v) The Group have not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries,

(vi) The Group have not any such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961.

44 Standards Issued but not yet Effective

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, as below.

(i) Ind AS 16 – Property Plant and equipment - The amendment clarifies that excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the profit or loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant, and equipment. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2022. The Company is in the process of evaluating the amendment.

(ii) Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets – The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2022, although early adoption is permitted. The Company is in the process of evaluating the amendment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

45 Additional Information Required by Schedule III

Disclosure of additional information pertaining to the parent company, and its subsidiaries: For the year ended March 31, 2022

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 profit or loss	Amount	As a % of consolidated Other Comprehensive Income	Amount	As a % of consolidated Total Comprehensive Income	Amount
Parent Company								
Thermax Limited	85.93%	3,001.00	64.29%	200.79	55.64%	4.24	64.09%	205.03
Indian subsidiaries								
Thermax Babcock & Wilcox Energy Solutions Ltd (formerly known asThermax Babcock & Wilcox Energy Solutions Pvt Ltd)	15.43%	538.98	26.39%	82.43	13.65%	1.04	26.09%	83.47
Thermax Onsite Energy Solutions Limited	3.97%	138.59	4.33%	13.51	(0.39%)	(0.03)	4.21%	13.48
Thermax Instrumentation Limited	1.24%	43.45	2.87%	8.95	2.89%	0.22	2.87%	9.17
Thermax Engineering Construction Co. Ltd.	0.35%	12.32	2.53%	7.89	(3.02%)	(0.23)	2.39%	7.66
Thermax Cooling Solutions Limited (formerly known as Thermax SPX Energy Technologies Ltd)	0.19%	6.53	0.48%	1.50	1.97%	0.15	0.52%	1.65
Thermax Sustainable Energy Solutions Limited ^	(0.11%)	(3.83)	0.00%	-	-	-	0.00%	-
First Energy Private Limited (Consol.)	0.94%	32.72	0.31%	0.97	0.00%	-	0.30%	0.97
Enernxt Private Limited	0.67%	23.56	0.04%	0.12	0.00%	-	0.04%	0.12
Foreign subsidiaries								-
Thermax Engineering Singapore Pte. Ltd.	2.88%	100.73	(6.45%)	(20.14)	-	-	(6.30%)	(20.14)
PT Thermax International Indonesia	1.97%	68.74	(3.61%)	(11.28)	0.00%	-	(3.53%)	(11.28)
Thermax Inc.	2.09%	72.92	1.18%	3.67	-	-	1.15%	3.67
Thermax Europe Limited	1.81%	63.17	0.07%	0.23	-	-	0.07%	0.23
Thermax Netherlands B.V.	0.68%	23.78	(0.18%)	(0.55)	-	-	(0.17%)	(0.55)
Thermax Denmark ApS (Consol.)	0.91%	31.72	1.91%	5.97	6.04%	0.46	2.01%	6.43
Thermax International Limited	0.16%	5.54	(0.05%)	(0.15)	-	-	(0.05%)	(0.15)
Thermax Energy and Environment Lanka (Pvt) Limited	0.13%	4.48	0.04%	0.13	-	-	0.04%	0.13
Rifox-Hans Richter GmbH Spezialarmaturen	0.25%	8.77	0.74%	2.32	-	-	0.73%	2.32
Thermax Energy & Environment Philippines Corporation	0.14%	4.96	0.08%	0.24	-	-	0.08%	0.24
Thermax Engineering Construction FZE	0.33%	11.64	1.14%	3.56	-	-	1.11%	3.56
Thermax Sdn.Bhd	0.05%	1.69	0.07%	0.23	-	-	0.07%	0.23
Thermax Nigeria Limited	0.03%	1.18	0.04%	0.12	-	-	0.04%	0.12
Thermax do Brasil-Energia e Equipamentos Ltda.	0.02%	0.60	0.02%	0.06	-	-	0.02%	0.06
Thermax International Tanzania Limited	0.30%	10.59	2.72%	8.50	-	-	2.66%	8.50
Thermax (Thailand) Limited	0.10%	3.37	0.05%	0.16	-	-	0.05%	0.16
Controlled Trusts								
ESOP Trust and Employee Welfare Trusts	3.68%	128.41	2.57%	8.04	-	-	2.51%	8.04
Consolidation Adjustments	(24.14%)	(843.12)	(1.59%)	(4.96)	23.23%	1.77	(1.00%)	(3.19)
Total	**100.00%**	**3,492.49**	**100.00%**	**312.31**	**100.00%**	**7.62**	**100.00%**	**319.93**

^ Thermax Sustainable Energy Solutions Limited, subsidiary handed over to liquidator for liquidation, hence consolidated up to the date of loss of control.

