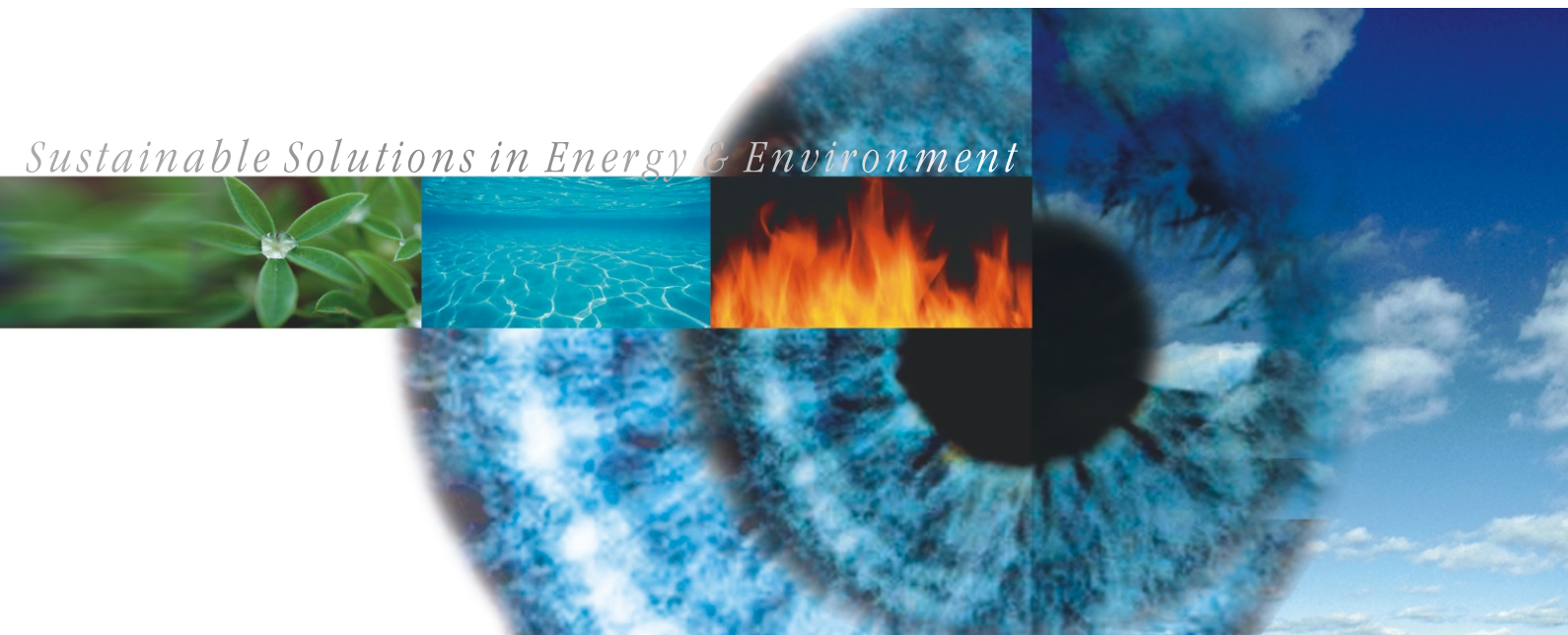




Sustainable Solutions in Energy & Environment



THERMAX LIMITED
TWENTY-THIRD
ANNUAL REPORT
2003-2004

Chairperson's Message



Dear Shareholder,

It is my pleasure to present the twenty-third Annual Report of your company for the financial year 2003-04.

In the year gone by, the company has registered a growth of 12 per cent in the topline and the bottomline has grown by 14 per cent.

Thermax's performance would have been better, if we had repeated our performance in Cogen. However, I am happy to share that the company has registered an all time high order inflow of over Rs. 867 crore during the year. The managing director and the management team of your company deserve kudos for this excellent order book. This will provide a good buffer for the current year and beyond.

Clearly, the organisation has completed the turnaround phase and is now poised for the bigger challenge of transformation and accelerated growth, in consonance with the

industrial economic growth cycles.

Over the next 24 months, a lot is expected to happen within the company in the areas of cost leadership, quality management, innovation, technology and customer solutions which will provide a strong foundation for your company becoming a global player.

Thermax has recently hired the services of an international consulting firm to advise and recommend approaches for transformation. Apart from a core team of experienced managers who will work closely with the consultants, a very large number of Thermax employees will at some stage take part in this initiative to imbibe and institutionalise the processes.

Simultaneously, this transformation journey will also help in achieving broader organisational goals like a vibrant and innovative work culture, a solutions approach to customer needs, engaged and empowered people, a strong ethical ethos and much more.

I am very optimistic that given the grit and determination that is the hallmark of Thermax, we will be able to get there. A sense of urgency and priority from management will give it the momentum it needs.

Given the global opportunities in energy and environment, the company is firming up plans to get a bigger piece of the action for manufactured exports in overseas markets. For this to happen we have to dramatically upgrade the manufacturing set up of the company with corresponding increase in productivity and quality. Talent management, a performance culture and domain knowledge advantage will play a very key role in the global ambitions of the company and this will be the major challenge in the coming years. To be ready for the future, we will have to make major investments in the present.

As you all know, I will be stepping down as chairperson of your company this year. The Board has approved my daughter, Meher Pudumjee, in my stead. I have immense faith in her abilities as a person and as a professional. She has the qualifications and the exposure to make her mark and her strong sense of values will be an additional strength. I am confident that Thermax will do well under her leadership and attain new heights in brand equity and corporate governance.

When I became the chairperson on February 19, 1996 I was not at all prepared for my role. It was all too sudden and unexpected and self-doubt and fear of the future haunted me. On the other hand, a planned succession is a very healthy process that liberates you from anxieties. With my own succession planning I want to set an example in the organisation

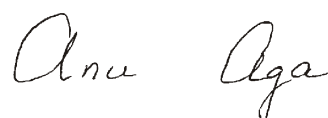
for our senior and middle managers to emulate. Of course, we are also in the process of formalising this process with the help of our HR professionals.

Coaches advise their budding tennis stars to concentrate on the ball and not on the scoreboard. Those who internalise this advice become top seeded players. The rationale is simple: if you concentrate on the ball with all your might the score will always be in your favour! The same intensity of purpose will get your company where it belongs — on top of the scoreboard. This is my fervent wish and parting advice to the management and people of Thermax with whom I have spent so many wonderful years.

As this will be my last message as chairperson I would like to thank our customers, employees, shareholders, suppliers, bankers and media for their trust and support through good times and bad times.

After retirement, apart from being an active Board member, I plan to get involved more deeply with social issues like education, women empowerment and communal harmony. I will also oversee the involvement and progress in community initiatives your company is undertaking for which the Board has approved one per cent of profits every year. I am hoping to involve our people and their family members to generate a critical mass for service to the community.

With best wishes



Anu Aga

Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Twenty-third Annual Report together with the audited accounts of your company for the year ended March 31, 2004.

FINANCIAL RESULTS

(Rupees in crores)

	<u>2003-2004</u>	<u>2002-2003</u>
Total Income	<u>603.81</u>	<u>552.53</u>
Profit Before Interest, Depreciation, Tax and Extraordinary items	87.43	79.64
Interest & Depreciation	<u>9.18</u>	<u>10.34</u>
Profit before tax	78.25	69.30
Extraordinary Expenses	(5.80)	(5.80)
Provision for Taxation	<u>(18.36)</u>	<u>(15.26)</u>
Profit after tax & extraordinary items	54.09	48.24
Balance carried forward from last year	22.51	10.68
Transferred from foreign project reserve	<u>0.15</u>	<u>0.70</u>
Profit Available for Appropriation (Cumulative)	76.75	59.63
Proposed Dividend & Tax thereon	33.95	32.26
Transfer to General Reserves	<u>5.45</u>	<u>4.85</u>
Surplus carried forward	37.35	22.51

PERFORMANCE

Total sales revenues and other income for the year under review at Rs. 603.81 crores is up from Rs 552.53 crores in the previous year. Profit before tax and extraordinary items improved to Rs. 78.25 crores (previous year Rs. 69.30 crores), profit after tax is up at Rs 54.09 crores from Rs. 48.24 crores in the previous year. Earnings per share (EPS) in 2003-04 has moved to Rs. 21.99 as compared to Rs. 20.24 in the previous year.

During the year sales have increased by 9.8 per cent to Rs 563.88 crores and net profit has improved by 12.1 per cent to Rs 54.09 crores making it the highest ever profit earned by the company.

A detailed review of the company's performance and future prospects is included in Management Discussion and Analysis in this report.

DIVIDEND

The Directors recommend payment of 6 per cent dividend on the Redeemable Preference Shares on pro-rata basis for the year 2003-04.

The Directors recommend payment of 120 per cent dividend on equity shares (Rs. 12/- per share of Rs. 10/- each) for the Financial Year 2003-2004.

If approved this will entail a total outgo of Rs. 33.95 crores towards dividend payout (including Income Tax on dividend).

ISSUE OF BONUS SHARES

Consequent upon the approval of the shareholders at the 22nd Annual General Meeting held on July 31, 2003, the company has capitalised share premium account to the extent of Rs. 47.66 crores and issued bonus 6 per cent Redeemable Preference Share (RPS) of face value Rs. 10 each in the ratio of two RPS for every equity share held. The allotment of the 6 per cent RPS was made on September 22, 2003. These 6 per cent RPS have been listed on the Stock Exchanges where the Equity Shares of the company are presently listed.

CONSOLIDATED RESULTS

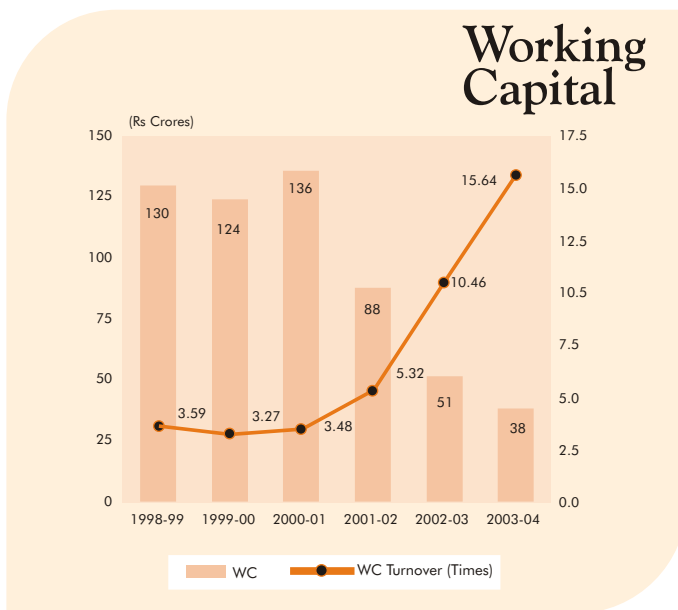
The consolidated revenue of Thermax Group has gone up by 11.9 per cent to Rs. 829.35 crores. Income from international business has increased to Rs. 209.20 crores from Rs. 198.99 crores. Profit before tax has increased 13.6 per cent to Rs. 89.40 crores and profit after tax and after minority interest has increased 12.9 per cent to Rs. 62.86 crores. Earnings per share (EPS) on a consolidated basis has gone up to Rs. 26.32 as compared to Rs. 23.37 in the previous year.

In terms of approval granted by the Central Government pursuant to the provisions of Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet and Profit and Loss Account, Report of Directors and the Report of the Auditors of the 14 subsidiary companies have not been attached to the Balance Sheet of the company. The annual report of the two overseas subsidiary companies namely, Thermax do Brasil – Energia & Equipamentos Ltda., Brazil and Thermax Hong Kong Limited, Hong Kong, which have been set up during the current financial year, are attached to the Balance Sheet of the company. The consolidated financial results presented by the company include the financial information of all its subsidiary companies and have been prepared in compliance with the Accounting Standard 21 (AS 21) issued by the Institute of Chartered Accountants of India. The company will make available the annual accounts of any of its subsidiaries upon request by any member of the company / statutory authority interested in obtaining the same.

SUBSIDIARIES

Thermax Babcock & Wilcox Limited

Thermax Babcock & Wilcox Limited (TBW) is a joint venture company between Thermax Limited and Babcock & Wilcox International Investments Co. (BWII), USA. In view of realigning its businesses in North America, BWII has decided to divest its holdings from TBW. Since this would add to the product range of the



company and also enhance its market reach, in terms of an agreement entered into with BWII, your company is in the process of acquiring the minority stake of 40 per cent of BWII. Consequently, TBW will become a wholly owned subsidiary of Thermax Limited.

Although BWII will be divesting its ownership interest in TBW, the Babcock & Wilcox Company, an affiliate of BWII, will continue to support TBW's project business both in the domestic and international markets. The business will continue to operate under the name of Thermax Babcock & Wilcox Ltd.

During the year, the revenues of TBW have gone up by 22.7 per cent to Rs. 156.87 crores. Order booking has also improved by 62.5 per cent to Rs. 244.42 crores. TBW's initiative to focus on project exports have yielded results with export order intake growing by 92 per cent to Rs. 62.40 crores from Rs. 32.47 crores. Net profit has improved by 25.2 per cent to Rs. 8.94 crores.

The subsidiary has won major orders from cement, chemicals and steel industries. Significant orders for the year include a repeat order for a CFBC boiler, an order for a 100 tph petcoke fired boiler and a break through order for 100 tph BFG fired boiler from a steel major.

The company intends to leverage its strategy for improved export earnings in the current financial year.

ME Engineering Limited, U.K.

During the year, performance of this subsidiary, which is in the business of energy related engineering, declined as finalization of certain orders got delayed. Consequently, sales declined to GBP 5.3 million as compared to GBP 6.1 million in the previous year and the company incurred a net loss of GBP 0.04 million as compared to a net profit of GBP 0.27 million, in the previous year. However, towards the latter half of the year, the subsidiary has bagged some major orders and ended the year with a healthy order book of GBP 12.44 million, 41.5 per cent higher than last year. The US initiative launched by this subsidiary in 2002-03, has started yielding results as orders in excess of USD 2 million have been secured.

Rising oil prices have triggered an investment in the global oil and gas industry and as a leading manufacturer of Waste Heat Recovery Units, the subsidiary is in a position to take advantage of the buoyancy.

Further, the subsidiary has firmed up plans to enter the packaged boiler market.

Thermax Inc., U.S.A.

This wholly owned subsidiary continues to act as an exclusive front-end value chain for the core businesses of the company in North and South America. During the year its total revenues declined to USD 6.4 million from USD 8.7 million in the previous year. Revenues from absorption chillers declined by 52 per cent, as the largest market of California remained inactive. In Brazil the investment cycle took a downturn, affecting the revenues of the subsidiary.

Sales of ion exchange resins declined by 10 per cent. However, the subsidiary could maintain a positive bottom line by focusing on high margin products and on rationalising of costs.

Thermax Europe Ltd., U. K.

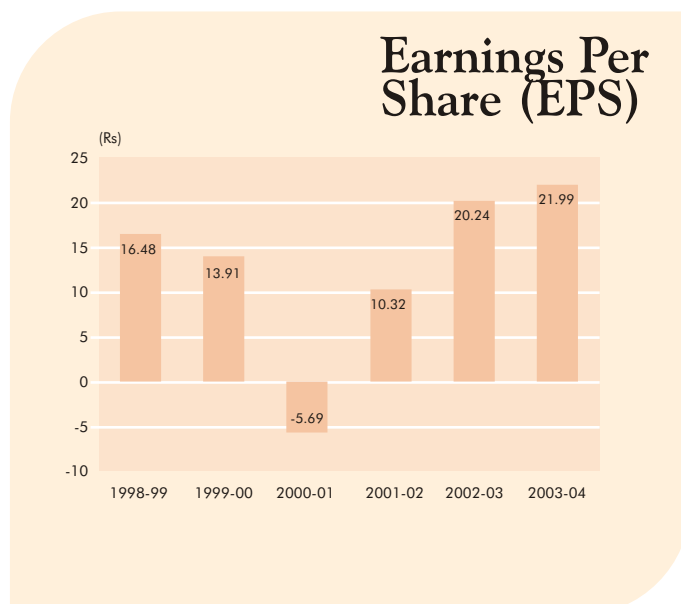
During the year, sales of this 100 per cent subsidiary have grown by 49.3 per cent to GBP 1.1 million as compared to GBP 0.8 million in the previous year. The year saw large value orders from Europe for heat pump applications and continued stream of service revenues. Order booking has increased by 94 per cent. However, the general market for absorption chillers in Europe remained subdued as oil and gas prices ruled high.

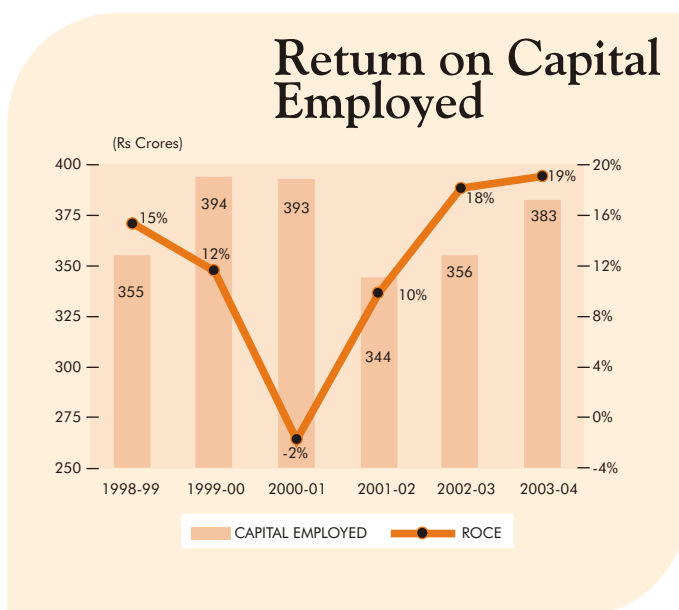
Thermax Energy Performance Services Ltd.

Thermax Energy Performance Services Ltd. (TEPS) is a joint venture company between Thermax Limited and EPS Asia Inc., (EPS Asia), with 51 per cent and 49 per cent share holding, respectively. Your Directors had reported last year that this joint venture continued to idle due to lack of market acceptance of its business model.

During the year under review, the gross revenue of TEPS fell to Rs. 0.73 crores, compared to Rs. 2.79 crores in the previous year. The company incurred a net loss of Rs. 0.56 crores compared to a loss of Rs. 22,000 in the previous year. The net worth of the company stands eroded on the balance sheet date. TEPS has a contingent liability of Rs. 23.03 crores arising out of contractual agreements with customers for guaranteed savings.

Your company believes that this JV is unlikely to be turned around due to (a) lack of market acceptance of this business model, (b) lack of technical and financial support from EPS Asia, the joint venture partner, (c) corporate stand still due to lack of EPS Asia representation on that company's Board, and (d) employee attrition due to lack of corporate direction.





The Board of Directors is currently deliberating the most efficient method to wind up operations and mitigate further losses.

Thermax Engineering Construction Co. Ltd. (TECC)

This 100 per cent subsidiary of your company undertakes and executes engineering construction projects primarily for captive business. During the year under review, TECC has been able to achieve 60.3 per cent higher income of Rs. 27.09 crores against Rs. 16.90 crores last year. Profit after tax doubled to Rs. 0.78 crores from Rs. 0.38 crores in the previous year.

The subsidiary has also managed to develop EPC business for small and medium projects outside the Thermax Group and has succeeded in procuring and commencing work on a sizeable project.

New Subsidiaries

During the year, the company has set up two more subsidiary companies namely, Thermax do Brasil Energia e Equipamentos Ltda., Brazil and Thermax Hong Kong Limited, Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

A Management Discussion and Analysis Report,

highlighting the performance and prospects of the company's energy and environment businesses, is attached and forms part of this Report.

CORPORATE GOVERNANCE

It has been the endeavor of your company to follow and put into practice the code of corporate governance, in letter and spirit. A detailed Corporate Governance Report is attached.

A certificate from the Auditors of the company regarding compliance of the conditions of corporate governance as required under clause 49 of the Listing Agreement, forms part of this Report.

DELISTING FROM FOUR STOCK EXCHANGES

The Company's Equity Shares and the 6 per cent Redeemable Preference Shares (RPS) (the "securities") are presently listed on six Stock Exchanges, viz., Pune Stock Exchange Limited (PSE), The Stock Exchange, Mumbai (BSE), The National Stock Exchange of India (NSE), The Stock Exchange, Ahmedabad (ASE), The Delhi Stock Exchange Association Limited (DSE) and The Calcutta Stock Exchange Association Limited (CSE).

The bulk of trading volume in the company's securities are transacted on NSE and BSE, which have extensive networking of terminals and facilitates trading across the country. Since trading in the company's securities on other Stock Exchanges is comparatively insignificant, the Board of Directors of your company in the meeting held on May 26, 2004 have recommended for the approval of the Members, the proposal to voluntarily delist the company's securities from the Stock Exchanges at Ahmedabad, Delhi, Calcutta and Pune. The company's securities will continue to be listed on the NSE and BSE. The proposed delisting of the company's securities from the four Stock Exchanges will not adversely affect the interest of members / investors.

A Special Resolution seeking your approval for voluntary delisting of the company's securities from the aforesaid four Stock Exchanges is included in the Notice of the 23rd Annual General Meeting of the Company.

FINANCE, ACCOUNTS AND SYSTEMS

Cash generated from operations during the year marginally improved to Rs. 56.55 crores as compared to Rs. 55.59 crores in the previous year. The company maintained its debt free

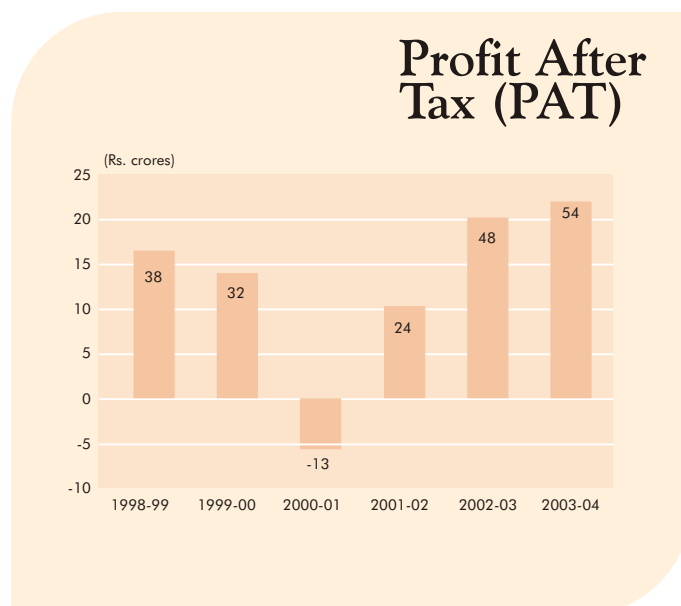
status and was a net foreign exchange earner to the tune of Rs. 35.77 crores during the year.

In managing its Treasury / Investment portfolio the company adopted a conservative approach based on safety, liquidity and return. Towards achieving this objective, the investment portfolio has been realigned. Over 99 per cent of the treasury investments have been kept in debt funds. Based on the management's perception of interest rate movement 89 per cent of the funds are kept in liquid short-term funds.

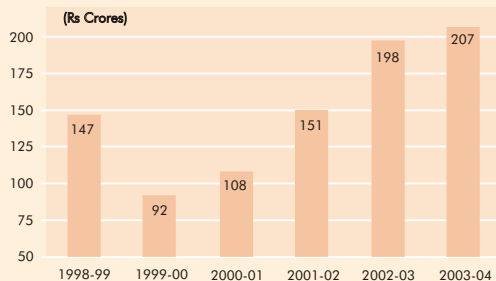
The company continues to have P1+ rating by CRISIL for its commercial paper programme. However, during the year it has not borrowed on this account.

The company had no unpaid deposits as on March 31, 2004. Deposits aggregating to Rs. 0.93 lakh remained unclaimed as at that date. Since then no deposits have been claimed and /or repaid by the company.

In terms of the provisions of Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (awareness and protection of investors) Rules, 2001, the company has transferred unclaimed deposits and interest thereon and unclaimed dividend for the financial year 1995-96 amounting to Rs. 2.22 lakhs to the said Fund.



International Business (Thermax Group)



AWARDS AND RECOGNITION

Awards for the Chairperson

During the year, your chairperson was honored with the Bombay Management Association's BMA Management Woman of the Year Award for successfully steering Thermax through difficult times.

She was also the recipient of the Life Time Achievement Award instituted by Financial Express for her contribution to business and society.

Innovation Award

Two employees of the Group company, Thermax Babcock & Wilcox Ltd, won the Dr N D Joshi Best Innovator Award for the year 2002-2003 for their contribution in setting up an export oriented in-port assembly facility for boilers at JNPT, Mumbai.

