



# THERMAX LIMITED

TWENTY-FIFTH  
ANNUAL REPORT  
2005-2006



## **START TO FINISH**

Thermax is pulling out all the stops in its pursuit of excellence. It is creating natural synergies in its energy and environment businesses to deliver innovative solutions that enhance the competitiveness of its customers.



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**THERMAX**

*Sustainable Solutions  
in Energy and Environment*

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## HIGHLIGHTS OF THE YEAR



The company posted a record profit after tax of Rs. 123 crores, up by 77 percent over the previous year.



Revenues for the year stood at 1465 crores, an increase of 32 percent over the previous year.



The consolidated revenue of Thermax Group was up by 29 percent to reach Rs. 1606 crores. International business yielded Rs. 393 crores for the Group.



At the end of the year, the consolidated order book of Thermax stood at Rs. 1730 crores, an increase of 57 percent over last year.



Fourteen new products and applications were launched during the year to reach across new market segments.



To achieve synergies in related businesses, the company was restructured into three business groups – Cooling & Heating, Chemicals & Water and Projects.



Thermax was among the 20 Indian companies featured in Forbe's list of “ Asia's Best Under a Billion ” companies.

## VISION

To be a globally respected high performance organisation offering sustainable solutions in energy and environment

Meher Pudumjee  
*Chairperson*

Prakash Kulkarni  
*Managing Director*

*Directors*

Anu Aga  
 Dr. Valentin von Massow  
 Tapan Mitra  
 Pheroz Pudumjee  
 Dr. Manu Seth  
 Dr. Jairam Varadaraj  
 Ravi Venkatesan

*Executive Council*

Ravinder Advani  
 Shishir Joshipura  
 Prakash Kulkarni  
 Amitabha Mukhopadhyay  
 Sudhir Sohoni  
 M. S. Unnikrishnan

*Officers of the Company*

Amitabha Mukhopadhyay  
*Executive Vice President  
 & CFO*

Sunil Lalai  
*Company Secretary*

REGISTERED OFFICE

D-13, M.I.D.C. Industrial Area,  
 R. D. Aga Road, Chinchwad,  
 Pune 411019  
 Ph.: 020-27475941  
 Fax.: 020-27472049

CORPORATE OFFICE

Thermax House  
 4, Mumbai-Pune Road,  
 Shivajinagar, Pune 411005  
 Ph.: 020-25512122  
 Fax.: 020-25511226

BANKERS

Bank of Baroda  
 Canara Bank  
 Citibank N.A.  
 Corporation Bank  
 ICICI Bank  
 Standard Chartered Bank  
 Union Bank of India

AUDITORS

B.K. Khare & Co.,  
 Chartered Accountants  
 706/707, Sharda Chambers  
 New Marine Lines  
 Mumbai 400020

SOLICITORS

J Sagar Associates  
 Vakils House, 1st floor,  
 18 Sprott Road,  
 Ballard Estate,  
 Mumbai 400001

REGISTRARS & SHARE  
 TRANSFER AGENT

MCS Limited  
 116-118, Akshay Complex,  
 Off Dhole Patil Road,  
 Pune 411001  
 Telefax: 020-26129597

SUBSIDIARY COMPANIES

Thermax Energy Performance  
 Services Limited  
 Thermax Surface Coatings Limited  
 Thermax Electronics Limited  
 Thermax Engineering Construction  
 Company Limited  
 Thermax Instrumentation Limited  
 Thermax Co-gen Limited  
 Winman Gas Limited

OVERSEAS

Thermax International Limited, Mauritius  
 Thermax Europe Limited, U.K.  
 ME Engineering Limited, U.K.  
 Thermax Inc., U.S.A.  
 Thermax do Brasil Energia e  
 Equipamentos Ltda, Brazil  
 Thermax Hong Kong Limited, Hong Kong

WEBSITES

[www.thermaxindia.com](http://www.thermaxindia.com)  
[www.tbwindia.com](http://www.tbwindia.com)



## CHAIRPERSON'S MESSAGE

Going forward, there are two areas of opportunity that require a special focus. The first is selective internationalisation – establishing ourselves as a reputed, reliable company in energy and environment solutions. The second is the captive power business in India.

**Dear Shareholder,**

It is my privilege to present the 25th Annual Report of the Thermax Group. I am happy that our company has had another good year with revenues of Rs. 1606 crores and a net profit of 103 crores – a growth of 29 percent and 50 percent respectively. On behalf of Thermax and its shareholders, I take this opportunity to congratulate our Managing Director Prakash Kulkarni, the management team and all our

employees for their hard work and dedication.

The consolidated results of the group would have been far better if not for the losses incurred by our UK subsidiary, ME Engineering. The situation there is being monitored and a new leader and team have been appointed to stem the slide and help turn around the company.

Overall, it was a very exciting and challenging year. The economy maintained its growth momentum especially in the manufacturing and services sectors, even though oil prices were at a record high and the trade deficit continues to increase. Our company was a beneficiary of this growth in business with a strong inflow of orders, including some very prestigious projects in energy conservation, captive power and environment engineering. To meet this robust demand, the company is enhancing its capacity by setting up a new manufacturing facility. We are also working with vendors and setting up ancillaries across the country.

I have always been proud of the Thermax brand and the value proposition it offers to its customers across diverse industry segments. Today, Thermax is an acknowledged leader in waste heat based steam generation, with a global reference list. The continuing steep rise



in oil prices has prompted a major fuel shift from liquids to solids – including biomass – and this has led to a healthy demand for the company's boilers and heaters. Indian majors in iron and steel, cement, textiles and refining are deploying ambitious plans to be energy efficient, which has boosted demand for the company's energy conservation and captive power systems. The prospects in the current year remain strong.

In the environment space, tighter norms on emission and waste disposal are here to stay. This trend is driving demand for the company's expertise in particulate and gaseous emission control and for de-sulphurisation plants for cleaner fossil fuels. To conserve water resources, industry is looking at water recycle more seriously and is cleaning up its act in the disposal of effluents and toxic waste. Our company is well positioned to offer solutions in treating hazardous waste.

Going forward, there are two areas of opportunity that require a special focus. The first is selective internationalisation – establishing ourselves as a reputed, reliable company in energy and environment solutions. We have been present in the Middle East and S E Asian markets for many years, however with the growing demand, we plan to give these two regions a sharper focus.

The second is the captive power business in India. With the ever widening gap between supply and demand – with reliability, cost, and distribution being issues – there are sizeable opportunities in captive power: both on solid fuel as well as waste heat. Thermax is putting in a lot of efforts in addressing this market, including smaller power packages on biomass. Offering operation and maintenance as a service along with the captive power package helps in building a long-term association with customers

resulting in better value add and higher levels of satisfaction.

The initiatives for a company-wide transformation are gaining momentum. The thrust on innovation needs to be further accelerated to gain sustainable competitive advantage, especially in a global context. I am sure the historical strength of Thermax – “to make things happen” – will find new expression and meaning in the near future.

The single biggest concern today is on talent – attracting, building the right skills, leadership development and retention. To realise our company's growth plans, we are working on a number of approaches, which include specific training, assessment, development of leadership talent and providing new and challenging assignments. In the restructuring exercise which your company undertook in October last year, a number of bright, young managers were placed in challenging leadership roles. Grooming managers with a global mindset – who have a feel for the bigger picture – is becoming a necessity. We have revived the practice of sending some of our business leaders to the Advanced Management Program at Harvard. Like in the past, more senior managers would benefit from this kind of international exposure.

I continue to remain optimistic about the future prospects of our company. I would like to take this opportunity to thank our customers, shareholders, business associates, employees and well wishers for their continued support and trust.

With best wishes,

**Meher Pudumjee**

## LETTER FROM THE MANAGING DIRECTOR

Dear Shareholder,

I am happy that for the second year running your company has sustained momentum and has turned in a strong financial performance. During the year, all the business divisions registered growth and your company achieved a top line of 1465 crores, an increase of 32 percent over the previous year. The net profit during the year has shown a substantial increase of 77 percent to Rs 123 crores. I have great confidence in the abilities of my business leaders, our employees and business associates who have demonstrated their keenness to take your company forward. I deeply appreciate their contribution.

The consolidated revenue for the group – including our overseas subsidiaries – climbed 29 percent to Rs 1606 crores. On the export front, we achieved a growth of 22 percent to Rs 308 crores. The consolidated order book of the company stood at Rs 1730 crores at the end of the financial year and order inflow continues to be strong. Based on this, your company expects to grow at more than 30 percent in the current fiscal. I am sure you would be happy to know that.

As you are aware the Indian economy is doing well and the sustained expansion in the manufacturing sector is driving the growth in the energy and environment segments of your



**The streamlining of the operating system, especially on the shopfloor, has resulted in cycle time reduction and improved on-time performance of all the business units, compared to the previous year. In the current year, manufacturing capacity will be further enhanced in tandem with process improvements.**

company. The iron and steel, textile, cement, food and pharma sectors, among others, continue to provide a steady flow of business. Recently, your company has bagged a prestigious contract of Rs 360 crores from a major refinery for the design, manufacture and supply of an energy system with waste heat recovery. When completed, this project will put your company in the big league of turnkey energy equipment suppliers. We are excited about the possibilities.

During the year your company has been

restructured based on the concept of business groups that have natural synergies. As a result three business groups have been created, with three group business heads with overall responsibility of the group's growth and profitability. The three composite entities have been named to highlight their synergies – that is, Cooling and Heating, Chemicals and Water and Projects. Further, in each business group a service SBU has been created to focus on service as a business. When this business grows, it will yield good revenues and margins.

Your company is making progress in the transformation exercise initiated about 18 months ago. The thrust on integrated cost reduction and supply chain management is making a positive impact on the bottom line of your company. The proof of the pudding is that operating profit margin has increased 3.5 percent during the year. The streamlining of the operating system, especially on the shopfloor, has resulted in cycle time reduction and improved on-time performance of all the business units, compared to the previous year. In the current year, manufacturing capacity will be further enhanced in tandem with process improvements. This will enable your company to deliver on the growing volume of business keeping in mind quality and customer satisfaction.

Your company continues to focus on innovation across the organisation. The aim is to create an innovative culture that will continuously generate solutions to changing customer expectations. During the year, 14 new products and applications were launched for the different market segments of cooling, heating, water treatment, pollution control and power. The company has instituted a high-profile innovation award that is given every year to the best innovator who contributes to the bottom line in a visible manner. This award is

running in its fourth year and is a step towards creating the “innovation mindset”.

To build human resource competence and capability, your company has prepared a detailed people development plan with a focus on employee engagement and leadership development. During the year, 48 senior managers attended an intensive leadership development programme at the Tata Management & Training Centre to equip themselves with new insights and aspirations. The company also conducted numerous in-house training programmes to enhance technical competence and effectiveness of its people. This is an on-going activity, actively reviewed by management.

Further during the year, your company offered a mid-year salary revision to its managerial and professional staff with the view to remain a preferred employer. This move is having a positive impact on attracting and retaining talent, so crucial for the current and future plans of the company. Your company has a performance management system in place and strongly believes in recognising and rewarding talent.

The current year's priorities have been clearly defined. Your company will continue developing leaders at all levels, extend and make the operating systems more robust and reliable, strengthen the service business and seek growth in international markets.

It is going to be a challenging year and your continued goodwill and support will make all this possible.

With best regards,

**Prakash Kulkarni**

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Twenty-fifth Annual Report together with the audited accounts of your company for the year ended March 31, 2006.

### FINANCIAL RESULTS

	(Rupees in crores)	
	2005-2006	2004-2005
Total Income	1498.00	941.16
Profit Before Interest, Depreciation, Tax and Extraordinary items	<b>208.68</b>	92.87
Interest & Depreciation	16.15	9.85
Profit before tax	192.53	83.02
Provision for Taxation (incl.deferred tax)	69.28	27.73
<b>Profit after tax &amp; extraordinary items</b>	<b>123.25</b>	<b>55.29</b>
Balance carried forward from last year	51.17	37.35
Transfer on Amalgamation	29.50	–
Profit Available for Appropriation (Cumulative)	<b>203.92</b>	<b>92.64</b>
Dividend on Preference Shares	0.92	–
Proposed Equity Dividend	40.51	35.87
Tax on Dividend & Preference Shares redemption	12.50	–
Transfer to General Reserves	13.38	5.60
Surplus carried forward	136.61	51.17

*Note: The financial results include the figures of the amalgamated companies – Thermax Babcock & Wilcox Limited and Thermax Capital Limited – and hence are not strictly comparable with the results of the previous year.*

## PERFORMANCE

Your company has posted record results during the year with total sales revenues and other income of Rs. 1498 crores, up from Rs 941.2 crores in the previous year. Profit before tax and extraordinary items is up at Rs. 192.5 crores (previous year Rs. 83 crores) – the highest ever earned by the company.

Profit after tax is higher at Rs. 123.3 crores from Rs. 55.3 crores in the previous year. Earnings Per Share (EPS) moved up significantly to Rs. 9.69 compared to Rs. 4.37 in 2004-05.

During the year exports have increased to Rs. 308 crores from Rs. 176 crores last year.

The current year's figures are not strictly comparable with those of the previous year as two wholly-owned subsidiary companies – Thermax Babcock & Wilcox Limited and Thermax Capital Limited – were amalgamated with Thermax Limited during the year.

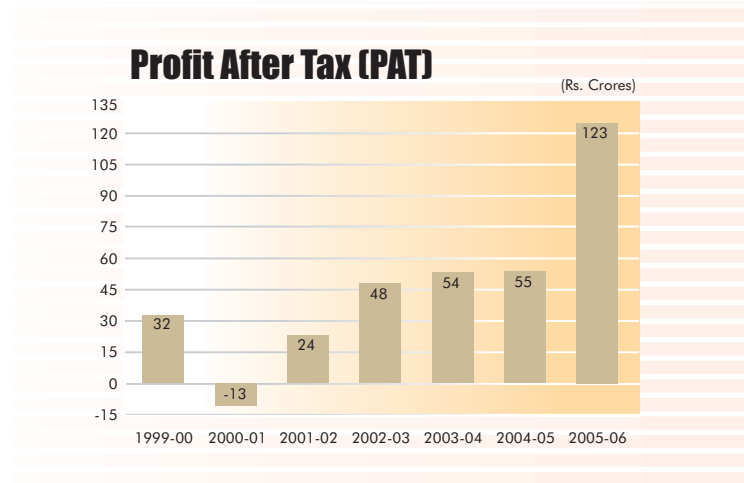
A detailed review of the company's performance and future prospects is included in the Management Discussion and Analysis section of this Annual Report.

## CONSOLIDATED RESULTS

The consolidated revenue of the Thermax Group has gone up by 29 percent to Rs. 1606 crores. Income from international business has increased to Rs. 392.5 crores from Rs. 352 crores. Profit before tax has increased 67 percent to Rs. 172.8 crores. Profit after tax and minority interest has increased 52.6 percent to Rs. 102.5 crores. Earnings per share (EPS) on a consolidated basis was Rs. 7.96 as compared to Rs. 5.46 in the previous year. ME Engineering, the UK based subsidiary, incurred a net loss of GBP 2.08 million affecting consolidated profit.

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 subsidiary companies have not been attached to the Balance Sheet of the company. The company will make available the above documents at its registered office upon request by any member of the company / statutory authority interested in obtaining them. The audited consolidated financial statement presented by the company includes the financial



information of all its subsidiary companies prepared in accordance with the Accounting Standard 21 (AS 21) issued by The Institute of Chartered Accountants of India. Pursuant to the approval, a statement of summarised financials of all the subsidiaries is attached along with the consolidated financial statement.

## AMALGAMATION

Thermax Babcock & Wilcox Limited (TBW) and Thermax Capital Limited (TCL), two wholly owned subsidiary companies, have been amalgamated with your company with effect from April 1, 2005, the Appointed Date as per the Scheme of Amalgamation sanctioned by the

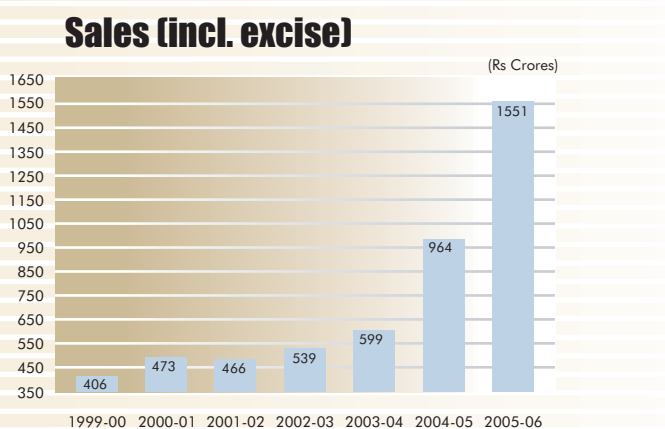
Honourable High Court of judicature at Mumbai.

Thermax Babcock & Wilcox which is now integrated in the Boiler & Heater (B&H) Group of the company continues to manufacture large boilers in the range of 30 to 500 tph.

Consequent upon amalgamation, Rs. 10.7 crores and Rs. 15 crores that the company had invested in TBW and TCL respectively stand extinguished and the net worth of your company has increased by Rs. 72.6 crores.

## REDEMPTION OF REDEEMABLE PREFERENCE SHARES

On July 26, 2005, the company has redeemed 4,76,62,520; 6 percent Redeemable Preference Shares (RPS) of face value of Rs. 10 each



aggregating to Rs.47.7 crores issued as bonus shares, during the financial year 2003-04.

The total outgo towards the said redemption was Rs. 5434.7 crores including distribution tax on dividend.

## DIVIDEND

The Directors have paid pro rata dividend of 6 percent for the year 2005-06 upon redemption

of the Redeemable Preference Shares (RPS) on July 26, 2005. The payment of the dividend is being placed for confirmation of the members at the forthcoming Annual General Meeting.

The Directors recommend payment of 170 percent dividend on equity shares (Rs. 3.4 per share of face value Rs. 2 each) for 2005-2006. (Previous year Rs. 12 per share of Rs. 10 each.)

If approved, this will entail a total outgo of Rs. 46.2 crores towards dividend payout (including tax on dividend). Dividend on equity shares represents a payout ratio of 40 percent.

## CHANGES IN CAPITAL STRUCTURE

### a) Reclassification of Redeemable Preference Share Capital

In view of the redemption of 6 percent RPS of Rs. 10 each, on July 26, 2005 and with no plans to issue preference shares in the near future, your Directors had proposed to reclassify 5,00,00,000 RPS of Rs. 10 each into 5,00,00,000 Equity Shares of Rs. 10 each. The proposal was approved by the members of the company at the Extraordinary General Meeting held on March 7, 2006.

### b) Sub-division of the Equity Share Capital

Your Directors had proposed to sub-divide the face value of the equity shares to enhance liquidity on the stock market and to widen the ownership of the company's shares. At the Extraordinary General Meeting of the company held on March 7, 2006, the members have approved the sub-division of equity shares of face value Rs. 10 each into a face value Rs. 2 each.

The sub-divided equity shares have been credited electronically/issued physically to the eligible holders of the company on April 10,

2006 fixed as the record date.

All formalities, including amendments to the Memorandum and Articles of Association of the company to effect the above changes in the capital structure, have been complied with.

## SUBSIDIARIES

### Thermax Instrumentation Limited

During the year Thermax Instrumentation Limited, a 100 percent subsidiary, took steps to explore business opportunities and develop plans to reactivate its operations that have synergies with the core business activities of the company. This exercise was undertaken in view of the huge potential in the power and engineering sectors, in tandem with the co-generation business of the company. As a result, the new business activities undertaken by the subsidiary are:

- Design and execution of electronic and instrumentation systems.
- Electrical installations including cabling, switch yards etc.
- Erection and commissioning of power plants/ co-generation plants including civil construction work.

During the year under review the subsidiary had Rs. 53 crores of orders on hand and execution will commence during 2006-07.

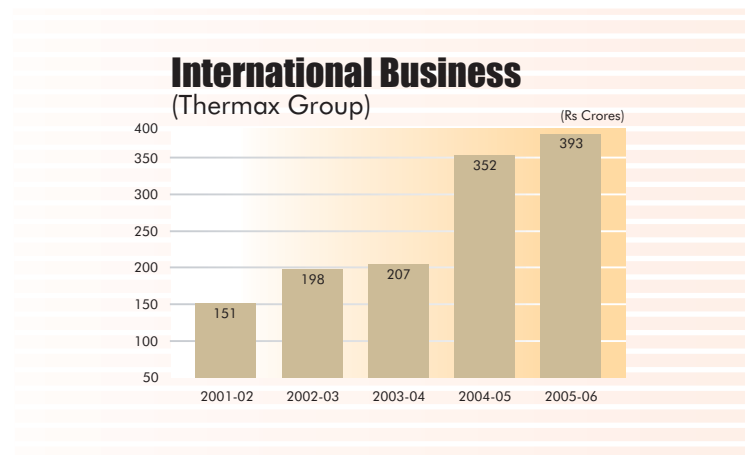
### ME Engineering Limited, U.K.

The turnover of this wholly owned subsidiary company operating in the area of energy systems and services related to waste heat recovery decreased by 23.7 percent to GBP 8.7 million. The resulting net loss was GBP 1.5 million from operational activities.

Additionally, for the period, a provision of GBP 0.5 million has been made against shortfall in the Defined Benefit Pension Scheme as required

mandatorily by the FRS-17 Accounting Standard of UK. This provision includes GBP 0.3 million for the previous year.

The net loss after pension adjustments is GBP 2.08 million as compared to a net loss of GBP 0.5 million last year.



Significant cost overruns and delays in completion of four large projects and depressed packaged boiler business sales in UK and other EU markets, led to the loss during the year.

Remedial measures have been taken, which include realignment of processes, creation of an India based design-cum-execution cell and management changes.

Considering that sustained investment and focus is required to achieve critical mass, and in view of the present financial position and resource constraints, the business of packaged boilers and heaters has been discontinued from April 2006. This will help reallocate resources into the core waste heat recovery and related business, creating long-term sustainability.

### Thermax Inc., U.S.A.

This wholly owned subsidiary company continues to spearhead the core businesses of the company in North and South America.

During the year its total revenues increased to

USD 12 million from USD 8.2 million. For its chemical business the company had reinforced the front-end team and this initiative has yielded results as sales have grown by 47.5 per cent to USD 8.2 million. Revenues from absorption chillers have also grown by 53.4 per cent to USD 3.7 million. However, due to high oil and gas prices, demand from the co-generation market in California remained subdued during the year.

#### **Thermax Europe Ltd., UK.**

This wholly owned subsidiary continues to front-end the absorption chiller business in Europe. During the year its turnover has fallen to GBP 1.8 million compared GBP 1.9 million in the previous year.

From April 2006, this subsidiary will also front-end the packaged boiler business in the UK and other EU countries.

in the market and adequate technical/financial support from the joint venture partner was not forthcoming, your company believes that this business is unlikely to turn around.

Accordingly, the process of foreclosure of contracts was started. As on date, all major contracts stand foreclosed and TEPS is in the process of winding up operation to mitigate further losses.

#### **Thermax Engineering Construction Co. Ltd.**

Thermax Engineering Construction Co. Ltd. (TECC), a 100 per cent subsidiary of your company, undertakes and executes engineering construction projects mainly of a captive nature. During the year, revenue of TECC increased by 63.2 percent to Rs. 74.1 crores up from Rs. 45.40 crores. Profit after tax also improved to Rs. 1.3 crores from Rs. 0.9 crores in the previous year.