First Energy 2 Private Limited has been incorporated on March 29, 2022. There are no transaction during the year, hence not included in above statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

(All amounts are in Rupees Crore, 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, 2021

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 profit or loss	Amount	As a % of consolidated Other Comprehensive Income	Amount	As a % of consolidated Total Comprehensive Income	Amount
Parent Company								
Thermax Limited	88.56%	2,879.43	68.26%	141.01	5.14%	0.87	63.48%	141.88
Indian subsidiaries								
Thermax Babcock & Wilcox Energy Solutions Ltd (formerly known as Thermax Babcock & Wilcox Energy Solutions Pvt Ltd)	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)	-	-	(0.95%)	(2.13)
Foreign subsidiaries								-
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%	4.75
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)
Controlled Trusts								
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
Total	**100.00%**	**3,251.39**	**100.00%**	**206.58**	**100.00%**	**16.91**	**100.00%**	**223.49**

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.

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

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 20, 2022

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

Janhavi Khele
Company Secretary

Place: Pune
Date: May 20, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

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

(Rs. 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 2022
Thermax Sustainable Energy Solutions Ltd.	2021-22		4.75	(8.58)	0.24	4.07	-	-	-	-	-	-	100.00	INR	
Thermax Engineering Construction Co. Ltd.	2021-22		4.50	7.82	16.52	4.20	0.01	2.59	8.42	0.53	7.89	13.90	100.00	INR	
Thermax Instrumentation Ltd.	2021-22		9.00	34.45	136.67	93.23	5.75	145.43	15.63	6.68	8.95	5.40	100.00	INR	
Thermax Onsite Energy Solutions Ltd.	2021-22		72.28	66.31	273.03	134.43	23.63	204.93	18.33	4.82	13.51	-	100.00	INR	
First Energy Private Limited	2021-22	31-Aug-16	39.47	(6.51)	71.96	7.77	22.36	22.56	1.02	-	1.02	-	100.00	INR	
First Energy TN 1 Private Limited	2021-22		22.00	(0.23)	25.08	3.31	-	-	(0.04)	-	(0.04)	-	100.00	INR	
Thermax International Ltd. (Mauritius)	2021-22		26.09	(19.80)	10.12	3.83	6.82	-	(0.15)	-	(0.15)	-	100.00	USD	75.79
Thermax Europe Ltd. (U.K.)	2021-22		1.99	61.18	77.27	14.10	-	54.15	0.29	0.05	0.23	-	100.00	GBP	99.53
Thermax Inc. (U.S.A.)	2021-22		3.79	69.13	132.93	60.01	-	161.67	4.97	1.30	3.67	-	100.00	USD	75.79
Thermax do Brasil Energia e Equipamentos Ltda. (Brazil)	2021-22		1.74	(1.14)	0.65	0.05	-	0.18	0.06	-	0.06	-	100.00	Brazilian Real	15.99
Thermax Denmark ApS.	2021-22		146.59	(115.01)	81.98	50.40	76.45	-	5.82	(0.12)	5.93	-	100.00	DKK	11.28
Thermax Netherlands BV.	2021-22		271.79	(243.68)	28.40	0.29	27.22	-	(0.55)	-	(0.55)	-	100.00	EUR	83.86
Danstoker A/S	2021-22	1-Oct-10	11.28	32.36	147.49	103.85	27.29	182.42	7.10	1.40	5.70	-	100.00	DKK	11.28
Ejendomsanp-artsselskabet Industrivej Nord 13	2021-22	1-Oct-10	0.23	32.81	61.12	28.08	10.60	-	1.28	0.23	1.05	-	100.00	DKK	11.28
