

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

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I. INTRODUCTION

The Securities Exchange Board of India (SEBI) with an aim to guard the interests of general investors has formulated the SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as ‘the Regulations’). Insider trading means dealing in securities of a company based on unpublished price sensitive information by persons who could be privy to such information, and use it to secure a price advantage, as compared to general investors. Such dealing erodes the investors’ confidence in the integrity of management and is unhealthy for the capital markets.

These Regulations came into force effective November 19, 1992 and were made applicable to all Listed Companies. It is mandatory in terms of the Regulations for every listed company to adopt a Code of Conduct for Prevention of Insider Trading for its Directors, Officers and Employees as also a Code of Corporate Disclosure Practices.

Regulation 2(e) of the Regulations, defines ‘Insider’ and is quoted below:

“insider” means any person who,

- (i) is or was connected with the company or is deemed to have been connected with the company and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or
- (ii) has received or has had access to such unpublished price sensitive information.”

This document manifests the Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices (‘the Code’) to be adopted by Thermax Limited. The Code shall be applicable to Directors, whether Executive or Non-Executive, all Employees and persons holding professional or business relationships with the Company, whether temporary or permanent, and who may reasonably be expected to have access to unpublished price sensitive information in relation to the Company. The Code is based on the principle that Directors, Officers & Employees owe a fiduciary duty to the stakeholders of the Company. They should place the interest of the stakeholders above their own and conduct their personal securities transactions, either by themselves or on behalf of others, in a manner that does not create a situation of conflict of interest. Further, the Code also seeks to ensure timely and adequate disclosure of price sensitive information to the investor community, by the Company to enable them to take informed investment decisions with regard to its securities.



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Any information that relates directly or indirectly to the Company, which, if published, is likely to materially affect the price of securities of the Company, is considered price sensitive.

II. DEFINITIONS

In this Code unless the context otherwise requires;

1. “Associate Companies” means the companies which have been listed out in **Annex I** hereto and such other companies as the Chairperson and/or the Managing Director may add as Related Companies from time to time.
2. “Board” means the Board of Directors of Thermax Limited and shall include any Committees of the Board.
3. “Code” means this Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices, as applicable and modified from time to time.
4. “Company / Thermax” means Thermax Limited and includes its successors, assigns.
5. “Compliance Officer” means any employee designated as such by the Board.
6. “Dependant Family Members” shall include:
 - a. Spouse
 - b. Children
 - c. Parents
 - d. Other family members of the Directors / Designated Employees as may be notified by him/her (Insider).
7. “Designated Employees” means:
 - (a) such employees in the top three tier of the management, as may be identified by the Compliance Officer in consultation with the Managing Director of the Company.
 - (b) Any other employee, as may be designated from time to time, for the purpose of this Code, by the Compliance Officer in consultation with the Managing Director of the Company.
8. “Directors” means a member of the Board of Directors of the Company.

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9. “Insider” means a person who is or was either a Director or a Designated Employee of the Company, or with whom the Company has, directly or indirectly, a professional or business relationship, because of which he may reasonably be expected to have access to or be in the possession of Unpublished Price Sensitive Information and such person shall be considered as insider for a period of six (6) months after his ceasing to have any aforesaid relationship with the Company.
10. “Insider Trading” means dealing by an Insider in any manner in the Company’s securities on the basis of confidential information i.e. “unpublished price sensitive information (UPSI)” used to make profit or avoid loss in the transactions in securities of the Company.
11. “Securities” means any of the following instruments issued, or to be issued or created, or to be created, for the benefit of the Company:
 - a. shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of like nature of the Company;
 - b. rights or interests in the above.
 - c. such other instrument recognized as securities and issued by the Company from time to time.
12. “Trading Window” shall mean that period specified by the Compliance Officer during which Insiders and their Dependant Family Members are prohibited from any form of dealing in the Company’s Securities. The Closed Period shall be announced by the Compliance Officer from time to time.
13. “Unpublished Price Sensitive Information” (UPSI) means any information which relates to the following matters or is of concern, directly or indirectly, to the Company, and is not generally known or published by the Company, but which if published or known, is likely to materially affect the price of securities of the Company:
 - (i) Periodical financial results of the Company (quarterly, half-yearly and annual).
 - (ii) Intended declarations of dividend (interim and final).
 - (iii) Issue of securities by way of rights/ bonus etc. or buy-back of securities.
 - (iv) Any major expansion plans or execution of new projects.
 - (v) Amalgamation, mergers or takeovers.
 - (vi) Disposal of the whole or substantial part of the Company’s business.
 - (vii) Order book / major orders¹ received by the Company.

¹ exceeding 5% of the audited Sales Income of the Company during the preceding financial year.

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(viii) Any significant changes in policies, plans or operations of the Company.

III. COMPLIANCE OFFICER:

The Company Secretary shall be the Compliance Officer to ensure compliance and effective implementation of the Regulations and also the Code across the Company. The Compliance Officer shall hold the position so long as he/she is in the employment of the Company. In the performance of his/her duties, the Compliance Officer shall have access to all information and documents relating to the securities of the Company.