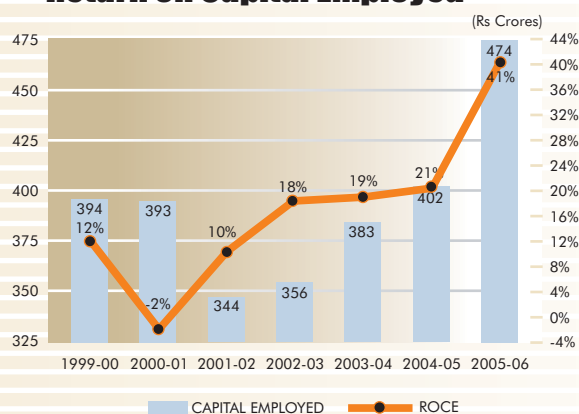
#### **Thermax Hong Kong Limited, Hong Kong**

Thermax Hong Kong Limited (THKL), a wholly owned overseas subsidiary, was set up last year to focus on the Chinese market with a range of absorption chillers. The subsidiary has decided to set up a servicing base in China with the representative office that was set up in Shanghai, earlier. Business prospecting and promotional activities are currently underway. The subsidiary has already sold four absorption chillers in China.

#### **Thermax do Brasil Energia e Equipamentos Ltda., Brazil**

Thermax do Brasil (TdB) continues in the business of sales and service of absorption chillers in Brazil and has successfully executed two orders. However, due to high gas prices demand remained depressed. Also steep import duties has proved to be a dampener. The company is revisiting its strategy and business model for this market.

### **Return on Capital Employed**



#### **Thermax Energy Performance Services Ltd.**

Thermax Energy Performance Services Ltd. (TEPS) is a joint venture company of Thermax Limited and EPS Asia Inc (EPS), with 51/49 percent share holding respectively.

As this business model did not find acceptance



## 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 and forms part of this report.

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.

## LISTING ON STOCK EXCHANGES

The company's Equity Shares are listed on two Stock Exchanges the National Stock Exchange of India (NSE) and Bombay Stock Exchange Limited (BSE).

The company's pending application for voluntary delisting of its securities was approved by The Calcutta Stock Exchange Association Limited w.e.f. April 24, 2006.

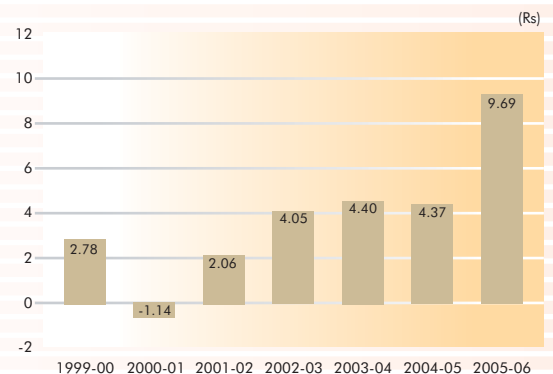
## FINANCE, ACCOUNTS AND SYSTEMS

Cash generated from operations during the year improved substantially to Rs. 208.8 crores compared to Rs. 86.7 crores in the previous year. The company maintained its debt free status and was a net foreign exchange earner of Rs. 53.2 crores during the year.

In managing its treasury/investment portfolio

the company has adopted a conservative approach based on safety, liquidity and returns. Towards achieving this objective, the investment portfolio has been realigned. Over 99 percent of the treasury investment are kept in debt funds. Based on management's perception of interest rate movements, the entire debt funds are kept in liquid funds, short-term fixed maturity plans or arbitrage funds.

### Earnings Per Share (EPS)

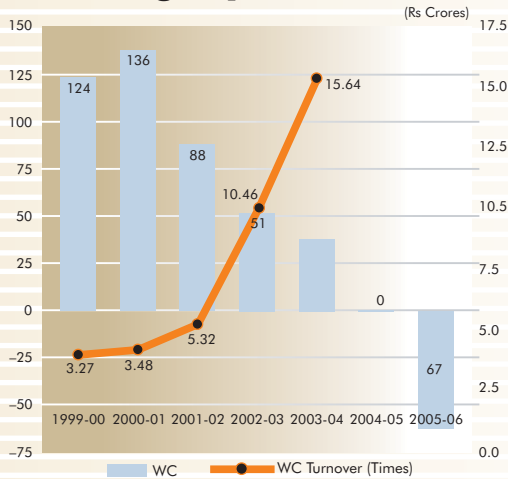


The company continues to have a P1+ rating by CRISIL for its commercial paper programme. During the year it has not borrowed on this account.

The company has no unpaid deposits as on March 31, 2006. Deposits aggregating to Rs. 0.1 lakh remained unclaimed as at that date. Since then no deposits have been claimed and/or repaid by the company. The company has not accepted any fixed deposits during the year.

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 dividends for the financial year 1997-98 amounting to Rs. 1.2 lakhs to the Fund.

## Working Capital



## AWARDS AND RECOGNITION

### Thermax featured in Forbes 2005 list

Thermax was one of 20 Indian companies featured in Forbes list of “Asia's Best Under a Billion” companies for 2005.

### ACREX Award for Thermax

The Thermax R&D team won the national award for the most innovative product at ACREX 2006, the HVAC event. The Award was for designing Trigenie, the dual-heat input absorption chiller that works on exhaust gas and other heat sources like steam or hot water.

### Young Achiever Award for Chairperson

Chairperson Meher Pudunjee was conferred the Young Achiever award by Financial Express in March 2006.

## EMPLOYEE STRENGTH

On March 31, 2006 the total number of employees on the rolls of the company was 3253, which includes employees of the amalgamated subsidiaries – TBW & TCL.

## 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

Dr. Valentin von Massow, an independent director, was appointed as an Additional Director on the Board of the Company on January 31, 2006. Dr. Massow holds office till the ensuing Annual General Meeting pursuant to Section 260 of the Companies Act, 1956. The necessary resolution has been set out in the Notice of the Annual General Meeting for the appointment of Dr. Massow as a Director.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Dr. Manu Seth and Mr. Ravi Venkatesan retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment as Directors.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors accept responsibility for the integrity and objectivity of the Profit & Loss Account for the financial year ended March 31, 2006 and the Balance Sheet as at that date (“financial statements”) and confirm that:

i) 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.

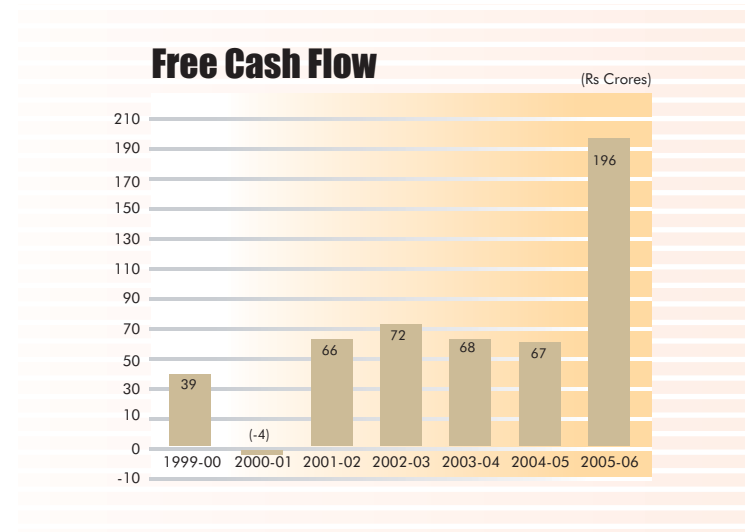
ii) Appropriate accounting policies have been selected and applied consistently. Judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that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

iii) 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.

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

## 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 of 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 contribution 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 24, 2006

**Meher Pudumjee**

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, 2006**

**A. CONSERVATION OF ENERGY**

Besides the ongoing efforts to conserve and optimise the use of energy through operational methods and manufacturing processes, the company undertook the following measures during the year ended March 31, 2006:

- a. The power factor has improved from 0.95 to 0.99 with the adding of power factor control panel and capacitors. Reducing the maximum demand charges, the company is eligible for power factor incentive.
- b. The company has done harmonic analysis throughout the Chinchwad factory to analyse quality of power and cable losses.

**Environmental improvements**

- a. By reducing the consumption of hydrocarbons and chemicals, resources worth Rs. 17 lakhs were conserved.
- b. The Chinchwad facility was re-certified with the revised standard of ISO 14001: 2004.  
The certification was awarded following audits by Det Norske Veritas (April 2006)
- c. The manufacturing establishment's safety and health management system was accredited with the international standard of OHSAS 18001: 1999.

**B. TECHNOLOGY ABSORPTION**

**Research and Development (R&D)**

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

Steam generation using washery rejects and char waste from steel industry.

Incineration of distillery waste, spentwash and generating power.

Design and development of waste heat recovery plant to generate power in association with a Japanese cement company.

New CFBC boiler design for lower range applications.

In process heat, extended the range of hi efficiency Supermax non-IBR boiler to 1500 kg/hour.

In cooling, increased the efficiency of the ammonia absorption refrigeration system(AAR) to minus 5°C applications. AAR working on genset exhaust was also developed.

Lithium bromide (LiBr) vapour absorption machines with a new water tube design was successfully piloted.

In water treatment, an electronic demineralising plant – e-DM – was successfully piloted and is being deployed for field trials. An electro-ionic system for treating wastewater – e-FAB was commercially demonstrated.

**2. Benefits derived:**

By offering solutions that convert waste to energy, your company could win large orders from the cement and steel industry. The users also benefit from gaining carbon credits.

CFBC for lower range and spent wash fired boiler developed are ready for commercial launch.

Increase in Supermax range will win more customers opting for hi efficiency non-IBR boilers.

The new developments in ammonia absorption refrigeration as well as Lithium

Bromide cycles have opened up new markets in the area of Combined Heating, Power and Cooling (CHPC). It also helps to position the company in cold storage applications.

The development of e-products in both water and wastewater treatment will continue to create cost competitive technologies and also expand the company's application base.

### 3. Future plan of action:

Emission reduction in AFBC / CFBC and development of ultra low NO<sub>x</sub> burners for oil / gas firing.

Evaluate biomass / coal gassification as long-term development projects

As a long-term strategy, your company is promoting joint development with national/international institutions of repute. A few of these developments are already on the anvil.

### 4. Expenditure on R&D:

- (a) Capital : Rs. 0.05 crores
- (b) Recurring : Rs. 4.2 crores
- (c) Total : Rs. 4.3 crores
- (d) Total R&D : 0.3 percent expenditure as a percentage of turnover.

### Technology absorption, adaptation and innovation

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

In association with Babcock & Wilcox, an initiative undertaken for the design and development of waste heat recovery boilers behind large gas turbine (Frame 9).

Continued effort for design optimisation of new biomass fuels and waste fuels in AFBC and CFBC with lower emissions

#### 2. Benefits derived as a result of the above efforts – product improvement, cost reduction, product

*development, import substitution, etc.:*

Development work on Frame 9E heat recovery steam generators will be of great help as the company undertakes a big energy project in a major refinery.

Design optimisations have helped your company to offer cost competitive products in different industry segments.

#### 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 thereof & future plan of action
1 Cyclone & fully evaporative agglomeration spray systems	2004	Partly	Implementation began in Jan' 2005 and orders executed. Performance is being tried on certain fuels
2 Cement plant waste heat recovery boiler	2005	Partly	Technology absorption process started in 2005; to be completed by 2007

## 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, the company was a net foreign exchange earner of Rs. 53.2 crores.

The details of foreign exchange earnings and outgo are given in the Notes 6 G Schedule 19 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 2006**

Sr. No.	Name	Designation	Qualification	Age	Date of Joining	Experience (Years)	Total Remu-neration	Previous Employment - Designation
1	Advani R	Executive Vice President – ESD	B.E. (Hons) (Mech), PGDBM	56	1-May-00	34	32,02,457	Thermax Babcock & Wilcox, Ltd., Gen.Mgr (Mktg)
2	Joshipura S	Executive Vice President – PHD	B.E. (Mech)	44	1-Mar-03	22	36,19,638	Thermax Energy Performance Services Ltd., CEO
3	Kulkarni P M	Managing Director	B.E. (Mech)	58	1-Jul-99	38	84,78,123	Thermax Babcock & Wilcox Ltd., Managing Director
4	Mukhopadhyay A	Executive Vice President & CFO	B.Sc. (Hons), ACA	41	24-Oct-01	17	33,82,007	IFB Industries Ltd., V. P Finance
5	Ramani R V	Divisional Head	B.E. (Mech)	54	1-Oct-74	31	31,24,091	Indowse Engg.Pvt.Ltd., Sales Engineer
6	Shah V J	Divisional Head	B.Tech (Chem.Egg) MBM	58	15-May-88	30	28,23,943	Rieco Industries Ltd., Senior Manager
7	Unnikrishnan M S	Executive Vice President	B.E. (Mech)	45	1-Aug-97	24	38,42,182	Terrazzo Ltd., Asst. General Manager
List of employees who were in employment for part of the year								
1	Dhumal S S	Assoc Manager	DME, B.E. (Mech), MBA	38	14-Sep-92	13	2,29,715	NIL
2	Gaikwad-Sawant M P	Senior Manager	M A (Physics), Bachelor of Library Science, Cert.in Personal Counselling	47	1-Nov-97	24	2,88,325	MSA Placement Services, Mgr. Business Development
3	Jadhav M A	Fabricator	7th Std., ITI	61	2-Jan-68	37	2,65,704	NIL
4	Mathur A V	Assoc Manager	B.E. (Civil), MBA Marketing	35	1-Jun-94	11	2,14,045	The Alchemists Ark, Consultant
5	Sahani N A	Operator	Below SSC	50	1-Apr-74	31	9,24,596	Tulsi Fine Chemical Pvt.Ltd., Helper
6	Sohoni S V	Executive Vice President	M A [PM & IR]	48	1-Mar-06	26	2,89,371	CEAT Ltd, V.P HR (Tyre Sector)
7	Sudhir P I	Vice President	BSc.Engineering MECH.	60	28/08/87	39	37,45,686	BHEL, Senior Manager -Materials
8	Tipare M H	Deputy Manager	MBA (Matl.), B.E.(Mech)	34	18-Mar-96	11	2,15,132	Thermax Surface Coatings Ltd., Sr.Executive
9	Vanchinath S A	General Manager	B.E. (MECH), CERT PROD -MGMT	56	2-Jul-84	33	15,61,056	A.W. Galadari Const. Engg. Mech. Engineer

Notes:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Indian economy continues to be on a roll. Economy watchers seem to agree that GDP growth of 8 percent is sustainable. This growth is driven by the sustained expansion in the manufacturing and services sectors coupled with rising demand across the economy as well as increase in external demand. The iron and steel, textile, cement, sugar, food, pharma and the refining sectors – major components of your company's market base – performed well. In addition to these sectors the continuing boom in the construction industry – commercial complexes, technology parks and townships – augurs well for your company's business lines in water and effluent treatment, cooling and captive power generation.

The production of capital goods – which is the barometer for industrial activity – registered a growth of 16.8 percent compared to 12.8 percent in the previous year. It is now widely believed that the manufacturing sector will trigger the next leap forward for the Indian economy. To meet robust domestic and external demand, Indian companies have undertaken ambitious expansion plans. Your company is actively seeking to enhance manufacturing capacity and strengthen its operating systems for sustainable competitive advantage.

The year also witnessed continuing rise in the prices of commodities. Oil prices touched new heights, which has resulted in a marked shift to

solid fuels – including biomass – and opened new opportunities for your company's business in captive power plants and boilers. On the other hand, this rise has impacted the company's chiller business negatively, especially in the American markets. The continued rise in the prices of input raw materials, especially of steel, non ferrous metals and derived petroleum products like styrene, are likely to put pressure on the margins of your company.

There are three areas of concern, which if not addressed, can have a negative impact on the growth of industry and the economy. The first is energy availability, price and security – especially for oil, coal and gas. The easy availability of natural gas, for example, could add a whole new dimension to industrial and economic development. The second major concern arises from the sluggish pace of growth in core infrastructure – especially in power, roads, ports and railways. Third, in the recent months interest rates have hardened and while the markets have absorbed this rate hike any further rise may prove a downside for investment plans.

Despite this, the outlook for your company continues to be positive. It is expected that the growth in textile, food, iron and steel, chemical, pharma, edible oil, hospitality and construction sectors – steady customers of Thermax's products and services – will continue. The Asian markets are opting for substantial capacity building that will have positive spin offs for your company.

There is an upsurge in demand from rural markets across India that is bound to fuel rising consumption and increased economic activity. The global manufacturing shift to Asia (China and India) heralds new opportunities for your company. Globally, investments in the hydrocarbon sector are increasing, both upstream and downstream. This will continue to help Thermax in gaining new business.

## Review of Operations

Thermax continues to make progress in its company-wide transformation initiative – fundamentally changing the way it is doing business. Substantial resources are being invested in attaining operational excellence – focusing on processes and systems that impact cost, quality, lead-time and on-time performance. This agenda of your company is being driven by two initiatives : Thermax Operating System (TOS) and Integrated Cost Reduction (ICR).

TOS will make Thermax's manufacturing and delivery system responsive, lean and agile. It will help your company to come up with quicker throughput, despatch and commissioning schedules to match the demanding requirements of customers. Though this is a long-term initiative, your company has made a good beginning a year and a half ago.

ICR is under way to achieve leadership through end-to-end cost reduction. Several products are being redesigned on the 'design to cost' principle. The company has also adopted the route of strategic global sourcing for raw materials and components – all this is being done with the view to protecting margins.

Effective October 2005, the company has been restructured based on the concept of business groups that have natural synergies. As a result, three business groups have been created – Cooling and Heating, Chemicals and Water

and Projects. A group business head is in charge of each business group. Also, service business units have been created in each business group to focus on service as a business. The synergies working in these business groups (internally as well as with customers) will enable the company to achieve its ambitious growth and profitability plans.

During 2005-06, all the business divisions of Thermax registered impressive growth. The company's net sales touched Rs. 1465 crores, contributed mainly by an accelerated growth from the following business divisions: Boiler and Heater, Cogen, Enviro, Water and Waste Solutions. Your company completed the year with a carry forward order book of Rs. 1619 crores. Revenue from International business was Rs 308 crores, up from Rs. 253 crores in the previous year on a comparative basis. Thermax absorbed and acquired new technologies to offer



**To meet robust domestic and external demand, Indian companies have undertaken ambitious expansion plans. Your company is actively seeking to enhance manufacturing capacity and strengthen its operating systems for sustainable competitive advantage.**



better products and systems. Your company has also made some investments in plant and machinery to effectively deliver on the growing volumes of business. Business process improvement and standardisation initiatives have helped in improving on-time performance. The emphasis on innovation and new ways of doing business continues to be a priority.

During the year, Thermax successfully launched 14 new products and applications that gained acceptance from diverse market segments. A select list: An upgraded version of Thermopac – India's best known thermal oil heater – was launched with an increase in efficiency of 6 percent and a reduction in power consumption by 30 percent on solid fuels. Thermax also introduced a breakthrough spray cyclone system for cleaning hot, dusty gases in furnaces and kilns to meet stringent emission norms. It has also pioneered “resource efficient” captive power plants for the cement industry that harness waste heat and conserve water. In absorption cooling, Thermax has introduced a direct-fired chiller on genset exhaust gas, which is changing the economics of cooling.

### **Energy Segment Analysis**

The energy related businesses of the company continued to do well because of increased industrial activity and the expansion of capacity in many sectors and also due to a large number of green field projects taking off.

The continuing rise in oil prices has triggered a major fuel shift from liquids to solids, including biomass. This trend is very pronounced in the markets of South East Asia which has a healthy demand for your company's boilers and heaters. In Indian industry, the urgency to be globally competitive has caught on and industry majors in iron and steel, cement, pharma and textiles are going on an “energy diet” to become fighting fit. This has resulted in a large order

inflow for your company's energy conservation systems, especially for steam generation through waste heat recovery, and for resource efficient captive power plants. The demand for these systems continues to be strong.

### **Process Heat Division**

The packaged boiler and heater business earned revenues of Rs. 289 crores, a growth of 26 percent.

Exports have shown a 34 percent growth over the previous year. Pursuing a new strategy, the division has entered into long-term agreements with leading OEMs and packagers in Europe and South East Asia to push sales of thermal oil heaters. Also, the fuel shift in S E Asia (from liquid to solid) has enabled the division to make substantial gains in this market with its biomass fired boilers and has active plans for other overseas markets.

In the domestic market, textile, pharma, chemical and food processing were the main sectors driving this business and the division maintained a dominant market share. Order intake through the channel network grew by 27 percent – with a focus on high potential, low reach territories.

During the year, the division has successfully commissioned a new design of bi-drum boiler and launched a high efficiency thermal oil heater on solid fuels. Both these products are seen as high potential revenue earners in the domestic and select overseas markets.

The division had started selling shell boilers in Western Europe but sales have been sluggish and the division is revising its strategy for this region.

The outlook for this business continues to remain positive, both in the Indian and overseas markets.

Net sales and percentage of export figures for 2005-06 and four previous years are given below:

Process Heat Division	Net Sales (excl. excise duty) Rs crores	Growth % YOY	% Exports	Exports Growth %
2001-02	132.9	(4.9)	27.1	11.3
2002-03	140.1	5.4	34.0	32.1
2003-04	177.8	26.9	27.4	2.4
2004-05	230.4	29.6	28.4	34.3
2005-06	288.8	25.3	30.0	33.8

### Boiler and Heater Group

The Boiler and Heater Group (B&H) was formed after the consolidation of the erstwhile wholly owned subsidiary Thermax Babcock & Wilcox Limited and the Energy Systems division of the company. The combined entity has performed exceedingly well posting revenues of Rs 463 crores – an increase of 34.2 percent over the previous year's combined figure of Rs 345 crores.

The iron and steel industry continues to drive growth in this business. The group continues to dominate the market in boilers for captive power generation and waste heat recovery. Besides, the group continues to provide unique heat recovery solutions to the refining, cement and steel sectors, making them lean and competitive on energy costs. Last year the group provided an unique solution for heat recovery in the coke manufacturing process whereby the customer will generate 60 MW of power from waste process gases. In the current year, the group has bagged an order from a steel major to generate 90 MW of power from waste heat.

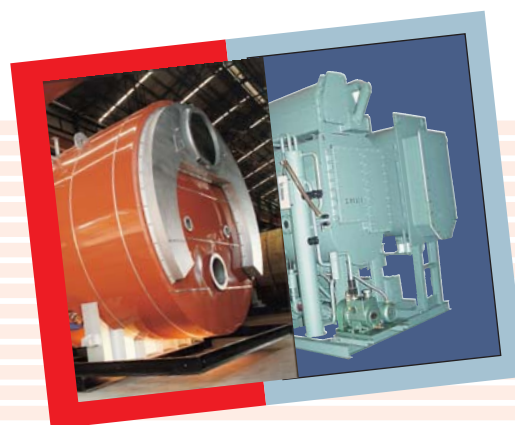
The group's expertise in biomass and high-ash coal combustion for power generation and high-pressure steam generation for sugar cogen

continue to bring in good revenue streams and market recognition. The group commissioned several high-pressure power boilers in the cement industry with the Cogen division and also commissioned the largest high-pressure cogen boiler (170 tph) in a leading sugar company.

It is also focusing on a new area of recovering low-grade waste heat in cement plants and is in the process of building one such plant for a cement major to generate power with low-grade heat.

In the oil and gas sector, the group has increased its global presence. Leading global EPC contractors have selected Thermax as a partner for supply of boilers for their projects.

This business faces several challenges posed by an acute shortage of experienced engineering manpower and constraints in manufacturing capacity. The group has initiated several



**Effective October 2005, the company has been restructured based on the concept of business groups that have natural synergies. As a result, three business groups have been created – cooling and heating, chemicals and water and projects. A group business head is in charge of each business group**

capacity and capability enhancement initiatives, including process reengineering, de-bottlenecking and capex expenditure. Recently the company has started a new engineering office in Chennai and is in the process of setting up a new boiler manufacturing facility to meet the increasing volumes of business.

The group has a healthy backlog of orders and the outlook for this business continues to be positive.