Boilerworks A/S	2021-22		0.56	(5.41)	10.26	15.11	-	3.14	(1.05)	(0.70)	(0.35)	-	100.00	DKK	11.28
Boilerworks Properties ApS	2021-22		0.11	10.49	11.39	0.79	-	-	-	-	-	-	100.00	DKK	11.28
Rifox-Hans Richter GmbH Spezialarmaturen	2021-22	1-Apr-12	6.01	2.76	15.21	6.44	-	29.46	2.32	-	2.32	-	100.00	EUR	83.86
Thermax SDN.BHD	2021-22		0.90	0.79	4.92	3.23	-	5.70	0.32	0.10	0.23	-	100.00	Malaysian Ringet	18.03
Thermax Engineering Singapore Pte. Ltd	2021-22		174.19	(52.17)	128.67	6.64	116.66	17.18	(20.14)	-	(20.14)	-	100.00	USD	75.79
PT Thermax International Indonesia	2021-22		143.87	(75.13)	122.25	53.51	-	62.37	(11.28)	-	(11.28)	-	100.00	Indonesian Rupiah	0.0053
Thermax Energy and Environment Philippines Corporation	2021-22		7.18	(2.22)	5.35	0.39	-	1.42	0.28	0.05	0.24	-	100.00	PHP	1.47
Thermax Nigeria Limited	2021-22		0.91	0.27	1.39	0.21	-	1.95	0.18	0.06	0.12	-	100.00	NGN	0.18
Thermax Energy and Environment Lanka (pvt) Limited	2021-22	8-Aug-17	4.02	0.47	4.53	0.04	-	0.63	0.18	0.05	0.13	-	100.00	LKR	0.26
Thermax Babcock & Wilcox Energy Solutions Ltd (formerly known asThermax Babcock & Wilcox Energy Solutions Pvt Ltd)	2021-22		628.22	(18.76)	1,946.47	1,337.01	226.21	1,607.97	89.30	22.83	66.47	-	100.00	INR	
Thermax Cooling Solutions Limited (formerly known as Thermax SPX Energy Technologies Ltd)	2021-22		20.00	(13.47)	22.80	16.27	-	18.89	1.61	0.11	1.50	-	100.00	INR	
Thermax Engineering Construction FZE	2021-22		0.01	11.63	15.77	4.13	-	10.40	3.56	-	3.56	6.71	100.00	USD	75.79
Danstoker Poland Spółka Z Ograniczona Odpowiedzialnoscia	2021-22	4-May-17	0.90	3.25	69.04	64.88	-	54.21	(3.02)	(0.19)	(2.83)	-	100.00	PLN	18.07
Thermax (Thailand) Limited	2021-22		3.42	(0.05)	4.14	0.77	-	3.68	0.21	0.05	0.16	-	100.00	THB	2.28
Ener Next Pvt. Ltd	2021-22		23.63	30.00	30.00	30.00	30.00	-	0.16	0.04	0.12	-	100.00	INR	
Thermax International Tanzania Limited	2021-22		0.03	30.00	30.00	30.00	30.00	29.52	12.25	3.74	8.50	-	100.00	INR	

Notes :

i) *The reporting period of Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. (China) and Thermax Senegal S.A.R.L is 2020, A31whereas 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 Kong 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*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2022

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

Part "B": Associates and Joint Ventures

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

(Rs. Crore)

	Particulars	Exactspace Technologies Private Limited
1	Latest Audited Balance Sheet Date	31-Mar-22
2	Date of acquisition*	25-Jan-22
3	Shares of Associates held by the Company on the year end	
	i) Number	1,249
	ii) Amount of Investment in Joint Venture	6.50
	iii) Extent of Holding %	10.41%
4	Description of how there is significant influence	The Company represents on the board of directors in exact, participates in policy-making processes.
5	Reason why the joint venture is not consolidated	The Company does not control over entity.
6	Net Worth attributable to shareholding as per latest Balance Sheet	0.88
7	Profit/Loss for the year#	
	i) Considered in Consolidation	0.13
	ii) Not considered in Consolidation	1.09