Project Management Award

Mr. BMK Sethi, a project veteran of the Group, was honored with the 2003 CEPM Dr. J. Davidson Frame award for his valuable contribution towards strengthening project management in India.

Certifications

The ISO 14001 certification for Thermax's Environmental Management System (EMS) at

its manufacturing facility in Chinchwad, Pune, has been renewed for another 3 years till September 2006.

The Food & Drugs Administration (FDA) has approved Thermax's manufacturing and processing facility for pharmaceutical excipients used in medicines. They are manufactured under stringent manufacturing quality control and rigorous pharma standards at the company's manufacturing facility at Paud in Maharashtra.

PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956

A statement of the particulars required under Section 217(1) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, is annexed and forms part of this Report.

Particulars of the employees as required under Section 217(2A) of the Companies Act, 1956, read with the rules framed thereunder, is also annexed and forms part of this Report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association, Mrs. Meher P. Pudumjee and Mr. Pheroze Pudumjee retire by rotation at the ensuing Annual General Meeting and being

eligible offer themselves for re-appointment as Directors.

Mr. Prakash M Kulkarni has been re-appointed as the Managing Director of the company on revised terms and conditions as set out in the Agreement dated May 26, 2004 for the period commencing from May 26, 2004 up to 30th June 2007 being the date of his retirement. His reappointment requires approval of the shareholders at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors accept responsibility for the integrity and objectivity of the Profit & Loss Account for the financial year ended March 31, 2004 and the Balance Sheet as at that date ("financial statements") and confirm that:

The financial statements have been prepared on a going concern basis. In the preparation of the financial statements the generally accepted accounting principles (GAAP) of India and applicable accounting standards issued by the Institute of Chartered Accountants of India as also the Guidelines issued by the Reserve Bank of India applicable to the company have been followed.

Appropriate accounting policies have been selected and applied consistently. Judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period. Significant accounting policies and other required disclosures have been made in Schedule 18 annexed to the Balance Sheet.

Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided

by any such system, its inherent limitations should be recognised. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The company has an Internal Audit Department which co-ordinates the internal audit process. The Audit Committee of the Board meets at regular intervals to review the internal audit function.

The financial statements have been audited by M/s. B. K. Khare & Co., the statutory auditors and their report is appended thereto.

WAGE AGREEMENT

The management of the company and Thermax Kamgar Sanghatana have amicably signed a wage settlement during the year, which will remain in force for a period of three and a half years.

The agreement besides monthly increase in the wages by Rs. 3070/- also has other salient features like enhanced benevolent fund with insurance cover for dependents, enhanced loan limits and safety procedures.

AUDITORS

M/s. B. K. Khare & Co., Chartered Accountants, will retire as auditors at the ensuing Annual General Meeting and are eligible for reappointment.

ACKNOWLEDGEMENTS

Your directors wish to place on record their appreciation to the company's clients, vendors, bankers and investors for their continued support during the year. Your directors also wish to place on record their deep appreciation of the dedication and contributions made by employees at all levels, who through their competence, hard work and support have enabled the company to achieve better performance and look forward to their continued support in the future as well.

For and on behalf of the Board

Place: Pune
 Date: May 26, 2004

Mrs. Anu Aga
 Chairperson

Annexure to the Report of the Board of Directors as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, for the year ended March 31, 2004

A. CONSERVATION OF ENERGY

The company undertook the following measures for conservation of energy during the year ended March 31, 2004:

- ◆ Adding of power factor control panel and capacitors has improved the power factor from 0.95 to 0.99. This has reduced maximum demand by reducing demand charges and making the company eligible for power factor improvement bonus.
- ◆ Auto voltage regulator was added to the 1000 kva transformer to reduce cable losses by setting constant voltage.
- ◆ Conventional fluorescent tube lights (650 nos.) of 40W were replaced by energy efficient low wattage, high lumens long life tubes.
- ◆ Auto controlled real time clock timer units provided to 86 streetlights and fans to conserve electricity.

Environmental improvements

- ◆ Resource conservation measures in Lithium Bromide, steel plates, packing material (wood) and fuel, resulted in saving of Rs. 69 lakhs.
- ◆ ISO-14001 certification for the Environment Management System has been renewed for the next three years at the Chinchwad plant
- ◆ Water conservation measures have also been implemented in the plant.
- ◆ Health and safety measures are constantly reviewed and improved at the manufacturing facilities of the company.

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

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

New concept of Boiler-cum-Heater: This novel idea conceptualized and designed earlier was commercialized during the year and the first commercial unit was successfully commissioned. This reference installation is now being used for addressing market enquiries.

Extended Supermax Non-IBR Boiler: An extension to the capacity of the existing Supermax design was conceptualized and piloted during the year. The expected success of beta trials is likely to generate additional benefits.

New concept of small vertical shell boilers for solid fuels: A new cost competitive configuration was conceptualized and designed during the year and the manufacturing of the pilot plant is in progress.

Low temperature heat recovery Vapor Absorption Machine (VAM): The new concept of "half effect" VAM was completed during the year through successful pilot plant trials. Subsequently, beta trials at one of the prospective customer's premises were also successfully completed. The commercialization benefits are expected to accrue in the coming years.

Single Effect / Double Effect VAM: This concept was successfully piloted during the year and demonstrations were also shown to a few prospective customers. The commercialization benefits are expected to accrue in the coming years.

Solid fuel fired VAM: Another new concept of operating VAM using solid fuels was successfully piloted during the year. This new product will have niche market opportunities.

Electro Precipitation (EP) / Electro Destruction (ED): The technology, developed earlier, was extended for DM water application through successful pilot plant studies. The concept is now being taken up for piloting on a scaled up version for beta trials.

Fluidized Aerobic Bioreactor (FAB): A new configuration of FAB was piloted during the year with added features to address nitrification/denitrification requirements of the market.

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

The new concepts piloted and developed during the year especially on Single Effect / Double Effect / Half Effect VAM will not only create new applications in the local market but offer excellent potential in the International markets.

The developments undertaken for small capacity boilers, both oil and solid fuel fired, are expected to contribute substantially to the company's Channel sales.

The ongoing developments in EP / ED applications, especially for DM water, promises multiple benefits to the customers.

3. Future plan of action:

While closer proximity to customers is yielding positive results, Thermax R&D's thrust to create sustainable 'Waste to Energy Solutions' continues. Another major thrust area is in the development of 'Zero Liquid Discharge' systems for distillery spent wash.

4. Expenditure on R&D:

(a) Capital	: Rs. 0.55 crores
(b) Recurring	: Rs. 2.82 crores
(c) Total	: Rs. 3.37 crores
(d) Total R&D expenditure as a percentage of turnover	: 0.60 per cent

Technology absorption, adaptation and innovation

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

All the technologies procured from foreign collaborators have been absorbed and suitably incorporated in the development of products.

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

Working with foreign collaborators, the in-

house R & D set up has effected many product improvements and addressed customer requirements.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information is furnished:

Technology imported	Year of import	Has technology been fully absorbed	If not fully absorbed reason therefor & future plan of action
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← NIL →

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives to increase exports, development of new export markets for products and services and export plans have been covered in the Management Discussion and Analysis Report.

During the year under review the company was a net foreign exchange earner.

The details on foreign exchange earnings and outgo are given in the Notes to the Accounts, which form part of the Annual Report.

Statement of particulars of employees pursuant to the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 2004

Sr. No.	Name	Designation	Qualification	Age	Date of joining	Experience (Years)	Total Remuneration	Previous Employment – Designation
1	Dr. Joshi N D	Business Executive	M. Tech., Ph.D.	59	01-Feb-72	32	3006597	—
2	Kulkarni P M	Managing Director	B.E. (Mech)	56	01-Jul-99	36	5751562	Thermax Babcock & Wilcox Ltd., Managing Director
3	Unnikrishnan M S	Executive Vice President-ACD	B.E. (Mech)	43	01-Aug-97	22	2580020	Terrazzo Ltd., Asst. General Manager
4	Dr. Phadke M D *	Executive Vice President-Chemical	B.E./B.Tech (Chemical), M S Engg. (Tech), Ph D (Chemistry)	46	01-Jul-94	19	2564589	Rohm & Haas Co., Sr. Engineer

* Resigned on March 31, 2004

List of employees who were in employment for part of the year

1	Jogdand A R	Divisional Manager-Finance	B.Com, M.Com	60	16-Jun-79	35	1050468	Finolex Cables Ltd., Section Incharge
2	Kalokhe S J	Divisional Manager-ACD	B.E. (Elec), DBM, B E (Indl Engg)	49	05-Jul-76	27	688415	—
3	Marar K N	Asst. Manager	B.A., MPM	50	16-Jun-80	29	1004704	National Film Archive of India - Secretary
4	Rumale V C	Senior Executive	B.Com, PG, DPM	33	19-Dec-95	12	207730	J.N. Marshal., Personnel Officer
5	Bhalerao S P	Senior Executive	B.Com	47	17-Jun-83	21	723566	Godrej Tools., Typist Clerk
6	Jagtap D B	Asst. Manager	Dip. (Elec)	31	01-Apr-03	13	277152	Thermax Water Technologies Ltd., Asst. Manager
7	Aibara N K	Deputy Manager	HSC	60	16-Feb-76	32	278339	G Claridge & Co Ltd., Shift Incharge
8	Ramgir H S	Deputy Manager	Draftsman '71	53	01-Apr-03	31	408181	Thermax Water Technologies Ltd., Dy. Manager
9	Ajnikar S W	Manager	Dip. In Electrical Engg	44	01-Feb-02	22	410161	Prabha Engg Pvt.Ltd., Sales & Service Engr
10	Chaudhari P M	Deputy Manager	Dip. (Mech)	57	01-Apr-03	32	424233	Thermax Water Technologies Ltd., Dy. Manager

Notes:

1. Remuneration above includes salary, commission, medical expenses, allowances and Company's contribution to Provident and Superannuation Fund.
2. The employees are also entitled to gratuity, in addition to the above remuneration
3. Experience includes number of years services both within the Company and elsewhere, wherever applicable.
4. The nature of employment in all cases is contractual.
5. None of the employees above is a relative of any Director of the Company.

Management Discussion and Analysis

Management Discussion and Analysis

Overview

During the year under review, the Indian economy was buoyant.

There was confidence among investors, policy makers and the corporate sector. GDP growth touched 8.4 per cent in the second quarter and 10.4 per cent in the third quarter of 2003-04, the highest since 1997-98. Healthy foreign exchange reserves, lower interest rates to boost investment, low inflation and fiscal deficit — all indicate growing confidence of the economy.

The performance of all three sectors — agriculture, industry and services — was strong with the services sector registering impressive gains.

Industrial activity gathered momentum with investment oriented industries — especially in ferrous and non-ferrous metals, textile, pharma, edible oils and power plants. As many as 13 of the 17 industry groups showed good growth.

This overall growth was mainly powered by the manufacturing sector, the index of which rose by 7.5 per cent in 2003-04 as compared to 6.5 per cent in the previous year. Production of capital goods, considered to be a proxy for investment activity in the economy, has gone up by 13.7 per cent in 2004. Investments made in the previous years have had a cumulative impact in this year's manufacturing sector.

Indian exports surged to USD 58.8 billion in 2003-04, a 12 per cent increase over last year. Imports grew to USD 78 billion, increasing at a higher rate of 20 per cent over the previous year. The appreciation of the rupee against the dollar is a cause of concern. This is affecting exports on

one hand and on the other hand imports are becoming more competitive aided by further lowering of tariff barriers. This has put pressure on Indian producers to be more competitive.

The continued rise in the cost of key inputs like petroleum, steel, copper and styrene had put pressure on margins. The cost of these inputs requires constant monitoring and recourse to alternate global sourcing to mitigate the adverse effect on cost competitiveness, especially for long gestation projects.

The next few years are likely to see increasing international competition and ever increasing expectations of customers. This is going to put new pressures on the manufacturing sector to modernise and benchmark its operations with the best in class, globally.

Review of Operations

The company witnessed an all time record order intake of Rs. 867 crores, an increase of 86 per cent over the previous year. Order intake for the Thermax Group was Rs 1214 crores, the highest so far in the history of the group. This is a confirmation of the revival in the external business environment coupled with your company's hardened focus on generating repeat business and seeking of new business opportunities in the field of energy and environment. However, the cyclical nature of the company's project businesses has vulnerabilities in forecasting and projection. The management is looking at other options like BOO and BOOT to address this issue.

The year 2003-04 marked a healthy sales growth in the businesses under the energy segment

except for Cogen division which suffered a drop in sales due to poor order carry forward position at the beginning of the year under review. The air pollution control business of the company did well with a substantial increase in turnover and profits. However, growth in the water and chemical business was subdued. This can be attributed to certain imbalances, which the management is addressing on a priority basis.

The revenues from the geographical segment "outside India" have grown marginally to Rs 118 crores from Rs 115 crores in the previous year. The low contribution to growth and profits by the overseas subsidiaries — ME Engineering Ltd., UK and Thermax Inc., USA — was disappointing. ME Engineering, though, has a healthy order book and with oil prices looking up, is likely to improve significantly. The move towards environment-friendly measures in California should improve the performance of Thermax Inc. in the coming years.

In order to expand its international operations, the company has set up two new subsidiaries in Brazil and Hong Kong.

The Channel and Service businesses of the company, with an all India spread of 150 business associates, have made some gains in the market place. These two initiatives have improved the company's reach and response to customers. The Channel business resulted in a growth of 23 per cent in sales of standard offerings. The Service business resulted in a growth of 48 per cent in service revenues during the year.

The company is already on the path of creating a customer-centric culture in the organisation, which will include defining a charter of customer rights to spell out service level commitments, product quality assurance and response time. With the inputs of extensive technical and attitudinal training and appropriate resource allocations, the company is ensuring that customers get the best attention in all their interactions with Thermax.

Along with customer satisfaction, the company is also aggressively focusing on cost competitiveness and quality to retain and enhance its leadership position in its businesses i.e. boilers and heaters, chillers, captive power, specialty chemicals, water and waste treatment and pollution abatement. The company has recently engaged a leading international consulting firm to advise on the speedy achievement of the objectives of globalisation and sustained profitable growth.

Moving forward, there is a need to infuse new technology in some of the businesses, either through in-house R&D or alliances, to remain competitive and achieve the ambitious growth targets the company has set for itself. The company is also inducting new talent from leading institutions in select areas of its operations, besides upgrading managerial and professional skills through accelerated learning programmes and job rotations. In the next two years the company will be implementing a comprehensive plan to upgrade its manufacturing facilities to take advantage of the



The company witnessed a record order intake of Rs. 867 crores, an increase of 86 per cent over the previous year. Order intake for the Thermax Group was Rs. 1214 crores, the highest so far in the history of group.

emerging opportunities in manufactured exports as an avenue of growth.

Brief Segmental Analysis and Review of Energy-related Businesses

In recent times, there has been a distinct fuel shift in many parts of the world from fuels like oil and gas to fuels like coal, petcoke and biomass for their price advantage and in response to regional concerns about energy security. This trend has created new opportunities for the energy-related businesses of your company.

Another significant factor is that manufacturing capacities are moving from West to East and this has opened up new avenues for supplying energy related engineering expertise and equipment to global EPC contractors.

The policy environment for captive power generation remains positive and industry is in a strong mood for gaining competitive advantage of cheap and reliable power through the turnkey route of setting up power plants.

Process Heat Division

The packaged boiler and heater business of the company, the oldest in the company with strong brands, has registered an impressive growth of 27 per cent over the previous year. This growth is the result of a buoyant domestic market and improved reach through the Channel network.

The division has capitalised on the fuel shift in S E Asia from oil and gas to the more abundant solid fuels like coal and biomass, giving customers a cost advantage in their operations.

Export order intake has grown by 19 per cent. Order intake from the Channel network has shown a growth of 30 per cent during the year. The improved service offerings, to capture the life cycle costs of products, have resulted in new gains for the business.

The prospects for this business in the current year are bright especially on the export front, for packaged boilers and heaters.

Process Heat Division	Net Sales (excl excise duty) Rs crores	% Exports
1999-00	131.89	21
2000-01	139.68	23
2001-02	132.89	27
2002-03	140.07	34
2003-04	177.82	27

Energy Systems Division

This business had a very good year with doubling of revenues compared to the previous year and with a healthy carry forward order book for FY 2005.

The division continues to be a market leader in waste heat recovery in India with a strong presence in the steel, refinery and petrochemical sectors. During the year under review, the division has concluded several large value contracts in the sponge iron and coke oven plants and this segment offers future potential for growth.

Order intake from exports has gone up to a record high of USD 5 million as compared to USD 0.5 million in the previous year.

The continued focus on biomass combustion is paying good dividends and so is power generation from waste heat recovery. The customers see a clear competitive advantage in these offerings of the company.

With the overall growth in the Indian economy, especially in the infrastructure sector, the business potential for energy systems/ heat recovery is strong.

Energy Systems Division	Net Sales (excl excise duty) Rs crores	% Exports
1999-00	34.15	—
2000-01	8.05	3
2001-02	57.53	14
2002-03	44.75	9
2003-04	97.53	9

Absorption Cooling Division

The domestic sales of this division has grown by 30 per cent during the year with a number of prestigious names in industry, hotels and commercial establishments opting for absorption cooling from Thermax. The order inflow was higher by 28 per cent compared to the previous year. However, export revenues for this business have declined during the year due to unfavourable conditions in the major American cogeneration market of California and an economic down turn in Brazil. However, exports to Europe have increased substantially.

The division has introduced a new range of high-efficiency chillers and this has further reinforced its market leadership in India and enhanced its international competitiveness against multinational players.

The outlook for this division in the coming year looks favourable in domestic market, with continued expansion and capacity building by industry. Export of heat pumps to Europe continues, where the division has a competitive offering.

Absorption Cooling Division	Net Sales (excl. excise duty) Rs crores	% Exports
1999-00	58.29	35
2000-01	65.84	40
2001-02	73.23	39
2002-03	75.61	45
2003-04	85.79	36

Cogen Division

The buoyancy of the economy was evident in the power sector with a high level of active enquiries for captive power generation. The Division finalised orders totaling 77 megawatts during the year from industry majors like cement, sponge iron and chemicals. The impact of these orders on the company's top line and bottom line will be seen in FY 2004-05 and 2005-06. The enquiries in the pipeline are encouraging.

Cogen Division	Net Sales (excl excise duty) Rs crores
2001-02	10.79
2002-03	85.55
2003-04	17.00

However, the revenues for the year under review were lower at Rs 17 crores as compared to Rs 85.55 crores in the previous year due to low carry forward order position at the beginning of the year and delayed finalization of certain orders.

The company has built a good brand image in the captive power market with the successful completion of fast track projects through the EPC route. Further, market acceptance of coal, petcoke and biomass fuels for cost effective and reliable power generation has also given this business a boost.



During the year sales have increased by 9.8 per cent to Rs. 563.88 crores and net profit has improved by 12.1 per cent to Rs. 54.34 crores making it the highest ever profit earned by the company.



Earnings per share (EPS) in 2003-04 is up at Rs. 21.99 as compared to Rs. 20.24 in the previous year and consolidated earnings per share has gone up to Rs. 26.32 as compared to Rs. 23.37 in the previous year.

Brief Segmental Analysis and Review of Environment-related Businesses

Better compliance by industry with legislated environmental norms is the main driver for the company's environment-related businesses, in the areas of particulate and gaseous emission control, safe biomedical waste disposal, effluent treatment and water recycle.

The other drivers of this business are economic payback, increased judicial activism, pressures from powerful NGOs and public opinion generated by the media.

Water and Waste Solutions

This business had a difficult year with declining revenues and profits. Low order carry forward in 2003-04 and intense cost pressure prevailed during the earlier part of the year. The business got major orders for water treatment plants from the petrochemical, power and steel Industries and also for hazardous waste incineration applications.

The water scenario around the world is grim and the situation in India is heading towards a crisis. Water scarcity in many parts of the country and strong public concern for cleaner urban environment is placing water conservation, water recycling and waste management on top of the civic administration's agenda. Mandatory recycling of water and effluent is becoming the norm in many states and includes industry,

commercial complexes and large housing societies. This increasing trend is likely to offer major opportunities to the business.

Demand for chemical incinerator systems and water treatment/ sewage treatment plants was good during the year.

The division is also acquiring new technologies and competencies to meet the emerging opportunities in water and waste management.

The division has ended the year with a healthy order book and also with a large number of active enquiries. Management is taking steps to revitalize the business.

Water & Waste Solutions	Net Sales (excl excise duty) Rs crores
1999-00	57.56
2000-01	54.81
2001-02	45.09
2002-03	59.20
2003-04	50.07

Enviro Division

The air pollution abatement business had a very successful year with order booking growing over three fold. Revenues have doubled with a substantial improvement in the realisation of profits. The boom in the steel sector with heightened activity in the cement, chemical, food and paper segments have given this business a forward momentum.



The Channel and Service businesses of the company, with an all India spread of 150 business associates, have made some gains in the market place. These two initiatives have improved the company's reach and response to customers.

Enviro Division	Net Sales (excl excise duty) Rs crores
1999-00	24.47
2000-01	35.80
2001-02	33.42
2002-03	30.38
2003-04	58.01

The retrofit and rebuild business was upbeat with some prestigious contracts with industry majors.

A healthy order carry forward, high level of active enquiries and heightened activity in the basic industries give indications of a promising performance for the business in the coming year.

Chemical Division

This business, which has good potential for growth in the domestic and overseas markets, had a dip in performance during the year. The top line remained flat while operating profit margin declined. This was largely due to a decline in the US market and a sharp increase in input cost of raw materials.

Although the US market conditions were stagnant export of resins to Japan, South East Asia and the Middle East showed an upward trend and this augurs well for the current year.

The management has initiated steps to improve

and modernize the manufacturing facilities and processes in this business.

The division is increasing its reach in the domestic market with the company's integrated channel network.

The division is in a strong position to offer value-added services to meet customer specific needs in fuel and water management.

Chemical Division	Net Sales (excl excise duty) Rs crores	% Exports
1999-00	71.03	30
2000-01	77.26	47
2001-02	87.08	36
2002-03	78.02	36
2003-04	77.55	38

Control Systems and Procedures

The company has adequate internal control procedures commensurate with its size and nature of business. Broadly these internal control procedures ensure the following:

- Efficient, effective use and protection of company's resources
- Compliance with stipulated policies, procedures, statutes and reasonable assurance on the accuracy of accounting records and adequacy of internal control system and procedures.

These control systems are periodically reviewed and updated on a continuing basis. The Internal Audit Department of the company assisted by outsourced internal auditors carries out reviews of systems and operations to provide assurance on the effective performance of internal controls.

During the year the company has taken steps for the implementation of an ERP package for its financial systems.

The Audit Committee reviews on a regular basis the internal audit programme reports, implementation process and adequacy of internal controls.

Human Resources

Human capital is your company's most crucial resource and Thermax continues with initiatives to develop the full potential of its people at the professional and personal levels.

The company is implementing a system of performance management that will generate a much clearer link between performance and pay as well as the training and development needs of its people.

The company is strengthening its HR processes and has institutionalised the annual Open Forum

where management and employees can dialogue about the concerns and operations of the company. The company has undertaken an extensive programme of management development and service orientation during the year.

The company has also focused on leadership development, talent management and capability building during the year under review.

The company has increased its emphasis on management and technical education to remain in a leadership position in its core businesses of energy and environment.

The company aspires to be an organisation that delivers consistent value to its customers, shareholders, employees and other stakeholders.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.



Along with customer satisfaction, the company is also aggressively focusing on cost competitiveness and quality to retain and enhance its leadership in its businesses.

Corporate Governance Report

Corporate Governance Report

COMPANY PHILOSOPHY

Thermax Limited continues to uphold its commitment to high standards of corporate governance. In all its operations and processes, the company adheres to stringent governance norms so that its stake holders are ensured of superior financial performance.

Through its corporate governance measures, the company aims to maintain transparency in its financial reporting and keep all its stakeholders informed about its policies, performance and developments. Through the adoption and continuing pursuit of good practices, which is at the heart of effective corporate governance, Thermax will contribute to sustain stakeholder confidence.

Your company's Board has empowered responsible persons to implement policies and guidelines related to the key elements of

corporate governance — transparency, disclosure, supervision and internal controls, risk management, internal and external communications, high standards of safety, accounting fidelity, product and service quality. It has also set up adequate review processes.