Net sales and percentage of export figures for 2005-06 and four previous years are given below:

Boiler & Heater Group	Net Sales (excl excise duty) Rs Crores	Growth % YOY	% Exports	Exports Growth %
2001-02	146.5	5.8	11.9	136.3
2002-03	167.7	14.5	13.7	31.3
2003-04	242.2	44.4	16.8	78.0
2004-05	348.9	44.1	27.3	133.3
2005-06	463.0	34.2	25.3	23.2

### Absorption Cooling Division

During the year, revenues of this business grew by 13 percent to Rs. 122 crores, despite the decline in business in the American markets due to rising oil and gas prices. The domestic and other international markets, nevertheless, showed healthy growth trends. The chemical and textile sectors were the main growth drivers during the year.

Though the steep rise in oil prices created a negative impact on this business, the focus on cogen and agro waste driven applications provided a counter balance. The multi-energy chiller, launched during the year, saw a tremendous response from the market and this innovative product is poised to add substantially to revenues in the coming years.

The new opportunities arising out of the fuel shift in the South East Asian markets and the substantial investments in the oil and gas sector in the Middle East are being addressed with an outlay of new resources. The division is also developing and positioning new applications, including sub zero chilling, which are the growth engines for the future.

China, which is the world's largest market for absorption cooling, is being explored for business potential and four chillers have already been sold in China. In the view of the management, developing this market will need patience and perseverance.

The outlook for this business continues to be positive, both in Indian and overseas markets.

Net sales and percentage of export figures for 2005-06 and four previous years are given below:

Absorption Cooling Division	Net Sales (excl excise duty) Rs Crores	Growth % YOY	% Exports	Exports Growth %
2001-02	73.2	11.2	38.7	9.0
2002-03	75.6	3.3	44.1	17.6
2003-04	85.8	13.5	36.2	(6.7)
2004-05	107.6	25.4	39.9	38.1
2005-06	121.6	13.0	36.9	4.7

### Cogen Division

Increasing its revenues by 75.9 percent to Rs. 241 crores, 2005-06 was a good year for the division as it progressed its captive power projects scheduled for completion in 2006. Orders booked during the year totalled 164 MW, making Thermax the leading captive power EPC player in the Indian market with 230 MW of captive power capacity already successfully commissioned. Two repeat orders from customers have reinforced the image of this business.

Thermax offers proven turnkey solutions in captive power and cogen using a variety of fuels, technologies and system configurations to meet specific customer requirements. In a new thrust, the company is pioneering resource efficient power plants that harness waste heat and conserve water resources in cement plants. Two such orders for cement plants are under execution.

The O&M activity of this business successfully completed its first year of operation and maintenance at a 36 MW installation in South India. Other major O&M contracts are in the pipeline for signing and startup in 2007. O&M in captive power plants is now poised to scale new heights as customers see the benefits of outsourcing this activity.

The division is working on a programme to enhance its engineering and project management capabilities to ensure quality and on-time performance to meet the challenges of the growing volume of business.

The outlook for this business remains positive with a healthy enquiry pipeline spurred by the booming all round growth in Indian industry and the skyrocketing prices of fuel oil. The division has an order carry forward of Rs. 474 crores.

Net sales figures for 2005-06 and four previous years are given below:

Cogen Division	Net Sales (excl. excise duty) Rs crores
2001-02	10.8
2002-03	85.6
2003-04	17.0
2004-05	136.9
2005-06	241.5

## Environmental Segment Analysis

Rapid deterioration in the quality of air and water are major concerns in India and the world. These issues continue to drive the businesses of Thermax's environment segment. Global competitiveness norms are also pushing Indian industry to go in for recycling and product recovery.

Strong public and judicial pressures – amplified by media – to create cleaner living environments in cities and towns has led to tighter norms on emission and waste disposal. This is a welcome sign. To reduce air pollution, de-sulphurisation, reduction in SO<sub>x</sub> and NO<sub>x</sub> control of particulate and other gaseous emissions and switching over to cleaner fuels is now a strong trend. To conserve water resources, industry is now looking at water recycle seriously and is cleaning up its act in the disposal of effluents and toxic wastes.



**The emphasis on innovation and new ways of doing business continues to be a priority. During the year, Thermax successfully launched 14 new products and applications that gained acceptance from diverse market segments**

Your company continues to provide solutions – very often, customised – in pollution abatement, water conservation and waste disposal.

### Water and Waste Solutions

The division achieved a turnover of Rs. 104 crores, an increase of 15.6 percent over the previous year. A realignment of its offerings and a focus on new applications has yielded good results during the year. Significant among these was the specialised thermal oxidation and solid waste management systems for hazardous effluents and textile effluent treatment systems.

The division successfully completed a number of large projects in demineralisation, water pre-treatment and clarification for refinery applications and municipal sewage treatment. The year also saw a spurt in the product business – especially with the state-of-the-art skid mounted reverse osmosis plants for pharma applications.

The new, improved Ecocell – the packaged sewage treatment system – was relaunched during the year and has received an encouraging response from the hospitality and real estate sectors.

The outlook for this business continues to be positive.

Net sales figures for 2005-06 and four previous years are given below:

Water and Waste Solutions	Net Sales (excl. excise duty) Rs crores	Growth % YOY
2001-02	45.1	(17.7)
2002-03	59.2	31.3
2003-04	50.1	(15.4)
2004-05	89.8	79.2
2005-06	104.0	15.6

### Enviro Division

The healthy trend of investment in cement, power and steel enabled the division to post revenues of Rs 146 crores, an increase of 28.1 percent over last year.

The largest contributor continued to be electrostatic precipitators, with half the order intake value coming from this category. There was also an appreciable increase in the product line of bag filters and related products.

The division bagged a number of high-end projects during the year, including a major turnkey project for a gas scrubbing system in a sulfuric acid plant based on product recovery and zero effluent discharge.

The division continues to lead in offering coal injection systems in steel plants to reduce coke consumption and has bagged two prestigious orders from two steel majors.

The retrofit and rebuild business was on the upswing and the product business in the Purafil range of ultra-purification systems also did well during the year.

Overseas, South East Asia and the Middle East are being explored for the company's entry into the pollution control market.

The outlook for this business remains positive.

Net sales figures for 2005-06 and four previous years are given below:

Enviro Division	Net Sales (excl. excise duty) Rs crores	Growth % YOY
2001-02	33.4	(6.7)
2002-03	30.4	(9.0)
2003-04	58.0	90.8
2004-05	118.0	103.4
2005-06	146.2	28.1

## Chemical Division

The division's revenues grew by 19.9 percent during the year to Rs. 105.5 crores. The resin business grew by 24 percent and Thermax has consolidated its position as the leading ion exchange resin manufacturer of India.

In March 2005 the division took the significant step of strengthening its front-end team in the US, the largest overseas market for resins, resulting in significant increase in sales in the North American markets. The market share, however, is small leaving room for more aggressive growth in this strategic market.

During the year, in the US, one of the competitors has filed a suit against four of its ex-employees who have joined Thermax Inc., for alleged pilferage of data and has made Thermax and some of its officials as co-defendant. While the management does not expect any liability arising from this, the litigation has partially affected prospective business in this market.

The division is leveraging the channel network to push domestic sales in the medium and small segment. However, growth was modest in this segment and measures to revitalise sales are underway.

Even though styrene prices continued to be high during the year, margins have shown significant improvement in this business as a result of optimum capacity utilisation and cost reduction initiatives.

The key to profitable growth in this business is the development of new products and applications. Fifteen new products were launched in the areas of specialty resins, fireside chemicals and chemicals for reverse osmosis membranes.

The outlook for this business remains positive, both in the Indian and overseas markets.

Net sales and percentage of export figures for 2005-06 and four previous years are given below:

Chemical Division	Net Sales (excl.excise duty) Rs crores	Growth % YOY	% Exports	Exports Growth %
2001-02	87.1	12.7	36.5	(11.8)
2002-03	78.0	(10.4)	36.1	(11.4)
2003-04	77.6	(0.1)	37.7	4.4
2004-05	88.0	13.4	42.5	27.7
2005-06	105.5	19.9	44.6	27.0

## Risk Management

The company recognises that risks are inevitable in a changing business environment



**Industry majors in iron and steel, cement, pharma and textiles are going on an "energy diet" to become fighting fit. This has resulted in a large order inflow for your company's energy conservation systems, especially for steam generation through waste heat recovery, and for resource efficient captive power plants**

and believes in identifying risks on a continuous basis. It has mapped a Thermax Risk Universe spelling out various risk areas. These are linked to the company's business objectives and processes.

During the year the company developed a Thermax Risk Management Framework to identify, minimise, report and review business and process related risks at pre-defined intervals. This has been formally done in select risk areas for the last quarter of 2005-2006. The framework is supported by key controls and adequate documentation. Implementation of risk management started from January 1, 2006. Under the framework, the management of the company reviewed these risks as of March 31, 2006 and was satisfied with its utility and effectiveness. This experience will help in the framework implementation in the remaining areas.



**Rapid deterioration in the quality of air and water are major concerns in India and the world. These issues continue to drive the businesses of Thermax's environment segment. Global competitiveness norms are also pushing Indian industry to go in for recycling and product recovery.**

## Analysis and comments on key business risks:

### Business risk

#### *Risk of cyclical business*

The company operates in the capital goods sector, where business, inherently, is of cyclical nature. While the project business has higher cyclical volatility, it is lower for the product business. Faced with this risk, the company is giving exclusive focus on project, product and service businesses and also on select internationalisation. For a sharper focus on service business – which is least volatile and generates a steady revenue stream – two independent SBUs have been created under the Cooling and Heating Business Group and Chemical and Water Business Group. The Cogen, Enviro and Boiler & Heater businesses also have distinct service offerings – O&M and revamp and retrofit.

The company has formulated specific plans for expanding its international business. The initiative has been accorded high priority with Board level supervision. During the year exports have grown by 21 percent to Rs 308 crores.

The company's de-risking efforts also include expansion of products like absorption chillers, packaged boilers, standard water and waste treatment plants and chemicals that are less cyclical.

#### *Risk of concentration in one business segment*

The company operates in both energy and environment segments. Over the last four years the energy segment has grown at a high rate and constitutes 76 percent of total revenues as compared to 67 percent in FY 2002-03. However, under the energy segment the offerings are under three major business divisions (as discussed in the earlier part of this report). These products are quite diverse and

are dependent on different market drivers. Similarly the environment segment comprises of three different business divisions. Hence, the company's range of offerings, though synergistic, are quite diversified.

#### **Customer concentration risk**

The company recognises the risk associated with over dependence on any single customer or any single project. Its business is well spread amongst numerous customers and no single customer accounts for more than 15 percent of the company's turnover. Similarly, no single order is more than 10 percent of the company's turnover for the year.

#### **Competition risk**

Falling tariffs are exposing the industry to cheaper imports. The company has seen the entry of Chinese competition in larger range of boilers and captive power plants. Growing size of orders in the Indian market has attracted large international players and this trend is likely to gather momentum.

The company recognises this risk and has identified improvement areas under quality, reasonable costs and deliveries. For proper focus in these areas and to create sustainable competitiveness, the management has embarked on a company-wide initiative named 'Project Evergreen'.

The internationalisation initiative constantly benchmarks the company's offerings and competitiveness in the international market and against global competition.

#### **Credit risk**

The company perceives the risk of substantial outstanding from any single customer or segment. Its customers are large and reputed organisations. It has a well-documented credit policy for evaluation and authorisation of all large credit exposures. Also credits are monitored through reporting and review; and in

case of delays and defaults, the company imposes stricter payment terms. For large value orders and export transactions, letters of credit are the preferred mode of payment. The company has also implemented strict provisioning norms for accounts receivable. During the year a proper risk management framework encompassing the processes has also been implemented.

#### **Energy price fluctuations**

The company recognises that fluctuations in fuel and energy prices change the viability of projects and also drives the use of alternate energy / fuel sources. It believes that the management of this risk can only be attained through developing capability and expertise on combustion of a variety of fuels. It has proven capability of handling a large number of fuels including solid fuel, liquid fuel as well as gas. The combustion expertise for solid fuel includes all varieties of coal and coke; and a wide range of biomass. The company's Boiler & Heater group and Cooling division use waste heat as a source of energy. This expertise helps the company not merely to mitigate risk, but also provides it with the ability to leverage its knowledge and experience to de-risk oil and coal based energy systems.

In a significant move the company has taken steps to acquire capability in the large utility range of heat recovery steam generators for gas based power plants. This will create new opportunities for the company as gas becomes a major fuel in domestic power generation.

#### **Procurement and supply chain management risk**

Increase in raw material prices and failure in getting timely deliveries adversely impact deliveries and profitability. Hence the company emphasises centralised procurement with better vendor management. It also monitors raw material prices in domestic as well as overseas



markets and ensures the procurement at lower rates to enable the company to offer competitive prices for its offerings. In large project jobs, contracts normally do not provide for any input price linked escalation. In such cases the increase in raw material prices can have a substantial impact on profitability. To minimise this risk, the company has a system of obtaining back-to-back quotations for large project jobs and it also carries out price finalisation with major vendors during the initial months of project commencement. The company has also opened a sourcing hub in China to strengthen its supply chain.

**Project management risk**

The company has a robust and well-documented system in place for reporting, evaluating and monitoring project risks at regular intervals. It faces various risks in the execution of large projects and these risks can result in a substantial financial impact as well as

customer dissatisfaction. Hence the company believes in risk management on a case-to-case basis with each project order. These risks are monitored and mitigated throughout the life cycle of projects from pre-order to commissioning and completion. The company manages risk through proper estimation, evaluation systems and the expertise to mitigate risks during execution. During execution, cost and progress of the project are regularly monitored through a well-defined framework. During the year a formal risk management framework encompassing the processes has been implemented in this regard.

**Exchange fluctuations and interest rate risks**

The company is a net exporter. Exports are largely denominated in US dollars and hence are subject to the risk of exchange fluctuations. The company has a well-defined foreign exchange risk management policy with a conservative bias, and it is regularly monitored.

However, the company remains exposed to the risks of any major change in parity of USD vis-a-vis other major global currencies. The internationalisation initiative will create new non-USD linked markets.

The company has no borrowings. A major portion of its investments is in debt funds leading to a high sensitivity to interest rate fluctuations. Interest rate movements are continuously tracked and based on trends, average portfolio maturity is decided. The company has a documented investment policy and performance of the treasury portfolio is regularly monitored and reviewed.



**The summer programmes under the Bhatena Foundation continued to delight the employees' families; a major musical nite was organised for employees and their families ; and the annual Open Forum was held at all major locations of the company during the year for a face-to-face interaction with top management**

## Compliance with laws

The company operates from a large number of countries across the globe and must adhere to all laws including laws relating to employment. The Compliance Officer drives the compliance process. All business divisions submit compliance certificates. Deviations, if any, are reported to the Board by the Compliance Officer. The process is driven by creating awareness and reinforcing policies and procedures.

## Human Resources

During the year under review a number of new HR initiatives were rolled out. Keeping in mind the fast changing business environment coupled with the rapid growth of the company, it was essential to benchmark the compensation package to the management and professional staff. This was done in two phases – first in July 2005 and another correction was made in January 2006. This was in addition to the revised incentive scheme linked to the overall performance of the company, the business unit

as well as the individual's performance. These compensation hikes are proving effective in attracting and retaining talent.

For the first time, the company launched the Assessment and Development centers as part of its leadership development programme. Forty-eight senior managers attended these intensive workshops aimed at achieving a better congruence between individual aspirations and organisational needs.

During the last quarter of the year an exercise was begun to evolve a comprehensive HR strategy with time targets and desired outcomes. This will enable the alignment of various HR policies to the growth agenda of the company in the coming years.

The summer programmes under the Bhatena Foundation continued to delight the employees' families; a major musical nite was organised for employees and their families; and the annual Open Forum was held at all major locations of the company during the year for a face-to-face interaction with top management

## 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.*

## 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 stakeholders 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. Thermax will contribute to sustain stakeholder confidence by adopting and continuing good practices, which is at the heart of effective corporate governance.

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.

### COMPLIANCE OF CORPORATE GOVERNANCE AS PER CODE

#### A) BOARD OF DIRECTORS AND PROCEDURES

The Board of your company presently consists of nine directors – three non-executive promoter directors, one managing director and five 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 Director	Category	Pecuniary or business relationship with the company	Relationship with other Directors	No. of other Directorships @	Committee position (excluding private, foreign and section 25 companies)		No of shares held in the Company
					Chairperson	Member	
Mrs. Meher Pudumjee	Non-executive	None except *	Yes	15	1	2	22,75,500 #
Mrs. Anu Aga	Non-executive	None except *	Yes	11	1	—	68,88,305 ☆
Mr. Prakash Kulkarni	Executive	N.A.	No	10	—	4	1,27,750
Dr. Valentin von Massow	Non-executive Independent	None	No	1	—	—	—
Mr. Tapan Mitra	Non-executive Independent	None	No	2	2	3	—
Mr. Pheroz Pudumjee	Non-executive	None	Yes	9	2	3	3,57,000
Dr. Manu Seth	Non-executive Independent	None	No	5	—	2	—
Dr. Jairam Varadaraj	Non-executive Independent	None	No	13	—	5	—
Mr. Ravi Venkatesan	Non-executive Independent	None	No	—	1	1	—

@ Includes private and foreign companies

# In addition to the shares held by Mrs. Pudumjee in her personal capacity she also holds 36,35,190 shares as a joint Trustee for the various Thermax Employees Welfare Trusts.

☆ In addition to the shares held by Mrs. Aga in her personal capacity she also holds 29,06,250 shares as a joint Trustee for the Thermax ESOP Trust.

\* 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.

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' shall mean non-executive director of the company who

- apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;
- is not related to promoters or persons occupying management positions at the board level or at one level below the board;
- has not been an executive of the company in the immediately preceding three financial years;
- is not a partner or an executive or was not a partner or an executive during the preceding three years, of any of the following:  
the statutory audit firm or the internal audit firm that is associated with the company, and the legal firm(s) and consulting firm(s) that have a material association with the company
- is not a supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director; and
- is not a substantial shareholder of the company, i.e. owning two percent or more of the block of voting shares

None of the directors of the Board serve as members of more than 10 committees nor are they Chairman / Chairperson of more than five committees, as per the requirements of the Listing Agreement.

## Code of Conduct

The company has introduced a Code of Conduct, enclosed in this Annual Report, which lays down procedures to be followed by directors and the senior management employees as defined in the Clause 49 of Listing Agreement, to promote ethical conduct and

maintain high standards in carrying out business transactions of the company.

An annual declaration, confirming adherence to the Code, is given by the Board members and senior management employees. This Code is also posted on the company's web-site.

The Board met eight times during the financial year 2005-06 on the following dates: 13.04.2005, 11.05.2005, 26.07.2005, 17.11.2005, 31.01.2006, 01.02.2006, 02.02.2006 and 07.03.2006. The maximum time gap between any two meetings was not more than four calendar months.

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

Name of the Director of Board during FY 2005-06	Total Attendance attended the AGM	Whether (Rs.)	Sitting fees * perquisites (Rs.)	Salary and (Rs.)	Commission remuneration (Rs.)	Total
Mrs. Meher Pudumjee	7	Yes	1,80,000	NA	—	1,80,000
Mrs. Anu Aga	8	Yes	2,00,000	NA	—	2,00,000
Mr. Prakash Kulkarni	8	Yes	NA	54,78,123	40,00,000 #	94,78,123
Mr. Pheroze Pudumjee	8	Yes	3,60,000	NA	—	3,60,000
Mr. Tapan Mitra	6	Yes	2,40,000	NA	—	2,40,000
Dr. Manu Seth	5	Yes	1,80,000	NA	—	1,80,000
Mr. Ravi Venkatesan	2	No	60,000	NA	—	60,000
Dr. Jairam Varadaraj	4	No	1,60,000	NA	—	1,60,000
Dr. Valentin von Massow	3	N.A.	60,000	NA	—	60,000

NA = Not applicable

\* Note: Sitting fees include payments for Board appointed committee meetings also. The company has not issued any ESOP to any Director.

# The commission for the year ended March 31, 2006 will be paid, subject to deduction of tax, after adoption of accounts by shareholders at the ensuing Annual General Meeting to be held on July 20, 2006.

### 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 percent 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
  - Human Resources Committee
  - Share Transfer and Shareholders' Grievance Committee
  - Borrowing & Investments Committee
  - Overseas Investment 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 effluent 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 Committee comprises of four members, all being non-executive directors. The Chairman of the Committee, Mr. Tapan Mitra, is a Fellow Member of The Institute of Chartered Accountants of India. During the year Dr. Jairam Varadaraj has been inducted as a member of the Committee effective 13.04.2005.

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

Name of the Committee	Category	No. of meetings attended
Mr. Tapan Mitra	Non-executive Independent	4
Dr. Manu Seth	Non-executive Independent	3
Dr. Jairam Varadaraj	Non-executive Independent	2
Mr. Pheroze Pudumjee	Non-executive	4

The Committee has met four times during the financial year 2005-06 on the following dates:

10.05.2005, 25.07.2005, 16.11.2005 and 31.01.2006.

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 requirements enumerated under Clause 49 of the Listing Agreement and as amended from time to time are also reviewed by the Committee.

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.
- ▶ Reviewing the company's financial and risk management policies.
- ▶ Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders and creditors.
- ▶ Recommending the appointment and removal of external auditor, determine audit fee and also approve payment for any other services.
- ▶ Discussing with external auditors, before the audit commences, the nature and scope of audit. Also conduct post-audit discussion to ascertain any area of concern.
- ▶ Reviewing 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 & deciding their professional charges.
- ▶ Reviewing the coverage and frequency of internal audit.
- ▶ Reviewing the annual plan of work of the internal audit function.
- ▶ Discussing with internal auditors significant audit findings and follow up actions initiated thereon.
- ▶ Assigning and reviewing 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) Human Resources Committee

The terms of reference of the Human Resources Committee is as under:

- ▶ take an overview of the human resource (HR) and industrial relations (IR) policies of the company; as well as capability building /succession planning of senior management employees within the company and
- ▶ recommend suggestions to the policies.

The Committee comprises of six Non-executive Directors – Mrs. Anu Aga (Chairperson), Mr. Ravi Venkatesan, Dr. Manu Seth, Mr. Pheroze Pudumjee, Dr. Jairam Varadaraj and Mr. Tapan Mitra.

During the financial year, the Committee met twice on 10.05.2005 and 01.02.2006. The attendance record of the members for the meetings of the Committee held is as follows:

Name of the Committee	No. of meetings held	No. of meetings attended
Mrs. Anu Aga	2	2
Mr. Ravi Venkatesan	2	1
Dr. Manu Seth	2	1
Mr. Pheroze Pudumjee	2	2
Dr. Jairam Varadaraj	2	2
Mr. Tapan Mitra	2	2

## 3) Share Transfer and Shareholders' Grievance Committee

The company has a Share Transfer and

Shareholders' Grievance Committee comprising of three members, namely, Mr. Pheroze Pudumjee (Chairman), Mrs. Meher Pudumjee and Mr. Prakash Kulkarni. 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 22 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 Agent, MCS Limited, 10 complaints were received from the shareholders/ investors during the financial year ended 31.03.2006, of which six were pertaining to Non-Receipt of Dividend and four for Non-Receipt of Share Certificates lodged for transfer. All complaints were replied / resolved to the satisfaction of the shareholders and no complaints had remained unattended / pending for more than 30 days as on 31.03.2006.

During the year the company processed 77 physical transfers comprising of 8,180 number of equity shares.

## 4) Borrowing & Investments Committee

The Committee comprises of two members, Mrs. Meher Pudumjee, Chairperson and Mr. Prakash Kulkarni.