The Compliance Officer shall act as a focal point for dealings with SEBI, in connection with all matters relating to the compliance and effective implementation of the Regulations and this Code.

The Compliance Officer shall be responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of “Price Sensitive Information”, pre-clearing of designated employees’ and their dependents’ trades (directly or through respective department heads as decided by the company), monitoring of trades and the implementation of the code of conduct under the overall supervision of the Board of the Company.

The Compliance Officer shall maintain a record of the designated employees and any changes made in the list thereto.

The Compliance Officer shall assist all the employees in addressing any clarifications regarding the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the Code adopted by the Company.

IV. PROHIBITION OF INSIDER TRADING

- (i) Insider Trading at any time by an Insider or his/her Dependant Family Members on the basis of UPSI is prohibited.
- (ii) Insiders and their Dependant Family Members are prohibited at all times from counselling or procuring any person (including a body corporate) to deal in the Company’s securities on the basis of UPSI.
- (iii) Insiders and their Dependant Family Members are prohibited at all times from directly or indirectly communicating UPSI to any person including a body corporate.

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a) Reporting requirements for transactions & securities

- (i) Insiders shall disclose to the Compliance Officer in writing, the details of the securities held by him / her and his / her Dependant Family Members, the date from which securities are held, the number of securities held at the time of implementation of the Code of Conduct for prevention of the Insider Trading or joining the Company or becoming the Director of the Company and such other information relating to the Securities as the Compliance Officer may require.
- (ii) Insiders shall furnish a periodic statement of any transactions in securities by them and their Dependant Family Members.
- (iii) Insiders shall disclose biannually their holding including of Dependant Family Members, if any, in the Company's securities.
- (iv) Insiders and their Dependant Family Members shall notify to the Company the details of securities held by him / her within 2 working days of becoming a director / designated employee of the company.
- (v) Insiders holding more than 5% shares or voting rights in the Company shall notify the same to the Company within 2 working days of the receipt of allotment advice or acquisition of shares or voting rights.
- (vi) Insiders shall notify details of the change in shareholding or voting rights held by him and his dependents in the Company from the last disclosure made if the change is of 1% of the Company's paid up capital or of 5,000 shares or Rs. 5 lakh in value, whichever is lower, within 2 working days of the receipt of allotment advice or acquisition of shares or voting rights.
- (vii) The Compliance Officer shall maintain records of all disclosures made by the Insiders and their Dependant Family Members.
- (viii) The Compliance Officer shall place before the Chairperson and/or the Managing Director a statement of all transactions disclosed to have been entered into by the Insiders and their Dependant Family Members.
- (ix) The Managing Director shall place before at each Board Meeting, a statement of all transactions entered into by the Insiders and their Dependant Family Members and pre-clearance granted by the Compliance Officer/Managing Director from the date of the last Board meeting till the day prior to the next Board meeting.

b) Pre-clearance of trades

- (i) Insiders and their Dependant Family Members who intend to deal in the securities of the Company (above minimum cumulative threshold of 250 and above equity shares from the last disclosure) should seek pre-clearance from the Compliance Officer.

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- (ii) An application may be made in such form as the Company may notify in this regard, to the Compliance Officer indicating the estimated number of securities that the designated employee/officer/director intends to deal in, the details as to the depository with which he has a security (demat) account, the details as to the securities in such depository mode and such other details as may be required by any rule made by the Company in this behalf.
- (iii) Insiders and their Dependant Family Members are required to submit an undertaking to the Compliance Officer at the time of pre-clearance to the effect that (a) he / she has no access to UPSI upto the signing of the undertaking; (b) in the event he / she access to UPSI after the date of the undertaking but before the execution of the transaction, he / she shall not deal in the security; and (c) he / she has made full disclosure.

c) Other restrictions

- (i) Insiders and their Dependant Family Members are required to complete the transaction within a week of the pre-clearance. If the transaction is not completed within a week, fresh pre-clearance is to be obtained from the Compliance Officer.
- (ii) All directors/officers/designated employees who buy or sell any number of securities of the Company shall not enter into an opposite transaction i.e. sell or buy any number of shares during the next 6 months following the prior transaction. All director/officers/designated employees shall also not take positions in derivative transactions in the shares of the company at any time.
- (iii) In the case of sale of securities is necessitated by personal emergency, the holding period may be waived by the Compliance Officer after recording in writing his/her reasons in this regard.

V. PRESERVATION AND PREVENTION OF MISUSE OF UPSI

- (i) To prevent the misuse of UPSI the departments / designations / officials listed out in **Annex II** hereto, shall be known as “Inside Areas / Insiders” and the other departments/ designations / officials shall be the “Public Areas”.
- (ii) The Compliance Officer shall add or delete departments from either ‘Areas’ on case to case basis, subject to the approval of the Managing Director.

a) Preservation of “Price Sensitive Information”

Each Insider shall maintain full confidentiality of all UPSI and shall not pass on any UPSI to any person directly or indirectly by way of making a recommendation for the purchase or sale of securities.