A) COMPLIANCE OF CORPORATE GOVERNANCE AS PER CODE

BOARD OF DIRECTORS AND PROCEDURES

The Board of your company presently consists of eight directors, of which three are non-executive promoter directors, one managing director and four non-executive independent directors. The table enumerated below gives the composition of the Board and *inter alia* the outside directorships held by each of the directors.

a) Composition of the Board

Name of the Directors	Category	Pecuniary or business relationship with the Company	Relationship with other Directors	No. of other Directorships @	Committee Membership	
					Member	Chairperson
Mrs. Anu Aga	Non-executive	None except *	Yes	12	None	1
Mrs. Meher Pudumjee	Non-executive	None except *	Yes	15	4	3
Mr. Pheroze Pudumjee	Non-executive	None	Yes	8	2	3
Mr. Prakash Kulkarni	Executive	N.A.	No	13	6	None
Mr. Tapan Mitra	Non-executive Independent	None	No	2	3	1
Mr. Vallabh Bhanshali #	Non-executive Independent	None	No	--	--	--
Dr. Manu Seth	Non-executive Independent	None	No	4	2	None
Mr. Ravi Venkatesan	Non-executive Independent	None	No	3	5	1
Dr. Jairam Varadaraj	Non-executive Independent	None	No	12	4	None

@ Includes private and foreign companies

* During the year, the company has paid Rs. 3,48,000/- to Mrs. Aga and Rs. 60,000/- to Mrs. Pudumjee as rent for premises taken on lease. The company has maintained security deposit of Rs. 40,00,000/- to Mrs. Aga for the premises taken on lease.

Mr. Vallabh Bhanshali did not seek re-appointment and has ceased to be a Director w.e.f. 31.07.2003.

Non-executive Directors are entitled to reimbursement of expenses incurred in performance of the duties as Directors, members of the committees appointed by the Board and as directors on the boards of subsidiary/joint venture companies.

Note: The expression independent director means director who apart from receiving director's remuneration, does not have any other material pecuniary relationship or transaction with the company, its promoters, its management or its subsidiaries, which in the judgement of the board may affect the independence of judgement of the director.

None of the Directors of the Board serve as members of more than 10 committees nor are they Chairman / Chairperson of more than 5 committees, as per the requirements of the Listing Agreement. 'Committees' for this purpose include those committees of all public limited companies, whether listed or not, but excludes committees of private limited companies, foreign companies and companies under section 25 of the Companies Act.

The company held 6 meetings of the Board of Directors during the financial year 2003-04. The maximum time gap between any two meetings was not more than four calendar months. The Board met on the following dates:

29.05.2003, 31.07.2003, 14.11.2003, 30.01.2004, 20.02.2004 and 21.02.2004

b) Attendance and remuneration of each Director on the Board of Directors

Name of the Directors	Total Attendance of Board Meeting during the FY 2003-04	Whether attended the AGM held on 31.07.2003	Sitting fees * (Rs.)	Salary and perquisites (Rs.)	Commission (Rs.)	Total remuneration (Rs.)
Mrs. Anu Aga	6	Yes	100,000	NA	NA	100,000
Mrs. Meher Pudumjee	5	Yes	145,000	NA	NA	145,000
Mr. Prakash Kulkarni	6	Yes	NA	32,51,562	25,00,000	57,51,562
Mr. Pheroz Pudumjee	6	Yes	135,000	NA	NA	135,000
Mr. Tapan Mitra	6	Yes	125,000	NA	NA	125,000
Mr. Vallabh Bhanshali	0 out of 2	No	5,000	NA	NA	5,000
Dr. Manu Seth	5 out of 6	Yes	115,000	NA	NA	115,000
Mr. Ravi Venkatesan	4 out of 6	Yes	60,000	NA	NA	60,000
Dr. Jairam Varadaraj	5 out of 6	Yes	70,000	NA	NA	70,000

NA = Not applicable

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

c) Information placed before the Board of Directors

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

1. Annual Business Plan that includes Capital Expenditure Budget. The capital expenditure proposals sanctioned and actual amounts incurred are reported to the Board on quarterly basis.
2. Expenditure items – reporting by exception for
 - a) Single item of expense of amount greater than Rs. 1 crore.
 - b) Expenses in excess of 10 per cent of quarterly budget for any division/ business.
3. Information on recruitment of the senior officers just below board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
4. Report on matters relating to foreign collaborations/ joint ventures/ acquisitions/ mergers/ opening of overseas offices, etc.
5. At every Board meeting, a report on Treasury operations is presented. This report comprises of the investment portfolio, details of foreign exchange exposures and steps taken to mitigate the risks of adverse exchange movements, if material.
6. Report on statutory compliance highlighting defaults, show cause notices, penalties, suits filed by/against the company, etc.
7. Quarterly results for the company with division-wise analysis and for the Group companies.
8. Report on write-off of fixed assets and write-off of current assets of the company.
9. Minutes of the meetings of Committees of the Board, namely:

- Audit Committee
 - Remuneration & Human Resource Committee
 - Share Transfer and Shareholders' Grievance Committee
 - Borrowing & Investments Committee
 - Strategic Business Development Committee
 - Overseas Investment Committee
 - Share Allotment Committee
10. Significant labour problems and their proposed solutions, wage agreements, VRS, etc.
 11. Fatal or serious accidents in the plants, dangerous occurrences, any material affluent or pollution problems.
 12. Any material default in financial obligations to and by the company.
 13. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.

B) BOARD COMMITTEES

1) Audit Committee

The Audit Committee was constituted by the Board of Directors at its meeting held on 15.01.2001. The Committee comprises of majority of non-executive independent directors. The Chairman of the Committee, Mr. Tapan Mitra, is a Chartered Accountant.

The present composition of the Audit Committee and the details of meetings attended by the Members thereof are as follows:

Name of the Committee Members	Category	No. of meetings attended
Mr. Tapan Mitra	Non-executive Independent	4
Dr. Manu Seth	Non-executive Independent	3
Mrs. Meher Pudumjee	Non-executive	3
Mr. Vallabh Bhanshali #	Non-executive Independent	1

Mr. Bhanshali ceased to be a member of the Committee with effect from 31.07.2003 following his resignation from the directorship of the Company.

During the financial year 2003-04, the Committee has met 4 times, as against the minimum requirement of 3 meetings. The dates on which the Audit Committee meetings were held are as follows:

28.05.2003, 30.07.2003, 13.11.2003 and 29.01.2004

Necessary quorum was present at all these meetings. The constitution of Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956.

The Audit Committee reviews various aspects of internal audit control system and financial and risk management policies on a regular basis as per the finalised schedule. The management makes presentation before the Audit Committee on the observations and recommendations of the auditors and also on issues having an impact on control system and compliance. The Internal Auditor and the Statutory Auditors are permanent invitees and attend all the meetings of the Committee. The Company Secretary acts as the Secretary of the Committee.

The terms of reference of the Audit Committee broadly includes:

- Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible. Reviewing with management and

- ▶ external auditors the annual financial statements before submission to the board, focussing primarily on:
 - Any changes in accounting policies and practices
 - Major accounting entries based on exercise of judgment by management
 - Qualifications in draft audit report
 - Significant adjustments arising out of audit
 - Compliance with accounting standards
 - Compliance with stock exchange and legal requirements concerning financial statements
 - Any related party transactions i.e. transactions of the company of material nature with the promoters or the management, their subsidiaries or relatives etc. that may cause potential conflict with the interests of the company
 - Reviewing with the management, external and internal auditors the adequacy of internal control systems including management information system.
 - ▶ Review the company's financial and risk management policies.
 - ▶ Look into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders and creditors.
 - ▶ Recommend the appointment and removal of external auditor, determine audit fee and also approve payment for any other services.
 - ▶ Discuss with external auditors, before the audit commences, the nature and scope of audit. Also conduct post-audit discussion to ascertain any area of concern.
 - ▶ Review the scope and the adequacy of internal audit function, including the system, its quality and coverage and effectiveness in terms of follow-up; the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit; outsourcing to firms specialised in carrying out internal audit services, detailing their scope of work and deciding their professional charges
 - ▶ Review the coverage and frequency of internal audit
 - ▶ Review the annual plan of work of the internal audit function
 - ▶ Discuss with internal auditors significant audit findings and follow up actions initiated thereon
 - ▶ Assign and review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
 - ▶ Any other matter that may be referred by the Board from time to time
- 2) Remuneration & Human Resources Committee**
- The Remuneration & Human Resources Committee comprises of five Non-executive Directors - Mrs. Anu Aga (Chairperson), Mr. Ravi Venkatesan, Dr. Manu Seth, Mr. Pheroj Pudumjee and Dr. Jairam Varadaraj.
- This Committee is primarily responsible for determining the remuneration of the Managing Director and any other whole time Director(s) of the company. The Committee is also responsible for reviewing the salaries of senior grade employees of the Company. The Committee also takes an overview of the human resource and industrial relations policies of the company and recommends suggestions based on the study.
- During the financial year, the Committee met 2 times on 28.05.2003 and 05.09.2003. The attendance record of the members for the meetings of the Committee held during 2003-04 is as follows :

Name of the committee member	No. of meetings held	No. of meetings attended
Mrs. Anu Aga	2	2
Mr. Ravi Venkatesan	2	2
Dr. Manu Seth	2	Nil
Mr. Pheroze Pudumjee	2	2
Dr. Jairam Varadaraj	1 @	Nil

@ Inducted as a member of the Committee effective 29.05.2003.

3) Share Transfer and Shareholders' Grievance Committee

The company has a Share Transfer and Shareholders' Grievance Committee comprising of two Non-executive Directors – Mr. Pheroze Pudumjee who is the Chairman of the Committee and Mrs. Meher Pudumjee and two senior executives of the company – Dr. Narendra Joshi and Mr. Ishrat Mirza. Mr. Sunil Lalai, Company Secretary is the Compliance Officer.

The Committee oversees redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of declared dividend, etc. and also recommends measures to improve the performance of investor services.

Procedure of share transfer

The Board has empowered the Committee, *inter alia*, approval of the share transfers. The Committee members generally meet every fortnight to carry out the delegated responsibilities. The Committee met 25 times during the year and approved share transfers and resolved complaints to the satisfaction of the investors.

As per the certificate issued by the Registrar & Transfer Agents MCS Limited, 180 complaints were received from the shareholders/ investors during the financial year ended 31.03.2004, of which 178 were pertaining to non-receipt of dividend. Complaints were replied / resolved to the satisfaction of the shareholders and no complaints had remained unattended / pending for more than 30 days as on 31.03.2004.

Summary of correspondence /complaints during 2003-04

Nature	Opening Balance	No. Received	No. Cleared	Pending
No. of equity share transfers	3	201	204	Nil
Non-receipt of shares lodged for transfer	Nil	02	02	Nil
Non-receipt of dividend	26	178	204	Nil
Loss of share certificates	Nil	27	27	Nil
Issue of duplicate share certificates	Nil	13	13	Nil

During the year the company processed 204 physical transfers comprising of 21,850 number of equity shares.

4) Borrowing & Investments Committee

The Committee is headed by Mrs. Meher Pudumjee, Vice-chairperson and Mr. Prakash Kulkarni, Managing Director. Mr. Vallabh Bhanshali, an independent director, ceased to be Chairman of the Committee with effect from 31st July 2003 consequent upon his resignation from the directorship of the company.

The mandate of this Committee is to review the treasury operations, lay down funds deployment policy and monitor that investments are made in accordance with the policy.

The Committee met twice during the financial year on 22.10.2003 and 25.03.2004 where all the members were present.

5) Strategic Business Development Committee

The Strategic Business Development Committee was constituted by the Board of Directors at its meeting held on 30.01.2002 with the primary objective to review and monitor the strategic initiatives for the businesses of the company.

This Committee is headed by an independent director and consists of following directors:

Mr. Ravi Venkatesan — Chairman

Mr. Prakash Kulkarni

Mrs. Meher Pudumjee

Mr. Pheroz Pudumjee

There were no meetings of the Committee during the financial year.

6) Overseas Investment Committee

The Committee comprises of the following directors : Mr. Pheroz Pudumjee, Chairman of the Committee and Mr. Prakash Kulkarni.

The purpose of the Committee is to:

- ensure corporate governance in the operations of the overseas wholly owned subsidiaries (WOS)
- check the reliability and adequacy of

financial information, control systems and internal accounting

- act as a link between the management of WOS and the Board of Directors of Thermax Limited.

The Terms of Reference of this committee, assigned by the Board:

1. Overview of the WOS' financial reporting process and the disclosure of its financial information to ensure integrity and credibility of financial statements. Half-yearly review with management and external auditors of the financial statements, focuses primarily on:

- Any changes in accounting policies and practices
- Major accounting entries based on exercise of judgment by management.
- Qualifications in audit report
- Significant audit observations and adjustments arising out of audit
- Compliance with accounting standards, corporate laws and transfer pricing policy and corporate governance of both host country and India

2. Reviewing with the management, external and internal auditors, if any, the adequacy of internal control systems including management information system.

3. Reviewing the company's financial and risk management policies.

4. Advising WOS on matters that create charge/expense of a permanent or long-term nature, including product and service liabilities.

5. Review remuneration of the senior managers of the WOS.

6. Review Compliance Certificate of the laws of the State/Country.

7. Any other matter that may be referred by the Board of Thermax Limited, from time to time.

The Committee met three times during the

financial year – 11.04.2003, 02.09.2003 and 05.03.2004.

The attendance record of the members is given below:

Name of the committee member	No. of meetings held	No. of meetings attended
Mr. Prakash Kulkarni	3	3
Mr. Pheroze Pudumjee	3	3

7) Share Allotment Committee

The Share Allotment Committee was formed for allotment of 6 per cent Redeemable Preference Shares (RPS) of face value of Rs. 10/- each issued as bonus shares. The Committee comprised of the directors, Mr. Pheroze Pudumjee Chairman of the Committee and Mrs. Meher Pudumjee and Mr. Prakash Kulkarni as members of the Committee.

The Committee met on 22.09.2003 to complete the allotment formalities of 6 per cent RPS. The Board has since dissolved this Committee as the formalities pertaining to the 6 per cent RPS have been completed.

C) Other Disclosures Recommended By SEBI Annual General Meeting

The last three Annual General Meetings of the company were held as under:

Year	Location	Date	Time
2000-01	Firodia Hall, The Institution of Engineers, 1332, J.M.Road, Shivajinagar, Pune - 411 005	05.09.2001	11.00am
2001-02	Same as above	27.09.2002	11.00 am
2002-03	Same as above	31.07.2003	11.00am

No special resolutions were required to be put through postal ballot last year. There is no proposal to pass any resolution through postal ballot for this year.

Disclosures

1. Related party transactions during the year have been disclosed as part of accounts as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India
2. There were no instances of non-compliance by the company or penalties, strictures imposed on the company by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets, during the last three years.

Means of Communication

1. As the company publishes the quarterly and half-yearly results in prominent newspapers and also displays the same on its' website, individual communication of half yearly results is not sent to the individual shareholders. The quarterly and half-yearly results and the quarterly shareholding pattern is also posted on the EDIFAR website i.e. www.sebidifar.nic.in
2. Quarterly results are published in prominent daily newspapers like – The Economic Times, Maharashtra Times, Times of India, Financial Express, Indian Express, LokSatta, Business Standard and Hindu Business Line. The annual results are also made available on the company's website.
3. All vital information and official press releases and presentations made to the media, analysts and institutional investors are displayed on the website for the benefit of the public at large.
4. Management Discussion and Analysis forms part of the annual report.

The company's website can be accessed at www.thermaxindia.com.

Code for Prevention of Insider Trading

The company has adopted a Code for Prevention of Insider Trading in the securities of the company. The Code prohibits an 'Insider' from buying or selling shares of the company either on his/her own or on behalf of another person when

in possession of unpublished price sensitive information.

D) Shareholder Information

Annual General Meeting

Date and Time : 27th July 2004
11.00 a.m.
Venue : Firodia Hall,
The Institution of Engineers,
1332, Jangli Maharaj Road,
Shivajinagar Pune - 411 005

Financial Calendar (indicative)

Financial Year: 1st April to 31st March

For the year-ended on March 31, 2004 the financial results were announced on:

	(As indicated)	(Actual Date)
Quarter ended June 2003	July 31, 2003	July 31, 2003
Quarter ended September 2003	November 14, 2003	November 14, 2003
Quarter ended December 2003	January 28, 2004	January 31, 2004
Year ended March 2004	End May 2004	May 26, 2004

For the year-ended on 31st March 2005 the tentative dates are:

Results for the quarter ended June 2004	27th July 2004
Mailing of Annual Reports	Last week of June 2004
Results for the quarter ended September 2004	16th November 2004
Results for the quarter ended December 2004	31st January 2005
Results for the year ended March 2005	End May 2005

Book Closure Date

The company's Share Transfer Books and Register of Members of Equity & Preference shares shall remain closed from 12th July 2004 to 27th July 2004 (both days inclusive), to determine the entitlement of shareholders to receive dividend for the year ended 31st March

2004. Dividend to Preference shareholders shall be paid on pro-rata period of 192 days from September 22, 2003 to March 31, 2004.

Listing

The company's securities are listed on the following six stock exchanges:

- Pune • BSE • Ahmedabad • Delhi • Kolkata
- National Stock Exchange (NSE)

The company has paid listing fees to all the Stock Exchanges

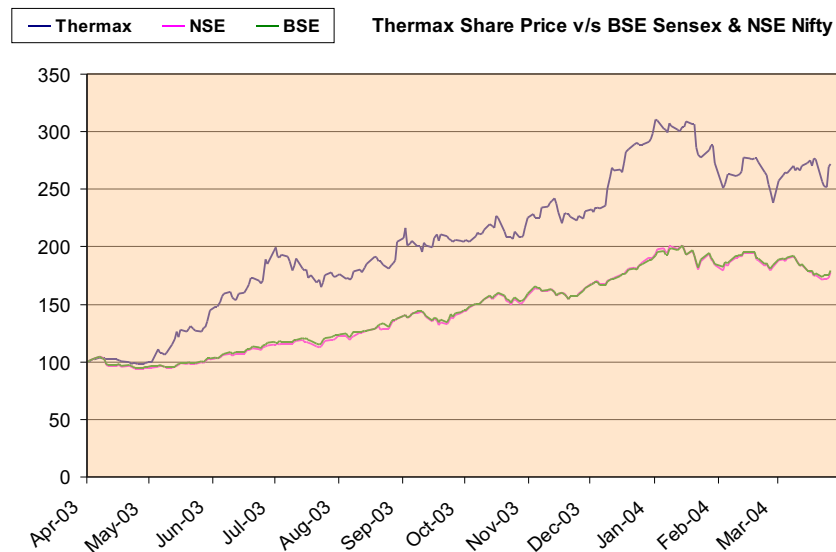
Stock Codes

Name of the exchange	Equity Shares	6% Redeemable Pref. Shares
National Stock Exchange of India Ltd.	Thermax EQ	Thermax P1
The Stock Exchange, Mumbai	Physical form : 411	700084
	Demat form : 500411	
ISIN No.	INE 152A01011	INE 152A04015

Stock Data

Month	MKT QUOTE - NSE		MKT QUOTE - BSE	
	High	Low	High	Low
Apr. 2003	146.50	133.25	145.30	135.05
May 2003	209.80	137.70	209.75	137.70
June 2003	275.00	202.00	274.00	201.00
July 2003	295.00	227.00	290.00	227.35
Aug. 2003	289.00	236.10	292.00	235.05
Sep. 2003	303.00	251.00	303.00	259.00
Oct. 2003	321.10	250.00	330.00	271.00
Nov. 2003	340.00	291.00	344.85	299.00
Dec. 2003	450.00	315.10	424.90	314.00
Jan. 2004	489.45	370.10	444.95	375.05
Feb. 2004	405.00	315.10	402.00	328.00
Mar. 2004	399.00	344.00	416.25	334.00

Stock Performance



Registrar & Share Transfer Agents

MCS Limited,
116-118 Akshay Complex,
Off Dhole Patil Road, Pune - 411001.
Telefax: 020 2612 9597

Share Transfer System

The company's shares are traded on the stock exchanges *only* in electronic mode. Shares received for transfer by the company or the Share Transfer Agents in physical mode are processed and all valid transfers are approved. The share certificates duly transferred and despatched within a period of three weeks from the date of receipt.

Shareholding Pattern

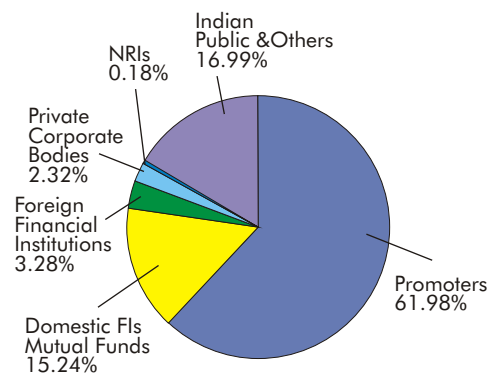
DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2004

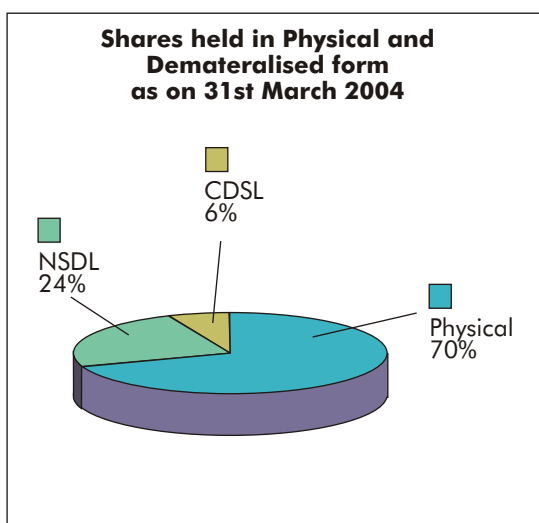
No of Shares	No. of Shareholders	%	No. of shares held	%
1-500	11,375	93.81	12,39,094	5.20
500-1000	296	2.44	2,27,445	0.95
1001-2000	169	1.39	2,46,467	1.03
2001-3000	54	0.45	1,38,761	0.58
3001-4000	19	0.16	66,054	0.28
4001-5000	19	0.16	87,163	0.37
5001-10000	58	0.48	4,48,057	1.88
10001 & above	135	1.11	213,78,219	89.71
	12,125	100.00	238,31,260	100.00

Category of Equity Shareholders as on March 31, 2004

Category	No. of Shares held	% of Shareholding
Promoters		
Promoters holding	147,71,061	61.98
Non-Promoters Holding		
1. Mutual Funds, Banks, Financial Institutions, Insurance Companies, etc.	36,32,257	15.24
2. FIIs	7,81,926	3.28
3. Private Corporate Bodies	5,53,338	2.32
4. NRIs	42,793	0.18
5. Indian public & Others	40,49,885	16.99
Total	238,31,260	100.00

Shareholding Pattern as on 31.03.2004





Details of Dematerialisation

The company's equity shares are under compulsory demat trading effective from 15th February 1999 by all the investors. As on 31st March 2004, 72,28,136 shares have been dematerialised which account for 30.33% of the total equity.

Plant Locations

D-13, MIDC Industrial Area, R. D. Aga Road, Chinchwad, Pune - 411 019. Maharashtra State	Paudh Works At Paudh, Post Mazgaon, Tal. Khalapur Dist. Raigad Maharashtra State
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Address for correspondence

Investors' correspondence should be addressed to:

MCS Limited,
116-118 Akshay Complex,
Off Dhole Patil Road,
Pune - 411001.
Telefax: 020 2612 9597
email: mcspune@vsnl.net

Shareholders holding shares in dematerialised form should address their queries such as change in bank account details, address nomination, etc., to their respective Depository Participants (DPs).

Queries relating to the Annual Report may be addressed to:

The Company Secretary
Thermax Limited
Thermax House, 4, Mumbai-Pune Road
Shivajinagar, Pune - 411 005
Email: slalai@thermaxindia.com

E) Non-Mandatory Requirements

The company has also adopted part of the non-mandatory code of corporate governance recommended under clause 49 of the Listing Agreement.

The Chairperson's office is maintained at company's expense, which is equipped with all required facilities. The Chairperson is also allowed reimbursement of expenses incurred in performance of her duties.

SHAREHOLDER REFERENCE

Unclaimed Dividend

As per the provisions of Section 205C of the Companies Act, 1956, Companies are required to transfer unclaimed dividend for a period of seven years from the date of their payment, to the Investor Education and Protection Fund (IEPF) constituted and administered by the Central Government. Unclaimed dividend for the financial year 1995-96 has been transferred to the IEPF.

The company has transferred unclaimed dividend for the years prior to and including the financial year 1994-95 to the General Revenue Account of the Central Government pursuant to Section 205A of the Companies Act, 1956. Shareholders who have not encashed their dividend warrant(s) relating to the financial year(s) up to and including 1994-95 are requested to claim such dividend from the Registrar of Companies, Pune, 3rd Floor, PMT Commercial Building, Deccan Gymkhana, Pune - 411 004 in the prescribed form. However, no claim shall lie either with IEPF or the company in terms of Section 205C of the Companies Act, 1956, in respect of dividend transferred to IEPF for the financial year 1995-96.