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 once during the financial year on 25.01.2006 where both 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, Mr. Ravi Venkatesan and consists of following members viz., Mr. Prakash Kulkarni, Mrs. Meher Pudumjee and Mr. Pheroze Pudumjee

There was no meeting of the Committee held during the financial year.

#### **6) Overseas Investment Committee**

The Committee comprises of two members, namely, Mr. Pheroze Pudumjee, Chairman 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. Oversee the WOSs 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. Review with the management, external and internal auditors, if any, the adequacy of internal control systems including management information system.
3. Review the company's financial and risk management policies.
4. Advise 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 3 times during the financial year on 18.08.2005, 04.10.2005 and 08.03.2006 where both the members were present.

## C) OTHER DISCLOSURES RECOMMENDED BY SEBI

### i) Annual General Meeting

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

Year	Location	Date	Time
2002-03	Firodia Hall, The Institution of Engineers, 1332, J.M.Road, Shivajinagar, Pune - 411005	31.07.2003	11.00 am
2003-04	Same as above	27.07.2004	11.00 am
2004-05	Same as above	26.07.2005	11.00 am

No special resolutions were required to be put through postal ballot last year. Similarly, there is no proposal to pass any special resolution requiring a postal ballot for the ensuing AGM.

### ii) 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. The Audit Committee reviews these.
2. The Company has prepared a Risk Management Framework to identify, minimise, report and review business and process related risks at pre-defined intervals. This framework has been reviewed by the Board to assess the control mechanism for risk evaluation and mitigation.
3. 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.

### iii) 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 being sent to the individual shareholders. The quarterly and half-yearly financial results and the quarterly shareholding pattern are also posted on the EDIFAR website i.e. [www.sebiedifar.nic.in](http://www.sebiedifar.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, Sakal, Business Standard, Hindu Business Line and Asian Age. 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.
5. The company's website can be accessed at [www.thermaxindia.com](http://www.thermaxindia.com).

### iv) 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

### i) Annual General Meeting

Date and Time : 20th July 2006  
at 11.00 a.m.

Venue : Firodia Hall, The  
Institution of Engineers,  
1332, Jangli Maharaj Road,  
Shivajinagar,  
Pune - 411 005

### ii) Financial Calendar (indicative)

Financial Year: 1st April to 31st March

For the year-ended on 31st March 2006 the financial results were announced on:

	(As indicated)	(Actual Date)
Quarter ended June 2005	July 26, 2005	July 26, 2005
Quarter ended September 2005	November 17, 2005	November 17, 2005
Quarter ended December 2005	January 31, 2006	January 31, 2006
Year ended March 2006	End May 2006	May 24, 2006

For the year-ended on 31st March 2007 the tentative dates are:

Mailing of Annual Reports	Third week of June 2006
Results for the quarter ended June 2006	July 20, 2006
Results for the quarter ended September 2006	November 15, 2006
Results for the quarter ended December 2006	January 31, 2007
Results for the year ended March 2007	End May, 2007

### iii) Book Closure Date

The Company had fixed April 10, 2006 as the Record Date to determine members eligible to receive the sub-divided equity shares of face value Rs. 2/- each.

The company's Share Transfer Books and Register of Members of Equity & Preference shares shall remain closed from 10th July 2006 to 20th July 2006 (both days inclusive), to determine the entitlement of shareholders to receive dividend for the year ended 31st March 2006. The book closure shall be applicable for entitlement to receive dividend on Equity Share Capital.

### iv) Listing

The company's securities are listed on two stock exchanges viz., The National Stock Exchange of India (NSE) and The Stock Exchange, Mumbai (BSE).

The company has paid listing fees to both the Stock Exchanges for the year 2006-07.

The Company's application pending with The Calcutta Stock Exchange Association Limited for voluntary delisting was approved effective April 24, 2006.

### Stock Codes

Name of the Exchange	Equity Share
National Stock Exchange of India Ltd.	Thermax Eq
The Stock Exchange, Mumbai	500411
ISIN No. for security	INE 152A01029

## Stock Data

Month	MKT QUOTE - NSE		MKT QUOTE - BSE	
	High	Low	High	Low
Apr. 2005	670.00	566.60	668.00	590.35
May 2005	690.00	591.50	678.00	601.00
June 2005	659.00	575.00	659.95	598.00
July 2005	689.00	592.00	669.90	580.05
Aug. 2005	760.00	641.20	765.00	625.00
Sep. 2005	935.00	721.05	930.00	711.00
Oct. 2005	888.80	774.00	892.00	770.00
Nov. 2005	985.00	785.00	983.00	784.00
Dec. 2005	979.90	902.05	970.00	881.00
Jan. 2006	1289.90	960.00	1300.00	960.0
Feb. 2006	1285.00	1140.05	1259.70	1140.00
Mar. 2006	1575.00	1207.10	1580.00	1400.00
Mar 31, 2006	315.00 *	279.00 *	315.00 *	280.00 *

\* Company had fixed April 10, 2006 as the Record Date for the sub-division of its equity shares of face value Rs. 10/- to face value of Rs. 2/- each. However, No-Delivery Period on the Stock Exchanges commenced on March 31, 2006 and hence on March 31, 2006 shares traded on stock exchanges were for the sub-divided equity shares.

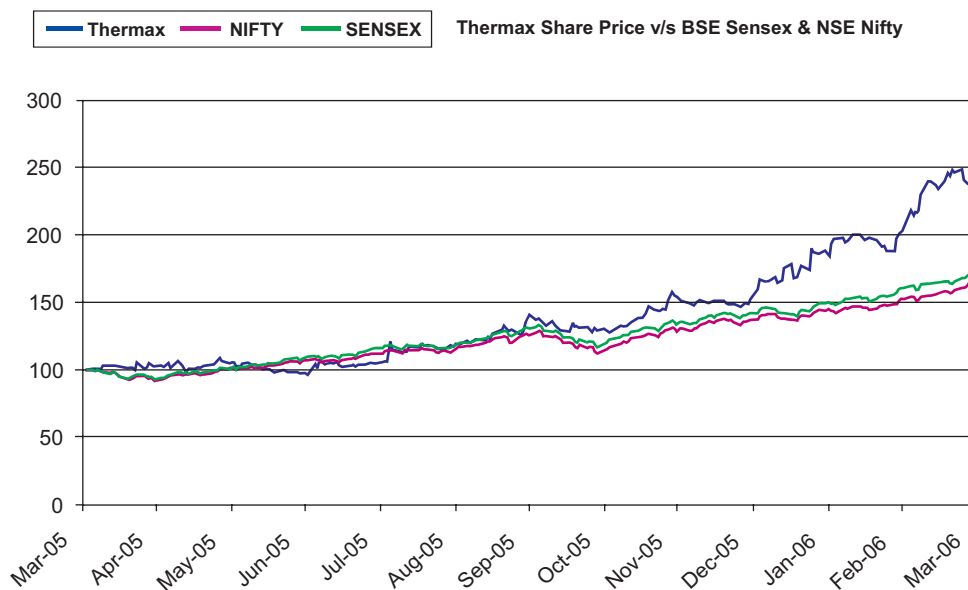
## v) Registrar & Share Transfer Agent

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

## vi) 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 its Registrar and Transfer Agent in physical mode are processed and all valid transfers are approved. The share certificates duly transferred and despatched within a period of 15 to 20 days from the date of receipt.

## Stock Performance



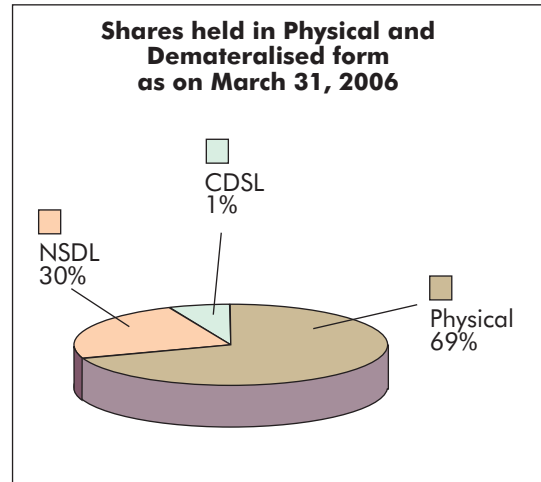
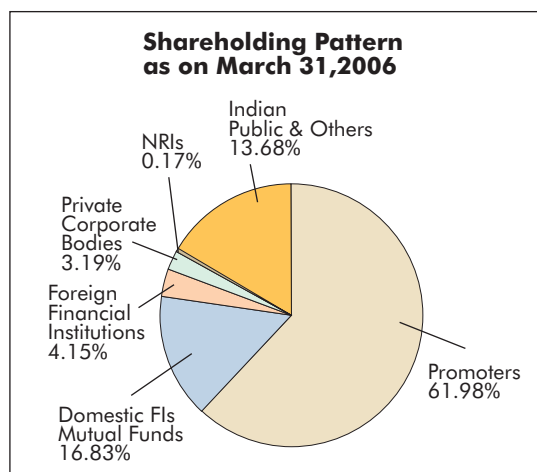
**vii) Shareholding Pattern**

Distribution of equity shareholding as on 31st March, 2006 (pre sub-division of shares)

No. of Shares	No. of Shareholders	%	No. of Shares held	% of Shareholding
1-500	15,390	96.24	10,68,448	4.48
501-1000	224	1.40	1,75,014	0.73
1001-2000	120	0.75	1,74,687	0.73
2001-3000	38	0.24	96,772	0.41
3001-4000	16	0.10	57,174	0.24
4001-5000	16	0.10	74,906	0.31
5001-10000	53	0.33	3,96,325	1.66
10001 & above	135	0.84	217,87,934	91.44
	<b>15,992</b>	<b>100.00</b>	<b>238,31,260</b>	<b>100.00</b>

Category of equity shareholders as on 31st March, 2006 (pre sub-division of shares)

Category	No. of Shares held	% of Shareholding
<b>Promoters</b>		
Promoters holding	147,71,061	61.98
<b>Non-Promoters Holding</b>		
1 mutual funds, banks, financial Institutions, insurance companies, etc.	40,09,376	16.83
2 FIIs	9,88,971	4.15
3 Private corporate bodies	7,60,112	3.19
4 NRIs	41,472	0.17
5 Indian public & others	32,60,268	13.68
<b>Total</b>	<b>238,31,260</b>	<b>100.00</b>



Category of equity shareholders as on 11th April, 2006 (post sub-division of shares)

Category	No. of Shares held	% of Shareholding
<b>Promoters</b>		
Promoters holding	7,38,55,305	61.98
<b>Non-Promoters Holding</b>		
1 mutual funds, banks, financial institutions, insurance companies, etc.	1,91,65,729	16.08
2 FIIs	50,08,383	4.20
3 Private corporate bodies	42,52,943	3.57
4 NRIs	2,08,778	0.18
5 Indian public & others	1,66,65,162	13.99
<b>Total</b>	<b>11,91,56,300</b>	<b>100.00</b>

**viii) Details of Dematerialisation**

The company's equity shares are under compulsory demat trading by all categories of investors. As on 31st March 2006, 74,15,011 shares have been dematerialised which account for 31.11 percent of the total equity.

**ix) 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  
 D-1 Block, MIDC Industrial Area,  
 Chinchwad, Pune - 411 019.  
 Maharashtra State

**x) 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 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 the 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**

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.

As per the provisions of Section 205C of the Companies Act, 1956, companies are required to transfer dividend which remain unclaimed 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 upto the financial year 1997-98 have been transferred to the IEPF.

Financial year	Dividend	Date of declaration	Total dividend amount (Rs crores)	Unclaimed Dividend as on 31.3.2006		Due for transfer to IEPF on
				(Rs.)	%	
1998-99	Final	20.09.1999	8.14	1,90,961	0.23	05.11.2006
1999-00	Interim	25.05.2000	8.14	2,04,303	0.26	12.07.2007
2000-01	Final	05.09.2001	2.33	76,713	0.32	10.10.2008
2001-02	Final	27.09.2002	11.63	2,69,366	0.23	30.10.2009
2002-03	Final	31.07.2003	28.60	6,74,580	0.24	04.09.2010
2003-04	Final	27.07.2004	Equity: 28.60	5,32,440	0.19	02.09.2011
			RPS : 1.50	78,402	0.52	
2004-05	Final	26.07.2005	Equity: 28.60	4,56,240	0.16	31.08.2012
			RPS : 2.86	92,933	0.33	
2005-06	Final (pro rata)	26.07.2005	RPS : 0.92	29,521	0.33	31.08.2012

### Bank details

Shareholders holding shares in physical form are requested to notify / send the following information to the Registrar & Transfer Agent 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 Agent.

### Electronic Clearing Service (ECS) facility

The company proposes to pay dividend for the

year 2005-06 through ECS i.e. by crediting the shareholders' bank account directly.

- Members holding shares in PHYSICAL FORM and desirous of availing this facility are requested to send their details in ECS mandate form. The ECS mandate form may be collected from the company's Corporate Office or its Registrar and Transfer Agent or may be downloaded from the company's website ([www.thermaxindia.com](http://www.thermaxindia.com)). To avail of the ECS facility the mandate form should be returned by post or hand delivered to the company's corporate office or its Registrar or Transfer Agent before the commencement of the book closure date i. e. 10th July 2006.
- Members holding shares of the company in DEMATERIALISED (electronic) form are requested to intimate all changes pertaining to their bank account details, ECS mandates, nominations, power of attorney, change of address/name etc. to their Depository Participant (DP) only and not to the company or its Registrar and Transfer Agents. Changes intimated to the DP would be downloaded and updated in the company's records for disbursement of dividend or any corporate benefits.

## AUDITORS' CERTIFICATE

To the Members of Thermax Limited

We have examined the compliance of conditions of Corporate Governance by Thermax Limited, for the year ended on 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the said company with the 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 the conditions of the 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 abovementioned Listing Agreement.

We 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 **B. K. Khare & Company**  
Chartered Accountants

**H.P. Mahajani**  
Partner

(Membership no. 30168)

Place: Pune  
Date: May 24, 2006

## **CODE OF CONDUCT** **for Directors and Senior Management**

1. Fulfill functions of the office with integrity, professionalism, and exercise powers attached thereto in good faith and with due care and diligence, without the influence of personal interest.
2. The Board should act in the best interests of, and fulfill the fiduciary obligations to the Company's shareholders, whilst also considering the interests of other stakeholders.
3. Ensure that the Company's assets, proprietary confidential information and resources are used by the Company and its employees only for legitimate business purposes of the Company.
4. Minimise any situation or action that can create conflict of interests of the Company vis-à-vis personal interest or interests of associated persons and make adequate disclosures, where necessary.
5. The Senior Management shall have the primary responsibility for the implementation of internal controls to deter and detect fraud. The Company shall have zero tolerance for the commission or concealment of fraud or illegal acts.
6. The Senior Management will ensure that its dealings and relationships with business associates/customers are maintained in the best interest of the Company. Its relationship in regard to the Company work should be professional and commercially appropriate.
7. Seek to comply with all applicable laws, regulations, confidentiality obligations and corporate policies of the Company. Encourage reporting of a material violation of any laws, rules or regulations applicable to the Company or the operation of its business and ensure that the person reporting such violation is not aggrieved in any manner.
8. Comply with the terms of the Code of Conduct for Prohibition of Insider Trading approved by the Board of Directors and any other Code that may be formulated from time to time, as applicable.
9. Conduct business in a responsible manner and commit to undertake:
  - (a) compliance with environmental laws, regulations and standards
  - (b) to incorporate environmental friendly and protection measures as an integral part of the design, production, operation and maintenance of the Company's facilities
  - (c) encourage wise use of energy, and minimize any adverse impact on the environment
  - (d) ensure health and safety measures for all the employees and workmen
10. The Senior Management shall not, without the prior approval of the Managing Director, accept part time employment or a position of responsibility (such as a consultant or a director) with any other organisation, for remuneration or otherwise.
11. Establish processes and systems for storage, retrieval and dissemination of documents both in physical and electronic form, so that the obligations of this Code are fulfilled.



## **Auditors' Report**

### **To the Members of Thermax Limited**

1. We have audited the attached Balance Sheet of Thermax Limited as at 31st March 2006, the relative Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. 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.
2. We have conducted our audit in accordance with 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 the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 of India (the "Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
  - (a) 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;
  - (b) In our opinion, proper books of account have been kept by the Company as required by law, so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) 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 Section 211(3C) of the Act;
  - (e) On the basis of written representations received from the Directors, as on 31st March 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, together with the Notes thereon and attached thereto, give, in the prescribed manner, the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For B. K. Khare & Company**  
Chartered Accountants

**H.P. Mahajani**

Partner

(Membership no. 30168)

Place: Pune

Date: May 24, 2006

## **Annexure to the Auditors' Report**

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

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.  
(b) The fixed assets of the Company have been physically verified by the management at reasonable intervals during the year and the discrepancies noticed have been properly dealt with in the books of account.  
(c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The inventory of the Company has been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.  
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory 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 records of inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noticed on physical verification between the physical stocks and the book records were not material.
3. The Company has neither granted nor taken loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. As the Company has not granted/taken any loans, secured or unsecured, to/from companies, firms etc., listed in the register maintained under Section 301 of the Act, paragraphs 4(iii)(a) to (g) of the Order, are not applicable.
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 and fixed assets and for the sale of goods and services. Further, during the course of our audit we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) On the basis of our examination of the books of account, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.  
(b) In our opinion, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the market prices prevailing at the relevant time as evaluated on the basis of quotations obtained from parties / prices charged by the Company in case of similar transactions during the year and considering that having regard to certain items purchased / sold are of a special nature in respect of which suitable alternative sources do not exist for obtaining comparative quotations in general.
6. The Company has not accepted any deposits under the provisions of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the Company in respect of product where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records maintained as aforesaid.
9. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable, have generally been regularly deposited by the Company during the year with the appropriate authorities.  
(b) As at 31st March 2006, according to the records of the Company and the information and explanations given to us, the following are the particulars of disputed dues on account of sales-tax, income-tax, customs duty, wealth tax, service tax, excise duty and cess matters that have not been deposited on account of a dispute:

Name of the statute	Nature of dues	Amount under dispute not yet deposited (Rs. Crores)	Period to which the amount relates	Forum where the dispute is pending
Income-tax Act, 1961	Income tax including interest and penalty as applicable	1.000 0.809	2001-02 2003-04	Appellate Authority-upto Commissioner's level
Wealth Tax Act, 1957	Wealth tax including interest and penalty as applicable	0.040 0.022	1999-00 2000-01	Appellate Authority-upto Commissioner's level
Central Sales Tax Act and Local Sales Tax Acts (including works contract)	Sales tax including interest and penalty, as applicable	0.025 0.197 0.047 0.005 0.722 0.001 0.008 0.086	1992-93 2000-01 2001-02 1986-87 1995-96 2001-02 2002-03 2003-04	Appellate Authority-upto Commissioner's level Tribunal
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable.	0.555 0.358 0.634 0.030 0.123 0.012 0.549 0.953	1983 to 87 1990 to 95 1997 to 00 2002 to 04 1996 to 98 1998 to 01 2001-02 2004-05	Appellate Authority-upto Commissioner's level Tribunal
Customs Act, 1962	Customs duty including interest and penalty, as applicable	0.010 0.564	1999-00 2002-03	Appellate Authority-upto Commissioner's level Tribunal
Finance Act, 1994 (Service Tax)	Service Tax including interest and penalty, as applicable	1.583 0.027 0.349	1997-00 2002-04 2004-05	Appellate Authority-upto Tribunal
ESI Act, 1948 and Industrial Dispute Act, 1947	Dues, interest and penalty as applicable	0.004 6.048 0.114 0.117 0.250 0.296 0.059 1.192 0.010 0.089 0.025 0.097 0.411	1990-91 1998-99 1999-00 2000-01 2001-02 2002-03 2003-04 2005-06 1979 to 83 1984-85 1987 to 89 1989-90 1994-95	Appellate Authority-upto Labour Court High Court

10. The Company has neither accumulated losses as at 31st March 2006, nor it has incurred any cash loss either during the financial year ended on that date or in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the Management, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or bank or to debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. However, in respect of transactions relating to investment in certain securities, the Company has maintained proper records of transactions and contracts during the year and timely entries have been made therein. Further, such securities have been held by the Company in its own name.
15. Based on the information and explanations given to us, in our opinion, the terms and conditions on which the Company has given counter guarantees / corporate guarantees on behalf of its subsidiaries to the banks during the year, are not prima facie prejudicial to the interest of the Company.
16. The Company has not taken any term loan during the year.
17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not been used for long term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. No debentures have been issued during the year.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the Management.