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b) Need to Know Basis

Notwithstanding anything contained in this Code, Insiders may disclose UPSI on a need to know basis to only those within the Company who need the information to discharge their duty.

c) Limited access to confidential information

Files containing UPSI shall be kept secure. Computer files must have adequate security of login and password protection.

d) Prevention of misuse of “Price Sensitive Information”

All directors/ officers and designated employees of the Company shall be subject to trading restrictions as enumerated below:-

Subject to compliance with the formalities prescribed under this Code and provided that Insider Trading is not influenced by UPSI and also provided that the transaction is not effected when the Trading Window is closed, Insiders and their Dependant Family Members shall be entitled to purchase or sell Securities of the Company after getting a pre-clearance from the Compliance Officer in respect of each transaction. Pre-clearance application forms will be available with the Compliance Officer.

e) Trading Window

During the period when the Trading Window is closed, the Insiders and their Dependant Family Members shall be prohibited from Trading provided that for compelling reasons the Chairperson and / or the Managing Director may in its discretion permit the sale of Securities. The exact dates of each closure of the Trading Window shall be intimated to each Insider and it is the responsibility of each Insider to ensure compliance with this Code and by each of Insiders' Dependant Family Members.

VI. INVESTIGATION

- (i) The Compliance Officer shall have the power to investigate suspected contraventions of this Code.
- (ii) The Compliance Officer shall submit a report of his findings to the Managing Director within 7 days of commencement of investigation or such extended time period as the Managing Director may approve.
- (iii) Based on the report of the Compliance Officer, the Managing Director shall be entitled to appoint any person to investigate a suspected contravention of this Code.

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- (iv) The Managing Director shall have the power to delegate to a person so appointed, all the powers including powers to call for information, examination, interrogation, recording evidence, etc.
- (v) In any investigation of suspected contravention of this Code the onus to prove that there is no violation of this Code, shall be on the concerned Insiders or their Dependant Family Members.
- (vi) The Company's investigating officer shall, within 7 working days from the conclusion of the investigation, submit a report to the Chairperson and/or the Managing Director.
- (vii) The Chairperson and/or the Managing Director after consideration of the investigation report shall communicate the findings to the person being investigated and accord him an opportunity of being heard before taking any action as contemplated in these rules.

VII. PENALTY FOR CONTRAVENTION OF THE CODE

- (i) Every designated employee shall be individually responsible for compliance with the provisions of this Code (including to the extent the provisions hereof are applicable to his/her Dependents).
- (ii) Any employee/officer/director who trades in securities or communicates any information for trading in securities in contravention of the Code may be penalised and appropriate action may be taken by the Company.
- (iii) Employees / officers / directors of the Company who violate the code shall also be subject to disciplinary action by the company, which may include wage freeze, suspension, ineligible for future participation in employee stock option plans, etc.
- (iv) The action by the Company shall not preclude SEBI from taking any action in case of violation of the Regulations.
- (v) The Managing Director shall upon receipt of the report as above and based on the finding contained therein be entitled to take action against the person found guilty for violation of this Code as he may in his absolute discretion deem fit including but not restricted to:
 - a) Issue letter of warning stating that consequence of contravention / non-adherence would result in dismissal from services.
 - b) Any other suitable action, to facilitate the implementation of the spirit of the Code.
- (vi) Under Section 15G of the SEBI Act, any Insider who indulges in insider trading in contravention of Regulation 3 is liable to a maximum penalty of Rs.25 crore or three times the amount of profits made out of insider trading,

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whichever is higher. Under Section 24 of the SEBI Act, any one who contravenes the Regulations is punishable with imprisonment for a maximum period of ten years or with fine which may extend to Rs.25 crore or with both.

(vii) Without prejudice to its rights under Section 24 of the SEBI Act, under Regulation 11, SEBI can also pass any or all of the following orders to an Insider found indulging in insider trading –

- directing him / her not to deal in the Company's Securities in any particular manner.
- prohibiting him/her from disposing of any of the Securities acquired in violation of the Regulations.
- restraining him/her from communicating or counselling any other person to deal in Company's Securities.
- declaring the transactions in Securities as null and void.
- directing the person who acquired Securities in violation of the Regulations, to deliver the Securities back to the seller or alternatively pay the Seller the price as provided.
- directing him/her to transfer specified amount to investor protection fund of a recognized Stock Exchange.

a) Information to SEBI in case of violation of SEBI (Prohibition of Insider Trading) Regulations, 1992

In case it is observed by the Company/Compliance Officer that there has been a violation of the Regulations, SEBI shall be informed by the Company.

VIII. AMENDMENTS TO THIS CODE

The Board reserves the right to amend this Code as and when it deems appropriate.

For & on Behalf of the Board of Directors of
THERMAX LIMITED

Pune
February 10, 2009

M.S. Unnikrishnan
Managing Director



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ANNEX I ASSOCIATE COMPANIES

- 1.
- 2.
- 3.

----- NIL -----

ANNEX II
INSIDE AREAS / INSIDERS

1. Directors
2. Chairperson and Managing Director and their Secretariat Office
3. Executive Council Members
4. All employees in Grade M1 and M2
5. Corporate Finance Division
6. Divisional Finance Controllers
7. Corporate Communication Department
8. All employees of Business Technology Group