Financial year	Dividend	Date of declaration	Total dividend amount (Rs. crores)	Unclaimed Dividend as on 31.3.2004		Due for transfer to IEPF on
				(Rs.)	%	
1996-97	Final	08.09.1997	8.14	2,08,778	0.26	24.10.2004
1997-98	Final	02.09.1998	8.14	2,33,452	0.28	16.10.2005
1998-99	Final	20.09.1999	8.14	3,14,425	0.39	05.11.2006
1999-00	Interim	25.05.2000	8.14	3,12,130	0.38	12.07.2007
2000-01	Final	05.09.2001	2.33	1,52,153	0.65	10.10.2008
2001-02	Final	27.09.2002	11.63	4,92,219	0.43	30.10.2009
2002-03	Final	31.07.2003	28.60	11,01,924	0.38	04.09.2010

Bank details

Shareholders holding shares in physical form are requested to notify / send the following information to the Registrar & Transfer Agents of the company:

- Any change in their address / mandate / bank details etc.
- Particulars of the bank account in which they wish their dividend to be credited, in case the same has not been furnished earlier and should include the following particulars namely, Bank Name, Branch Name, Account Type, Account Number and MICR Code (9 digit).

Nomination facility

Shareholders, holding shares in physical form and desirous of submitting / changing nomination in respect of their shareholding in the company may submit Form 2B (in duplicate) as per the provisions of Section 109A of the Companies Act, 1956 to the Company's Registrar and Transfer Agents.

Electronic Clearing Service (ECS) facility

The company proposes to pay your dividend amount through ECS for the year 2003-04 by directly crediting your bank account.

- ▶ Shareholders holding shares in physical form and who wish to receive dividend amount through ECS, may authorise the company by sending their ECS mandate, in the prescribed form to the company in case the same has not been furnished earlier / in case of change in bank account details, if any. ECS mandate form is also available on the company's web site.
- ▶ Shareholders holding shares of the company in dematerialised (electronic) form are requested to furnish their bank account details to their Depository Participant (DP), so as to enable them to incorporate the same in the record of NSDL / CDSL. Kindly note that the company or its registrar cannot effect any change in your bank details / address and therefore please do not send any information relating to change of bank details / address to the company or its registrar. Such shareholders should send the information directly to their DP only.

AUDITOR'S CERTIFICATE

To the Members of THERMAX LIMITED, PUNE

We have examined the compliance of conditions of Corporate Governance by THERMAX LIMITED for the year ended on March 31 2004, as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances during the year ended March 31 2004, no grievances are pending for a period exceeding one month against the company as per the records maintained by the Share Transfer & Shareholders' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For and on behalf of
B.K. KHARE & CO.
Chartered Accountants

H..P MAHAJANI
Partner

Pune
Date : May 26, 2004

AUDITORS' REPORT

The Members of THERMAX LIMITED

We have audited the attached balance sheet of Thermax Limited, as at 31st March 2004, and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- 2) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.

- 3) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account
- 4) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- 5) On the basis of written representations received from the directors, as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- 6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2004;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**FOR B.K.KHARE & CO
 CHARTERED ACCOUNTANTS**

H.P.Mahajani
 (Partner)
 Membership Number: 30168

Place: - Pune
 Dated: May 26, 2004

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

1) FIXED ASSETS

- (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification pursuant to this program.
- (c) In our opinion and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the company during the year

2) INVENTORIES

- (a) The inventories have been physically verified during the year by the management, except in respect of stocks lying with sub-contractors and fabricators from whom letters of confirmation have been obtained. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stocks as compared to the book records were not material.

3) The company has neither taken nor granted any loans, secured or unsecured to/from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956.

4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the

purchase of inventory, fixed assets and for sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control procedures.

- 5) According to the information and explanations given to us, the company has not entered into any transactions that need to be entered into the register in pursuance to section 301 of the Companies Act, 1956.
- 6) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Rules made there under. According to information and explanations given to us, no order under the aforesaid sections has been passed by the Company Law Board on the Company.
- 7) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- 8) According to information and explanations given to us the Central Government has not prescribed for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of the products of the company.

9) STATUTORY DUES

(a) According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, custom duty, excised-duty, cess and other statutory dues applicable to it with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of sales tax, income-tax, customs tax/wealth-tax, excise duty/cess as at 31st March 2004 which have not been deposited on account of a dispute are as under:

Statute	Year	1st Appeal	2nd Appeal	High Court
Central Sales Tax Act and other State Sales Tax Statues	1986-87			
	1987-88			
	1989-90			
	1992-93			
	1995-96			
	1996-97	Rs. 0.07 crs	Rs. 0.09 crs	Rs. Nil
	1997-98			
	1998-99			
Central Excise Act, Service Tax and Customs Act	1999			
	2000	Rs.1.95 crs	Rs. 2.26 crs	Rs. 0.08 crs
	2001			
	2002-03			
ESI Act, Industrial Disputes Act and	1994			
	1995			
	1996			
	1997	Rs. 0.76 crs	Rs. 0.13 crs	Rs. 0.84 crs
	1998			
	1999			
	2002			
2003				

- 10) According to the records of the company examined by us and the information and explanations given by the management, the company has not defaulted in repayment of dues to any financial institution or bank.
- 11) In our opinion and according to the information and explanations given to us, the company is not a dealer or trader in shares, securities, debentures and other investments.

- 12) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- 13) Based on the information and explanation given to us and on an overall examination of balance sheet of the company, in our opinion, funds raised on a short-term basis have not been used for long-term investment and vice versa.
- 14) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither noticed any instance of fraud on or by the company nor was any such instance reported during the year.
- 15) In our opinion and according to the information and explanations given to us, the requirements of paragraphs 4(x), (xii), (xiii), (xvi) (xviii), (xix) and (xx) of the Order are not, on facts, applicable and hence no comments have been offered there under.

FOR B.K.KHARE & CO
CHARTERED ACCOUNTANTS

H.P.Mahajani
(Partner)
Membership Number: 30168

Place: - Pune
Dated: May 26, 2004

Balance Sheet as at March 31, 2004

	Schedule	Sch 18 Note No. Reference	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
SOURCES OF FUNDS				
Shareholders' Funds:				
Share Capital	1		71.49	23.83
Reserves & Surplus	2		319.17	346.70
			<u>390.66</u>	<u>370.53</u>
Loan Funds:				
Secured Loans	3		—	—
Deferred Tax Liability :				
Deferred Tax Liabilities			16.19	17.59
Deferred Tax Assets			(8.42)	(8.18)
			<u>7.77</u>	<u>9.41</u>
Total Funds Employed			<u>398.43</u>	<u>379.94</u>
APPLICATION OF FUNDS				
Fixed Assets	4			
Gross Block			165.23	165.84
Less: Depreciation			84.43	86.21
Net Block			<u>80.80</u>	<u>79.63</u>
Capital Work-in-progress			2.16	1.56
Investments	5		276.08	239.64
Current Assets, Loans & Advances :				
Inventories	6		59.51	46.96
Contracts in Progress			11.54	—
Sundry Debtors	7		117.99	85.11
Cash & Bank Balances	8		18.63	18.93
Other Current Assets			6.83	6.50
Loans & Advances	9		50.29	43.90
			<u>264.79</u>	<u>201.40</u>
Less: Current Liabilities & Provisions :				
Current Liabilities	10		168.82	114.50
Contracts in Progress			19.59	—
Provisions	11		38.11	35.44
			<u>226.52</u>	<u>149.94</u>
Net Current Assets			<u>38.27</u>	<u>51.46</u>
Miscellaneous Expenditure to the extent not written off or adjusted	12		1.12	7.65
Total Funds Applied			<u>398.43</u>	<u>379.94</u>
Notes to Accounts	18			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Anu Aga
Chairperson

Prakash Kulkarni
Managing Director

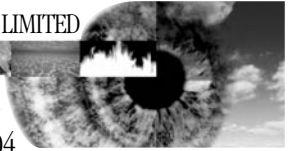
H. P. Mahajani
Partner

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 26, 2004

Pune, May 26, 2004



Profit and Loss Account for the year ended March 31, 2004

	Schedule	Sch 18 Note No. Reference	Year ended March 31, 2004 Rs. Crores	Year ended March 31, 2003 Rs. Crores
INCOME				
Sales and Other Income	13		<u>603.81</u>	<u>552.53</u>
EXPENDITURE				
Materials	14		351.12	321.93
Personnel	15		68.04	59.35
Other Expenses	16		96.63	90.72
Excise Duty (Net)			0.59	0.89
Depreciation			8.78	9.69
Interest	17		0.40	0.65
			<u>525.56</u>	<u>483.23</u>
Profit Before Tax & Extra Ordinary Items			78.25	69.30
Extra-ordinary Items of Income / (Expenses)				
Voluntary Retirement Expenses written off		12	(5.80)	(5.80)
Profit Before Tax			<u>72.45</u>	<u>63.50</u>
Less : Provision for Taxation				
Current Tax			(20.00)	(18.50)
Deferred Tax		6	1.64	3.24
Profit After Tax			<u>54.09</u>	<u>48.24</u>
Balance carried forward from last year			22.51	10.69
Transferred from Foreign Project Reserve			0.15	0.70
			<u>76.75</u>	<u>59.63</u>
Profit available for appropriation			<u>76.75</u>	<u>59.63</u>
Appropriations				
Proposed Equity Dividend			28.60	28.60
Proposed Preference Dividend			1.50	—
Provision for Tax on Dividend			3.85	3.67
General Reserve			5.45	4.85
Balance Carried to Balance Sheet			37.35	22.51
			<u>76.75</u>	<u>59.63</u>
Basic / Diluted Earnings Per Share (EPS) - Rs. (Per Equity Shares of Rs. 10/- each)		7	21.99	20.24
Weighted average number of Equity Shares			23831260	23831260

Notes to Accounts

18

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Anu Aga
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

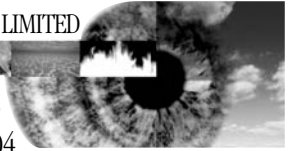
Sunil Lalai
Company Secretary

Pune, May 26, 2004

Pune, May 26, 2004

Schedules attached to and forming part of the Balance Sheet as at March 31, 2004

	Sch 18 Note No. Reference	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
2,50,00,000	(6,00,00,000) Equity Shares of Rs. 10/- each	25.00	60.00
5,00,00,000	(Nil) Redeemable Preference Shares of Rs 10/- each	50.00	—
		<u>75.00</u>	<u>60.00</u>
Issued, Subscribed & Paid-Up			
2,38,31,260	Equity Shares of Rs. 10/- each, fully paid-up	8 23.83	23.83
4,76,62,520	6% Redeemable Preference Shares of Rs 10/- each fully paid-up (Allotted as Bonus Shares by capitalisation of Share Premium)	8 <u>47.66</u>	<u>—</u>
		<u>71.49</u>	<u>23.83</u>
SCHEDULE 2			
RESERVES & SURPLUS			
Capital Redemption Reserve			
	Per Last Balance Sheet	2.68	2.68
Share Premium Account			
	Per Last Balance Sheet	108.79	108.79
	Less: Issue of Bonus Preference shares	(47.66)	—
		<u>61.13</u>	<u>108.79</u>
Capital Reserve			
	Per Last Balance Sheet	8.00	8.00
Foreign Projects Reserve			
	Per Last Balance Sheet	0.15	0.85
	Less: Transferred to Profit & Loss A/c	0.15	0.70
		<u>—</u>	<u>0.15</u>
General Reserve			
	Per Last Balance Sheet	197.57	192.72
	Add: Transferred from Profit & Loss A/c	5.45	4.85
		<u>203.02</u>	<u>197.57</u>
Amalgamation Reserve			
	Per Last Balance Sheet	7.00	7.00
Balance in Profit & Loss A/c			
		<u>37.35</u>	<u>22.51</u>
		<u>319.17</u>	<u>346.70</u>



Schedules attached to and forming part of the Balance Sheet as at March 31, 2004

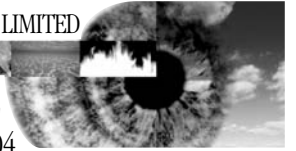
	Sch 18 Note No. Reference	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
SCHEDULE 3			
SECURED LOANS			
Borrowings from Banks for Working Capital (including Working Capital Term Loans)	9	-	-
		-	-
		-	-

SCHEDULE 4 FIXED ASSETS (Refer Note 17 of Schedule 18)

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1.4.2003	Additions During the Year	Deductions/ Adjustments During the year	Total Cost as at 31.3.2004	Upto 31.03.2003	Deductions/ Adjustment During the year	Provisions During the year	Total as at 31.3.2004	As at 31.03.2004	As at 31.03.2003
Land - Freehold	7.44	-	-	7.44	-	-	-	-	7.44	7.44
Land - Leasehold	2.01	-	0.03	1.98	-	-	-	-	1.98	2.01
Building	20.50	0.93	-	21.43	4.77	-	0.52	5.29	16.14	15.73
Plant & Machinery	80.66	6.01	0.00	86.67	43.42	0.12	4.95	48.25	38.42	37.25
Machinery given on Lease	5.20	-	2.64	2.56	4.86	2.51	0.07	2.42	0.14	0.33
Electrical Installation	3.88	0.23	0.03	4.08	2.04	0.03	0.23	2.24	1.84	1.84
Furniture, Fixtures, & Office Equip., Computers	42.82	2.20	8.01	37.01	29.82	7.49	2.69	25.02	11.99	13.00
Vehicles	3.33	1.44	0.71	4.06	1.30	0.41	0.32	1.21	2.85	2.02
Total	165.84	10.81	11.42	165.23	86.21	10.56	8.78	84.43	80.80	79.63
Previous Year	166.66	3.99	4.81	165.84	79.91	3.39	9.69	86.21	79.63	86.75
Capital W.I.P.									2.16	1.56

Schedules attached to and forming part of the Balance Sheet as at March 31, 2004

	Face Value	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores	
SCHEDULE 5				
INVESTMENTS				
Non Trade (Long Term)				
Government Securities				
1	National Savings Certificates	0.00	0.00	0.00
Units				
2	Nil (Previous year 48,25,090) units of Alliance Income Fund of Alliance Capital Mutual Fund	Nil	Nil	5.00
3	Nil (Previous year 1,92,83,428) units of Birla Income Plus of Birla Mutual Fund	Nil	Nil	20.00
4	61,044 (Previous year 61,044) units of Chola Triple Ace Regular Plan of Chola Mutual Fund	0.06	0.11	0.11
5	3,92,995 (Previous year 3,92,995) units of Chola Triple Ace Bonus Plan of Chola Mutual Fund	0.39	0.44	0.44
6	Nil (Previous year 1,29,44,537) units of DSPML Bond Fund of DSP Merrill Lynch Mutual Fund	Nil	Nil	15.00
7	1,04,25,934 (Previous Year 1,04,25,934) units of Templeton India IBA Plan of Templeton Investments	10.43	15.00	15.00
8	18,26,851 (Previous Year Nil) units of Templeton India IBA Inst. Plan of Templeton Investments	1.83	2.00	Nil
9	Nil (Previous year 1,11,71,104) units of GSSIF - of Standard Chartered Mutual Fund	Nil	Nil	12.00
10	97,22,897 (Previous year 97,22,897) units of Grindlays Dynamic Bond Fund Plan of Standard Chartered Mutual Fund	9.72	10.00	10.00
11	Nil (Previous year 2,75,89,505) units of HDFC Income Fund of HDFC Mutual Fund	Nil	Nil	30.00
12	Nil (Previous year 6,43,613) units of IL&FS-Bonus Plan of IL & FS Fund	Nil	Nil	0.67
13	Nil (Previous year 1,45,96,693) units of JM Income Fund of JM Mutual Fund	Nil	Nil	15.00
14	Nil (Previous year 1,42,90,069) units of K Bond Scheme 99 of Kotak Mahindra Mutual Fund	Nil	Nil	15.00
15	Nil (Previous year 48,13,250) units of Income Plan of Prudential ICICI Mutual Fund	Nil	Nil	7.85
16	Nil (Previous year 34,72,222) units of Technology Plan of Prudential ICICI Mutual Fund	Nil	Nil	1.00
17	Nil (Previous year 10,95,290) units of Franklin Infotech Fund of Franklin Templeton Investments	Nil	Nil	1.00
18	49,92,776 (Previous year Nil) units of GSSIF-Short-Term Plan of Standard Chartered Mutual Fund	4.99	5.14	Nil
19	124,70,879 (Previous year Nil) units of GSSIF-Short Term Plan of Standard Chartered Mutual Fund	12.47	12.85	Nil
20	239,18,204 (Previous year Nil) units of HDFC High Interest Fund-Short Term of HDFC Mutual Fund	23.92	25.15	Nil
21	48,34,432 (Previous year Nil) units of HSBC Income-Short Term Fund of HSBC Mutual Fund	4.83	5.10	Nil

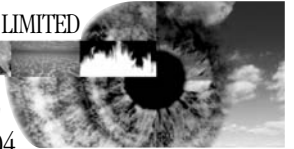


Schedules attached to and forming part of the Balance Sheet as at March 31, 2004

	Face Value	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
22 50,40,533 (<i>Previous year Nil</i>) units of JM Short Term Fund of JM Mutual Fund	5.04	5.07	Nil
23 93,81,259 (<i>Previous year Nil</i>) units of Pru ICICI Short Term Plan of Pru ICICI Mutual fund	9.38	10.20	Nil
24 101,76,675 (<i>Previous year Nil</i>) units of Reliance Short Term Fund of Reliance Capital Mutual Fund	10.18	10.30	Nil
25 49,859 (<i>Previous year Nil</i>) units of Templeton India STIP of Templeton Investments	4.99	5.12	Nil
26 45,08,179 (<i>Previous year Nil</i>) units of Birla Bond Plus of Birla Mutual Fund	4.51	4.70	Nil
27 1,13,69,091 (<i>Previous year Nil</i>) units of Alliance Cash Manager of Alliance Capital Mutual Fund	11.37	11.38	Nil
28 Nil (<i>Previous year 12,30,126</i>) units of Birla Cash Plus of Birla Mutual Fund	Nil	Nil	2.00
29 2,75,98,780 (<i>Previous year Nil</i>) units of Birla Cash Plus Inst. Fund of Birla Mutual Fund	27.60	29.78	Nil
30 49,24,577 (<i>Previous year Nil</i>) units of DSPML Liquid Fund of DSP Merrill Lynch Mutual Fund	4.92	6.11	Nil
31 Nil (<i>Previous year 1,15,74,029</i>) units of Grindlays Cash Fund of Standard Chartered Mutual Fund	Nil	Nil	13.02
32 18,96,234 (<i>Previous year Nil</i>) units of Grindlays Cash Fund of Standard Chartered Mutual Fund	1.90	2.01	Nil
33 7,40,174 (<i>Previous year Nil</i>) units of IL & FS Liquid Plan of IL & FS Fund	0.74	0.74	Nil
34 Nil (<i>Previous year 77,84,079</i>) units of JM High Liquidity Fund of JM Mutual Fund	Nil	Nil	13.04
35 11,72,557 (<i>Previous year Nil</i>) units of JM High Liquidity Fund Inst. of JM Mutual Fund	1.17	1.18	Nil
36 28,42,491 (<i>Previous year Nil</i>) units of JM High Liquidity Fund Inst. of JM Mutual Fund	2.84	2.85	Nil
37 1,49,26,475 (<i>Previous year Nil</i>) units of Kotak Liquid Inst. Premium of Kotak Mahindra Mutual Fund	14.93	14.97	Nil
38 Nil (<i>Previous year 1,00,94,416</i>) units of Pru ICICI Plan of Pru ICICI Mutual fund	Nil	Nil	15.00
39 79,916 (<i>Previous year Nil</i>) units of Pru ICICI Liquid Dividend Plan of Pru ICICI Mutual fund	0.08	0.09	Nil
40 23,98,286 (<i>Previous year Nil</i>) units of Pru ICICI Liquid Plan Inst. of Pru ICICI Mutual fund	2.40	2.84	Nil
41 1,56,52,473 (<i>Previous year Nil</i>) units of Pru ICICI Liquid Plan Inst. of Pru ICICI Mutual fund	15.65	18.56	Nil
42 32,85,223 (<i>Previous year Nil</i>) units of Reliance Liquid Fund-Treasury Plan of Reliance Mutual Fund	3.29	5.01	Nil
43 12,29,166 (<i>Previous year Nil</i>) units of Reliance Liquid Inst. Treasury Plan of Reliance Capital Mutual Fund	1.23	1.88	Nil
44 28,33,489 (<i>Previous year Nil</i>) units of Sundaram Money fund of Sundaram Mutual Fund	2.83	2.84	Nil
45 Nil (<i>Previous year 100,18,032</i>) units of Templeton India Liquid Plan of Templeton Investments	Nil	Nil	15.00

Schedules attached to and forming part of the Balance Sheet as at March 31, 2004

	Face Value	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
46 16,507 (Previous year Nil) units of Templeton India TMA of Templeton Investments	1.65	2.05	Nil
47 1,00,00,000 (Previous year Nil) units of JM Fixed Maturity Plan of JM Mutual Fund	10.00	10.00	Nil
48 8,00,000 (Previous year Nil) units of Pru ICICI Fixed Maturity Plan of Pru ICICI Mutual fund	8.00	8.00	Nil
49 1,00,00,000 (Previous year Nil) units of Reliance Fixed Term Series of Reliance Capital Mutual Fund	10.00	10.00	Nil
Quoted Equity Shares (fully paid up)			
50 450 (Previous Year 450) Equity Shares of Rs. 10/- each in Sudarshan Chemical Industries Ltd.	0.00	0.00	0.00
51 2,500 (Previous Year 2,500) Equity Shares of Rs. 10/- each in Global Boards Ltd.	0.00	0.00	0.00
52 9,700 (Previous Year 9,700) Equity Shares of Rs.10/- each in Sanghvi Movers Ltd.	0.01	0.08	0.08
53 40,462 (Previous Year 40,462) equity shares of Rs.10/- each in Recron Synthetics Ltd	0.04	0.04	0.04
Quoted Equity Shares (partly paid up)			
54 1,25,000 (Previous Year 1,25,000) Equity Shares of Rs.10/- each Rs.2.50 paid up in Parasrampurua Synthetics Ltd.	0.13	0.06	0.06
Unquoted Equity Shares (fully paid up)			
55 1,375 (Previous Year 1,375) Equity Shares of Rs.20/-each in Cosmos Co-operative Bank Ltd	0.00	0.00	0.00
Unquoted Preference Shares (fully paid up)			
56 21,800 (Previous Year 21,800) 18% Redeemable Cumulative Preference Shares of Rs.10/- each in Indian Food Fermentation Limited	0.02	0.02	0.02
57 2,00,000 (Previous Year 2,00,000) 13.25% Redeemable Cumulative Preference Shares of Rs.100/- each in KEC International Ltd (Partly Redeemed)	2.00	0.25	0.25
In Subsidiary Companies (fully paid up)			
58 30,00,000 (Previous Year 30,00,000) Equity Shares of Rs. 10/- each in Thermax Babcock & Wilcox Ltd *	3.00	3.00	3.00
59 7,50,000 (Previous Year 7,50,000) Equity Shares of Rs. 10/-each in Thermax Surface Coatings Ltd	0.75	0.45	0.45
60 1,50,00,000 (Previous Year 1,50,00,000) Equity Shares of Rs.10/- each in Thermax Capital Ltd.	15.00	15.00	15.00
61 15,00,000 (Previous Year 15,00,000) Equity Shares of Rs.10/- each in Thermax Engineering Construction Company Ltd.	1.50	1.50	1.50
62 10,00,000 (Previous Year 10,00,000) Equity Shares of Rs.10/- each in Thermax Electronics Ltd.	1.00	1.00	1.00
63 90,00,000 (Previous Year 90,00,000) Equity Shares of Rs.10/- each in Thermax Instrumentation Ltd	9.00	4.59	4.59
64 2,00,000 (Previous Year 2,00,000) Ordinary Shares of Stg. Pound 1 each in Thermax Europe Ltd.	1.17	1.17	1.17
65 50 (Previous Year 50) Ordinary Shares of 6,000 Roubles each in Thermax (Rus) Ltd.	0.20	0.20	0.20