**For B. K. Khare & Company**  
Chartered Accountants

Place: Pune  
Date: May 24, 2006

**H.P. Mahajani**  
Partner  
(Membership no. 30168)

## Balance Sheet as at March 31, 2006

	Sch	Sch 18 Note No. Reference	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SOURCES OF FUNDS</b>				
Shareholders' Funds:				
Share Capital	1		23.83	71.49
Reserves & Surplus	2		454.76	338.60
			<u>478.59</u>	<u>410.09</u>
Loan Funds:				
Secured Loans	3		—	—
Deferred Tax Liability :				
Deferred Tax Liabilities			19.10	16.10
Deferred Tax Assets			(9.81)	(7.90)
			<u>9.29</u>	<u>8.20</u>
<b>Total Funds Employed</b>			<u><b>487.88</b></u>	<u><b>418.29</b></u>
<b>APPLICATION OF FUNDS</b>				
Fixed Assets:				
Gross Block	4		243.24	176.71
Less: Depreciation			110.00	84.07
Net Block			<u>133.24</u>	<u>92.64</u>
Capital Work-in-progress			4.38	8.98
Investments	5	1 (f)	417.49	316.16
Current Assets, Loans & Advances:				
Inventories	6		118.74	85.92
Contracts in Progress		7	43.54	19.65
Sundry Debtors	7		226.30	172.86
Cash & Bank Balances	8		36.11	11.15
Other Current Assets			21.54	8.48
Loans & Advances	9		86.73	69.96
			<u>532.96</u>	<u>368.02</u>
Less: Current Liabilities & Provisions:				
Current Liabilities	10		478.72	297.15
Contracts in Progress		7	65.43	29.43
Provisions	11		56.24	41.64
			<u>600.39</u>	<u>368.22</u>
Net Current Assets			(67.43)	(0.20)
Miscellaneous Expenditure to the extent not written off or adjusted	12		0.20	0.71
<b>Total Funds Applied</b>			<u><b>487.88</b></u>	<u><b>418.29</b></u>
Notes to Accounts	18			

As per our report of even date

**For B. K. Khare & Co.**  
Chartered Accountants

**Meher Pudumjee**  
Chairperson

**Prakash Kulkarni**  
Managing Director

**H. P. Mahajani**  
Partner  
Membership No.: 30168

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

**Sunil Lalai**  
Company Secretary

Pune, May 24, 2006

Pune, May 24, 2006

**Profit and Loss Account for the year ended March 31, 2006**

	Sch	Sch 18 Note No. Reference	Year ended March 31, 2006 Rs. Crores	Year ended March 31, 2005 Rs. Crores
<b>INCOME</b>				
Sales and Other Income	13		<u>1498.00</u>	<u>941.16</u>
<b>EXPENDITURE</b>				
Materials	14		947.92	630.45
Personnel	15		130.92	83.27
Other Expenses	16		209.76	133.69
Excise Duty (Net)			0.72	0.88
Depreciation		1 (d)	15.21	9.20
Interest	17		0.94	0.65
			<u>1305.47</u>	<u>858.14</u>
<b>Profit Before Tax</b>			<b>192.53</b>	<b>83.02</b>
Less : Provision for Taxation		1 (o)		
Current Tax			(63.03)	(27.30)
Deferred Tax		8	(2.36)	(0.43)
Fringe Benefit Tax			(3.89)	—
<b>Profit After Tax</b>			<u>123.25</u>	<u>55.29</u>
Balance carried forward from last year			51.17	37.35
Transferred on Amalgamation		9	29.50	—
			<u>203.92</u>	<u>92.64</u>
<b>Profit available for appropriation</b>			<b>203.92</b>	<b>92.64</b>
<b>Appropriations</b>				
Proposed Equity Dividend			40.51	28.60
Preference Dividend			0.92	2.86
Provision for Tax on Dividend			12.50	4.41
General Reserve			13.38	5.60
Balance Carried to Balance Sheet			136.61	51.17
			<u>203.92</u>	<u>92.64</u>
Basic / Diluted Earnings Per Share (EPS) - Rs. [Equity Shares of Rs. 2/- each (Previous year Rs 10/- each)]		22	<u>9.69</u>	<u>21.83</u>
Weighted average number of Equity Shares			<b>11,91,56,300</b>	<b>2,38,31,260</b>
Notes to Accounts		18		

As per our report of even date

**For B. K. Khare & Co.**  
*Chartered Accountants*

**Meher Pudumjee**  
*Chairperson*

**Prakash Kulkarni**  
*Managing Director*

**H. P. Mahajani**  
*Partner*  
*Membership No.: 30168*

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

**Sunil Lalai**  
*Company Secretary*

Pune, May 24, 2006

Pune, May 24, 2006

## Schedules attached to and forming part of the Balance Sheet as at March 31, 2006

	Sch 18 Note No. Reference	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SCHEDULE 1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
37,50,00,000	Equity Shares of Rs. 2/- each (Previous Year 2,50,00,000 Equity Shares of Rs. 10/- each)	75.00	25.00
Nil	Redeemable Preference Shares of Rs 10/- each (Previous Year 5,00,00,000)	—	50.00
		<u>75.00</u>	<u>75.00</u>
<b>Issued, Subscribed &amp; Paid Up</b>			
11,91,56,300	Equity Shares of Rs. 2/- each, fully paid-up (Previous year 2,38,31,260 Equity Shares of Rs. 10/- each, fully paid-up)	10 23.83	23.83
Nil	6% Redeemable Preference Shares of Rs 10/- each fully paid up (Previous year 4,76,62,520) (Allotted as Bonus Shares by capitalisation of Share Premium)	10 —	47.66
		<u>23.83</u>	<u>71.49</u>
<b>SCHEDULE 2</b>			
<b>RESERVES &amp; SURPLUS</b>			
<b>Capital Redemption Reserve</b>			
	Per Last Balance Sheet	2.68	2.68
	Add : Transferred from General Reserve on redemption of 6% Redeemable Preference Shares	47.66	—
		<u>50.34</u>	<u>2.68</u>
<b>Share Premium Account</b>			
	Per Last Balance Sheet	61.13	61.13
<b>Capital Reserve</b>			
	Per Last Balance Sheet	8.00	8.00
	Less : Adjustment on Amalgamation	9 5.75	—
		<u>2.25</u>	<u>8.00</u>
<b>General Reserve</b>			
	Per Last Balance Sheet	208.62	203.02
	Add: Transferred on Amalgamation	9 25.66	—
	Less: Transferred to Capital Redemption Reserve on redemption of 6% Redeemable Preference Shares	47.66	—
	Add: Transferred from Profit & Loss A/c	13.38	5.60
		<u>200.00</u>	<u>208.62</u>
<b>Amalgamation Reserve</b>			
	Per Last Balance Sheet	7.00	7.00
	Less : Adjustment on Amalgamation	9 2.57	—
		<u>4.43</u>	<u>7.00</u>
	<b>Balance in Profit &amp; Loss A/c</b>	<u>136.61</u>	<u>51.17</u>
		<u>454.76</u>	<u>338.60</u>

**Schedules attached to and forming part of the Balance Sheet as at March 31, 2006**

<b>Sch 18</b>	<b>As at</b>	<b>As at</b>
<b>Note No.</b>	<b>March 31, 2006</b>	<b>March 31, 2005</b>
<b>Reference</b>	<b>Rs. Crores</b>	<b>Rs. Crores</b>

**SCHEDULE 3**  
**SECURED LOANS**

Borrowings from Banks for Working Capital (including Working Capital Term Loans)	12	—	—	
		—	—	
		—	—	

**SCHEDULE 4**  
**FIXED ASSETS**  
(Refer Note 1(c)(d) & 18 of Schedule 18)

Rs. Crores

Particulars	Gross Block					Depreciation					Net Block	
	Cost As at 1st April 2005	Transfer of Assets on Amalgamation	Additions/ Adjustments During the Year	Deductions/ Adjustments During the Year	Total Cost as at 31st March 2006	Upto 31st March 2005	Transfer on Amalgamation	Deductions/ Adjustments During the Year	Provisions During the Year	Total as at 31st March 2006	As at 31st March 2006	As at 31st March 2005
<b>TANGIBLE :</b>												
A. Land - Freehold	7.36	—	—	—	7.36	—	—	—	—	—	7.36	7.36
B. Land - Leasehold	1.96	0.28	—	0.03	2.21	—	—	—	—	—	2.21	1.96
C. Building	22.27	7.53	4.35	0.65	33.50	5.85	1.50	0.02	0.87	8.20	25.30	16.42
D. Plant & Machinery	97.04	14.94	13.83	0.13	125.68	52.61	3.45	0.10	6.78	62.74	62.94	44.43
E. Machinery given on Lease	0.46	7.22	—	7.22	0.46	0.43	7.22	7.22	—	0.43	0.02	0.03
F. Electrical Installations	4.59	—	0.32	0.03	4.88	2.44	—	0.01	0.28	2.71	2.17	2.15
G. Furniture, Fixtures, Computers & Office Equipment	34.19	12.66	7.49	1.58	52.76	21.24	6.55	1.23	4.62	31.18	21.58	12.95
H. Vehicles	7.97	1.86	3.44	0.60	12.67	1.32	0.25	0.20	1.65	3.02	9.66	6.65
<b>INTANGIBLE :</b>												
A. Software	0.52	0.89	1.96	—	3.37	0.06	0.53	—	0.90	1.49	1.88	0.46
B. Technical Knowhow	0.35	—	—	—	0.35	0.12	—	—	0.11	0.23	0.12	0.23
<b>Total</b>	<b>176.71</b>	<b>45.38</b>	<b>31.39</b>	<b>10.24</b>	<b>243.24</b>	<b>84.07</b>	<b>19.50</b>	<b>8.78</b>	<b>15.21</b>	<b>110.00</b>	<b>133.24</b>	<b>92.64</b>
Previous Year	165.23	N.A.	22.00	10.52	176.71	84.43	N.A.	9.56	9.20	84.07	92.64	80.80
<i>Capital W.L.P</i>											4.38	8.98

## Schedules attached to and forming part of the Balance Sheet as at March 31, 2006

	Face Value Rs. Crores	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SCHEDULE 5</b>			
<b>Investments (See note 1 (f) of Schedule 18)</b>			
Non Trade (Long Term)			
<b>Government Securities</b>			
1	National Savings Certificates *[Amount Rs 15,000 (Previous Year Rs 15,000 /-)]	0.00	0.00*
2	50,000 12.25 % GOI 2008	0.50	Nil
<b>Units - Quoted but not Listed</b>			
3	Nil (Previous year 1,11,24,470) units of Alliance Cash Manager of Alliance Capital Mutual Fund	Nil	11.13
4	1,00,00,000 (Previous year Nil ) units of Birla Fixed Term Series of Birla Sunlife Mutual Fund	10.00	Nil
5	1,49,91,605 (Previous year 1,49,91,605 ) units of Birla Fixed Maturity Quarterly Plan of Birla Sunlife Mutual Fund	15.00	15.00
6	10,00,000 (Previous year Nil ) units of Birla Fixed Term Plan Series A of Birla Sunlife Mutual fund	1.00	Nil
7	20,62,059 (Previous year 1,81,48,367) units of Birla Cash Plus Institutional Premium Plan of Birla Mutual Fund	2.07	18.20
8	28,49,931 (Previous year Nil ) units of Birla Cash - Institutional Plan of Birla Mutual Fund	2.85	Nil
9	46,26,548 (Previous year Nil ) units of Birla Cash Plus - Institutional Plan of Birla Mutual Fund	4.62	Nil
10	49,80,130 (Previous year Nil ) units of Birla Sun Life Short Term Fund of Birla Sunlife Mutual Fund	4.98	Nil
11	5,00,000 (Previous year Nil ) units of Birla Fixed Term Plan Series C of Birla Sunlife Mutual fund	0.50	Nil
12	1,00,00,000 (Previous year Nil ) units of Chola Fixed Maturity Plan Series -2 of Chola Mutual Fund	10.00	Nil
13	1,05,166 (Previous year 1,05,166) units of Chola Liquid Institutional Plus Cumulative Plan of Chola Mutual Fund	0.11	0.14
14	30,09,858 ( Previous year Nil ) units of Chola Fixed Maturity Plan of Chola Mutual Fund	3.00	Nil
15	42,84,000 (Previous year 52,78,790) units of Chola Liquid Institutional Plus Plan of Chola Mutual Fund	4.29	6.08
16	50,00,000 (Previous year Nil ) units of Chola Fixed Maturity Plan Series 3 units of Chola Mutual Fund	5.00	Nil
17	50,00,000 (Previous year Nil) units of Chola Fixed Maturity Series of Chola Mutual Fund	5.00	Nil
18	1,00,000 (Previous year Nil ) units of DSPML Fixed term of DSP Merrill Lynch Mutual Fund	10.00	Nil
19	30,390 (Previous year Nil ) units of DSP Merrill Lynch Bond Fund Retail of DSP Merrill Mutual Fund	3.04	Nil
20	94,729 (Previous year Nil) units of DSPML Liquidity Fund of DSP Merill Lynch Mutual Fund	9.48	Nil
21	1,00,00,000 (Previous year Nil ) units of Grindlays Fixed Maturity of Standard Chartered Mutual Fund	10.00	Nil
22	1,01,01,400 (Previous year Nil ) units of Grindlays Fixed Maturity - 19th Plan of Standard Chartered Mutual Fund	10.10	Nil



**Schedules attached to and forming part of the Balance Sheet as at March 31, 2006**

	Face Value Rs. Crores	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
23 1,51,41,300 ( <i>Previous year Nil</i> ) units of Grindlays Fixed Maturity -21st Plan of Standard Chartered Mutual Fund	15.14	<b>15.14</b>	Nil
24 Nil ( <i>Previous year 1,00,00,000</i> ) units of Grindlays Fixed Maturity Quarterly 10th Plan of Standard Chartered Mutual Fund	Nil	<b>Nil</b>	10.00
25 Nil ( <i>Previous year 1,20,22,242</i> ) units of Grindlays Cash Manager Institutional Plan C of Standard Chartered Mutual Fund	Nil	<b>Nil</b>	12.03
26 1,50,88,530 ( <i>Previous year Nil</i> ) units of HSBC Fixed Term Series 7 of HSBC Mutual Fund	15.09	<b>15.08</b>	Nil
27 50,00,000 ( <i>Previous year Nil</i> ) units of HDFC Fixed Maturity Plan of HDFC Mutual Fund	5.00	<b>5.00</b>	Nil
28 75,00,000 ( <i>Previous year Nil</i> ) units of HSBC Fixed Term Series 8 of HSBC Mutual Fund	7.50	<b>7.50</b>	Nil
29 Nil ( <i>Previous year 64,32,988</i> ) units of HSBC Cash Fund Institutional Plus Plan of HSBC Mutual Fund	Nil	<b>Nil</b>	6.44
30 50,00,000 ( <i>Previous year Nil</i> ) units of ING Vysya Fixed Maturity Series VIII - of ING Vysya Mutual Fund	5.00	<b>5.00</b>	Nil
31 1,59,26,382 ( <i>Previous year 1,52,44,878</i> ) units of JM Short Term Floater of JM Mutual Fund	15.93	<b>16.01</b>	15.33
32 5,00,000 ( <i>Previous year Nil</i> ) units of JM Fixed Maturity Plan -YSO1 of JM Financial Mutual Fund	0.50	<b>0.50</b>	Nil
33 50,00,000 ( <i>Previous year Nil</i> ) units of JM Fixed Maturity Fund Series II YSA of JM Financial Mutual Fund	5.00	<b>5.00</b>	Nil
34 75,00,000 ( <i>Previous year Nil</i> ) units of JM Fixed Maturity Fund Series II of JM Financial Mutual Fund	7.50	<b>7.50</b>	Nil
35 81,18,993 ( <i>Previous year Nil</i> ) units of JM Equity & Derivative Fund Plan of JM Financial Mutual Fund	8.12	<b>8.22</b>	Nil
36 Nil ( <i>Previous year 1,50,00,000</i> ) units of JM Fixed Maturity Quarterly Plan QSA5 of JM Mutual Fund	Nil	<b>Nil</b>	15.00
37 Nil ( <i>Previous year 1,50,00,000</i> ) units of JM Fixed Maturity Quarterly Plan QSF5 of JM Mutual Fund	Nil	<b>Nil</b>	15.00
38 Nil ( <i>Previous year 20,00,000</i> ) units of JM Equity & Derivative Fund Growth Plan of JM Mutual Fund	Nil	<b>Nil</b>	2.00
39 1,00,92,581 ( <i>Previous year Nil</i> ) units of Kotak Fixed Maturity Series XVI of Kotak Mutual Fund	10.09	<b>10.09</b>	Nil
40 1,49,98,114 ( <i>Previous year 4,09,13,509</i> ) units of Kotak Liquid Institutional Premium Plan of Kotak Mahindra Mutual Fund	15.00	<b>15.06</b>	41.03
41 1,50,70,933 ( <i>Previous year Nil</i> ) units of Kotak Fixed Maturity Plan Series XVIII of Kotak Mahindra Mutual Fund	15.08	<b>15.08</b>	Nil
42 15,46,349 ( <i>Previous year Nil</i> ) units of Kotak Liquid Institutional Plan of Kotak Mahindra Mutual Fund	1.55	<b>1.55</b>	Nil
43 5,00,000 ( <i>Previous year Nil</i> ) units of Kotak Fixed Maturity Plan of Kotak Mahindra Mutual Fund	0.50	<b>0.50</b>	Nil
44 50,00,000 ( <i>Previous year Nil</i> ) units of Kotak Fixed Maturity Series XV of Kotak Mutual Fund	5.00	<b>5.00</b>	Nil
45 50,15,844 ( <i>Previous year Nil</i> ) units of Kotak Fixed Maturity Plan Series 20 of Kotak Mahindra Mutual Fund	5.02	<b>5.02</b>	Nil

## Schedules attached to and forming part of the Balance Sheet as at March 31, 2006

	Face Value Rs. Crores	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
46 1,42,21,649 ( <i>Previous year Nil</i> ) units of Prudential ICICI- Blended Plan B of Prudential ICICI Mutual Fund	14.22	<b>14.32</b>	Nil
47 18,91,907 ( <i>Previous year Nil</i> ) units of Prudential ICICI Fixed Maturity Plan of Prudential ICICI Mutual Fund	1.89	<b>1.89</b>	Nil
48 30,57,708 ( <i>Previous year Nil</i> ) units of Prudential ICICI Blended Plan A of Prudential ICICI Mutual Fund	3.06	<b>3.07</b>	Nil
49 50,00,000 ( <i>Previous year Nil</i> ) units of Prudential ICICI Fixed Maturity Series XXVII of Prudential ICICI Mutual fund	5.00	<b>5.00</b>	Nil
50 Nil ( <i>Previous year 1,00,00,000</i> ) units of Prudential ICICI Fixed Maturity Yearly Plan VI of Prudential ICICI Mutual Fund	Nil	<b>Nil</b>	10.00
51 Nil ( <i>Previous year 1,50,00,000</i> ) units of Prudential ICICI Fixed Maturity Quarterly Plan Series XXVI of Prudential ICICI Mutual fund	Nil	<b>Nil</b>	15.00
52 Nil ( <i>Previous year 1,51,62,229</i> ) units of Prudential ICICI Fixed Maturity Quarterly Plan Series XXV of Pru-ICICI Mutual Fund	Nil	<b>Nil</b>	15.18
53 Nil ( <i>Previous year 1,86,73,148</i> ) units of Prudential ICICI Liquid Institutional Plus Plan of Prudential ICICI Mutual fund	Nil	<b>Nil</b>	22.14
54 1,00,98,365 ( <i>Previous year Nil</i> ) units of Principal PNB Fixed Maturity Plan of Principal Mutual Fund	10.10	<b>10.09</b>	Nil
55 12,62,459 ( <i>Previous year Nil</i> ) units of Principal PNB Fixed Maturity Plan of Principal Mutual Fund	1.27	<b>1.27</b>	Nil
56 1,47,82,549 ( <i>Previous year Nil</i> ) units of Principal Deposit Fund of Principal Mutual Fund	14.78	<b>15.00</b>	Nil
57 10,00,000 ( <i>Previous year Nil</i> ) units of Reliance Fixed Maturity Fund Annual Plan of Reliance Mutual Fund	1.00	<b>1.00</b>	Nil
58 10,00,000 ( <i>Previous year Nil</i> ) units of Reliance Fixed Maturity Fund Annual Plan Series I of Reliance Mutual Fund	1.00	<b>1.00</b>	Nil
59 10,00,000 ( <i>Previous year Nil</i> ) units of Reliance Fixed Maturity Fund Annual plan Series II of Reliance Mutual Fund	1.00	<b>1.00</b>	Nil
60 2,50,00,000 ( <i>Previous year Nil</i> ) units of Reliance Fixed Maturity Fund Series 11 of Reliance Mutual Fund	25.00	<b>25.00</b>	Nil
61 32,92,958 ( <i>Previous year Nil</i> ) units of Reliance Fixed Maturity Fund Monthly Plan XI of Reliance Mutual Fund	3.30	<b>3.31</b>	Nil
62 49,98,778 ( <i>Previous year Nil</i> ) units of Reliance Liquidity Fund Plan of Reliance Mutual Fund	5.00	<b>5.02</b>	Nil
63 9,38,761 ( <i>Previous year 9,38,761</i> ) units of Reliance Power Sector Fund Growth Plan of Reliance Mutual Fund	0.94	<b>1.32</b>	1.32
64 9,72,838 ( <i>Previous year Nil</i> ) units of Reliance Income Fund - Retail Plan Bonus units of Reliance Mutual Fund	0.98	<b>Nil</b>	Nil
65 Nil ( <i>Previous year 1,50,00,000</i> ) units of Reliance Fixed Maturity Monthly Plan 18 of Reliance Mutual Fund	Nil	<b>Nil</b>	15.00
66 Nil ( <i>Previous year 1,00,00,000</i> ) units of Reliance Fixed Maturity Quarterly Plan 7 of Reliance Mutual Fund	Nil	<b>Nil</b>	10.00
67 Nil ( <i>Previous year 1,50,00,000</i> ) units of Reliance Fixed Maturity Quarterly Plan 8 of Reliance Mutual Fund	Nil	<b>Nil</b>	15.00
68 1,00,38,500 ( <i>Previous year Nil</i> ) units of Standard Chartered Fixed Maturity of Standard Chartered Mutual Fund	10.03	<b>10.03</b>	Nil

**Schedules attached to and forming part of the Balance Sheet as at March 31, 2006**

	Face Value Rs. Crores	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>69</b> 1,00,85,306 ( <i>Previous year Nil</i> ) units of Standard Chartered Liquidity Plan of Standard Chartered Mutual Fund	10.08	<b>10.08</b>	Nil
<b>70</b> 5,00,000 ( <i>Previous year 5,00,000</i> ) units of Sundaram S.M.I.L.E. Fund Dividend Plan of Sundaram Mutual Fund	0.50	<b>0.50</b>	0.50
<b>71</b> 50,00,000 ( <i>Previous year Nil</i> ) units of Sundaram Fixed Term Plan Series 1 of Sundaram Mutual Fund	5.00	<b>5.00</b>	Nil
<b>72</b> 50,00,000 ( <i>Previous year Nil</i> ) units of Sundaram Fixed Term Plan Series 3 of Sundaram Mutual Fund	5.00	<b>5.00</b>	Nil
<b>73</b> 1,00,00,000 ( <i>Previous year Nil</i> ) units of Tata Fixed Horizon Fund Series 5 of Tata Mutual Fund	10.00	<b>10.00</b>	Nil
<b>74</b> 1,00,65,592 ( <i>Previous year Nil</i> ) units of Tata Fixed Horizon Fund Series 3 of Tata Mutual Fund	10.06	<b>10.06</b>	Nil
<b>75</b> 29 ( <i>previous year Nil</i> ) units of Tata Liquid Plan of Tata Mutual Fund	0.00	<b>0.00</b>	Nil
<b>76</b> 7,250 ( <i>Previous year Nil</i> ) 6.75 % Tax Free Unit Trust of India 64 Bonds	0.07	<b>0.10</b>	Nil
<b>Quoted Equity Shares (fully paid up)</b>			
<b>77</b> 2,500 ( <i>Previous year 2,500</i> ) Equity Shares of Rs. 10/- each in Global Boards Ltd.	0.00	<b>0.00</b>	0.00
<b>78</b> 40,462 ( <i>Previous year 40,462</i> ) Equity Shares of Rs.10/- each in Recron Synthetics Ltd.	0.04	<b>0.04</b>	0.04
<b>79</b> 450 ( <i>Previous year 450</i> ) Equity Shares of Rs. 10/- each in Sudarshan Chemical Industries Ltd.	0.00	<b>0.00</b>	0.00
<b>80</b> 9,700 ( <i>Previous year 9,700</i> ) Equity Shares of Rs.10/- each in Sanghvi Movers Ltd.	0.01	<b>0.08</b>	0.08
<b>Quoted Equity Shares (partly paid up)</b>			
<b>81</b> 1,25,000 ( <i>Previous year 1,25,000</i> ) Equity Shares of Rs.10/- each Rs. 2.50 paid up in Parasrampuria Synthetics Ltd.	0.13	<b>0.06</b>	0.06
<b>Unquoted Equity Shares (fully paid up)</b>			
<b>82</b> 1,375 ( <i>Previous year 1,375</i> ) Equity Shares of Rs. 20/- each in Cosmos Co-operative Bank Ltd.	0.00	<b>0.00</b>	0.00
<b>83</b> 17,539 ( <i>Previous Year Nil</i> ) Equity Shares of G S L (India ) Ltd.	0.02	<b>0.00</b>	Nil
<b>84</b> 10,000 ( <i>Previous Year Nil</i> ) Equity Shares of Sicom Limited	0.01	<b>0.07</b>	Nil
<b>Unquoted Preference Shares (fully paid up)</b>			
<b>85</b> 21,800 ( <i>Previous year 21,800</i> ) 18% Redeemable Cumulative Preference Shares of Rs.10/- each in Indian Food Fermentation Limited	0.02	<b>0.02</b>	0.02
<b>In Subsidiary Companies (fully paid up)</b>			
<b>86</b> Nil ( <i>Previous year 50,00,000</i> ) Equity Shares of Rs. 10/- each in Thermax Babcock & Wilcox Ltd. ( <b>Refer Note No.9 of Schedule 18</b> )	Nil	<b>Nil</b>	10.75
<b>87</b> 7,50,000 ( <i>Previous year 7,50,000</i> ) Equity Shares of Rs. 10/- each in Thermax Surface Coatings Ltd.	0.75	<b>0.45</b>	0.45
<b>88</b> Nil ( <i>Previous year 1,50,00,000</i> ) Equity Shares of Rs.10/- each in Thermax Capital Ltd. ( <b>Refer Note No.9 of Schedule 18</b> )	Nil	<b>Nil</b>	15.00