Schedules attached to and forming part of the Balance Sheet as at March 31, 2004

	Face Value	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
66 50,000 (Previous Year 50,000) Equity Shares of Rs.10/- each in Winman Gas Ltd.	0.05	3.06	3.06
67 5,00,000 (Previous Year 5,00,000) Equity Shares of Rs.10/- each in Thermax Co-gen Ltd.	0.50	0.50	0.50
68 9,88,776 (Previous Year 9,88,776) Equity Shares of Rs.10/- each in Thermax Energy Performance Services Ltd. *	0.99	0.99	0.99
69 14,55,000 (Previous Year 14,55,000) Equity Shares of USD 1/- each in Thermax International Mauritius Ltd	6.78	6.78	6.78
70 5,83,999 (Previous Year Nil) Equity Shares of Real 1/- each in Thermax do Brasil-Energia e Equipamentos Ltda.	0.91	0.91	Nil
71 10,000 (Previous Year Nil) Equity Shares of HKD 1/- each in Thermax Hong Kong Ltd.	0.01	0.01	Nil
72 Application Money Towards Shares	0.06	0.06	Nil
	266.46	281.14	244.82
Provision for diminution in value of investments		5.06	5.18
		276.08	239.64

* Subject to the terms and conditions of respective Shareholders 'Agreements.
(see note 1(d) of Schedule 18)

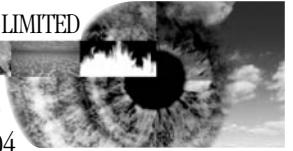
	As at March 31, 2004		As at March 31, 2003	
	Cost (Rs. Crores)	Market Value (Rs. Crores)	Cost (Rs. Crores)	Market Value (Rs. Crores)
Aggregate Value of Quoted Investments	241.66	241.74	206.30	207.88
Aggregate Value of Un-quoted Investments	39.50	—	38.52	—

Following investments were purchased and sold during the year :

Name Units	No of Units	Face Value (Rs. Crores)	Cost of Acquisition (Rs. Crores)
HDFC Top 200 fund	3,24,475	0.32	1.00
Reliance Growth fund	2,48,997	0.25	1.40
HDFC High interest fund	2,23,68,627	22.37	24.96
Pru ICICI income fund	1,24,98,232	12.50	14.00
Pru ICICI flexi plan fund	47,41,269	4.74	5.00
Sundaram bond saver fund	23,47,517	2.35	5.00
Birla Bond Plus fund	41,94,242	4.19	4.71
Birla Cash Plus fund	42,77,411	4.28	4.61
Grindlays Cash Manager fund	99,42,261	9.94	10.25
HDFC liquid fund	1,01,52,360	10.15	10.21
IL & FS Liquid Fund	41,16,876	4.12	4.12
JM High Liquidity Fund	76,50,424	7.65	9.19
Kotak K-Liquid Retail Scheme	4,99,276	0.50	0.50
Kotak K-Liquid Inst.Plan Scheme	1,52,50,009	15.25	15.28
Pru ICICI liquid dividend Plan	1,41,69,511	14.17	34.40
Templeton liquid fund	1,52,32,726	15.23	15.24
Total		128.01	159.88

Schedules attached to and forming part of the Balance Sheet as at March 31, 2004

	Sch 18 Note No. Reference	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
SCHEDULE 6			
INVENTORIES			
(As valued and certified by Management)			
	1(e)		
Raw Materials and Components [Including Rs.3.75 Crores Goods in Transit (Previous year Rs. 1.83 Crores)]		34.29	21.77
Work-in-Progress		11.86	9.25
Finished Goods		10.01	12.49
Stores, Spare Parts and Tools		3.35	3.45
		<u>59.51</u>	<u>46.96</u>
SCHEDULE 7			
SUNDRY DEBTORS			
Unsecured			
Debts Outstanding for a period exceeding six months			
Considered good		6.66	4.87
Considered doubtful		11.46	14.67
Less : provided for		11.46	14.67
Other Debts		111.33	80.24
		<u>117.99</u>	<u>85.11</u>
SCHEDULE 8			
CASH & BANK BALANCES			
Cash in hand		0.42	0.16
Bank Balances & remittances in transit :			
With Scheduled banks :			
In Current accounts		16.43	16.69
In Deposit accounts		0.01	0.03
With Other Banks: in Current Accounts			
Bangkok Bank - Bangkok [Maximum balance during the year Rs.0.05 Crores (Previous year Rs. 0.07 Crores)]		0.01	0.03
PT Bank Mandiri - Indonesia [Maximum balance during the year Rs. 0.10 Crores (Previous year Rs. 0.05 Crores)]		0.04	0.01
Bank Bumiputra - Malaysia [Maximum balance during the year Rs. 0.11 Crores (Previous year Rs. 0.06 Crores)]		0.03	0.01
Bank Austria - Moscow [Maximum balance during the year Rs. 0.11 Crores (Previous year Rs. 0.10 Crores)]		0.05	0.04
Standard Chartered Grindlays Bank - Bangladesh [Maximum balance during the year Rs.0.07 Crores (Previous year Rs. 0.12 Crores)]		0.06	0.05
Remittance in Transit		1.58	1.91
		<u>18.63</u>	<u>18.93</u>

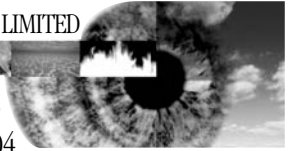


Schedules attached to and forming part of the Balance Sheet as at March 31, 2004

	Sch 18 Note No. Reference	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
SCHEDULE 9			
LOANS & ADVANCES			
Unsecured, considered good			
Advances recoverable in cash or in kind or for value to be received		14.53	8.34
Advances for Capital Expenditure		0.17	0.25
Advances to Subsidiary Companies (Net of dues Rs. 0.31 Crores)	10(a)	3.86	5.28
Advances to Staff and workers [Including Advances to Wholetime Directors & Officers Rs. NIL (Previous year Rs. NIL)] [Maximum balance Rs. NIL (Previous year Rs. 0.11 Crores)]		3.91	4.27
Balance in Central Excise & Customs Accounts		2.31	1.25
Sundry Deposits [Including Deposits with Directors Rs.0.40 Crores (Previous year Rs. 0.40 Crores)] [Maximum balance Rs. 0.40 Crores (Previous year Rs.0.40 Crores)]		7.59	7.78
Advance Payment of Income Tax and Wealth Tax [Net of Provision of Rs. 150.95 Crores (Previous year Rs. 130.95 Crores)]		17.92	16.73
		<u>50.29</u>	<u>43.90</u>
SCHEDULE 10			
CURRENT LIABILITIES			
Acceptances		7.56	2.79
Customer Advances		66.56	18.70
Sundry Creditors	22	65.63	65.20
Other Liabilities	11	27.55	26.34
Trade Deposits		1.52	1.47
		<u>168.82</u>	<u>114.50</u>

Schedules attached to and forming part of the Balance Sheet as at March 31, 2004

	Sch 18 Note No. Reference	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
SCHEDULE 11			
PROVISIONS			
Proposed Equity Dividend		28.60	28.60
Proposed Preference Dividend		1.50	—
Provision for Tax on Dividend		3.85	3.67
Provision for Employee Retirement & Other Benefits	1(i)	4.16	3.17
		<u>38.11</u>	<u>35.44</u>
SCHEDULE 12			
MISCELLANEOUSEXPENDITURE			
(To the extent not written off or adjusted)			
A. Technical Know-how	1(f)		
Per last Balance Sheet		1.65	2.73
Add: Incurred during the period		-	0.62
		<u>1.65</u>	<u>3.35</u>
Less: Amortised during the period		0.62	1.70
	(A)	<u>1.03</u>	<u>1.65</u>
B. Software Expenses	1(f)		
Per last Balance Sheet		0.20	0.10
Add: Incurred during the period		-	0.27
		<u>0.20</u>	<u>0.37</u>
Less: Amortised during the period		0.11	0.17
	(B)	<u>0.09</u>	<u>0.20</u>
C. Voluntary Retirement Scheme Expenses	1(g)		
Per last Balance Sheet		5.80	11.60
Less: Amortised during the period		5.80	5.80
	(C)	<u>—</u>	<u>5.80</u>
	(A+B+C)	<u>1.12</u>	<u>7.65</u>

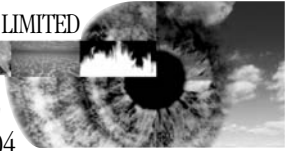


Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2004

	Sch 18 Note No. Reference	Year ended March 31, 2004 Rs. Crores	Year ended March 31, 2003 Rs. Crores
SCHEDULE 13			
SALES AND OTHER INCOME			
I Sales	2		
(i) Domestic		494.51	423.04
Less: Excise Duty		34.86	24.98
Net Sales		459.65	398.06
Add: Closing Contracts in Progress		(14.22)	—
Less: Opening Contracts in Progress		—	—
		445.43	398.06
(ii) Exports		110.84	112.85
Add: Closing Contracts in Progress		6.17	—
Less: Opening Contracts in Progress		—	—
		117.01	112.85
Trading Exports		1.44	2.69
Total Sales	(I)	563.88	513.60
II Other Income from Operations			
(i) Claims and Refunds		0.36	0.38
(ii) Balances Earlier Written Off Now Recovered		0.68	0.23
(iii) Commission		2.87	3.21
(iv) Sale of Scrap		3.07	1.45
(v) Provision for Doubtful Debt Written-back		3.16	—
(vi) Premium on Forward contracts (net)		—	0.09
(vii) Miscellaneous Income		9.28	10.73
Total Other Income from Operations	(II)	19.42	16.09
III Other Income			
A From Investments			
(i) Dividend from subsidiaries		—	1.31
(ii) Dividend - others		18.69	0.01
(iii) Interest		2.61	0.54
(iv) Profit/(Loss) on Sale of Investment		(1.29)	16.08
(v) Provision for Diminution in value of Investments Written Back		0.12	2.55
(vi) Miscellaneous Income		0.03	1.06
Total Income from Investments	A	20.16	21.55
B From Leasing			
Lease Rentals		0.35	1.29
[Net of Lease Equalisation Rs. 0.01 Crores] (Previous year Rs. 0.19 Crores)			
Total Income from Leasing	B	0.35	1.29
Total Other Income	(III) (A+B)	20.51	22.84
	(I+II+III)	603.81	552.53

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2004

	Sch 18 Note No. Reference	Year ended March 31, 2004 Rs. Crores	Year ended March 31, 2003 Rs. Crores
SCHEDULE 14			
MATERIALS			
(A) Consumption of raw materials and components	1(e)		
Opening Stocks		25.22	27.88
Add: Purchases		363.68	323.31
(Including cost of goods resold)			
		<u>388.90</u>	<u>351.19</u>
Less: Closing Stocks		37.64	25.22
	(A)	<u>351.26</u>	<u>325.97</u>
(B) (Increase)/Decrease in stocks			
Opening Stocks:			
Work-in-Progress		9.25	6.49
Finished Goods		12.49	11.21
		<u>21.74</u>	<u>17.70</u>
Less: Closing Stocks :			
Work-in-Progress		11.86	9.25
Finished Goods		10.01	12.49
		<u>21.88</u>	<u>21.74</u>
	(B)	<u>(0.14)</u>	<u>(4.04)</u>
	(A)+(B)	<u>351.12</u>	<u>321.93</u>
SCHEDULE 15			
PERSONNEL			
Salaries, wages, bonus, testimonials and allowances		56.64	49.56
Gratuity		2.45	2.01
Contribution to Provident and other Funds		5.64	4.93
Staff Welfare Expenses		3.31	2.85
		<u>68.04</u>	<u>59.35</u>



Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2004

	Sch 18 Note No. Reference	Year ended March 31, 2004 Rs. Crores	Year ended March 31, 2003 Rs. Crores
SCHEDULE 16			
OTHER EXPENSES			
a. Consumables and Tools		4.98	4.21
b. Power and Fuel		5.83	5.73
c. Drawing, Design and Technical Service Charges		5.16	2.57
d. Site Expenses and Contract Labour Charges		3.50	2.78
e. Rent and Service Charges		1.20	1.28
f. Lease Rentals		0.21	0.54
g. Rates and Taxes		0.56	0.71
h. Insurance		1.07	1.38
i. Repairs and Maintenance:			
Building		1.83	0.49
Plant and Machinery		2.24	1.71
Others		2.61	2.69
j. Communication		4.00	3.68
k. Travelling and Conveyance		16.80	14.07
l. Advertising and Exhibition Expenses		1.23	0.70
m. Freight Outward		4.69	4.27
n. Commission on Sales		7.49	6.13
o. Other Selling and Distribution Expenses		7.16	7.98
p. Free of Cost Supplies and Modifications		4.82	3.53
q. Bank Charges		2.08	1.59
r. Legal & Professional Charges		7.64	8.14
s. Printing and Stationery		1.60	1.54
t. Donations		0.06	0.13
u. Bad Debts		1.78	4.66
v. Doubtful Debts	1(j)(iii)	—	0.93
w. Liquidated Damages		0.93	2.00
x. Loss on Assets sold/discarded (net)		0.36	0.54
y. Additional Sales Tax and Turnover Tax		0.18	0.22
z. Premium on Forward Contracts (net)		—	0.02
aa. Exchange Difference-Expenditure		0.03	—
ab. Balances Written Off		0.39	0.24
ac. Miscellaneous Expenses		5.57	3.15
ad. Deferred Revenue Expenditure	1(f)	0.63	1.87
ae. Diminution in Value of Long-term Investments		—	1.24
		96.63	90.72

SCHEDULE 17

INTEREST

Interest on:

Fixed Period Loans

Others

—	—
0.40	0.65
0.40	0.65

Schedules forming part of the Accounts

SCHEDULE 18

NOTES TO ACCOUNTS

1. Significant Accounting Policies

a) Basis for preparation of accounts

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

b) Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known/materialised.

c) Fixed Assets & Depreciation

- i. Fixed assets are stated at cost of acquisition or construction less depreciation. All costs, attributable to bring the fixed assets to working condition are capitalised.
- ii. Exchange difference on liability relating to fixed assets is adjusted in the carrying cost of the respective fixed assets.
- iii. Borrowing costs, if any, attributable to fixed assets, are capitalised.
- iv. Depreciation on all fixed assets is provided by the straight line method at the rates and in the manner prescribed by Schedule XIV of the Companies Act, 1956, except that computers are being depreciated at a higher rate of 33.33% as compared to 16.21% provided for in Schedule XIV and further, no depreciation is charged on assets sold during the year.
- v. Depreciation on the entire plant & machinery of Chemical Division is charged considering the chemical plant as a "Continuous Process Plant".
- vi. Amount paid in respect of leasehold land is being amortised over the period of lease.

d) Investments

Current investments are valued at lower of cost and fair value. Long term investments are carried at cost. However, appropriate adjustment is made in the carrying amount of such long term investments to recognise a decline, other than

temporary, in their value, based on management's perception of presently available indicators, such as their market value, investees' net worth (calculated on going concern basis unless otherwise warranted on facts and by historical cost convention), earnings per share etc.

e) Inventories

- i. Inventories are valued at lower of cost and net realisable value.
- ii. Cost of raw materials, components & consumables and stores & spares is arrived at on the basis of weighted average cost.
- iii. Cost of finished goods & work in progress is arrived at on the basis of weighted average cost of raw materials & the cost of conversion thereof for bringing the inventories to their present location and condition.
- iv. Scrap is accounted for on sale.
- v. Value of unmoved inventory is written down on the basis of standard norms.

f) Expenditure on Research & Development, Technical Know-how & Software

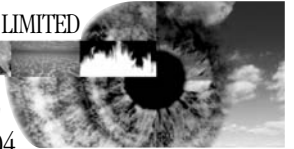
- i. Costs incurred up to 31st March, 2003 have been either capitalised as a fixed asset or expensed out as revenue expenditure or amortised over a period of time (maximum six years) depending upon the nature of the expenditure and evaluation of future benefits therefrom.
- ii. Costs incurred after 31st March 2003, are either capitalised as intangible asset or expensed out as revenue expenditure, in the year of incurrance, based on evaluation of future economic benefits therefrom.

g) Expenditure on Voluntary Retirement Scheme

Payments under Voluntary Retirement Schemes are being amortised over a period of three years.

h) Foreign Currency Transactions

- i. Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.
- ii. Difference between the forward exchange rate and exchange rate prevailing at the inception of the forward exchange contract is recognised as income or expense over the life of the contract or adjusted in the carrying amount of fixed assets depending upon the nature of transaction.



- iii. Exchange difference is either adjusted in the carrying amount of fixed assets or dealt with in the Profit & Loss Account, depending upon the nature of transaction.
 - iv. Assets (other than fixed assets) and liabilities denominated in foreign currency are translated at the closing exchange rates, or in cases covered by forward exchange contracts, at the spot exchange rate prevailing at the inception of the forward exchange contract.
 - v. Revenue items of foreign branches are translated at weighted average rate.
- i) Retirement and Other Employee Benefits**
- i. Contributions to approved Provident and Superannuation Funds are made on actual liability basis calculated as a percentage of salary.
 - ii. Contributions to the Gratuity Fund are paid by way of premium under Group Gratuity-cum-Life Assurance Policy (Cash Accumulation Scheme) with Life Insurance Corporation of India (LIC), at the rate of contribution computed by LIC. Therefore, no note is taken of the difference in the amount of actuarial liability and the balance in the fund account with LIC.
 - iii. Provision is made on actuarial liability basis in respect of employees' unavailed earned leave.
 - iv. Provision is made, on actual basis, for liability on account of Company's obligations under employees' Medical Reimbursement Scheme and Leave Travel Assistance Scheme.
- j) Others**
- i. Liquidated damages are charged to Profit & Loss account, on the basis of deduction made by customers.
 - ii. In respect of supply, construction and related service contracts, provision is made for estimated cost of warranty and other free of cost supplies, such estimation being based on past experience and/ or commitments/ expected commitments in the matter.
 - iii. Provision for doubtful debts is made on the basis of standard norms in respect of Debtors outstanding beyond pre-defined period.
- k) Leasing Activity**
- i. Lease rentals are accounted for on accrual basis, except in cases where there is significant uncertainty regarding ultimate collection, in which case they are accounted for as and when received. Finance income

- on the lease transaction is calculated by applying the interest rate implicit in the lease to the cost of the leased assets.
- ii. Assets manufactured by the Company and leased under finance lease up to and including F.Y. 2000-01 are shown at cost as "Machinery given on Lease" under the head Fixed Assets.
The cost of the assets leased is charged to the Profit & Loss Account over the primary lease period. This annual charge comprises of depreciation provided for on straight-line method as per the rates prescribed in Schedule XIV of the Companies Act, 1956 and a lease equalisation charge.
- iii. Assets manufactured by the Company and given on finance lease on or after 1st April 2001 have been accounted for in accordance with Accounting Standard 19 (AS 19) issued by The Institute of Chartered Accountants of India where under assets given under finance lease have been appropriately recognised as a receivable and finance income is recognised at an appropriate rate of return on the outstanding net investment.

l) Revenue Recognition

- i. Revenue in respect of products is recognised on dispatch of goods to the customer or when they are unconditionally appropriated to the contract.
- ii. Revenue from maintenance contracts is recognised on invoicing.
- iii. In respect of contracts commencing before 1st April, 2003, for supply of systems and erection and commissioning, execution of which is spread over different accounting periods, credit to 'Sales' is taken on the basis of progressive billing. Income is recognised under the percentage of completion method.
In respect of contracts commencing after 31st March 2003, for supply of systems and for erection and commissioning, execution of which is spread over different accounting periods, contract revenue comprises of initial amount of agreed revenue as adjusted for subsequent variations in contract work, claims/ liquidated damages & incentive payments. Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs. Difference between costs incurred plus recognised profits (less recognised losses) and invoiced sale is shown as contract in progress.

Determination of revenues under the percentage of completion method necessarily involves making estimates by the company, some of which are of a technical nature, concerning where relevant, the percentage of completion, costs to completion, the expected revenue from the project / activity & the foreseeable losses to completion.

- iv. Interest income is booked on time proportion basis.
- v. Dividend income on investment is accounted for when the right to receive the payment is established.

m) Taxes on Income

Income Tax expense comprises of current tax and deferred tax (charge or credit). Current tax is measured at the amount expected to be paid using the applicable tax rates and tax laws. Deferred tax on timing differences is recognised and the corresponding deferred tax asset and liability is measured in accordance with the requirements of Accounting Standard 22.

n) Contingent Liabilities

Contingent liabilities are disclosed after a careful evaluation by the management of the facts and legal aspects of the matter involved.

2. Impact of changes in Accounting Policy

In respect of Construction Contracts commenced on or after 01.04.2003, contract revenue and costs have been recognised in accordance with Accounting Standard 7 (Revised) issued by The Institute of Chartered Accountants of India. As a result of this, Sales and Service Income, Consumption of Raw Material and Profit before tax and extraordinary items are stated lower by Rs. 8.05 crores, Rs. 10.12 crores & Rs. 0.17 crores, respectively.

Disclosures in respect of Contracts in Progress (CIP) as on 31st March 2004:

	Particulars	Rs. Crores
(a)	Aggregate amount recognised as Contract Revenue	211.18
(b)	Aggregate amount of Contract Costs Incurred	169.80
(c)	Aggregate amounts of Recognised Profit (less Recognised Loss)	31.63
(d)	Amount of Customer Advances received	72.79
(e)	Amount of Retentions	7.85
(f)	CIP (Due from Customers)	11.60
(g)	CIP (Due to Customers)	19.53

3. Segment Reporting

- i) The Company has disclosed Business Segment as the primary segment. Segments have been identified by the management taking into account the nature of the products, manufacturing process, customer profiles, risk and reward parameters and other relevant factors.

The Company's operations have been mainly classified between two primary segments, 'Energy' and 'Environment'. Composition of business segments is as follows :

Segment	Products Covered
a) Energy	Boilers and Heaters, Absorption Chillers/Heat Pumps, Power Plants.
b) Environment	Air Pollution Control Equipments/ Systems, Water & Waste Treatment Plants, Ion Exchange Resins & Performance Chemicals.

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

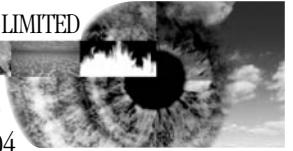
The expenses, which are not directly attributable to the business segment, are shown as unallocated cost.

Assets and Liabilities that cannot be allocated between the segments are shown as a part of unallocated Assets and Liabilities respectively.

- iii) Secondary segments have been identified with reference to geographical location of external customers. Composition of secondary segments is as follows:

- a) India
- b) Outside India

- iv) Inter-segment transfer price is arrived at on the basis of cost plus a reasonable mark-up.



I) Information about Primary Business Segments :

Rs. Crores

Particulars	Year ended March 31, 2004		
	Energy	Environment	Total
Revenue:			
Gross Revenue	398.06	207.71	605.77
Less : Intersegment Revenue	5.94	16.53	22.47
Net Revenue	392.12	191.18	583.30
Result:			
Segment Result	52.08	25.79	77.87
Unallocated income net of unallocated expenditure			0.78
Operating Profit			78.65
Interest expenses			0.40
Taxation for the year			18.36
Profit after taxation and before exceptional items			59.89
Extra-ordinary items of expenses			5.80
Net Profit			54.09
Other Information:			
Segment Assets	165.28	101.84	267.12
Unallocated Corporate Assets			357.84
Total Assets			624.96
Segment Liabilities	130.67	58.36	189.03
Unallocated Corporate Liabilities			45.27
Total Liabilities			234.30
Capital Expenditure	4.26	3.43	7.69
Depreciation	3.98	2.53	6.51
Non-cash expenses other than depreciation	0.25	0.34	0.59

Rs. Crores

Particulars	Year ended March 31, 2003		
	Energy	Environment	Total
Revenue:			
Gross Revenue	360.75	183.07	543.82
Less : Intersegment Revenue	5.30	8.83	14.13
Net Revenue	355.45	174.24	529.69
Result:			
Segment Result	39.06	22.94	62.00
Unallocated income net of unallocated expenditure			7.95
Operating Profit			69.95
Interest expenses			0.65
Taxation for the year			15.26
Profit after taxation and before exceptional items			54.04
Extra-ordinary items of expenses			5.80
Net Profit			48.24
Other Information:			
Segment Assets	103.55	107.65	211.20
Unallocated Corporate Assets			318.68
Total Assets			529.88
Segment Liabilities	60.37	43.81	104.18
Unallocated Corporate Liabilities			55.17
Total Liabilities			159.35
Capital Expenditure	2.23	1.18	3.41
Depreciation	4.51	2.72	7.23
Non-cash expenses other than depreciation	1.45	0.34	1.79

II) Information about Secondary Segments:

Rs. Crores

Particulars	Year Ended March 31, 2004	Year Ended March 31, 2003
Revenue		
India	464.85	414.15
Outside India	118.45	115.54
Total Revenue	583.30	529.69
Carrying Amount of Segment Assets :		
India	235.06	173.89
Outside India	32.06	37.31
Addition to Fixed Assets :		
India	7.47	3.41
Outside India	0.22	–

4. Related Party Disclosures

Related party disclosures as required under Accounting Standard 18 issued by The Institute of Chartered Accountants of India are given below:

Relationship:

A) Enterprises controlled by the Company:

(a) Subsidiary Companies:

i) Domestic:

Thermax Babcock & Wilcox Ltd.	Thermax Surface Coatings Ltd.
Thermax Energy Performance Services Ltd.	Thermax Capital Ltd.
Thermax Electronics Ltd.	Winman Gas Ltd.
Thermax Engineering Construction Co. Ltd.	Thermax Co-gen Ltd.
Thermax Instrumentation Ltd.	

ii) Overseas:

Thermax Europe Ltd., U.K.	Thermax (Rus) Ltd., Russia
Thermax International Ltd., Mauritius	ME Engineering Ltd., U.K.
Thermax Inc., U.S.A.	Thermax Hong Kong Ltd., Hong Kong
Thermax do Brasil-Energia e Equipamentos Ltda., Brazil	

(b) Thermax Employee Welfare Trusts and ESOP Trust

B) Individuals having control or significant influence over the Company by reason of voting power, and their relatives :

Mrs. Anu Aga – Chairperson

Mrs. Meher Pudumjee – Vice Chairperson

Mr. Pheroz Pudumjee – Director

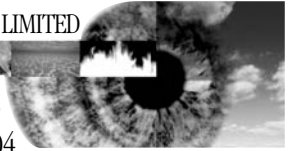
C) Key Management Personnel:

(a) Mr. Prakash Kulkarni (Managing Director)

(b) Members of Executive Council:

Dr. N.D.Joshi, Mr. L. Venkateswaran, Mr. M.S.Unnikrishnan, Mr. A. Mukhopadhyay, Mr. Prashant Ahir, Mr. Shishir Joshipura, Mr. Ravinder Advani, Dr. Makrand Phadake.

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


1) Details of transactions with Subsidiary Companies [Refer Note 4 (A) (a) (i) and (ii)]

Particulars	2003-04	Rs. Crores 2002-03
Sales, Services, Other Income & Sale of Fixed Asset		
Sale of Goods		
-Thermax Babcock & Wilcox Ltd	8.16	6.41
-Thermax Europe Ltd.	6.08	3.68
-Thermax Inc.	13.59	24.76
-Others	1.19	3.58
Total	29.02	38.43
Rendering of Services	2.18	1.27
Rent Income	0.09	0.20
Interest Income	0.03	0.08
Reimbursement of Expenses/cost of materials/stores	0.53	0.81
Management contracts including for deputation of employees	0.32	0.56
Purchase of Material/Assets		
Purchase of Goods		
-Thermax Babcock & Wilcox Ltd	4.15	14.40
-Thermax Engineering Construction Co. Ltd.	4.96	1.33
-Others	0.04	-
Total	9.15	15.73
Purchase of Fixed Assets	0.01	0.12
Expenses		
Receiving of Services	0.88	0.73
Leasing charges	0.22	0.56
Reimbursement of Expenses	0.41	0.46
Management contracts including for deputation of employees	0.15	0.75
Other Expenses	0.07	1.51
Finance (Including Loan/Equity Contribution) :		
Equity Contribution		
-Thermax do Brasil -Energia e Equipamentos Ltda	0.91	-
-Others	0.07	0.00
Total	0.98	0.00
Receipt towards loan repayment		
-Thermax (Rus) Ltd.	0.28	-
-Thermax Energy Performance Services Ltd.	0.50	0.10
Total	0.78	0.10
Others		
Advances Given		
-Thermax Babcock & Wilcox Ltd	3.86	-
-Others	0.33	-
Total	4.19	-
Guarantees/Bonds/ Collaterals Given		
-Thermax Engineering Construction Co. Ltd.	2.42	-
-ME Engineering Ltd.	1.91	2.23
Total	4.33	2.23
Amount outstanding- Receivable		
Accounts Receivable	9.71	13.46
Outstanding Balances included in Current Asset		
-Thermax Energy Performance Services Ltd.	0.57	0.43
-Thermax Instrumentation Ltd.	1.27	0.00
-Winman Gas Ltd.	0.65	-
-Others	(0.23)	3.08
Total	2.25	3.54
Loan Outstanding at the end of the period	1.13	1.91
Advances Outstanding at the end of the period	3.86	0.21
Amount outstanding- Payables		
Accounts Payable	2.16	1.65
Advances Received Outstanding at the end of the period	0.14	-

2) Details of Transaction relating to the Persons referred to in note 4 (B) and (C)

Nature Of Transaction	(Rs. Crores)	
	2003-04	2002-03
Remuneration to Key Management Personnel	1.75	1.47
Managerial Remuneration	0.58	0.58
Director Sitting Fees	0.04	0.02
Rent Paid to Directors	0.04	0.04
Loans, Advances/Deposits given during the year	-	0.10
Receipt Towards Loans, Advances/Deposit repayment	-	0.10
Loan, Advance/Deposits Outstanding at the end of the year	0.40	0.40

5. Additional disclosure, as required by AS 19 (Accounting for Leases), are as follows:

During the year, the Company has foreclosed the lease transaction and hence, there is no information, for the current year, which needs disclosure under this clause

- Gross investment in the lease at the Balance Sheet date : Rs. Nil (*Previous Year Rs. 1.90 crores*)
- Present Value of minimum lease payments receivable Rs. Nil (*Previous Year Rs. 1.60 crores*)
- Total gross investment in the lease and the present value of minimum lease payments receivable :

	(Rs Crores)			
	Gross Investment		Present Value	
	31.3.2004	31.3.2003	31.3.2004	31.3.2003
Not later than one year	Nil	0.81	Nil	0.76
Later than one year and not later than five years	Nil	1.11	Nil	0.85

- Unearned finance income : Rs.Nil (*Previous Year Rs. 0.36 crores*)
- Unguaranteed residual values accruing : Rs. Nil (*Previous Year Rs. 0.02 crores*)
- The accumulated provision for uncollectible minimum lease payments receivable : Rs. Nil (*Previous Year Rs. 0.83 crores*).
- Contingent rents recognised in the statements of profit and loss for the period: Rs Nil (*Previous Year Rs. 0.05 crores*)

6. Deferred Taxation

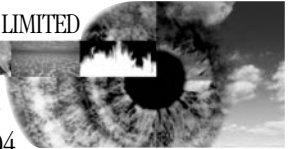
Particulars	(Rs. Crores)	
	31.3.2004	31.3.2003
Major components of deferred tax asset:		
i) Provision for Doubtful Debts	4.11	5.26
ii) Diminution in Value of Investments	0.52	0.53
iii) Others	3.79	2.39
Total	8.42	8.18
Major components of deferred tax liability:		
i) Depreciation on Fixed Assets	15.65	16.20
ii) Capital Expenditure on R & D Assets	0.70	0.90
iii) Others	(0.16)	0.49
Total	16.19	17.59
Net Deferred Tax Liability	7.77	9.41

Deferred tax credit for the year of Rs. 1.64 crores (*previous year Rs.3.24 crores*) has been recognised in the Profit & Loss Account of the year.

7. Earnings Per Share (EPS)

Rs. 52.39 crores being the net profit after tax (including post tax effect of any extraordinary items) and pro-rata dividend on Redeemable Preference shares, and tax thereon, has been considered as the numerator and 2,38,31,260 being the weighted average number of equity shares outstanding during the year has been considered as the denominator for calculating EPS.

Nominal value of shares Rs. 10/- each.



8. Share Capital

Issued, Subscribed & Paid up Equity Capital includes 21,35,640 Equity Shares of Rs.10/- each allotted as fully paid up for consideration other than cash as per various schemes of amalgamation and 34,27,500 shares of Rs.10/- each issued by way of bonus shares on capitalisation of General Reserve.

During the year, the Company has allotted 4,76,62,520 6% Redeemable Preference Shares (RPS) of face value of Rs. 10/- each as bonus shares in the ratio of two RPS for every equity share held, by capitalising Share Premium. These Redeemable Preference shares are redeemable not later than three years from the date of allotment, as may be decided by the Company.

9. Secured Loans

Borrowing for working capital from banks - packing credits, shipping loans, cash credits & overdrafts - Secured by hypothecation of present and future stock of raw materials, consumables, spares, semi-finished goods, finished goods & book debts.

10. Disclosure of amounts at the year end and the maximum amount of loans / advances / investments outstanding during the year. (Rs. Crores)

a) Loans and advances in the nature of loans to subsidiaries :

Name of subsidiary	Bal. Outstanding As on 31.3.04	Maximum Bal. Outstanding During the Year
Thermax (Rus) Ltd.	0.03	0.31

b) Loans and Advances in the nature of loans where there is :

- no repayment schedule or repayment beyond seven years or
- no interest or interest below section 372A of The Companies Act

Name of party	Bal. Outstanding As on 31.3.04	Maximum Bal. Outstanding During the Year
1. Thermax Energy Performance Services Ltd.	0.57	0.57
2. Winman Gas Ltd.	1.75	1.75
3. Thermax ESOP Trust	3.73	4.43

11. Other Liabilities

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

	(Rs. Crores)	
	As on 31.3.04	As on 31.3.03
(i) Unclaimed Dividend	0.28	0.21
(ii) Unclaimed Matured Deposits	0.01	0.01

12. Extra-ordinary items of expenses during the year are as follows :

Amortisation of payment under Voluntary Retirement Scheme for staff and workers Rs. 5.80 crores out of total payment of Rs. 17.40 crores.

13. In cases where letters of confirmation have been received from parties, book balances have been generally reconciled and adjusted. In other cases, balances in accounts of sundry debtors, sundry creditors and advances or deposits have been taken as per books of accounts.

14. Foreign Exchange Transactions

Net foreign exchange loss dealt with in the Profit & Loss Account is Rs. 0.03 crores (*Previous Year gain Rs. 0.01 crores*).

- The net amount of foreign exchange difference (income) in respect of forward exchange contracts to be recognised in subsequent accounting period is Rs. 0.01 crores (*Previous Year Rs. 0.10 crores*).
- The net amount of foreign exchange difference (expense) in respect of forward exchange contracts to be accounted for in subsequent accounting period is Rs. 0.01 crores (*Previous Year Rs.0.01 crores*).

15. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 3.19 crores (*Previous year Rs. 0.83 crores*)

16. Contingent Liabilities not provided for

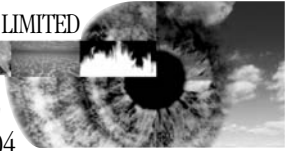
- a) Disputed demands in respect of Excise, Customs Duty, Sales tax and other Statutes Rs. 8.58 crores (*Previous Year Rs. 8.29 crores*)
 - b) i) Income tax demands disputed in appellate proceedings Rs.22.73 crores (*Previous Year Rs. 18.15 crores*)
 (ii) References / Appeals preferred by Income Tax Department in respect of which, should the ultimate decision be unfavourable to the Company, the liability is estimated to be Rs. 6.03 crores (*Previous Year Rs. 6.03 crores*)
 - c) Guarantee of Rs. 0.01 crores given to Government of Haryana in respect of Thermax Capital Ltd., a subsidiary of the Company (*Previous Year Rs.0.01crores*).
 - d) Counter Guarantees given by the Company to the banks on behalf of group companies :
 - Rs. 2.41 crores on behalf of Thermax Engineering Construction Co. Ltd and Rs. 1.92 crores on behalf of ME Engineering Ltd, towards securing advances received from clients. (*Previous Year Rs. 2.22 crores for ME Engineering Ltd.*)
 - e) Counter Guarantees given to the banks for guarantees issued by them on Company's behalf Rs. 92.20 crores (*Previous Year Rs. 61.32 crores*).
 - f) Indemnity Bonds/Corporate Guarantees given by the Company to the customers on behalf of group companies and for securing banking facilities obtained by ME Engineering GBP 1.35 million (*Previous Year Rs. Nil*).
 - g) Indemnity Bonds/Corporate guarantees given to Customs, other Government departments and various customers Rs. 11.29 crores (*Previous Year Rs. 6.40 crores*)
 - h) Liability for unexpired export obligations Rs. 0.31 crores (*Previous Year Rs. 0.56 crores*)
 - i) Claims against the Company not acknowledged as debts Rs. 0.18 crores (*Previous Year Rs. 1.44 crores*).
 - j) Bills Discounted with banks Rs. 12.08 crores (*Previous Year Rs. 5.77 crores*)
 - k) Liability in respect of partly paid shares in Parasrampuria Synthetics Ltd. Rs. 0.19 crores (*Previous Year Rs. 0.19 crores*)
 - l) Future lease obligations in respect of vehicles and computers taken on lease Rs. 0.01 crores (*Previous Year Rs. 0.27 crores*)
17. a) Machinery given on lease (prior to 1.4.2001) Rs. 2.51 crores (*Previous Year Rs. 5.20 crores*) represents raw materials and other costs capitalised. Depreciation thereon comprises of statutory depreciation Rs. 0.39 crores and lease equalisation Rs. 2.02 crores (*Previous Year Rs. 1.02 crores and Rs.3.85 crores*).
 - b) Raw materials, labour and overheads capitalised in respect of other Plant & Machinery Rs. Nil (*Previous Year Rs. 0.08 crores*).
 - c) Foreign exchange fluctuation capitalised during the year amounted to Rs. 0.02 crores (*Previous Year de-capitalised Rs 0.01 crores*)
18. Previous year's expenses / income included under various heads of accounts:

	Rs. Crores
Other Expenses	0.03
Income	0.92

19. Other Current Assets include interest accrued on investments Rs. Nil (*Previous Year Rs. Nil*).

20. Miscellaneous expenses include :

	Year ended 31.03.2004	(Rs. Crores) Year ended 31.03.2003
(a) Auditors' Remuneration (excluding service tax)		
(i) As Auditors	0.15	0.10
(ii) For Taxation matters (including tax audit)	0.04	0.06
(iii) Company Law and allied matters	–	0.11
(iv) Certification Fees	–	0.01
(v) Reimbursement of expenses	0.01	0.01
(b) Directors fees	0.08	0.04



21. (a) Managerial remuneration** :

(Rs. Crores)

	Year ended 31.03.2004	Year ended 31.03.2003
(i) Salary	0.49 [@]	0.49 [@]
(ii) Contribution to Provident & other funds	0.06	0.06
(iii) Perquisites in cash or in kind	0.03	0.03

** Within the limits specified by Schedule XIII of the Companies Act, 1956.

@ includes Rs. 0.25 crores (Previous Year Rs. 0.25 crores) commission payable to the Managing Director.

(b) Computation of Net Profit in accordance with Section 198 and 309 (5) of the Companies Act, 1956

(Rs. Crores)

	Year ended 31.03.2004	Year ended 31.03.2003
(A) Profit Before Tax and Extra Ordinary Items	78.25	69.30
(B) Add:		
Remuneration to Directors	0.58	0.58
Directors sitting fees	0.08	0.04
Loss on sale of investment	1.29	Nil
Provision for diminution in investment	Nil	1.24
Loss on discarded assets	0.36	0.33
Loss on sale of assets (net)	Nil	0.22
Sub total B	<u>2.31</u>	<u>2.41</u>
A+B	<u>80.56</u>	<u>71.71</u>
(C) Less:		
Profit on sale of assets (net)	Nil	Nil
Profit on sale of investment	Nil	16.08
Write-back of provision for diminution in the value of investments	0.12	2.55
Sub total C	<u>0.12</u>	<u>18.63</u>
Net profit as per Section 349 & 350 of the Companies Act, 1956 (A+B-C)	<u>80.44</u>	<u>53.08</u>
Remuneration to whole time Director(s) restricted to	<u>4.02</u>	<u>2.65</u>

22. Dues to Small Scale Industrial (SSI) Undertakings are in respect of parties to the extent to which they could be identified on the basis of information available with the Company. Sundry Creditors include Rs. 7.60 crores (Previous Year 12.74 crores) due to SSI Undertakings. Out of this, Rs. 5.66 crores are due to SSI Undertakings, listed below, each outstanding for more than Rs. one lac, within the agreed terms:

Alliance Engg. Co., Anant Enterprises, Altop Ind. Ltd, Anvin Engg. & Instruments, Art Fabricators, Arjunwadkar Engg Associates P Ltd, Autoswitch (I) P. Ltd, B R Packing, Beenachem Equipments P. Ltd., Chany & Co, Dhanlaxmi Industries, Diamond Fabrications (I) P. Ltd, EIP Enviro Level Controls P. Ltd, Engicon Airtec P. Ltd, Friends Engg. Works, Gadia Industries, Giriraj Enterprises, Hammer Head Engg. P. Ltd, Industrial Control Systems, Industrial Trading Corpn., Laxmi Aircontrol Ltd, Mithsagar Electronics Systems P. Ltd, Mangalam Enterprises, Mahesh Industries, Magtronix, Mechanicle Engineers, Mittal Engg, Neelam Engg. & Erectors, Nova Engg. Solution, Omkar Enterprises, Power Formers Engg. P Ltd, Precision Expansion Bellows Ind., Reliable Engg. Works, Rubber Craft Ind., Rushiprabha Enterprises, Shive Industrial Products, Shreeman Enterprises, Shree Ganesh Engg. Works, Shree Samarth Ind., Starmech controls (I) P Ltd, Scrwtech Engineering P. Ltd, Supertech, Susheel Engineers, Standard Equipment P. Ltd, Terry Enterprises, Vasudha Enterprises, Venkateshwara Micropans P. Ltd, Venkateshwara Automation.

23. Additional Information under Part II of Schedule VI to the Companies Act, 1956

(Value in Rs. Crores)

A) Production and Stock

Particulars	Units	Installed Capacity	Prod. Qty.		Closing stock as on 31.03.2004		Closing stock as on 31.03.2003	
			2003-2004	2002-2003	Qty.	Value	Qty.	Value
Energy Products & Systems	Nos.	4300	1751	1723	142	6.15	184	10.41
Environmental Products & Systems :								
a) Air Pollution Control Plants & Systems	Nos.		393	150	46	0.56	33	0.53
b) Water & Waste Treatment Plants	Nos.		899	852	1	0.05		
c) Ion Exchange Resins & Chemicals	M.Ton	14800	11279	9951	684	3.25	312	1.55
Components & Spares	Numerous					3.35		3.45
Total						13.36		15.94

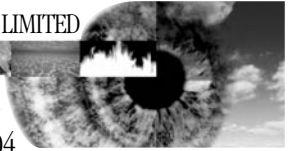
Note : Installed capacity has been certified by the management and has been accepted by the Auditors without verification, this being a technical matter

B) Turnover of goods manufactured & traded (Net of Excise)

Particulars	Unit	Year ended 31.03.2004		Year ended 31.03.2003	
		Qty.	Value	Qty.	Value
Energy Products & Systems	Nos.				
(i) Completed		1778	230.49	1651	194.24
(ii) Ongoing		31	105.03	23	105.64
Environmental Products & Systems					
a) Air Pollution Control Plants & Systems	Nos.				
(i) Completed		248	11.06	136	17.19
(ii) Ongoing		54	44.21	20	10.39
b) Water & Waste Treatment Plants	Nos.				
(i) Completed		816	22.48	617	30.73
(ii) Ongoing		66	26.65	22	26.10
c) Ion Exchange Resins & Chemicals	M.Tons	10617	72.17	10036	69.50
Goods traded in	Numerous		12.02		10.20
Accessories, spares, erection, commissioning, services, commission etc.			39.77		49.61
Total			563.88		513.60

Notes:

- 1) Quantitative turnover figures are excluding sales returns and trading quantities
- 2) a) Energy Products & Systems :
 - i) 2 nos. scrapped during the year (Previous Year Nil)
 - ii) 7 nos. used for captive consumption (Previous Year 4 nos.)
 - iii) 6 nos. free replacements (Previous Year 7 nos.)
- b) Environmental Products & Systems :
 1. Air Pollution Control Plants & Systems
132 nos. used for captive consumption (Previous Year Nil)
 2. Water & Waste Treatment Plants
82 nos. used for captive consumption (Previous Year 236)
3. Ion Exchange Resins & Chemicals
 - i) 272 M.Tons used for captive consumption (Previous Year 390 M. Tons)
 - ii) 18 M.Tons free replacements (Previous Year 39 M. Tons)



C) Consumption of Raw Materials, Components etc.

Particulars	Unit	Year ended 31.03.2004		Year ended 31.03.2003	
		Qty.	Value	Qty.	Value
Ferrous Sheets, Plates	M. Tons	6104	18.31	4130	11.35
Ferrous Tubes	Numerous		29.31		23.53
Fabricated Items	Numerous		151.69		109.46
Chemicals	M. Tons	17653	49.69	17572	47.89
Purchases of goods for resale	Numerous		5.52		8.23
Others	Numerous		96.60		121.47
Total			351.12		321.93

D) Value of imported & indigenous raw materials, components & Spare Parts consumed

Particulars	%	Year ended 31.03.2004	%	Year ended 31.03.2003
(i) Imported	17	58.79	20	63.42
(ii) Indigenous	83	292.43	80	258.51
Total	100	351.12	100	321.93

E) CIF Value of Imports

Particulars	Year ended 31.03.2004	Year ended 31.03.2003
a) Raw materials	37.69	16.93
b) Components & Spares	23.21	22.30
c) Consumables	0.27	0.38
d) Capital Goods	0.73	0.36
Total	61.90	39.97

F) Earnings in Foreign Currency (on accrual basis)

Particulars	Year ended 31.03.2004	Year ended 31.03.2003
a) Exports of goods on FOB basis	111.57	114.92
b) Interest & Dividend	0.00	0.01
c) Others	1.51	5.98
Total	113.08	120.91

G) Expenditure in Foreign Currency (on accrual basis)

Particulars	Year ended 31.03.2004	Year ended 31.03.2003
a) Technical fees	1.58	0.20
b) Expenses at foreign offices	4.42	4.07
c) Royalty	1.59	1.83
d) Travelling, Commission on sales etc.	7.60	10.43
e) Capital Expenditure at Foreign branches	0.22	0.16
Total	15.41	16.69

23. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

24. Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. : 022787 State Code : 11
Balance Sheet Date : March 31, 2004

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue : Nil Rights Issue : Nil
Bonus Issue : 476625 Private Placement (including share premium) : Nil

III. Position of Mobilisation & Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities : 6249579 Total Assets : 6249579

Sources of Funds

Paid up Capital : 714938 Reserves & Surplus : 3191690
Secured Loans : Nil Unsecured Loans : Nil

Application of Funds

Net Fixed Assets : 829587 Investments : 2760823
Net Current Assets : 382733 Misc. Expenditure : 11206
Accumulated Losses : Nil

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover : 6038069 Total Expenditure : 5313613
Profit Before Tax / Loss (-) : 724456 Profit After Tax / Loss (-) : 540881
Earnings Per Share in Rs. : 21.99

V. Generic Names of three Principal Products / Services of the Company (As per monetary terms)

Item Code no. (ITC Code) : 8402.10
Product Description : Steam or other Vapour Generating Boilers
Item Code no. (ITC Code) : 8418.10
Product Description : Other Refrigerating or Freezing Equipment.
Item Code no. (ITC Code) : 3914.00
Product Description : Ion Exchangers of the Polymerisation or Co-polymerisation type.