## Schedules attached to and forming part of the Balance Sheet as at March 31, 2006

	Face Value Rs. Crores	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
89 15,00,000 ( <i>Previous year 15,00,000</i> ) Equity Shares of Rs.10/- each in Thermax Engineering Construction Company Ltd.	1.50	1.50	1.50
90 10,00,000 ( <i>Previous year 10,00,000</i> ) Equity Shares of Rs.10/- each in Thermax Electronics Ltd.	1.00	1.00	1.00
91 90,00,000 ( <i>Previous year 90,00,000</i> ) Equity Shares of Rs.10/- each in Thermax Instrumentation Ltd.	9.00	4.59	4.59
92 2,00,000 ( <i>Previous year 2,00,000</i> ) Ordinary Shares of GBP 1/- each in Thermax Europe Ltd.	1.17	1.17	1.17
93 Nil ( <i>Previous year 50</i> ) Ordinary Shares of 6,000 Roubles each in Thermax (Rus) Ltd.	Nil	Nil	0.20
94 50,000 ( <i>Previous year 50,000</i> ) Equity Shares of Rs.10/- each in Winman Gas Ltd.	0.05	3.06	3.06
95 5,00,000 ( <i>Previous year 5,00,000</i> ) Equity Shares of Rs.10/- each in Thermax Co-gen Ltd.	0.50	0.50	0.50
96 9,88,776 ( <i>Previous year 9,88,776</i> ) Equity Shares of Rs.10/- each in Thermax Energy Performance Services Ltd.*	0.99	0.99	0.99
97 14,55,000 ( <i>Previous year 14,55,000</i> ) Equity Shares of USD 1/- each in Thermax International Mauritius Ltd.	6.78	6.78	6.78
98 8,50,300 ( <i>Previous year 8,50,300</i> ) Equity Shares of Brazilian Real 1/- each in Thermax do Brasil - Energia e Equipamentos Ltda.	1.35	1.35	1.35
99 32,16,608 ( <i>Previous year 32,16,608</i> ) Equity Shares of Hongkong Dollar 1/- each in Thermax Hongkong Ltd.	1.91	1.91	1.90
100 17,47,300 ( <i>Previous year Nil</i> ) 6% Cumulative Redeemable Preference Shares of USD 1/- each with conversion option in Thermax International Maruitius Ltd.	7.81	7.81	Nil
<b>Application Money</b>			
Towards Shares / Units		0.89	Nil
	420.88	421.59	320.97
Less : Provision for diminution in value of investments		4.10	4.81
		<b>417.49</b>	<b>316.16</b>

\* Subject to the terms and conditions of Shareholders' Agreement

	As at March 31, 2006		As at March 31, 2005	
	Cost Rs. Crores	Market Value Rs. Crores	Cost Rs. Crores	Market Value Rs. Crores
Aggregate Value of Quoted Investments	389.58	393.94	271.70	278.67
Aggregate Value of Unquoted Investments	32.01	-	49.27	-

## Schedules attached to and forming part of the Balance Sheet as at March 31, 2006

Following investments were purchased and sold during the year :

Name	No of units	Face Value	Cost of
Units	in Crores	Rs. Crores	Acquisition
Alliance Cash Manager Institutional Premium	0.19	1.90	1.89
Birla Cash Plus Institutional Premium	0.71	7.10	7.16
Chola Fixed Maturity Plan Series I Quarterly Plan	0.50	5.00	5.00
Chola Fixed Maturity Plan Series I Quarterly Plan II	0.50	5.00	5.00
Chola Liquid Institutional	0.04	0.40	0.51
DSP Merrill Lynch Fixed Term Plan Series 1	0.20	2.00	2.02
DSP Merrill Lynch Fixed Term Plan Series 1A	0.30	3.00	3.03
DSP Merrill Lynch Liquidity Fund	0.98	9.80	12.04
DSPML Fixed Term Plan Series I	0.20	2.00	2.02
DSPML Fixed Term Series Plan 1	1.50	15.00	15.00
DSPML Liquidity Fund Institutional	0.01	5.54	5.54
Grindlays Fixed Maturity Plan 17	1.00	10.00	10.00
Grindlays Fixed Maturity Plan 18	1.50	15.00	15.00
ING Vysya Fixed Maturity Fund Series IV	1.00	10.00	10.00
ING Vysya Fixed Maturity Plan Series IV	0.20	2.00	2.00
ING Vysya Select Debt Fund	0.10	1.00	1.00
JM High Liquidity Fund Institutional Plan	0.10	1.00	0.98
JM High Liquidity Fund Institutional Plan	0.11	1.10	1.12
JM Fixed Maturity Plan QSF5	0.10	1.00	1.00
JM Fixed Maturity Plan QSG7	0.20	2.00	2.02
JM Fixed Maturity Plan Quarterly QSE7	1.01	10.10	10.11
JM Fixed Maturity Plan YSW	0.10	1.00	1.05
JM Fixed Maturity Quarterly QSF6	1.00	10.00	10.00
JM High Liquidity Fund	0.10	1.00	1.01
JM High Liquidity Fund Plan	5.74	57.40	57.65
Kotak Fixed Maturity Plan Series XII	0.20	2.00	2.00
Kotak Fixed Maturity Plan Series XII	1.00	10.00	10.00
Kotak Liquid Institutional Premium	0.85	8.50	9.89
LIC Fixed Maturity Plan Series I	0.50	5.00	5.00
Principal Cash Management Fund	2.94	29.40	29.42
Principal Deposit Fund 91 Day Plan	1.50	15.00	15.00
Principal Deposit Fund 91 Day Plan	0.20	2.00	2.02
Principal Liquid Institutional Plan	0.10	1.00	1.00
Prudential ICICI Blended Institutional Plan B	1.41	14.10	14.06
Prudential ICICI Blended Plan B	0.50	5.00	5.00
Prudential ICICI Fixed Maturity Plan Quarterly Series XXV	0.20	2.00	2.04
Prudential ICICI Fixed Maturity Plan Series 25	3.01	30.10	30.33
Prudential ICICI Liquid Plan Institutional Plus	0.27	2.70	3.14
Prudential ICICI Liquid Super Institutional Plus	0.54	5.40	5.43
Reliance Fixed Maturity Fund Monthly Plan II Series II	0.10	1.00	0.95
Reliance Fixed Maturity Fund Monthly Plan III Series II	0.12	1.20	1.20
Reliance Fixed Maturity Fund Monthly Plan IV Series II	0.12	1.20	1.21
Reliance Fixed Maturity Fund Monthly Plan IX Series II	0.33	3.30	3.28
Reliance Fixed Maturity Fund Monthly Plan V Series II	0.32	3.20	3.21
Reliance Fixed Maturity Fund Monthly Plan VI Series II	0.32	3.20	3.22
Reliance Fixed Maturity Fund Monthly Plan VII Series II	0.32	3.20	3.24

## Schedules attached to and forming part of the Balance Sheet as at March 31, 2006

Name Units	No of units in Crores	Face Value Rs. Crores	Cost of Acquisition Rs. Crores
Reliance Fixed Maturity Fund Monthly Plan VIII Series II	0.33	3.30	3.26
Reliance Fixed Maturity Plan IX Series II	0.37	3.70	3.77
Reliance Fixed Term Scheme - Quarterly Plan II Series II	2.50	25.00	25.00
Reliance Fixed Term Scheme Annual Plan 4	0.20	2.00	2.00
Reliance Fixed Term Scheme Monthly Plan II Series II	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan III Series II	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan IV Series II	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan Series II	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan V Series II	1.50	15.00	15.00
Reliance Fixed Term Scheme Monthly Plan VI Series II	1.50	15.00	15.00
Reliance Fixed Term Scheme Quarterly Plan 9	1.00	10.00	10.00
Reliance Fixed Term Scheme Quarterly Plan I Series II	1.00	10.00	10.00
Reliance Income Fund	0.39	3.90	5.00
Reliance Liquid Fund - Treasury Plan Institutional Option	0.22	2.20	3.33
Reliance Liquid Institutional Plan	0.38	3.80	5.82
Reliance Liquid Treasury Plan Institutional Option	0.98	9.80	15.01
Reliance Liquidity Fund	1.91	19.10	19.12
Tata Liquid Fund SHIF	0.01	5.67	6.32
Templeton TMA Plan	0.00	0.11	0.14
UTI Liquid Cash Plan Institutional Weekly Dividend Option	0.01	8.91	9.06
		<b>525.33</b>	<b>540.62</b>

	Sch 18 Note No. Reference	As at March 31, 2006 Rs Crores	As at March 31, 2005 Rs Crores
<b>SCHEDULE 6</b>			
<b>INVENTORIES</b>			
(As valued and certified by Management)	<b>1 ( g )</b>		
Raw Materials and Components [Including Rs.15.08 Crores Goods in Transit (Previous year Rs. 5.56 Crores)]		<b>83.34</b>	58.84
Work-in-Progress		<b>21.25</b>	12.08
Finished Goods		<b>9.32</b>	11.03
Stores, Spare Parts and Tools		<b>4.83</b>	3.97
		<b>118.74</b>	85.92
<b>SCHEDULE 7</b>			
<b>SUNDRY DEBTORS</b>	<b>1(p)(ii)</b>		
Unsecured			
Debts Outstanding for a period exceeding six months			
Considered good		<b>24.52</b>	17.74
Considered doubtful		<b>23.76</b>	15.16
Less : provided for		<b>23.76</b>	15.16
Other Debts		<b>201.78</b>	155.12
		<b>226.30</b>	172.86

**Schedules attached to and forming part of the Balance Sheet as at March 31, 2006**

	Sch 18 Note No. Reference	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SCHEDULE 8</b>			
<b>CASH &amp; BANK BALANCES</b>			
<b>Cash in hand</b>		<b>1.08</b>	0.50
<b>Bank Balances &amp; remittances in transit :</b>			
With Scheduled banks :			
In Current accounts		<b>13.56</b>	8.89
In Deposit accounts		<b>0.05</b>	0.01
<b>With Other Banks:</b>			
<b>In Current Accounts</b>			
Bangkok Bank - Bangkok		<b>0.01</b>	0.01
[Maximum balance during the year Rs. 0.10 Crores (Previous year Rs. 0.09 Crores)]			
PT Bank Mandiri - Indonesia		<b>0.04</b>	0.03
[Maximum balance during the year Rs. 0.09 Crores (Previous year Rs. 0.16 Crores)]			
Al Ahli Bank- Kuwait		<b>0.52</b>	—
[Maximum balance during the year Rs. 0.52 Crores (Previous year Nil)]			
Bank Bumiputra - Malaysia		<b>0.01</b>	0.03
[Maximum balance during the year Rs. 0.03 Crores (Previous year Rs. 0.11 Crores)]			
Bank Austria - Moscow		<b>0.06</b>	0.02
[Maximum balance during the year Rs. 0.14 Crores (Previous year Rs. 0.07 Crores)]			
Standard Chartered Grindlays Bank - Bangladesh		<b>0.04</b>	0.05
[Maximum balance during the year Rs. 0.08 Crores (Previous year Rs. 0.08 Crores)]			
Remittance in Transit		<b>20.74</b>	1.61
		<b>36.11</b>	11.15

## Schedules attached to and forming part of the Balance Sheet as at March 31, 2006

	Sch 18 Note No. Reference	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SCHEDULE 9</b>			
<b>LOANS &amp; ADVANCES</b>			
<b>Unsecured, considered good</b>			
Advances recoverable in cash or in kind or for value to be received		43.20	37.94
Advances for Capital Expenditure		0.53	0.44
Loans & Advances to Subsidiary Companies (Net of dues Rs. Nil)	14	6.62	5.45
Advances to Staff and workers [Including Advances to Directors & Officers Rs. Nil (Previous year Rs. Nil)] [Maximum balance Rs. Nil (Previous year Rs. Nil)]		6.52	4.03
Balance in Central Excise & Customs Accounts		4.12	1.20
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)]		7.45	6.49
Advance Payment of Income Tax and Wealth Tax [Net of Provision of Rs. 283.32 Crores (Previous year Rs. 178.25 Crores)]		18.29	14.41
		86.73	69.96
<b>SCHEDULE 10</b>			
<b>CURRENT LIABILITIES</b>			
Acceptances		11.21	5.46
Customer Advances		247.01	123.31
Sundry Creditors	3	151.28	131.84
Other Liabilities	13 & 24	67.91	35.32
Trade Deposits		1.31	1.22
		478.72	297.15



**Schedules attached to and forming part of the Balance Sheet as at March 31, 2006**

	Sch 18 Note No. Reference	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SCHEDULE 11</b>			
<b>PROVISIONS</b>			
	<b>1(j) &amp; 24</b>		
Proposed Equity Dividend		<b>40.51</b>	28.60
Proposed Preference Dividend		—	2.86
Provision for Tax on Dividend		<b>5.68</b>	4.41
Provision for Employee Retirement & Other Benefits	<b>1(i)</b>	<b>9.25</b>	5.77
Provision for Fringe Benefit Tax Net of Advance Tax		<b>0.80</b>	—
		<u><b>56.24</b></u>	<u>41.64</u>
<b>SCHEDULE 12</b>			
<b>MISCELLANEOUS EXPENDITURE</b>			
<b>(To the extent not written off or adjusted)</b>			
	<b>1(h)</b>		
A. Technical Know-how			
Per last Balance Sheet		<b>0.71</b>	1.03
Add: Incurred during the period		—	—
		<u><b>0.71</b></u>	<u>1.03</u>
Less: Amortised during the period		<u><b>0.51</b></u>	<u>0.32</u>
	<b>(A)</b>	<u><b>0.20</b></u>	<u>0.71</u>
B. Software Expenses			
Per last Balance Sheet		—	0.09
Add: Incurred during the period		—	—
		<u>—</u>	<u>0.09</u>
Less: Amortised during the period		<u>—</u>	<u>0.09</u>
	<b>(B)</b>	<u>—</u>	<u>—</u>
	<b>(A+B)</b>	<u><b>0.20</b></u>	<u>0.71</u>

**Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2006**

	Sch 18 Note No. Reference	Year ended March 31, 2006 Rs. Crores	Year ended March 31, 2005 Rs. Crores
<b>SCHEDULE 13</b>			
<b>SALES AND OTHER INCOME</b>			
<b>I. SALES</b>	<b>1(k) &amp; 7</b>		
(i) Domestic		1255.42	784.94
Less: Excise Duty		86.28	48.25
Net Sales		1169.14	736.69
Add : Closing CIP		(23.70)	(11.42)
Less : Opening CIP		(11.81)	(14.22)
		1157.25	739.49
(ii) Exports		318.79	179.91
Add : Closing CIP		1.82	1.63
Less : Opening CIP		13.95	6.17
		306.66	175.37
(iii) Trading Exports		0.95	1.02
Total Sales	<b>(I)</b>	<b>1464.86</b>	<b>915.88</b>
<b>II. Other Income from Operations</b>			
(i) Claims and Refunds		0.25	0.27
(ii) Balances Earlier Written off Now Recovered		0.39	0.43
(iii) Profit on Sale of Assets		—	0.13
(iv) Commission		2.34	1.99
(v) Sale of Scrap		5.49	5.58
(vi) Exchange Difference Income	<b>1(m) &amp; 16</b>	0.60	2.55
(vii) Provision for Doubtful Debt Written-back		0.26	—
(viii) Premium on Forward contracts	<b>1(m) &amp; 16</b>	—	0.02
(ix) Miscellaneous Income		9.21	3.77
Total Other Income from Operations	<b>(II)</b>	<b>18.54</b>	<b>14.74</b>
<b>III. Other Income</b>			
<b>A. From Investments</b>			
(i) Dividend from subsidiaries		0.60	0.60
(ii) Dividend - others		10.30	9.18
(iii) Interest		0.42	0.25
(iv) Profit/(Loss) on Sale of Investment		2.08	0.24
(v) Provision for Diminution in value of Investments Written Back		0.79	0.25
(vi) Miscellaneous Income		0.41	—
Total Income from Investments	<b>A</b>	<b>14.60</b>	<b>10.52</b>
<b>B. From Leasing</b>			
Lease Rentals	<b>1 (n)(ii)</b>	—	0.02
[Net of Lease Equalisation Rs. Nil (Previous year Rs. 0.01 Crores)]			
Total Income from Leasing	<b>B</b>	—	0.02
Total Other Income	<b>(III)(A+B)</b>	<b>14.60</b>	<b>10.54</b>
	<b>(I+II+III)</b>	<b>1498.00</b>	<b>941.16</b>

**Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2006**

	Sch 18 Note No. Reference	Year ended March 31, 2006 Rs. Crores	Year ended March 31, 2005 Rs. Crores
<b>SCHEDULE 14</b>			
<b>MATERIALS</b>			
<b>A. Consumption of raw materials and components</b>	<b>1 (g)</b>		
Opening Stocks		<b>68.84</b>	33.88
Add: Purchases (Including cost of goods resold)		<b>959.17</b>	654.95
		<u><b>1028.01</b></u>	<u>688.83</u>
Less: Closing Stocks		<b>72.91</b>	57.15
<b>(A)</b>		<u><b>955.10</b></u>	<u>631.68</u>
<b>B. (Increase)/Decrease in stocks</b>			
Opening Stocks:			
Work-in-Progress		<b>12.36</b>	11.87
Finished Goods		<b>11.03</b>	10.01
		<u><b>23.39</b></u>	<u>21.88</u>
Less: Closing Stocks :			
Work-in-Progress		<b>21.25</b>	12.08
Finished Goods		<b>9.32</b>	11.03
		<u><b>30.57</b></u>	<u>23.11</u>
<b>(B)</b>		<u><b>(7.18)</b></u>	<u>(1.23)</u>
<b>(A)+(B)</b>		<u><u><b>947.92</b></u></u>	<u><u>630.45</u></u>
<b>SCHEDULE 15</b>			
<b>PERSONNEL</b>			
	<b>1(i)</b>		
Salaries, wages , bonus, testimonials and allowances	<b>4</b>	<b>109.94</b>	69.11
Gratuity		<b>3.48</b>	3.08
Contribution to Provident and other Funds		<b>9.52</b>	6.88
Staff Welfare Expenses		<b>7.98</b>	4.20
		<u><b>130.92</b></u>	<u>83.27</u>

**Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2006**

	Sch 18 Note No. Reference	Year ended March 31, 2006 Rs. Crores	Year ended March 31, 2005 Rs. Crores
<b>SCHEDULE 16</b>			
<b>OTHER EXPENSES</b>			
a. Consumables and Tools		12.20	6.60
b. Power and Fuel		8.81	6.31
c. Drawing, Design and Technical Service Charges		16.62	6.03
d. Site Expenses and Contract Labour Charges		11.03	4.77
e. Rent and Service Charges		2.20	1.19
f. Lease Rentals		0.19	0.04
g. Rates and Taxes		0.87	0.57
h. Insurance		1.62	1.68
i. Repairs and Maintenance:			
Building		1.90	1.22
Plant and Machinery		4.34	2.56
Others		5.72	3.11
j. Communication		5.58	4.53
k. Travelling and Conveyance		27.36	18.66
l. Advertising and Exhibition Expenses		1.96	1.24
m. Freight Outward		11.72	8.20
n. Commission on Sales		9.27	8.21
o. Other Selling and Distribution Expenses		15.39	9.76
p. Free of Cost Supplies and Modifications		12.41	6.63
q. Bank Charges		4.20	3.24
r. Legal & Professional Charges	11	23.61	18.92
s. Printing and Stationery		2.69	1.90
t. Donations		0.33	0.24
u. Bad Debts		9.94	1.90
v. Doubtful Debts	1(p)(ii)	—	3.88
w. Liquidated Damages	1(p)(i)	7.85	3.67
x. Loss on Assets sold/discarded (net)		0.51	0.88
y. Additional Sales Tax and Turnover Tax		0.53	0.29
z. Premium on Forward Contracts	16	0.01	—
aa. Exchange Difference-Expenditure		—	—
ab. Balances Written Off		0.39	0.52
ac. Miscellaneous Expenses	5	10.00	6.53
ad. Deferred Revenue Expenditure	1(h)	0.51	0.41
		<b>209.76</b>	<b>133.69</b>
<b>SCHEDULE 17</b>			
<b>INTEREST</b>			
Interest on:			
Fixed Period Loans		—	—
Others		0.94	0.65
		<b>0.94</b>	<b>0.65</b>

## Schedules forming part of the Accounts

### SCHEDULE 18

#### NOTES TO ACCOUNTS

##### 1. Significant Accounting Policies

###### a) Basis for Preparation of Financial Statements

The financial statements have been prepared under historical cost convention on accrual basis and comply with accounting standards referred to in Section 211(3C) and other 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 – Tangible and Intangible Assets

- i. Tangible fixed assets are stated at cost (net of refundable taxes or levies) and include any other attributable cost for bringing the assets to working condition for their intended use.
- ii. Borrowing costs, if any, attributable to fixed assets, are capitalised.
- iii. Machinery specific spares other than those required for regular maintenance are capitalised as a part of the tangible fixed assets.
- iv. Expenditure incurred on acquisition or development of goodwill, technical know-how, software, patents, research and development and such other intangibles are recognised as Intangible Asset, if it is expected that such assets will generate sufficient future economic benefits.
- v. Exchange differences on liability relating to imported fixed assets are adjusted in the carrying cost of the respective fixed assets.

###### d) Depreciation

- i. Cost incurred on leasehold land is amortised over the period of lease.
- ii. Depreciation on all tangible fixed assets is provided by the straight line method in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956, except following :
  - in case of data processing equipments/ computers, which are depreciated at a higher rate of 33.33% as compared to 16.21% provided in Schedule XIV.
  - certain vehicle related to employee perquisites are depreciated at a higher rate of 15% / 13.45% as compared to 9.50% provided in Schedule XIV.
  - No depreciation is charged on assets sold during the year.
- iii. Depreciation in respect of capitalized machinery specific spares whose use is expected to be irregular is charged over the remaining useful life of the related item of plant and machinery. The written down value of such spares is charged to profit and loss account when issued for consumption.
- iv. Intangible assets are amortised by straight line method over the estimated useful life of such asset. The useful life is estimated based on the evaluation of future economic benefits expected of such assets.
- v. Depreciation on exchange difference capitalised as a part of the fixed assets, is provided prospectively over the remaining useful life of the related assets.
- vi. Depreciation on the entire plant and machinery of chemical division is charged considering the chemical plant as a “Continuous Process Plant”.

###### e) Asset Impairment

Provision for impairment loss is recognized to the extent by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's

net selling price and its value in use. Value in use is determined on the basis of the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

**f) Investments**

Investments classified as long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary in nature, in the carrying amount of such long-term investments.

**g) Inventories**

- i. Inventories are valued at lower of cost and estimated net realisable value.
- ii. Cost of raw materials, components, consumables, tools, 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 upto their present location and condition.
- iv. Inventory obsolescence is provided for on the basis of standard norms.

**h) Deferred Revenue Expenditure**

Expenditure incurred up to 31<sup>st</sup> March 2003, on research and development, technical know-how and software, other than those capitalised as fixed asset or expensed out as revenue expenditure, are being amortised over a period of time (maximum six years) depending upon the nature of the expenditure and evaluation of future benefits there from.

**i) Retirement and other Employee Benefits**

- i. Contributions to approved Provident and Superannuation Funds, being defined contribution schemes, are made on actual liability basis calculated as a percentage of salary.
- ii. Contribution to Gratuity Fund, being a defined benefit scheme, is paid by way of premium under Group Gratuity – cum – Life Assurance Policy (Cash accumulation) administered by Life Insurance Corporation of India (LIC), at the rate 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. Leave encashment benefit is provided on the basis of actuarial valuation.
- iv. Liability on account of the Company's obligations under employee's medical reimbursement scheme and leave travel assistance scheme is provided on actual basis.