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Anu Aga
Chairperson

Prakash Kulkarni
Managing Director

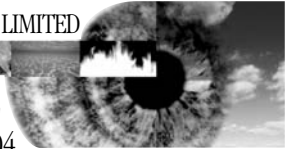
H. P. Mahajani
Partner

Amitabha Mukhopadhyay
*Exe. Vice President - Finance
& Chief Financial Officer*

Sunil Lalai
Company Secretary

Pune, May 26, 2004

Pune, May 26, 2004



CASH FLOW STATEMENT

	Rs. Crores	
	2003-04	2002-03
A Cash flow from Operating Activities		
Net profit before tax	72.45	63.50
<i>Add Adjustments for</i>		
Depreciation	8.78	9.69
Amortisation of deferred revenue expenses	0.73	1.87
Net provision for doubtful debts	(3.21)	0.76
Interest (expense)	0.40	0.65
Lease rentals paid	0.21	0.54
Amortisation of VRS expenses	5.80	5.80
Provision for long term investments	0.00	1.24
<i>Less Adjustments for</i>		
Interest / Dividend / Brokerage income	(21.33)	(2.92)
Profit/loss on sale of investment	1.29	(16.08)
Payment towards deferred revenue expenditure	(0.00)	(0.89)
Profit/loss on sale of assets	0.36	0.54
Provision for long term investments written back	(0.12)	(2.55)
Lease rentals received	(0.35)	(1.29)
Operating profit before working capital changes	65.01	60.86
<i>Adjustments for</i>		
Trade and other receivables	11.16	19.79
Inventories	(12.55)	(1.39)
Trade payables	7.37	(8.03)
Contract in progress	8.05	–
Cash generated from operations	79.04	71.23
Direct taxes paid	(21.20)	(15.93)
Net cash from operating activities	57.84	55.30
B Cash flow from Investing activities		
Purchase of fixed assets	(11.39)	(5.49)
Advance for capital expenditure	0.08	(0.14)
Sale of fixed assets	0.49	0.89
Investments in Subsidiaries / Group companies	(0.98)	–
Purchase of other investments	(464.95)	(295.87)
Proceeds from sale of investments	428.32	263.07
Advance to Subsidiaries	0.64	0.15
Loans to Subsidiaries repaid during the year	0.78	0.31
Loans to Subsidiaries given during the year	–	(0.10)
Interest / Dividend / Brokerage received	21.31	2.96
Lease rental received	0.36	1.48
Net cash from investing activities	(25.34)	(32.74)

C Cash flow from Financing Activities

Repayment of borrowings	–	(11.02)
Lease rentals paid	(0.21)	(0.54)
Interest paid	(0.40)	(0.65)
Dividend paid and tax thereon	(32.19)	(11.58)
Net cash from financing activities	(32.80)	(23.79)
Net (decrease)/increase in cash & cash equivalents	(0.30)	(1.24)
Opening cash & bank balances	18.93	20.17
Closing cash & bank balances	18.63	18.93

Note: Previous year figures have been grouped wherever necessary to conform to this year's classification

As per our report of even date
For B. K. Khare & Co.
Chartered Accountants

Anu Aga
Chairperson

Prakash Kulkarni
Managing Director

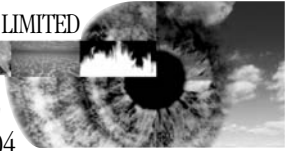
H. P. Mahajani
Partner

Amitabha Mukhopadhyay
*Exe. Vice President - Finance
& Chief Financial Officer*

Sunil Lalai
Company Secretary

Pune, May 26, 2004

Pune, May 26, 2004



Statement pursuant to Section 212 of the Companies Act 1956, relating to subsidiary companies.
(Amount in Rs. Crores)

Name of the Subsidiary	Financial Year ending of the Subsidiary	Holding Company's interest in Equity Capital	Currency	For Financial Year of the Subsidiary		For the previous Financial Years of the Subsidiary	
				Net aggregate of Profits or Losses so far it concern the members of the Holding Company and dealt with in the books of Account of the Holding Company	Net aggregate of Profits or Losses so far it concern the members of the Holding Company and not dealt with in the books of Account of the Holding Company	Net aggregate of Profits or Losses so far it concern the members of the Holding Company and dealt with in the books of Account of the Holding Company	Net aggregate of Profits or Losses so far it concern the members of the Holding Company and not dealt with in the books of Account of the Holding Company
Thermax Babcock & Wilcox Ltd.	March 31, 2004	60%	Rs.	-	5.36	14.12	17.49
Thermax Energy Performance Services Ltd.	March 31, 2004	51%	Rs.	-	(0.28)	-	(1.03)
Thermax Surface Coatings Ltd.	March 31, 2004	100%	Rs.	-	(0.13)	2.06	(0.16)
Thermax Capital Ltd.	March 31, 2004	100%	Rs.	-	2.03	5.10	(1.90)
Thermax Electronics Ltd.	March 31, 2004	100%	Rs.	-	(0.04)	0.22	(0.73)
Thermax Engineering Construction Co. Ltd.	March 31, 2004	100%	Rs.	0.00	0.78	0.93	1.25
Thermax Instrumentation Ltd.	March 31, 2004	100%	Rs.	-	(0.15)	(4.88)	(7.59)
Thermax Co-gen Ltd.	March 31, 2004	100%	Rs.	-	(0.01)	-	0.02
Winman Gas Ltd.	March 31, 2004	100%	Rs.	-	(0.05)	-	(0.39)
Thermax International Ltd. (Mauritius)	March 31, 2004	100%	USD	-	(0.00)	-	(0.00)
Thermax Europe Ltd. (U.K.)	March 31, 2004	100%	Pound Sterling	-	0.00	-	(0.01)
Thermax (Rus) Ltd. (Russia)	Dec. 31, 2003	100%	Roubles	-	(0.05)	-	0.13
Thermax Hong Kong Ltd. (Hong Kong)	March 31, 2004	100%	Hong Kong Dollar	-	(0.01)	0.00	0.00
Thermax do Brasil-Energia e Equipamentos Ltda (Brazil)	March 31, 2004	100%	Brazilian Real	-	(0.01)	0.00	0.00
ME Engineering Ltd. (U.K.) *	March 31, 2004	100%	Pound Sterling	-	(0.00)	-	0.04
Thermax Inc. (U.S.A.) *	March 31, 2004	100%	USD	-	0.00	-	0.03

* These companies are subsidiaries of Thermax International Ltd. (Mauritius) and hence subsidiaries of the Company.


Anu Aga
Chairperson

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Prakash Kulkarni
Managing Director

Sunil Lalai
Company Secretary

Pune, May 26, 2004



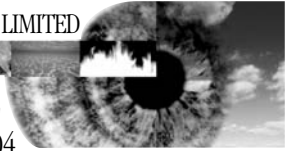
Thermax Limited

Consolidated

Balance Sheet

and

Profit & Loss Account



AUDITORS' REPORT

Auditors' report to the Board of Directors of Thermax Limited on the Consolidated Financial Statements of Thermax Limited and its Subsidiaries.

We have examined the attached Consolidated Balance Sheet of Thermax Limited and its subsidiaries as at 31st March, 2004 and the Consolidated Profit and Loss account for the year then ended.

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statement of one domestic subsidiary and seven foreign subsidiaries, whose financial statements reflect total assets of Rs. 50.81 crores as at 31st March, 2004 (before giving effect to the consolidation adjustments) and total revenues of Rs. 80.94 crores for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of subsidiaries, is based solely on the report of the other auditor.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by The Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Thermax Limited and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of Thermax Limited and its subsidiary, we are of the opinion that :

- (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Thermax Limited and its subsidiaries as at 31st March, 2004,
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Thermax Limited and its subsidiaries for the year then ended and
- (c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated results of the operations of Thermax Limited and its subsidiaries as at 31st March, 2004.

For B.K.Khare & Co
Chartered Accountants

Place: Pune
Date: May 26, 2004

H.P.Mahajani
Partner
Membership Number: 30168

Consolidated Balance Sheet as at March 31, 2004

	Schedule	Sch. 19 Note No. Ref.	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
SOURCES OF FUNDS				
Shareholders' Funds :				
Share Capital	1		69.75	23.83
Reserves & Surplus	2		342.81	363.60
			<u>412.56</u>	<u>387.43</u>
Loan Funds :				
Secured Loans	3		9.00	0.99
Unsecured Loans	4		0.11	0.70
			<u>9.11</u>	<u>1.69</u>
Minority Interest			16.92	13.39
Deferred Tax Liability :		5		
Deferred Tax Liability			18.14	19.58
Deferred Tax Asset			(11.68)	(10.90)
			<u>6.46</u>	<u>8.68</u>
Total Funds Employed			<u>445.05</u>	<u>411.19</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	5	1(D)	207.31	214.53
Less : Depreciation			107.64	114.36
Net Block			99.67	100.17
Capital Work in Progress			2.54	1.57
Investments	6	1(E)	286.53	242.21
Current Assets, Loans & Advances :				
Inventories	7	1(F)	72.06	55.32
Contract in Progress			34.49	5.81
Sundry Debtors	8		176.64	116.65
Cash & Bank Balances	9		32.74	37.04
Other Current Assets	10		8.20	6.81
Loans & Advances	11		51.10	47.90
			<u>375.23</u>	<u>269.53</u>
Less : Current Liabilities & Provisions :				
Current Liabilities	12		255.46	172.20
Contracts in Progress			24.59	-
Provisions	13		39.90	38.15
			<u>319.95</u>	<u>210.35</u>
Net Current Assets			<u>55.28</u>	<u>59.18</u>
Miscellaneous Expenditure to the extent not written off or adjusted	14		1.12	8.00
Consolidation Translation Adjustment			(0.09)	0.06
Total Funds Applied			<u>445.05</u>	<u>411.19</u>
Notes to Accounts	19			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Anu Aga
Chairperson

Prakash Kulkarni
Managing Director

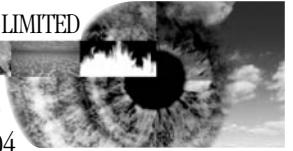
H. P. Mahajani
Partner

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 26, 2004

Pune, May 26, 2004



Consolidated Profit and Loss Account for the year ended March 31, 2004

	Schedule	Sch. 19 Note No. Ref.	Year Ended March 31, 2004 Rs. Crores	Year Ended March 31, 2003 Rs. Crores
INCOME				
Sales and Other Income	15		829.35	741.07
EXPENDITURE				
Materials	16		469.00	417.33
Personnel	17		94.90	83.62
Other Expenses	18		156.21	138.51
Excise Duty			0.65	1.34
Depreciation			12.29	14.49
Interest			0.52	0.72
			<u>733.57</u>	<u>656.01</u>
Profit Before Tax and Extra-ordinary Items			95.78	85.06
Extra-ordinary Items of Income/(Expenses)				
Voluntary Retirement Expenses written off			(6.38)	(6.38)
Profit Before Tax and After Extra-ordinary Items			<u>89.40</u>	<u>78.68</u>
Provision for Taxation				
Current Tax			(25.44)	(25.75)
Deferred Tax			2.20	5.63
Profit After Tax			<u>66.16</u>	<u>58.56</u>
Less : Minority Interest			3.30	2.86
Profit After Tax and Minority Interest			<u>62.86</u>	<u>55.70</u>
Balance brought forward from last year			6.80	(16.08)
Transferred from Capital Reserve/Goodwill on Consolidation			-	3.66
Transferred from Foreign Project Reserve			0.15	0.70
Profit available for appropriation			<u>69.81</u>	<u>43.98</u>
Appropriations				
Proposed Preference Dividend			1.46	-
Proposed Equity Dividend			27.90	28.60
Provision for Tax on Dividend			3.93	3.66
General Reserve			5.53	4.92
Reserve Fund under RBI			0.47	-
Balance carried to Balance Sheet			30.52	6.80
			<u>69.81</u>	<u>43.98</u>
Basic / Diluted Earnings Per Share (EPS) - Rs. [Per Equity Share of Rs. 10 Each]		6	26.32	23.37
Weighted Average number of Equity Shares			23250010	23831260
Notes to Accounts	19			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Anu Aga
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner

Amitabha Mukhopadhyay
Exe. Vice President - Finance
& Chief Financial Officer

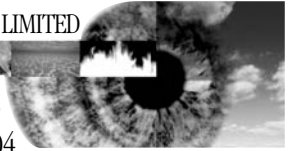
Sunil Lalai
Company Secretary

Pune, May 26, 2004

Pune, May 26, 2004

Schedules attached to and forming part of the Balance Sheet as at March 31, 2004

	Sch. 19 Note No. Ref.	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
2,50,00,000 (6,00,00,000) Equity Shares of Rs. 10/- each		25.00	60.00
5,00,00,000 (Nil) Redeemable Preference Shares of Rs 10/- each		50.00	-
Issued, Subscribed & Paid-up			
2,32,50,010 Equity Shares of Rs.10 each, fully paid up		23.25	23.83
4,65,00,020 6% Redeemable Preference Shares of Rs 10 each fully paid up (Allotted as Bonus Shares by capitalisation of Share Premium)		46.50	-
		<u>69.75</u>	<u>23.83</u>
SCHEDULE 2			
RESERVES & SURPLUS			
a. Capital Redemption Reserve			
Per last Balance Sheet		2.68	2.68
b. Capital Reserve			
Per last Balance Sheet		19.21	19.21
c. Capital Reserve on Consolidation			
Capital Reserve (on investment in Subsidiaries)		5.36	5.36
Less : Goodwill (on investment in subsidiaries)		(3.16)	(3.16)
		<u>2.20</u>	<u>2.20</u>
d. Share Premium			
Per last Balance Sheet		108.79	108.79
Less: Issue of Bonus Preference shares		(50.35)	-
		<u>58.44</u>	<u>108.79</u>
e. Foreign Project Reserve			
Per last Balance Sheet		0.15	0.85
Less: Transferred to Profit and Loss A/c		0.15	0.70
		<u>-</u>	<u>0.15</u>
f. Reserve under RBI Act			
Per last Balance Sheet		2.28	2.28
Addition During the year		0.46	-
		<u>2.74</u>	<u>2.28</u>
g. General Reserve :			
Per last Balance Sheet		223.27	218.35
Add : Transferred from Profit & Loss A/c		5.53	4.92
		<u>228.80</u>	<u>223.27</u>
Less: Minority Interest		8.78	8.78
		<u>220.02</u>	<u>214.49</u>
h. Amalgamation Reserve			
Per last Balance Sheet		7.00	7.00
i. Balance in P&L A/c		30.52	6.80
		<u>342.81</u>	<u>363.60</u>
SCHEDULE 3			
SECURED LOANS			
a. Borrowing from Banks for Working Capital (including Working Capital Term Loans)	10	<u>9.00</u>	<u>0.99</u>



Schedules attached to and forming part of the Balance Sheet as at March 31, 2004

Sch. 19	As at	As at
Note No.	March 31, 2004	March 31, 2003
Ref.	Rs. Crores	Rs. Crores

SCHEDULE 4

UNSECURED LOANS

a. Bank Loans and Overdrafts	-	0.26
b. Security Deposits (as per lease and hire purchase agreement)	0.11	0.44
	<u>0.11</u>	<u>0.70</u>

SCHEDULE 5

FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1.4.2003	Additions During the Year	Deductions/ Adjustments During the year	Total Cost as at 31.3.2004	Upto 31.03.2003	Deductions/ Adjustments During the year	Provisions During the year	Total as at 31.3.2004	As at 31.03.2004	As at 31.03.2003
a. Goodwill	0.35	-	-	0.35	0.22	-	0.08	0.30	0.05	0.13
b. Land - Freehold	7.44	-	-	7.44	-	-	-	-	7.44	7.44
c. Land - Leasehold	3.33	-	0.03	3.30	0.19	-	0.02	0.21	3.09	3.14
d. Building	28.14	1.56	-	29.70	6.37	-	0.75	7.12	22.58	21.77
e. Plant & Machinery	88.91	6.69	0.34	95.26	47.85	0.35	5.47	52.97	42.29	41.06
f. Assets given on Lease	21.87	-	10.85	11.02	19.00	9.94	1.58	10.64	0.38	2.87
g. Electrical Installation	4.28	0.23	0.04	4.47	2.11	0.04	0.25	2.32	2.15	2.17
h. Furniture, Fixtures, Computers & Office Equipment	55.42	3.60	8.71	50.31	36.79	8.11	3.75	32.43	17.88	18.63
i. Vehicles	4.80	1.84	1.17	5.46	1.83	0.65	0.47	1.65	3.81	2.96
Total	214.53	13.92	21.14	207.31	114.36	19.08	12.37	107.64	99.67	100.17
Previous Year	215.98	7.43	8.89	214.53	105.77	5.98	14.56	114.36	100.17	110.21
Capital WIP									2.54	1.57

Sch. 19	As at	As at
Note No.	March 31, 2004	March 31, 2003
Ref.	Rs. Crores	Rs. Crores

SCHEDULE 6

INVESTMENTS

A) Non Trade (Long Term)

a. Government Securities	0.88	0.90
b. Units	242.06	206.71
c. Bonds	0.10	0.18
d. Quoted Equity Shares (fully paid up)	0.13	0.13
e. Quoted Equity Shares (partly paid up)	0.06	0.06
f. Unquoted Equity Shares (fully paid up)	1.44	1.57
g. Unquoted Preference Shares (fully paid up)	0.27	0.27
	<u>244.94</u>	<u>209.82</u>
Provision for Diminution in value of long-term investments	0.47	0.60
	<u>244.47</u>	<u>209.22</u>

B) Current Investments

a. Unquoted Equity Shares	0.02	0.02
b. Quoted Equity Shares	0.01	0.01
c. Units	42.03	32.96
	<u>42.06</u>	<u>32.99</u>
	<u>286.53</u>	<u>242.21</u>

As at March 31, 2004

Cost	Market Value	As at March 31, 2003	Cost	Market Value
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Aggregate value of Quoted Long term Investments

244.36 244.37

207.95 232.70

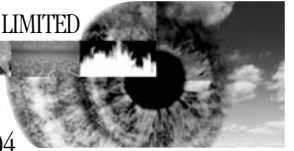
Aggregate value of Unquoted Long term Investments

1.87 -

1.87 -

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2004

	Sch. 19 Note No. Ref.	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
SCHEDULE 7			
INVENTORIES			
(As valued & certified by Management)			
a. Raw Material & Components		42.77	25.65
b. Work in Progress		12.21	9.25
c. Finished Goods		13.16	16.64
d. Stores, Spare Parts & Tools		3.92	3.78
		72.06	55.32
SCHEDULE 8			
SUNDRY DEBTORS			
Unsecured			
Debts Outstanding for a period exceeding six months			
Considered good		16.92	9.02
Considered doubtful		13.34	17.06
Less Provided for		13.34	17.06
Other Debts		159.72	107.63
		176.64	116.65
SCHEDULE 9			
CASH & BANK BALANCES			
A. Cash in Hand		0.46	0.36
B. Bank Balances & Remittances in Transit :			
With Scheduled Banks :			
a. In Current Accounts		20.22	23.07
b. In Deposit Accounts		2.64	1.48
With Foreign Banks :			
a. In Current Accounts		3.79	4.82
b. In Deposit Accounts		0.47	4.12
Remittance In Transit		5.16	3.19
		32.74	37.04
SCHEDULE 10			
OTHER CURRENT ASSETS			
a. Duty Drawback Receivable		2.72	2.66
b. Excise Recoverable		3.02	1.88
c. Accrued Interest		0.06	0.53
d. Other Current Assets		2.40	1.74
		8.20	6.81

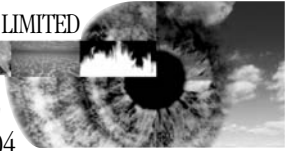


Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2004

	Sch. 19 Note No. Ref.	As at March 31, 2004 Rs. Crores	As at March 31, 2003 Rs. Crores
SCHEDULE 11			
LOANS & ADVANCES			
Unsecured, considered good :			
a. Advances recoverable in Cash or in kind or for value to be received		15.04	15.50
b. Intercompany Deposits		-	0.25
c. Advances for Capital Expenditure		0.17	0.25
d. Advances to Staff & Workers		4.44	4.71
e. Balance in Central Excise & Customs Accounts		2.96	1.62
f. Sundry Deposits		8.02	8.26
g. Advance Payment of Income Tax (Net of Provision of Tax)		19.23	17.15
h. Others		1.24	0.16
		<u>51.10</u>	<u>47.90</u>
SCHEDULE 12			
CURRENT LIABILITIES			
a. Acceptances		7.83	6.16
b. Customer Advances		98.66	34.45
c. Sundry Creditors		111.12	95.13
d. Other Liabilities		36.27	34.69
e. Trade Deposits		1.53	1.48
f. Hire Purchase/Lease Rentals received in advance		0.05	0.29
		<u>255.46</u>	<u>172.20</u>
SCHEDULE 13			
PROVISIONS			
a. Proposed Equity Dividend		27.90	28.60
b. Proposed Preference Dividend		1.46	-
c. Provision for tax on Dividend		3.93	3.66
d. Provision for Employee Retirement & Other Benefits		5.51	3.91
e. Provision for Contingencies		0.63	0.60
f. Provision for leased assets		0.47	1.38
		<u>39.90</u>	<u>38.15</u>
SCHEDULE 14			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
a. Technical Know-how	1(G) & (H)	1.03	1.65
b. Software Expenses		0.09	0.20
c. Voluntary Retirement Scheme Expenses		-	6.15
		<u>1.12</u>	<u>8.00</u>

Schedules attached to and forming part of Profit and Loss Account for the year ended March 31, 2004

	Sch. 19 Note No. Ref.	Year Ended March 31, 2004 Rs. Crores	Year Ended March 31, 2003 Rs. Crores
SCHEDULE 15			
SALES AND OTHER INCOME			
I Sales & Services :			
a. India		614.38	535.39
Less: Excise Duty		34.86	30.19
Net Sales		<u>579.52</u>	<u>505.20</u>
Add : Closing Contracts in Progress		(13.71)	(4.20)
Less: Opening Contracts in Progress		(4.20)	0.15
		<u>570.01</u>	<u>500.85</u>
b. Outside India		191.83	185.80
Add : Closing Contracts in Progress		23.61	10.01
Less: Opening Contracts in Progress		10.01	0.28
		<u>205.43</u>	<u>195.53</u>
c. Outside India - Trading		1.74	2.69
Total Sales & Services	(I)	<u>777.18</u>	<u>699.07</u>
II Other Income from Operations			
a. Claims & Refunds		0.40	0.58
b. Balances earlier written off now recovered		1.31	0.66
c. Profit on Sale of Assets		0.02	0.04
d. Commission		2.87	3.41
e. Sale of Scrap		3.37	1.83
f. Interest Income (Operations)		0.35	0.32
g. Exchange Difference (net)		1.09	0.33
h. Balances/Excess Provision Written Back		1.69	1.25
i. Provision for Doubtful Debt Written-back		3.16	-
j. Premium on Forward contracts (net)		-	0.06
k. Miscellaneous Income		12.27	10.63
Total Other Income from Operations	(II)	<u>26.53</u>	<u>19.11</u>
III Other Income			
A From Investment			
a. Dividend		20.53	0.02
b. Interest (on investments)		2.80	0.56
c. Profit/(Loss) on Sale of Long Term Investments		(1.29)	16.08
d. Profit/(Loss) on Sale of Current Investments		2.98	1.23
e. Prov. For Diminution in value of Investment Written Back		0.12	2.55
f. Miscellaneous Income		0.15	1.15
Total Income from Investments		<u>25.29</u>	<u>21.60</u>
B From Leasing			
a. Lease Rentals (Net of Lease Equalisation)		0.35	1.29
Total Income from Leasing		<u>0.35</u>	<u>1.29</u>
Total Other Income	(III)	<u>25.64</u>	<u>22.88</u>
	(I+II+III)	<u><u>829.35</u></u>	<u><u>741.06</u></u>

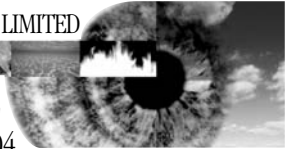


Schedules attached to and forming part of Profit and Loss Account for the year ended March 31, 2004

	Sch. 19 Note No. Ref.	Year Ended March 31, 2004 Rs. Crores	Year Ended March 31, 2003 Rs. Crores
SCHEDULE 16			
MATERIALS			
(A) Consumption of Raw Materials & Components			
Opening Stock		29.43	31.69
Add : Purchases (including cost of goods resold)		485.20	416.29
		514.63	447.99
Less : Closing Stock		46.15	29.43
	A	468.48	418.55
(B) (Increase) / Decrease in stock			
Opening Stock :			
Work-in-Progress		9.25	6.58
Finished Goods		16.64	18.09
		25.89	24.67
Less : Closing Stock			
Work-in-Progress		12.21	9.25
Finished Goods		13.16	16.64
		25.37	25.89
	B	0.52	(1.22)
	(A+B)	469.00	417.33
SCHEDULE 17			
PERSONNEL			
a. Salaries, Wages, Bonus, Testimonials & Allowances		79.10	69.83
b. Gratuity		2.80	2.25
c. Contribution to Provident & Other Funds		6.95	6.16
d. Staff Welfare Expenses		6.05	5.38
		94.90	83.62
		94.90	83.62

Schedules attached to and forming part of Profit and Loss Account for the year ended March 31, 2004

	Sch. 19 Note No. Ref.	Year Ended March 31, 2004 Rs. Crores	Year Ended March 31, 2003 Rs. Crores
SCHEDULE 18			
OTHER EXPENSES			
a. Consumables and Tools		6.50	4.96
b. Power and Fuel		6.79	6.73
c. Drawing, Design and Technical Service Charges		11.36	6.32
d. Site Expenses and Contract Labour Charges		5.07	5.21
e. Erection, Fabrication Charges		17.02	11.16
f. Rent and Service Charges		2.59	2.92
g. Lease Rentals		0.57	0.50
h. Rates and Taxes		0.79	1.00
i. Insurance		2.54	2.23
j. Repairs and Maintenance :			
Building		2.05	1.24
Plant & Machinery		2.49	2.18
Others		4.02	3.51
k. Communication		5.28	5.06
l. Travelling and Conveyance		23.26	19.31
m. Advertisement and Exhibition		1.55	0.82
n. Freight Outward		5.34	5.89
o. Commission on Sales		10.10	8.27
p. Other Selling and Distribution Expenses		10.41	11.96
q. Free of Cost Supplies and Modifications		5.40	3.33
r. Bank Charges		2.58	2.10
s. Legal and Professional Charges		9.47	9.49
t. Printing & Stationery		2.42	2.12
u. Donations		0.07	0.13
v. Bad Debts		2.95	5.59
w. Doubtful Debts		0.02	3.60
x. Liquidated Damages		3.96	3.94
y. Loss on Pre-closure of Lease		0.27	0.13
z. Loss on Asset Discarded		0.36	0.57
aa. Additional Sales Tax and Turnover Tax		0.23	0.24
ab. Loss on Sale of Assets		0.23	0.84
ac. Balances Written Off		0.39	0.24
ad. Miscellaneous Expenses		8.55	4.65
ae. Deferred Revenue Expenditure w/off		0.63	1.95
af. Amortization of Goodwill		0.08	0.07
ag. Diminution in Value of Long Term Investments		-	0.25
ah. Diminution in Value of Current Investments		0.07	-
ai. Loss on sale of Investment		0.15	-
aj. Loss On Exchange Fluctuations		0.65	-
		156.21	138.51



Schedule forming part of the Consolidated Accounts

SCHEDULE 19

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

1. The consolidated financial statements envisage combining of financial statements of Thermax Ltd and its following domestic and foreign subsidiaries :

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	% voting power held by Parent as on March 31, 2004
1	Thermax Babcock & Wilcox Limited	India	60
2	Thermax Energy Performance Services Ltd	India	51
3	Thermax Surface Coatings Limited	India	100
4	Thermax Capital Limited	India	100
5	Thermax Electronics Limited	India	100
6	Thermax Engineering Construction Co. Ltd	India	100
7	Thermax Instrumentation Limited	India	100
8	Thermax Co-gen Limited	India	100
9	Winman Gas Limited	India	100
10	Thermax International Limited	Mauritius	100
11	Thermax (Rus) Limited	Russia	100
12	Thermax Europe Limited	UK	100
13	ME Engineering Limited	UK	100
14	Thermax Inc.	USA	100
15	Thermax Hong Kong Ltd.	Hong Kong	100
16	Thermax do Brasil-Energia e Equipamentos Ltda.	Brazil	100

Note: Apart from the above-mentioned subsidiaries, Thermax ESOP Trust has also been considered for consolidation as per SEBI guidelines.

2. Significant Accounting Policies

A. Basis for Preparation of Accounts

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

B. Use of Estimates

The preparation of final statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

C. Principles of Consolidation :

- The consolidated financial statements pertain to Thermax Ltd. and its sixteen subsidiaries of which seven are overseas subsidiaries. In the Consolidated Financial Statements, the term "Parent" refers to Thermax Ltd. and "Group" refers to the Parent along with its subsidiaries.
- The consolidated financial statements have been prepared in accordance with the consolidation procedures provided for in Accounting Standard 21 (AS 21) issued by The Institute of Chartered Accountants of India. Unrealised profits resulting from intra-group transactions of the earlier years and forming part of the carrying amount of assets have been eliminated to the extent information was readily available.
- Financial statements of the overseas subsidiaries have been converted into Rupees using the rate of exchange prevailing on the Balance Sheet date of respective overseas subsidiaries.
- Financial statements of Thermax (Rus) Ltd., an overseas subsidiary, have been drawn up as on 31st December, 2003. Necessary adjustments have been made to give effect to significant transactions or other events that have occurred between 1st January, 2004 and March 31, 2004.

- e) Consolidated financial statements have been prepared using uniform accounting policies for all major transactions and other events in similar circumstances except that :
 - i) The Parent has been following different norms for providing for doubtful debts and inventory obsolescence.
 - ii) The Parent and some of the subsidiaries write off cost of software and technical know-how over different number of years and also provide depreciation at/by different rates/basis.
 - iii) No adjustment has been made for deferred taxes by the overseas subsidiaries except Thermax Inc., USA.

It is not practicable to adopt uniform accounting policies in respect of the aforesaid items. The proportion of these items vis-à-vis results/ assets of the group is not significant.

D. Fixed Assets & Depreciation

- a) Fixed assets are stated at cost of acquisition or construction less depreciation. All costs, attributable to bring the fixed assets to working condition are capitalised.
- b) Exchange difference on liability relating to fixed assets is adjusted in the carrying cost of the respective fixed assets.
- c) Borrowing costs, if any, attributable to fixed assets, are capitalised.
- d) Except to the extent stated in 2(e)(ii) above, depreciation on all fixed assets is provided by the straight line method at the rates and in the manner prescribed by Schedule XIV of the Companies Act, 1956. Further, no depreciation is charged on assets sold during the year.
- e) Amount paid in respect of leasehold land is being amortised over the period of lease.

E. Investments

Current investments are valued at lower of cost and fair value. Long term investments are carried at cost. However, appropriate adjustment is made in the carrying amount of such long term investments to recognise a decline, other than temporary, in their value, based on management's perception of presently available indicators, such as their market value, investees' net worth (calculated on going concern basis unless otherwise warranted on facts and by historical cost convention), earnings per share etc.

F. Inventories

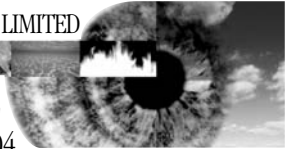
- a) Inventories are valued at lower of cost and net realisable value.
- b) Cost of raw materials, components & consumables, stores & spares, patterns & tools are valued at weighted average cost.
- c) Cost of finished goods & work in progress is arrived at on the basis of weighted average cost of raw materials & the cost of conversion thereof for bringing the inventories to their present location and condition.
- d) Scrap is accounted for on sale.
- e) Value of unmoved inventory is written down on the basis of standard norms.

G. Expenditure on Research & Development, Technical Know-how & Software

- (a) Costs incurred up to 31st March, 2003 have been either capitalised as a fixed asset or expensed out as revenue expenditure or amortised over a period of time (maximum six years) depending upon the nature of the expenditure and evaluation of future benefits therefrom.
- (b) Costs incurred after 31st March 2003, are either capitalised as intangible asset or expensed out as revenue expenditure, in the year of incurrance, based on evaluation of future economic benefits therefrom.

H. Expenditure on Voluntary Retirement Scheme

Payments under Voluntary Retirement Schemes are being amortised over a period of three years.



I Foreign Currency Transactions

- a) Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.
- b) Difference between the forward exchange rate and exchange rate prevailing at the inception of the forward exchange contract is recognised as income or expense over the life of the contract or adjusted in the carrying amount of fixed assets depending upon the nature of relatable transaction.
- c) Exchange difference is either adjusted in the carrying amount of fixed assets or dealt with in the Profit & Loss Account, depending upon the nature of transaction.
- d) Assets (other than fixed assets) and liabilities denominated in foreign currency are translated at the closing exchange rates, or in cases covered by forward exchange contracts, at the spot exchange rate prevailing at the inception of the forward exchange contract.
- e) Revenue items of foreign branches are translated at weighted average rate.

J Retirement and Other Employee Benefits

- a) Contributions to approved Provident and Superannuation Funds are made on actual liability basis calculated as a percentage of salary.
- b) In respect of gratuity, the Group has adopted a cash accumulation scheme with insurance companies. Contributions to the Gratuity Fund are paid at the rate of contribution computed by such insurance companies. Therefore, no note is taken of the difference in the amount of actuarial liability and the balances in the fund accounts with insurance companies.
- c) Provision is made on actuarial liability basis in respect of employees' unavailed earned leave.
- d) Provision is made, on actual basis, for liability on account of Company's obligations under employees' Medical Reimbursement Scheme and Leave Travel Assistance Scheme.

K Others

- a) Liquidated damages are charged to profit & loss account on accrual basis.
- b) In respect of supply, construction and related service contracts, provision is made for estimated cost of warranty and other free of cost supplies, such estimation being based on past experience and / or commitments / expected commitments in the matter.

L Revenue Recognition

- a) Revenue in respect of products is recognised on despatch of goods to the customers or when they are unconditionally appropriated to the contract.
- b) Revenue from maintenance contracts is recognised on invoicing.
In respect of contracts commencing before April 1, 2003, for supply of systems and erection and commissioning, execution of which is spread over different accounting periods, credit to "Sales" is taken on the basis of progressive billing. Income is recognised under percentage of completion method.
- c) In respect of contracts commencing after March 31, 2003, for supply of systems and for erection and commissioning, execution of which is spread over different accounting periods, contract revenue comprises of initial amount of agreed revenue as adjusted for subsequent variations in contract work, claims/ liquidated damages & incentive payments. Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs. Difference between revenue so recognised and invoiced sale is shown as contract in progress.
Determination of revenues under the percentage of completion method necessarily involves making estimates by the company, sum of which are of a technical nature, concerning where relevant, the percentage of completion, costs to completion the expected revenue from the project / activity & the foreseeable losses to completion.
- d) Interest income is booked on time proportion basis.
- e) Dividend income on investment is accounted for when the right to receive the payment is established.

M Contingent Liabilities

Contingent liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

3. Segment Reporting

- i) The Group has disclosed Business Segment as the primary segment. Segments have been identified by the Management taking into account the nature of the products, manufacturing process, customer profiles, risk and reward parameters and other relevant factors.

The Group's operations can be mainly classified into two primary segments, 'Energy' and 'Environment'. Composition of business segments is as follows :

Segment	Products Covered
a) Energy	Boilers and Heaters, Absorption Chillers/Heat Pumps, Power Plants.
b) Environment	Air Pollution Control Equipments/ Systems, Water & Waste Treatment Plants, Ion Exchange Resins & Performance Chemicals.

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

The expenses, which are not directly attributable to the business segment, are shown as unallocated cost.

Assets and Liabilities that can not be allocated between the segments are shown as a part of unallocated Assets and Liabilities respectively.

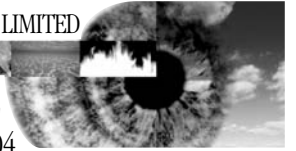
- iii) Secondary segments have been identified with reference to the geographical location of external customers. Composition of secondary segments is as follows:

- a) India
b) Outside India

a) Information about Primary Business Segments

Rs. Crores

Particulars	Year ended March 31, 2004			
	Energy	Environment	Others	Total
Revenue :				
Gross Revenue	641.11	227.39	4.54	873.04
Less : Intersegment Revenue	38.65	30.36	0.32	69.33
Net Revenue	602.46	197.03	4.22	803.71
Result :				
Segment Result	62.90	26.80	2.14	91.84
Unallocated Income net of unallocated Expenditure				4.46
Operating Profit				96.30
Interest expenses				0.52
Extra-ordinary items of expenses				6.38
Taxation for the year				23.24
Net Profit				66.16
Other Information :				
Segment Assets	288.47	105.64	21.92	416.03
Unallocated Corporate assets				348.98
Total Assets				765.00
Segment Liabilities	222.60	58.47	2.75	283.82
Unallocated Corporate Liabilities				51.70
Total Liabilities				335.52
Capital expenditure	7.38	3.43	-	10.81
Depreciation	5.67	2.61	1.73	10.01
Non-cash expenses other than Depreciation	0.92	0.34	-	1.26



Rs. Crores

Particulars	Year ended March 31, 2003			
	Energy	Environment	Others	Total
Revenue :				
Gross Revenue	558.71	208.98	6.32	774.01
Less : Intersegment Revenue	38.27	16.96	0.60	55.83
Net Revenue	520.44	192.02	5.72	718.18
Result :				
Segment Result	50.82	25.89	(1.92)	74.79
Unallocated Income net of unallocated Expenditure				11.00
Operating Profit				85.78
Interest expenses				0.72
Extra-ordinary items of expenses				6.38
Taxation for the year				20.13
Net Profit				58.56
Other Information :				
Segment Assets	172.96	111.15	12.61	296.72
Unallocated Corporate assets				324.81
Total Assets				621.53
Segment Liabilities	117.19	43.62	4.80	165.61
Unallocated Corporate Liabilities				55.10
Total Liabilities				220.71
Capital expenditure	5.68	1.19	-	6.87
Depreciation	5.94	2.78	3.31	12.03
Non-cash expenses other than Depreciation	1.61	0.34	-	1.95

b) Information about Secondary Segments :

Rs. Crores

Particulars	Year ended March 31, 2004	Year ended March 31, 2003
	Revenue :	
India	594.51	519.20
Outside India	209.20	198.98
Total	803.71	718.18
Carrying amount of Segment Assets :		
India	341.50	227.04
Outsied India	74.53	69.68
Additions to Fixed assets :		
India	10.36	6.77
Outside India	0.45	0.10

4. Related Party Disclosures :

Related party disclosures as required under Accounting Standard 18 issued by The Institute of Chartered Accountants of India are given below :

a) Relationship :

- i) Individuals having control or significant influence over the Group by reason of voting power, and their relatives :

Mrs. Anu Aga

Mrs. Meher Pudumjee

Mr. Pheroz Pudumjee

- ii) Key Management Personnel :

Mr. P.M. Kulkarni, Dr. N. D. Joshi, Mr. L. Venkateswaran, Mr. M. S. Unnikrishnan, Mr. A. Mukhopadhyay, Mr. Prashant Ahir, Mr. Shishir Joshipura, Mr. Ravinder Advani, Dr. Makrand Phadke.

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

Nature of Transactions

	Year Ended March 31, 2004 Rs. Crores	Year Ended March 31, 2003 Rs. Crores
Rent Paid	0.04	0.04
Managerial Remuneration	0.58	0.58
Sitting Fees	0.04	0.02
Remuneration to Key Management Personnel	1.75	1.47
Loans, Advances/Deposit given during the year	-	0.10
Receipt Towards Loans, Advances/Deposit repayment	-	0.10
Loan, Advance/ Deposits Outstanding at the end of the year Deposits	0.40	0.40

5. Deferred Taxation

Major components of deferred tax asset are :

i) Provision for Doubtful Debts	5.02	6.62
ii) Diminution in Value of Investments	0.52	0.53
iii) Others	6.14	3.75
Total	11.68	10.90

Major components of deferred tax liability are :

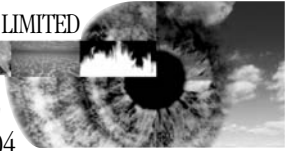
i) Depreciation on Fixed Assets	17.60	18.19
ii) Capital Expenditure on R & D Assets	0.70	0.90
iii) Others	(0.16)	0.49
Total	18.13	19.58

Deferred tax credit for the year of Rs.2.20 crores (*previous year Rs. 5.63 crores*) has been recognised in the Profit & Loss Account of the year.

6. Earnings Per Share (EPS)

Rs. 61.20 crores being the net profit after tax (including post tax effect of any extraordinary items) and pro-rata dividend on Redeemable Preference shares, and tax thereon, has been considered as the numerator and 2,32,50,010 being the weighted average number of equity shares outstanding during the year has been considered as the denominator for calculating EPS.

Nominal value of shares Rs. 10/- each.



7. Extra-ordinary items of expenses during the year are as follows :

Amortisation of payment under Voluntary Retirement Scheme for staff and workers Rs. 638.19 lacs out of total payment of Rs. 1914.58 lacs.

8. Transfer from Capital Reserve/Goodwill on consolidation represents recomputation of the amount of Capital Reserve/Goodwill arising on consolidation as on March 31, 2002.
9. In cases where letters of confirmation have been received from parties, book balances have been generally reconciled and adjusted. In other cases, balances in accounts of sundry debtors, sundry creditors and advances or deposits have been taken as per books of account.

10. Secured Loans

Borrowing for working capital from banks - packing credits, shipping loans, cash credits & overdrafts - secured by hypothecation of present and future stock of raw materials, consumables, spares, semi finished goods, finished goods & book debts.

11. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 3.56 crores (*Previous year Rs.0.99 crores*)

12. Contingent Liabilities not provided for

- a) Disputed demands in respect of Excise, Customs Duty, Sales tax and other Statutes Rs. 10.71 crores (*Previous year Rs.10.21 crores*)
- b) i) Income tax demands disputed in appellate proceedings Rs. 27.13 crores (*Previous year Rs.24.57 crores*)
ii) References / Appeals preferred by Income Tax department in respect of which, should the ultimate decision be unfavorable to the Group, the liability is estimated to be Rs.6.58 crores (*Previous year Rs.6.58 crores*)
- c) Counter Guarantees given to the banks for guarantees issued by them on Group's behalf Rs. 159.67 crores (*Previous year Rs.111.06 crores*)
- d) Indemnity Bonds/Corporate Guarantees given to Customs, other Government departments and various customers Rs. 11.29 crores (*Previous year Rs.6.43 crores*)
- e) Liability for unexpired export obligations Rs. 0.31 crores (*Previous year Rs.0.56 crores*)
- f) Claims against Group not acknowledged as debts Rs. 4.11 Crores (*Previous year Rs.5.86 crores*)
- g) Bills Discounted with banks Rs. 12.08 crores (*Previous year Rs.5.77 crores*)
- h) Liability in respect of partly paid shares Rs. 0.19 crores (*Previous year Rs.0.19 crores*)
- i) Future Lease obligations payable on non-cancellable operating leases Rs.1.67 crores (*Previous year Rs.1.71 crores*)
- j) Saving guarantees given to the customers through Master Energy Services Agreements (MESA) for projects completed Rs. 23.03 crores (*Previous year Rs.19.54 crores*)
13. Foreign exchange fluctuation capitalised during the year amounted to Rs.0.02 crores (*Previous year de-capitalised Rs. 0.01 crores*)
14. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

Anu Aga
Chairperson

Prakash Kulkarni
Managing Director

H. P. Mahajani
Partner

Amitabha Mukhopadhyay
*Executive Vice President - Finance
& Chief Financial Officer*

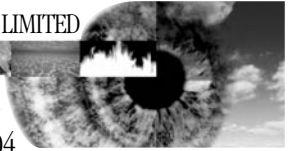
Sunil Lalai
Company Secretary

Pune, May 26, 2004

Pune, May 26, 2004

CONSOLIDATED CASHFLOW STATEMENT

	2003-04 Rs. Crores	2002-03 Rs. Crores
A Cash flow from Operating activities		
Net profit before tax	89.40	78.68
<i>Add Adjustments for</i>		
Depreciation	12.29	14.49
Amortisation of deferred revenue expenses	0.63	1.95
Amortisation of Goodwill	0.08	0.07
Provision for Doubtful Debts	(3.72)	1.54
Interest (expense)	0.52	0.72
Lease rentals Paid	0.57	0.50
Amortisation of VRS Expenses	6.38	6.38
Loss on Pre-closure of Lease	0.27	0.13
Loss on Sale of Investments	0.15	-
Diminution in value of Investments	0.07	0.25
<i>Less Adjustments for</i>		
Interest / Dividend / Brokerage (Income received)	(23.48)	(1.73)
(Profit)/Loss on sale of Investment	(2.98)	(1.23)
Payment towards Deferred revenue Expenditure	-	(0.89)
(Profit)/Loss on sale of assets	0.57	1.37
Provision for Long Term Investments-Written back	(0.12)	(2.55)
Lease Income	(0.35)	(1.29)
Operating profit before working capital changes	80.28	98.39
<i>Adjustments for</i>		
Trade and Other Receivables	5.35	34.34
Inventories	(16.73)	1.03
Trade Payables	19.69	(1.60)
Contracts in Progress	(4.08)	(5.81)
Cash generated from Operations	84.51	126.35
Direct taxes paid	(27.52)	(25.74)
Net cash from operating activities (after tax)	56.99	100.61



	2003-04	2002-03
	Rs. Crores	Rs. Crores
B Cash flow from Investing Activities		
Purchase of Fixed Assets	(13.01)	(9.18)
Purchase of Investments	(44.27)	(69.53)
Sale & (Purchase) of Fixed Assets	(0.58)	1.56
Exchange Rate Fluctuation	0.22	0.15
Profit/(Loss) on Sale of Investments	2.83	1.23
Interest / Dividend / Brokerage received	23.46	1.76
Lease Rentals Received	0.35	1.48
Net cash from Investing activities	(31.00)	(72.53)
C Cash flow from Financing activities		
Proceeds from issue of Share Capital	(4.43)	-
Repayment of borrowings	7.42	(13.91)
Lease rentals paid	(0.57)	(0.50)
Interest paid	(0.52)	(0.72)
Dividend paid and Tax thereon	(32.19)	(12.18)
Net cash from Financing activities	(30.29)	(27.31)
Net (decrease)/increase in cash & cash equivalents	(4.30)	0.77
Opening cash & bank balances	37.04	36.27
Closing cash & bank balances	32.74	37.04

Note:

Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

H. P. Mahajani
Partner

Pune, May 26, 2004

Anu Aga
Chairperson

Amitabha Mukhopadhyay
*Exe. Vice President - Finance
& Chief Financial Officer*

Prakash Kulkarni
Managing Director

Sunil Lalai
Company Secretary

Pune, May 26, 2004

THERMAX LIMITED – FINANCIAL DATA AT A GLANCE

	Rs. Crores								
PARTICULARS	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
Domestic Sales (including excise duty)	480	423	359	372	329	370	402	420	378
Export	118	116	107	101	76	96	95	71	71
% to Total Sales	20%	21%	23%	21%	19%	21%	19%	15%	16%
Total Sales	599	539	466	473	406	466	497	491	449
% Growth	11%	16%	-1%	16%	-13%	-6%	1%	9%	33%
Other Income	40	39	36	32	92	42	33	31	21
Total Income	639	577	502	504	498	508	530	522	470
Total Expenses	551	498	448	497	434	443	458	451	401
Profit before Depreciation,	87	80	54	8	64	65	72	72	70
Interest , Extra Ordinary Items and Tax (% to Total Income)	14%	14%	11%	2%	13%	13%	14%	14%	15%
Depreciation	9	10	12	12	12	10	10	9	6
Interest	0	1	3	4	3	5	5	9	6
Except.& Extra-ordinary Items	6	6	7	3	6	0	0	0	0
Profit before Tax/Loss	72	64	31	-10	42	50	56	54	57
(% to Total Income)	11%	11%	6%	-2%	9%	10%	11%	10%	12%
Tax	18	15	7	3	10	12	11	11	12
Profit after Tax/ Loss	54	48	24	-13	32	38	45	44	45
(% to Total Income)	8%	8%	5%	-3%	6%	8%	9%	8%	10%
Gross Block	165	166	167	168	167	161	153	136	114
Net Block	83	81	87	99	109	112	114	105	93
Investments	276	240	189	158	161	113	80	83	63
Current Assets	265	201	232	254	258	245	293	291	279
Current Liabilities	227	150	145	118	133	115	141	161	131
Net Current Assets	38	51	88	136	124	130	152	130	148
Deferred Revenue Expenses	1	8	14	4	15	9	10	5	3
Capital Employed	383	356	344	393	394	355	345	318	304
Equity Share Capital	24	24	24*	23	23	23	23	23	23
Preference Share Capital \$	48	0	0	0	0	0	0	0	0
Reserves and Surplus	312	340	324	331	347	324	295	258	223
Networth	335	356	333	350	355	339	308	277	244
Loan Funds	0	0	11	43	39	17	37	41	60
Fixed Asset Turnover Ratio	7.22	6.63	5.36	4.78	3.72	4.15	4.36	4.66	4.85
Working Capital Turnover Ratio	15.64	10.46	5.32	3.48	3.27	3.59	3.27	3.78	3.04
Debt-Equity Ratio	0.00	0.00	0.03	0.12	0.11	0.05	0.12	0.15	0.24
Current Ratio	1.17	1.34	1.60	2.15	1.93	2.12	2.08	1.80	2.13
Return on Capital Employed	19%	18%	10%	-2%	12%	15%	18%	20%	21%
Return on Net Worth	16%	14%	7%	-4%	9%	11%	15%	16%	19%
Cash Earnings per Share (Rs.)	25.67	24.31	15.27	-0.63	18.76	20.34	23.23	21.97	21.68
Earnings per Share (Rs.)	21.99	20.24	10.08	-5.55	13.57	16.08	19.02	18.28	18.96
Dividend(%)	120%	120%	50%	10%	35%	35%	35%	35%	35%
Book Value per Share (Rs.)	141	149	140	147	149	142	129	116	102

* During the year the company had allotted 5,81,250 equity shares of face value Rs.10/- each to the Trustees of Thermax ESOP Trust

\$ Issued bonus 6% redeemable preference share (RPS) of face value Rs. 10 each in the ratio of two RPS for every equity share held

Note : Figures of previous years have been regrouped to confirm to this years classification



THERMAX

*Sustainable Solutions
in Energy & Environment*