**j) Provisions and Contingent Liabilities**

- i. Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation.
- ii. The Company provides for warranty obligations on substantial completion of contracts based on technical evaluation and past experience.
- iii. Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

**k) 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 in respect of projects for construction of plants and systems, execution of which is spread over different accounting periods is recognised on the basis of percentage of completion method.
- iii. Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.
- iv. Difference between costs incurred plus recognised profits / less recognised losses and the amount of invoiced sale is disclosed as contract in progress.
- v. 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 the percentage of completion, costs to completion, the

expected revenue from the contract and the foreseeable losses to completion.

- vi. Supply of spare parts and services are accounted on 'as billed' basis.
- vii. Revenue in respect of long-term service contracts / maintenance contracts is recognised on the basis of stage of completion.
- viii. Dividend from investments is recognised when the company's right to receive is established.

**l) Borrowing Costs**

- i. Borrowing costs on working capital are charged to profit and loss statement in the year of incurrence.
- ii. Borrowing costs that are attributable to the acquisition of tangible fixed assets are capitalised till the date of substantial completion of the activities necessary to prepare the relevant asset for its intended use.
- iii. Borrowing costs that are attributable to the acquisition or development of intangible assets are capitalised till the date they are put to use.

**m) 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 imported fixed assets depending upon the nature of transaction.
- iii. Exchange difference is either adjusted in the carrying amount of imported fixed assets or dealt with in the Profit & Loss Account, depending upon the nature of transaction.
- iv. Foreign currency monetary items 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. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- vi. Revenue items of foreign branches are translated at weighted average rate.

**n) Leases**

- i. **Leases Acquired:** Assets acquired under finance leases are recognised at the lower of the fair value of the leased assets at inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction in the outstanding liability. The finance charge is allocated to the periods during the lease term at a constant periodic interest on the remaining balance of the liability.
- ii. **Leases Given :** 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.

**o) Taxes on Income**

- i. Current tax is provided on the basis of estimated tax liability, computed as per applicable provisions of the Income Tax Act, 1961.
- ii. Deferred tax is recognised, subject to the consideration of prudence, in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**p) Others**

- i. Liquidated damages are charged to Profit & Loss account, on the basis of deduction made by customers.

- ii. Provision for doubtful debts is made on the basis of standard norms in respect of Debtors outstanding beyond predefined period and also, where required, on actual evaluation.

## 2. Contingent Liability

- a) Disputed demands in respect of Excise and Customs Duty Rs. 4.99 crores (*Previous Year Rs. 3.98 crores*), Sales tax Rs. 1.65 crores (*Previous Year Rs. 0.97 crores*) and other Statutes Rs. 11.07 crores (*Previous Year Rs. 3.83 crores*)
- b) Income tax
  - i) Demands disputed in appellate proceedings Rs. 23.22 crores (*Previous Year Rs. 21.43 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. 21.30 crores (*Previous Year Rs. 8.89 crores*).
- c) Counter Guarantees given by the Company to the banks on behalf of group companies :  
Rs. 7.92 crores on behalf of Thermax Engineering Construction Co. Ltd and Rs. 2.67 crores on behalf of ME Engineering Ltd, towards securing advances received from clients and performance of contracts (*Previous Year Rs. 6.74 crores for Thermax Engineering Construction Co. Ltd and Rs. 3.96 crores for ME Engineering Ltd.*).
- d) Counter Guarantees given to the banks for guarantees issued by them on Company's behalf Rs. 311.09 crores (*Previous Year Rs. 137.61 crores*).
- e) Indemnity Bonds/Corporate Guarantees given by the Company to the customers on behalf of ME Engineering Ltd. Rs. 1.57 crores (*Previous Year Rs. 2.78 crores*), and for securing banking facility obtained by ME Engineering Ltd. Rs. 4.77 Crores (*Previous Year Rs. 6.64 Crores*).
- f) Indemnity Bonds/Corporate guarantees given to Customs, other Government departments and various customers Rs. 11.64 crores (*Previous Year Rs. 16.22 crores* ).
- g) Liability for unexpired export obligations Rs. 1.57 crores (*Previous Year Rs. 5.28 crores*).

- h) Claims against the Company not acknowledged as debts Rs. 0.18 crores (*Previous Year Rs. 0.18 crores*).
- i) Bills Discounted with banks Rs. 22.24 crores (*Previous Year Rs. 12.69 crores*).
- j) Liability in respect of partly paid shares in Parasrampuriah Synthetics Ltd. Rs. 0.19 crores (*Previous Year Rs. 0.19 crores*).

## 3. Small Scale Industries:

Liability regarding Small Scale Industrial (SSI) Undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

Sundry Creditors include Rs. 28.51 crores (*Previous Year Rs. 22.30 crores*) due to SSI Undertakings. Out of this, Rs. 4.53 crores (*Previous Year Rs. 3.13 crores*) are due to SSI Undertakings, listed below, each outstanding for more than 30 days, within agreed terms :

A G Engineering Services, Alloy Steels, Art Fabricators, Autodata, B R Packing, Bevcon Wayors Pvt Ltd , Chaudhry Hammer Works Ltd, Chaukulkar And Associates, Chemtrols Samil (India) Pvt Ltd, Cobit Engineering Pvt Ltd, Cotmac Electronics Pvt.Ltd, Dee Development Engineers Ltd, Dhanalaxmi Industries, Dyna Filters Private Limited, Dynamic Valves P Ltd, Eagle Plastics, Elecmech Switchgears & Instrumentation, Evergreen Technologies Pvt Ltd, G L Engineers, GBM Manufacturing (P) Ltd, Giriraj Enterprises, Hammer Head Engineers Pvt Ltd, Hiralal Dished-Ends Works Pvt Ltd, IKE Electric Pvt Ltd , Indus Metal Works, Mangalam Enterprises, Max Engineers, Metapow Industries, Micro Precision Products Pvt. Ltd., Minerva Engineers, Minwool Rock Fibres Ltd, Mithsagar Electronics Systems Pvt Ltd, National Engineering Corp, Neelam Engineers & Erectors, Neha Industries, Onkar Enterprises, Polycab Wires Pvt Ltd , Preci Fab Engineers Pvt. Ltd, Pyro Electric Instruments Goa Pvt Ltd, Rahul Engineering Co, Richardson & Cruddas (1972) Ltd, Rubber Craft Industries, Rushas Engineering Co. Ltd, Sai-Lee Electrotekniks , Sonar Communications Private Limited , Sourabh Engineers & Contractors, SSV Engineers, Stacil Engineering Pvt Ltd, Sumo Engineers, Utkarsh Fabrimach Pvt Ltd, Vasudha Enterprises, Vinayak Industries, West India Engg. Corporation, Win Craft, Yashwant Iron & Steel Works Ltd.



#### 4. Managerial Remuneration:

a) Managerial Remuneration\*\*:

	Rs. Crores	
	2005 - 06	2004 - 05
(i) Salary	0.83 @	0.65 @
(ii) Contribution to Provident & other funds	0.11	0.09
(iii) Perquisites in cash or in kind	0.01	0.06

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

@ includes Rs.0.40 crores (*Previous Year Rs. 0.30 crores*) commission payable to the Managing Director.

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

	Rs. Crores	
	2005 - 06	2004 - 05
(i) Profit Before Tax and Extra Ordinary Items	<b>192.53</b>	83.02
(ii) Add:		
Remuneration to Directors	<b>0.95</b>	0.80
Directors sitting fees	<b>0.14</b>	0.13
Loss on sale of investment	<b>Nil</b>	Nil
Provision for diminution in investment	<b>Nil</b>	Nil
Loss on discarded assets	<b>0.08</b>	0.65
Loss on sale of assets	<b>0.47</b>	0.23
Sub total (ii)	<b><u>1.64</u></b>	<u>1.81</u>
(iii) Less:		
Profit on sale of assets	<b>0.04</b>	0.13
Profit on sale of investment	<b>2.08</b>	0.24
Write-back of provision for diminution in the value of investments	<b>0.79</b>	0.25
Sub total (iii)	<b><u>2.91</u></b>	<u>0.62</u>
<b>Net profit as per Sections 349 &amp; 350 of the Companies Act, 1956 (i + ii - iii)</b>	<b><u>191.26</u></b>	<u>84.21</u>
Remuneration to Whole-time Director(s) restricted to	<b><u>9.56</u></b>	<u>4.21</u>

#### 5. Auditors' Remuneration & Directors fees :

Other expenses include:

	Rs. Crores	
	2005 - 06	2004 - 05
a) Auditors' Remuneration (excluding service tax)		
i) As Auditors	0.30	0.18
ii) For Taxation matters (including tax audit)	0.17	0.04
iii) Company Law and allied matters	Nil	0.02
iv) Certification Fees	0.01	0.01
v) Reimbursement of expenses	0.01	0.01
b) Directors Sitting fees	0.14	0.13

**6. Additional Information under Part II of Schedule VI to the Companies Act, 1956 :**

**A) Production and Stock**

(Value in Rs. Crores)

Particulars	Units	Installed Capacity	Prod.Qty.		Closing Stock as on 31.03.2006		Closing Stock as on 31.03.2005	
			2005-06	2004-05	Qty	Value	Qty	Value
<b>Energy Products &amp; Systems</b>								
a) Boilers Capacity up to 30MT / Chillers	Nos.	3,281	2,050	1,848	223	7.62	131	8.17
b) Boilers Capacity above 30MT	MT	5,700	3,923	1,081	-	-	-	-
c) Heaters	Mn.Kg Cal	-	144	125	-	-	-	-
d) Power Plants	MW	-	69	8	-	-	-	-
<b>Environmental Products &amp; Systems</b>								
a) Air Pollution Control Plants & Systems	Nos.	-	555	426	-	-	-	-
b) Water and Waste Treatment Plants	Nos.	-	1,429	1,182	-	-	-	-
c) Ion Exchange Resins & Chemicals	MT	34,890	14,056	11,414	475	1.70	703*	2.86
<b>Components &amp; Spares</b>	Numerous	-	-	-	-	4.83	-	3.97
<b>Total</b>						14.15		15.00

Note: \* 401 MT opening stock has been reclassified as work-in-process during the year. 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	2005-06		2004-05	
		QTY.	VALUE	QTY.	VALUE
<b>Energy Products &amp; Systems</b>					
a) Boilers capacity up to 30 MT / Chillers					
(i) Completed	NOS.	1,950	337.61	1,854	288.47
(ii) Ongoing		13	18.05	4	2.19
b) Boilers Capacity above 30MT					
(i) Completed	MT	3,662	308.43	1,081	77.06
(ii) Ongoing		-	108.71	-	43.65
c) Heaters	Mn.Kg. Cal	144	15.37	125	23.83
d) Power Plants	MW	-	-	-	-
(i) Completed	MT	69	27.51	8	4.91
(ii) Ongoing		-	207.94	-	131.94
<b>Environmental Products &amp; Systems</b>					
a) Air Pollution Control Plants & Systems					
(i) Completed	NOS.	426	111.45	329	75.34
(ii) Ongoing		8	27.65	16	38.81
b) Water & Waste Treatment Plants					
(i) Completed	NOS.	1,395	59.89	1,066	42.26
(ii) Ongoing		31	40.00	37	46.08
c) Ion Exchange Resins & Chemicals	MT	13,317	102.28	10,908	84.45
Goods Traded In	Numerous	-	15.26	-	9.65
Accessories, Spares, Erection, Commissioning, Services etc.		-	84.71	-	47.24
<b>Total</b>			1464.86		915.88

Notes:

1) Quantitative turnover figures are excluding sales returns and trading quantities

2) a) Energy Products & Systems :

1. Boilers Capacity up to 30 MT / Chillers
  - i) Nil nos. scrapped during the year (Previous Year 4 nos.)
  - ii) 3 nos. used for captive consumption (Previous Year 6 nos.)
  - iii) 5 nos. free replacements (Previous Year 4 nos.)
2. Boilers Capacity above 30 MT  
261 MT used for captive consumption (Previous Year Nil MT)

b) Environmental Product & Systems :

1. Air Pollution Control Plants & Systems  
129 nos. used for captive consumption (Previous Year 143 nos.)
2. Water & Waste Treatment Plants  
34 nos. used for captive consumption (Previous Year 117 nos.)
3. Ion Exchange Resins & Chemicals  
i) 555 MT used for captive consumption (Previous Year 475 MT) ii) 11 MT free replacements (Previous Year 11 MT)

**C) Consumption of Raw Materials, Components etc.**

(Value in Rs. Crores)

Particulars	UNIT	2005-06		2004-05	
		QTY.	VALUE	QTY.	VALUE
Ferrous Sheets, Plates	MT	12,529	42.14	8,384	28.50
Ferrous Tubes	Numerous		78.53		34.71
Fabricated Items	Numerous		340.77		272.03
Chemicals	MT	20,480	65.96	18,802	60.58
Purchase of goods for resale	Numerous		6.68		6.97
Others	Numerous		413.83		227.66
<b>Total</b>			<b>947.92</b>		<b>630.45</b>

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

Particulars	%	2005-06	%	2004-05
Imported	14	135.83	14	88.57
Indigenous	86	812.09	86	541.88
<b>Total</b>	<b>100</b>	<b>947.92</b>	<b>100</b>	<b>630.45</b>

**E) CIF Value of Imports**

Particulars	2005-06	2004-05
Raw Materials	99.98	53.34
Components & Spares	54.79	37.50
Consumables	1.13	0.67
Capital Goods	1.17	6.87
<b>Total</b>	<b>157.07</b>	<b>98.38</b>

**F) Earnings in Foreign Currency (on accrual basis)**

Particulars	2005-06	2004-05
Export of goods on FOB	240.40	178.92
Know How	-	0.10
Others	1.60	1.85
<b>Total</b>	<b>242.00</b>	<b>180.87</b>

**G) Expenditure in Foreign Currency (on accrual basis)**

Particulars	2005-06	2004-05
Technical Fees	2.71	1.10
Expenses in Foreign Offices	4.96	5.06
Royalty	3.62	1.56
Travelling	3.74	1.77
Commission and Others	16.65	6.90
Capital Expenditure at foreign offices	0.01	0.29
<b>Total</b>	<b>31.70</b>	<b>16.68</b>

(Value in Rs. Crores)

**7. Contracts in Progress (CIP)**

<b>Particulars</b>	<b>2005-06</b>	2004-05
A. Aggregate amount recognised as Contract Revenue (excluding Captive)	<b>992.90</b>	472.16
B. In respect of Contracts in Progress as on 31st March		
1) Aggregate amount of Costs incurred and recognised profits (less recognised losses)	<b>1296.63</b>	561.08
2) Amount of Customer Advances received	<b>191.97</b>	101.05
3) Amount of Retentions	<b>24.11</b>	20.65
C. Gross amount due from customers for contract work	<b>43.54</b>	19.65
D. Gross amount due to customers for contract work	<b>65.43</b>	29.44

**8. Deferred Tax :**

<b>Particulars</b>	<b>2005-06</b>	2004-05
<b>A. Major components of deferred tax asset:</b>		
i Provision for Doubtful Debts	<b>8.00</b>	5.10
ii Diminution in Value of Investments	<b>0.45</b>	0.54
iii Others	<b>1.36</b>	2.26
<b>Total (A)</b>	<b>9.81</b>	7.90
<b>B. Major components of deferred tax liability</b>		
i Depreciation on Fixed Assets	<b>18.47</b>	15.84
ii Capital Expenditure on R & D Assets	—	0.65
iii Others	<b>0.63</b>	(0.39)
<b>Total (B)</b>	<b>19.10</b>	16.10
<b>Net Deferred Tax Assets / (Liability) (A-B)</b>	<b>(9.29)*</b>	(8.20)

\* Includes net Deferred Tax Assets of Rs 1.26 crores on account of amalgamations. Deferred tax debit for the year of Rs. 2.35 crores (*Previous Year debit Rs.0.43 crores*) has been recognised in the Profit & Loss Account of the year.

**9. Amalgamation with Subsidiary Companies**

Pursuant to the Schemes of Amalgamation approved by the Hon'ble High Court of judicature at Bombay, by its orders dated 9<sup>th</sup> December 2005, issued on 22<sup>nd</sup> December 2005 and filed with the Registrar of Companies on 19<sup>th</sup> January 2006, the entire undertaking and all the properties, assets, liabilities, obligations etc. of Thermax Babcock & Wilcox Ltd. (TBW) and Thermax Capital Ltd. (TCL), wholly-owned subsidiary companies, stand transferred to and vest in the Company w.e.f. the Appointed Date viz. 1<sup>st</sup> April, 2005. The Schemes have accordingly been given effect to.

Income, expenses and results of TBW and TCL for the year ended 31<sup>st</sup> March, 2006, have been incorporated in the accounts under report.

In view of the above, figures of the current year are not comparable with those of the previous year.

TBW was carrying on business of manufacturing Industrial Boilers. TCL was in the business of providing Leasing, Hire Purchase, Bill Discounting and other finance related activities.

The amalgamations have been accounted for by the "Pooling of Interest Method" prescribed by Accounting Standard 14 (AS 14) issued by The Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves of TBW and TCL have been recorded at their existing carrying amounts. Difference of Rs. 5.75 crores between nominal value of the shares held by the Company in TBW and their cost of acquisition has been adjusted against Capital Reserve.

However, in following cases, treatment given to reserves, as prescribed in the Schemes approved by the Hon'ble High Court, differs from that prescribed in AS 14 :

- Debit balance of Rs. 2.57 crores in Profit & Loss Account of TCL has been adjusted against Amalgamation Reserve instead of Profit & Loss Account / General Reserve.
- The credit balance of Rs. 2.95 crores in the Reserve Fund (under NBFC Regulations) of TCL has been credited to General Reserve instead of a separate Reserve Fund.

TBW and TCL being 100% subsidiaries of the Company, on amalgamation, the shares held by the Company in TBW and TCL stand extinguished and no separate consideration is payable for the amalgamation.

All costs, charges and expenses in relation to the Schemes of Amalgamation have been borne by the Company.

## 10. Share Capital

During the year, each Equity Share of face value of Rs. 10/- has been sub-divided into five Equity Shares of Rs. 2/- each.

Issued, Subscribed & Paid up Equity Capital includes 1,06,78,200 Equity Shares of Rs. 2/- each allotted as fully paid up for consideration other than cash as per various schemes of amalgamation and 1,71,37,500 shares of Rs. 2/- each issued by way of bonus shares on capitalisation of General Reserve.

The 6% Redeemable Preference Shares of Rs.10/- each have been redeemed during the year.

## 11. Profit for the year before tax is after accounting for the following exceptional item of expenses

Fees paid to management consultant for business transformation exercise undertaken by the Company Rs. 5.83 crores (*Previous Year Rs 9.02 crores*).

## 12. Secured Loan

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

## 13. 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):-

	(Amount in Rs. Crores)	
	As on 31.03.06	As on 31.03.05
i) Unclaimed Dividend on Equity	0.24	0.29
ii) Unclaimed Dividend on Redeemable Preference Shares	0.02	0.01
iii) Redemption Amount of Redeemable Preference Shares	0.15	N.A.
iv) Unclaimed matured deposits / interest	0.01	0.01

## 14. Disclosure of amounts at the year end and the maximum amount of loans / advances / investments outstanding during the year

Loans and advances in the nature of loans to subsidiaries: (Amount in Rs. Crores)

Sr. No.	Name of subsidiary	Bal. Outstanding As on 31.3.06	Maximum Bal. Outstanding During the Year
1	Thermax Energy Performance Services Ltd*	0.58	0.58
2	Winman Gas Ltd.*	1.77	1.77
	Winman Gas Ltd.	0.48	0.48
3	Thermax Hong Kong Ltd.*	0.05	0.05
4	Thermax Surface Coatings Ltd.	1.88	1.88
5	Thermax Instrumentation Ltd.	0.61	0.61

\* 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, 1956.

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

**16. Foreign Exchange Transactions**

- a) Net foreign exchange gain dealt with in the Profit & Loss Account is Rs. 0.60 crores (*Previous Year Rs. 2.55 crores*).
- b) The 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. 0.02 crores*).
- c) The 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*).
- d) The year end foreign exposures in respect of monetary items that have not been hedged by a derivative instrument or otherwise are given below:

Amounts receivable (net) in foreign currency on account of the following:

Particulars	Amt. in Rs. Crores	Amt. in foreign currency
Export of goods	2.18	GBP 0.28 Million

17. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 1.15 crores (*Previous year Rs. 2.31 crores*).

**18. Capitalisation of expenses**

- a) Machinery given on lease (prior to 1.4.2001) Rs. 0.46 crore (*Previous Year Rs. 0.46 crores*) represents raw materials and other costs capitalised. Depreciation thereon comprises of statutory depreciation Rs. 0.11 crores and lease equalisation Rs. 0.32 crores (*Previous Year Rs. 0.11 crores and Rs. 0.32 crores*).
- b) Raw materials, labour and overheads capitalised in respect of other Plant & Machinery Rs. 0.05 crores (*Previous Year Rs. 0.02 crores*).
- c) Foreign exchange fluctuation capitalised during the year amounted to Rs. 0.01 crores (*Previous Year capitalised Rs 0.11 crores*).

**19. Previous year's expenses / income included under various heads of accounts**

(Rs. Crores)

Legal & Professional Charges	0.12
Site Purchases / E&C Service Charges	0.31
Other Miscellaneous Expenses	0.29
Miscellaneous Income	0.46

**20. 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 Recycle 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.

**D) Information about Primary Segments**

Rs. Crores

Particulars	2005-06		
	Energy	Environment	Total
<b>Revenue :</b>			
Gross Revenue	1224.17	405.01	1629.18
Less : Inter-segment Revenue	99.87	45.91	145.78
Net Revenue	1124.30	359.10	1483.40
<b>Result :</b>			
Segment Result	164.25	45.60	209.85
Unallocated expenses net of unallocated income			16.38
Operating Profit			193.47
Interest expenses			0.94
Taxation for the year			69.28
Profit after taxation and before exceptional items			123.25
Extra-ordinary items of expenses			—
<b>Net Profit</b>			123.25
<b>Other Information :</b>			
Segment Assets	409.80	187.88	597.68
Unallocated Assets			444.53
Total Assets			1042.21
Segment Liabilities	369.40	117.87	487.27
Unallocated Liabilities			76.34
Total Liabilities			563.62
Capital Expenditure	26.39	5.00	31.39
Depreciation	11.28	3.93	15.20
Non-cash expenses other than depreciation	0.41	0.10	0.51

Particulars	2004-05		
	Energy	Environment	Total
<b>Revenue :</b>			
Gross Revenue	639.42	326.23	965.65
Less : Inter-segment Revenue	7.42	27.61	35.03
Net Revenue	632.00	298.62	930.62
<b>Result :</b>			
Segment Result	69.61	31.40	101.01
Unallocated expenses net of unallocated income			17.34
Operating Profit			83.67
Interest expenses			0.65
Taxation for the year			27.73
Profit after taxation and before exceptional items			55.29
Extra-ordinary items of expenses			—
<b>Net Profit</b>			55.29
<b>Other Information :</b>			
Segment Assets	291.16	155.30	446.46
Unallocated Assets			339.95
Total Assets			786.41
Segment Liabilities	232.79	91.09	323.88
Unallocated Liabilities			52.45
Total Liabilities			376.33
Capital Expenditure	12.43	3.59	16.02
Depreciation	5.52	3.00	8.52
Non-cash expenses other than depreciation	0.25	0.16	0.41

**II) Information about Secondary Segments**

Rs. Crores

Particulars	2005-06	2004-05
<b>Revenue :</b>		
India	1175.79	754.23
Outside India	307.61	176.39
Total Revenue	1483.40	930.62
<b>Carrying Amount of Segment Assets :</b>		
India	561.71	405.26
Outside India	35.96	41.21
<b>Addition to Fixed Assets :</b>		
India	31.38	15.68
Outside India	0.01	0.34

**21. 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 :**

Subsidiary Companies:

**i. Domestic:**

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

**ii. Overseas:**

Thermax Europe Ltd., U.K.	Thermax do Brasil Energia e Equipamentos Ltda., Brazil
Thermax International Ltd., Mauritius	ME Engineering Ltd., U.K.
Thermax Hong Kong Ltd., Hong Kong	Thermax Inc., USA
Thermax (Rus) Ltd., Russia (up to 16.8.2005)	

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

Mrs. Meher Pudumjee – Chairperson  
 Mrs. Anu Aga – Director  
 Mr. Pheroz Pudumjee – Director

**C) Key Management Personnel :**

Mr. Prakash Kulkarni - Managing Director

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 21 (A) (i) and (ii))**

Rs. Crores

Particulars	2005-06	2004-05
<b>I Sales, Service, Other income</b>		
Sale of Goods :		
i Thermax Babcock & Wilcox Ltd	N.A	8.06
ii Thermax Europe Ltd	9.76	12.28
iii Thermax Inc.	38.57	25.61
iv Others	5.69	1.21
Total	54.02	47.16
Rendering of Services	0.66	1.41
Interest Income	0.17	0.04
Commission	—	0.12
Reimbursement of Expenses / Cost of Material / Stores	0.27	1.72
Management Contracts including for deputation of employees	0.11	0.24



Particulars	2005-06	2004-05
Rs. Crores		
<b>II Purchase of Material</b>		
Purchase of Goods		
i Thermax Babcock & Wilcox Ltd.	N.A	42.13
ii Thermax Engineering Construction Co. Ltd.	19.08	4.84
iii Others	—	0.56
Total	19.08	47.53
<b>III Expenses</b>		
Receiving of Services	1.14	0.32
Reimbursement of Expenses	1.43	0.73
Liquidated Damages Paid		
i ME Engineering Ltd.	0.45	—
ii Thermax Inc.	0.17	0.08
iii Others	—	0.01
Total	0.62	0.09
Bad debts / Provision for Doubtful Debts		
i Thermax Europe Ltd.	0.82	—
ii Thermax Inc.	—	0.03
Total	0.82	0.03
Management Contracts including for deputation of employees	0.02	0.45
Other Expenses	0.23	—
<b>IV Finance (Including Loan / Equity Contribution)</b>		
Equity Contribution		
i Thermax do Brasil - Energia e Equipamentos Ltda.	—	0.44
ii Thermax Hong Kong Ltd.	0.89	1.84
iii Thermax International Ltd.	7.81	—
Total	8.70	2.28
Loans / Advances Given		
i Thermax Surface Coatings Limited	0.10	1.78
ii Thermax Hong Kong Ltd.	—	0.05
iii Winman Gas Ltd.	0.48	0.02
iv Thermax Instrumentation Ltd.	0.61	—
Total	1.19	1.85
Loans / Advance Written off	—	0.03
<b>V Guarantee / Bond / Collateral Given</b>		
i ME Engineering Ltd.	20.91	23.69
ii Thermax Engineering Construction Co Ltd.	7.92	6.74
Total	28.83	30.43
<b>VI Amount Outstanding - Loan / Advances, Receivable</b>		
Loan / Advances Outstanding		
i Thermax Instrumentation Ltd.	1.89	1.27
ii Winman Gas Ltd.	2.25	1.77
iii Thermax Energy Performance Services Ltd.	0.58	0.58
iv Thermax Surface Coatings Ltd.	1.88	1.79
v Thermax Hong Kong Ltd.	0.05	0.04
Total	6.65	5.45
Accounts Receivable		
i Thermax Inc.	18.59	12.24
ii ME Engineering Ltd.	4.95	5.00
iii Others	2.08	4.00
Total	25.62	21.24

Particulars	Rs. Crores	
	2005-06	2004-05
Trade Advances		
i Thermax Babcock & Wilcox Ltd.	N.A	6.79
ii Thermax Engineering Construction Co Ltd.	0.81	0.37
Total	0.81	7.16
Other Current Assets	0.12	—
<b>VII Amount Outstanding - Payable</b>		
Accounts Payable		
i Thermax Babcock & Wilcox Ltd.	N.A	5.71
ii Thermax Engineering Construction Co. Ltd.	0.69	1.17
iii Others	0.54	0.65
Total	1.23	7.53
Trade Advances		
i ME Engineering Ltd.	—	1.11
ii Thermax Babcock & Wilcox Ltd.	N.A	0.52
Total	—	1.63

**2) Details of Transactions relating to the Persons (referred to in Note 21 (B) and (C))**

Managerial Remuneration	0.95	0.80
Director's Sitting Fees	0.07	0.07
Rent Paid to Directors	0.04	0.04
Loans, Advance / Deposit outstanding at the end of the year	0.40	0.40
Sale of Fixed Assets	0.57	—

**22. Earnings Per Share (EPS)**

Earnings per share calculated in accordance with Accounting Standard (AS-20) issued by The Institute of Chartered Accountants of India.

Particulars	2005-06	2004-05
Profit After Tax (Rs. Crores)	123.25	55.29
Dividend (Including tax on dividend) on Preference Shares (Rs. Crores)	7.73	3.26
Net Profit available for Equity Shareholders (Rs. Crores)	115.52	52.03
Weighted average number of Equity shares of Rs. 2/- each (Previous Year Rs. 10/- each)	11 91 56 300	2 38 31 260
Basic & Diluted Earnings per share (Rs.)	9.69	21.83

**23. Disclosure, as required by AS – 28 (Impairment of Assets):**

In terms of Accounting Standard 28 (AS-28) there was no impairment loss on assets during the year under report.

**24. Disclosure as required by AS-29 (Contingent Liabilities and Provisions) :**

Rs. Crores

Particulars	Warranty Provision	
	2005-06	2004-05
Opening Balance (as on 1st April)	6.52	3.62
Transferred on Amalgamation	2.49	—
Additions during the year	15.43	5.55
Utilisation during the year	3.52	0.85
Reversals during the year	3.92	1.80
Closing Balance (as on 31st March)	17.00	6.52

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

## 26. Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No. : 022787      State Code : 11

Balance Sheet Date : 31st March, 2006

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

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

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

Total Liabilities : 10882778      Total Assets : 10882778

#### Sources of Funds

Paid up Capital : 238313      Reserves & Surplus : 4547614  
 Secured Loans : Nil      Unsecured Loans : Nil

#### Application of Funds

Net Fixed Assets : 1376236      Investments : 4174897  
 Net Current Assets : (674317)      Misc. Expenditure : 2011  
 Accumulated Losses : Nil

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

Turnover : 14980002      Total Expenditure : 13054706  
 Profit Before Tax / Loss (-) : 1925296      Profit After Tax / Loss (-) : 1232512  
 Earnings Per Share in Rs. : 9.69

### 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) : 8421.10  
 Product Description : Purifying Machinery for Liquid or Gases.  
 Item Code no. (ITC Code) : Not Applicable  
 Product Description : Power Plant.

As per our report of even date

**For B. K. Khare & Co.**  
 Chartered Accountants

**Meher Pudumjee**  
 Chairperson

**Prakash Kulkarni**  
 Managing Director

**H. P. Mahajani**  
 Partner  
 Membership No.: 30168

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

**Sunil Lalai**  
 Company Secretary

Pune, May 24, 2006

Pune, May 24, 2006

## CASH FLOW STATEMENT

Rs. Crores

	2005-06	2004-05
<b>A Cash flow from Operating Activities</b>		
Net profit before tax	192.53	83.02
<i>Add : Adjustments for</i>		
Depreciation	15.21	9.20
Amortisation of deferred revenue expenses	0.51	0.41
Net Provision for Doubtful Debts	0.35	3.70
Interest (expense)	0.94	0.65
Lease rentals Paid	0.19	0.04
Leave Encashment Provision	1.25	0.90
<i>Less : Adjustments for</i>		
Interest / Dividend / Brokerage Income	(11.73)	(10.04)
(Profit)/Loss on sale of Investment	(2.08)	(0.24)
(Profit)/Loss on sale of assets	0.51	0.74
Provision for Long Term Investments written back	(0.79)	(0.25)
Lease Rentals received	–	(0.02)
<b>Operating profit before working capital changes</b>	<b>196.89</b>	<b>88.11</b>
<i>Adjustments for</i>		
Trade and other receivables	60.04	(25.22)
Inventories	(20.45)	(26.41)
Trade payables	17.77	72.27
Contract in Progress	24.02	1.74
<b>Cash generated from operations</b>	<b>278.27</b>	<b>110.49</b>
Direct taxes paid	(69.46)	(23.79)
<b>Net cash from operating activities</b>	<b>208.81</b>	<b>86.70</b>
<b>B Cash flow from Investing activities</b>		
Purchase of Fixed Assets	(25.36)	(28.60)
Advance for Capital Expenditure	(0.01)	(0.28)
Investments in Subsidiaries / Group Companies	(8.49)	(10.03)
Purchase of other Investments	(1087.63)	(868.79)
Proceeds from sale of Investments	1011.25	839.23
Advance to Subsidiaries	(1.17)	(1.59)
Interest / Dividend / Brokerage received	11.63	10.48
Lease Rental received	–	0.02
<b>Net cash from Investing activities</b>	<b>(99.78)</b>	<b>(59.56)</b>

	Rs. Crores	
	2005-06	2004-05
<b>C Cash flow from Financing Activities</b>		
Redemption of Preference Share Capital including tax on redemption	<b>(54.19)</b>	–
Lease rentals paid	<b>(0.19)</b>	(0.04)
Interest paid	<b>(0.94)</b>	(0.65)
Dividend paid and Tax thereon	<b>(36.96)</b>	(33.93)
<b>Net cash from Financing activities</b>	<b>(92.28)</b>	(34.62)
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>	<b>16.75</b>	(7.48)
Opening cash & bank balances	<b>11.15</b>	18.63
Opening cash & bank Balances of Amalgamated entities	<b>8.21</b>	–
Closing cash & bank balances	<b>36.11</b>	11.15

As per our report of even date

**For B. K. Khare & Co.**

*Chartered Accountants*

**Meher Pudumjee**

*Chairperson*

**Prakash Kulkarni**

*Managing Director*

**H. P. Mahajani**

*Partner*

*Membership No.: 30168*

*Pune, May 24, 2006*

**Amitabha Mukhopadhyay**

*Executive Vice President*

*& Chief Financial Officer*

**Sunil Lalai**

*Company Secretary*

*Pune, May 24, 2006*

**Statement pursuant to Section 212 of the Companies Act, 1956**

(Relating to the subsidiary companies for their financial year ending March 31, 2006).

Amount in crores

Name of the Subsidiary Company	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 Energy Performance Services Ltd.	51%	Rs.	-	(0.03)	-	(1.31)
Thermax Surface Coatings Ltd.	100%	Rs.	-	(0.47)	2.06	(0.36)
Thermax Electronics Ltd.	100%	Rs.	-	(0.01)	0.22	(0.81)
Thermax Engineering Construction Co. Ltd.	100%	Rs.	-	1.32	2.13	1.56
Thermax Instrumentation Ltd.	100%	Rs.	-	(0.12)	(4.88)	(7.83)
Thermax Co-gen Ltd.	100%	Rs.	-	(0.01)	-	0.06
Winman Gas Ltd.	100%	Rs.	-	(0.51)	-	(0.48)
Thermax International Ltd. (Mauritius)	100%	USD	-	(0.00)	-	(0.03)
Thermax Europe Ltd. (U.K.)	100%	GBP	-	0.02	-	0.02
Thermax Hong Kong Ltd (Hong Kong)	100%	Hong Kong Dollar	-	(0.24)	-	(0.13)
Thermax do Brasil-Energia e Equipamentos Ltda (Brazil)	100%	Brazilian Reais	-	(0.03)	-	(0.04)
ME Engineering Ltd. (U.K.) *	100%	GBP	-	(0.21)	-	0.01
Thermax Inc. (U.S.A.) *	100%	USD	-	0.01	-	0.04

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

**Meher Pudumjee**  
Chairperson

**Prakash Kulkarni**  
Managing Director

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

**Sunil Lalai**  
Company Secretary

Pune, May 24, 2006

**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**

1. We have examined the attached Consolidated Balance Sheet of Thermax Limited and its subsidiaries ("Thermax group") as at 31st March 2006, the relative Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date.
2. 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 have conducted our audit in accordance with 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.
3. We did not audit the financial statements of one domestic subsidiary and six foreign subsidiaries, whose financial statements reflect total assets of Rs. 79.46 crores as at 31st March 2006 and total revenues of Rs. 138.12 crores for the year then ended (before giving effect to the consolidation adjustments). These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it related to the amounts included in respect of subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 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.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit report of the individual financial statements of Thermax Limited and its subsidiaries, we are of the opinion:
  - (a) the Consolidated Balance Sheet, gives a true and fair view of the consolidated state of affairs of Thermax Group as at 31st March 2006;
  - (b) the Consolidated Profit and Loss Account, gives a true and fair view of the consolidated results of operations of Thermax Group for the year ended on that date; and
  - (c) the Consolidated Cash Flow Statement, gives a true and fair view of the consolidated cash flows for the year ended on that date.

**For B.K. Khare & Company**  
Chartered Accountants

**H.P. Mahajani**  
Partner

(Membership no. 30168)

Place: Pune  
Date: May 24, 2006

## Consolidated Balance Sheet as at March 31, 2006

	Schedule	Sch. 19 Note No. Ref.	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SOURCES OF FUNDS</b>				
Shareholders' Funds:				
Share Capital	1		23.83	71.49
Reserves & Surplus	2		435.57	384.97
			<u>459.40</u>	<u>456.46</u>
Loan Funds:				
Secured Loans	3		7.00	6.64
Unsecured Loans	4		-	0.07
			<u>7.00</u>	<u>6.71</u>
Minority Interest		3(c)(iii)	-	(0.31)
Deferred Tax Liability:				
Deferred Tax Liability		5	19.62	18.39
Deferred Tax Asset			(10.40)	(11.53)
			<u>9.22</u>	<u>6.86</u>
<b>Total Funds Employed</b>			<u><u>475.62</u></u>	<u><u>469.72</u></u>
<b>APPLICATION OF FUNDS</b>				
Fixed Assets:				
Gross Block	5	3 (e)	252.79	231.79
Less : Depreciation			113.90	107.59
Net Block			138.89	124.20
Capital Work in Progress			5.00	9.56
Investments	6	3 (h)	396.97	318.43
Current Assets, Loans & Advances:				
Inventories	7	3(i)	128.25	104.20
Contracts in Progress			54.94	57.79
Sundry Debtors	8		241.19	260.53
Cash & Bank Balances	9		54.74	28.05
Other Current Assets	10		21.50	8.79
Loans & Advances	11		90.05	76.18
			<u>590.67</u>	<u>535.54</u>
Less : Current Liabilities & Provisions:				
Current Liabilities	12		518.47	441.22
Contracts in Progress			76.46	31.15
Provisions	13		61.24	46.36
			<u>656.17</u>	<u>518.73</u>
Net Current Assets			(65.50)	16.81
Miscellaneous Expenditure to the extent not written off or adjusted	14	3 (j)	0.26	0.71
<b>Total Funds Applied</b>			<u><u>475.62</u></u>	<u><u>469.72</u></u>
Notes to Accounts	19			

As per our report of even date

**For B. K. Khare & Co.**  
Chartered Accountants

**Meher Pudumjee**  
Chairperson

**Prakash Kulkarni**  
Managing Director

**H. P. Mahajani**  
Partner  
Membership No.: 30168

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

**Sunil Lalai**  
Company Secretary

Pune, May 24, 2006

Pune, May 24, 2006

## Consolidated Profit and Loss Account for the year ended March 31, 2006

	Schedule	Sch. 19 Note No. Ref.	Year ended March 31, 2006 Rs. Crores	Year ended March 31, 2005 Rs. Crores
<b>INCOME</b>				
Sales and Other Income	15		1639.77	1281.36
<b>EXPENDITURE</b>				
Materials	16		985.80	821.90
Personnel	17		159.88	114.55
Other Expenses	18		302.95	227.39
Excise Duty (Net)			0.72	0.92
Depreciation			15.98	11.92
Interest			1.61	0.97
			<b>1466.94</b>	<b>1177.65</b>
<b>Profit before Tax</b>			<b>172.83</b>	<b>103.71</b>
Provision for Taxation		3 (f)		
Current Tax			(63.76)	(36.11)
Deferred Tax		5	(2.46)	(0.40)
Fringe Benefit Tax			(4.08)	—
<b>Profit After Tax</b>			<b>102.53</b>	<b>67.20</b>
Less : Minority Interest			—	(1.08)
<b>Profit After Tax and Minority Interest</b>			<b>102.53</b>	<b>68.28</b>
Balance carried forward from last year			55.52	29.08
Transferred on Amalgamation			7.95	—
Less: Accumulated net deferred tax asset			0.03	—
Less: Balance in Minority Interest transferred			(0.31)	—
Less: Transferred on sale of subsidiary			(0.15)	—
<b>Profit available for appropriation</b>			<b>165.57</b>	<b>97.36</b>
<b>Appropriations</b>				
Proposed Equity Dividend			40.51	28.60
Preference Dividend			0.92	2.86
Provision for Tax on Dividend			12.58	4.49
General Reserve			13.52	5.69
Reserve Fund under RBI			—	0.20
Balance carried to Balance Sheet			98.04	55.52
			<b>165.57</b>	<b>97.36</b>
Basic / Diluted Earnings Per Share (EPS) - Rs. [Equity Share of Rs. 2/- each (Previous year Rs 10/- each)]		10	7.96	27.28
Weighted Average number of Equity Shares			11,91,56,300	2,38,31,260
Notes to Accounts		19		

As per our report of even date

**For B. K. Khare & Co.**  
Chartered Accountants

**Meher Pudumjee**  
Chairperson

**Prakash Kulkarni**  
Managing Director

**H. P. Mahajani**  
Partner  
Membership No.: 30168

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

**Sunil Lalai**  
Company Secretary

Pune, May 24, 2006

Pune, May 24, 2006

**Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2006**

	Sch. 19 Note No. Ref.	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SCHEDULE 1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
37,50,00,000	Equity Shares of Rs. 2/- each ( Previous Year 2,50,00,000 Equity Shares of Rs. 10/- each)	75.00	25.00
Nil	( Previous Year 5,00,00,000 Redeemable Preference Shares of Rs 10/- each)	-	50.00
		<u>75.00</u>	<u>75.00</u>
<b>Issued, Subscribed &amp; Paid Up</b>			
11,91,56,300	Equity Shares of Rs. 2/- each, fully paid-up ( Previous year 2,38,31,260 Equity Shares of Rs. 10/- each, fully paid-up)	23.83	23.83
Nil	6% Redeemable Preference Shares of Rs 10/- each fully paid up ( Previous year 4,76,62,520 shares) (Allotted as Bonus Shares by capitalisation of Share Premium)	-	47.66
		<u>23.83</u>	<u>71.49</u>
<b>SCHEDULE 2</b>			
<b>RESERVES &amp; SURPLUS</b>			
<b>a. Capital Redemption Reserve</b>			
	Per last Balance Sheet	2.68	2.68
	Add : Transferred from General Reserve on redemption of 6% Redeemable Preference Shares	47.66	-
		<u>50.34</u>	<u>2.68</u>
<b>b. Capital Reserve</b>			
	Per last Balance Sheet	19.21	19.21
	Less : Adjustment on Amalgamation	5.75	-
	Less : Transferred on Sale of subsidiary	0.01	-
		<u>13.45</u>	<u>19.21</u>
<b>c. Capital Reserve on Consolidation</b>			
	Capital Reserve (on investment in subsidiaries)	5.36	13.77
	Less : Goodwill (on investment in subsidiaries)	3.01	3.17
		<u>2.35</u>	<u>10.61</u>
<b>d. Share Premium</b>			
	Per last Balance Sheet	61.13	61.13
<b>e. Reserve under RBI Act</b>			
	Per last Balance Sheet	2.95	2.75
	Addition During the year	-	0.20
	Less : Transferred on Amalgamation	2.95	-
		<u>-</u>	<u>2.95</u>
<b>f. General Reserve</b>			
	Per last Balance Sheet	225.71	220.02
	Less: Transferred to Capital Redemption Reserve on redemption of 6% Redeemable Preference Shares	47.66	-
	Add: Transferred from Profit & Loss a/c	13.52	5.69
	Add: Transferred on Amalgamation	11.73	-
		<u>203.30</u>	<u>225.71</u>
<b>g. Amalgamation Reserve</b>			
	Per last Balance Sheet	7.00	7.00
	Less : Adjustment on Amalgamation	2.57	-
		<u>4.43</u>	<u>7.00</u>
<b>h. Foreign Currency Translation Reserve</b>			
		2.53	0.16
<b>i. Balance in P&amp;L A/c</b>			
		98.04	55.52
		<u>435.57</u>	<u>384.97</u>

## Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2006

	Sch. 19 Note No. Ref.	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SCHEDULE 3</b>			
<b>SECURED LOANS</b>			
Borrowing from Banks for Working Capital (including Working Capital Term Loans)	7	7.00	6.64
		7.00	6.64
 <b>SCHEDULE 4</b>			
<b>UNSECURED LOANS</b>			
a. Bank Loans and Overdrafts		-	-
b. Security Deposits (as per lease and hire purchase agreement)		-	0.07
		-	0.07

## SCHEDULE 5 FIXED ASSETS (Refer note 3 (e) of Schedule 19)

Particulars of Asset	Rs. Crores									
	Gross Block				Depreciation				Net Block	
	Cost as at 01-04-2005	Additions During the year	Deductions/ Adjustments During the year	Total Cost as at 31-03-2006	Upto 31-03-2005	Deductions/ Adjustments During the year	Provisions During the year	Total as at 31-03-2006	As at 31-03-2006	As at 31-03-2005
<b>TANGIBLE:</b>										
A. Land - Freehold	7.36	-	-	7.36	-	-	-	-	7.36	7.36
B. Land - Leasehold	3.27	-	0.11	3.16	0.15	0.01	0.01	0.15	3.01	3.04
C. Building	32.95	4.35	0.66	36.64	7.94	0.03	0.97	8.88	27.76	25.01
D. Plant & Machinery	113.54	14.39	(0.17)	128.10	57.33	0.45	7.08	63.96	64.14	56.21
E. Assets given on Lease	8.39	-	7.93	0.46	7.67	7.23	-	0.44	0.02	0.72
F. Electrical Installations	4.99	0.32	0.03	5.28	2.54	(0.02)	0.30	2.86	2.42	2.45
G. Furniture, Fixtures, Computers & Office Equipments	49.68	7.78	2.58	54.88	29.53	1.82	4.86	32.57	22.31	20.15
H. Vehicles	10.33	3.44	0.58	13.19	1.76	0.18	1.74	3.32	9.87	8.57
<b>INTANGIBLE:</b>										
A. Goodwill	0.41	-	0.41	-	0.41	0.41	-	-	-	-
B. Software	0.52	1.95	(0.90)	3.37	0.06	(0.53)	0.90	1.49	1.88	0.46
C. Technical Knowhow	0.35	-	-	0.35	0.12	-	0.11	0.23	0.12	0.23
<b>Total</b>	231.79	32.23	11.23	252.79	107.59	9.58	15.97	113.90	138.89	124.20
Previous Year	207.37	37.89	13.47	231.79	107.67	12.07	12.00	107.59	124.20	99.70
<b>Capital WIP</b>									5.00	9.56
									<b>143.89</b>	<b>133.77</b>

**Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2006**

	Sch. 19 Note No. Ref.	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SCHEDULE 6</b>			
<b>INVESTMENTS</b>			
<b>A) Non Trade (Long Term)</b>			
a. Government Securities		0.00	0.78
b. Units		389.23	272.16
c. Bonds		0.63	-
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)		1.54	1.45
g. Unquoted Preference Shares (fully paid up)		0.02	0.02
		<b>391.61</b>	<b>274.60</b>
Less: Provision for Diminution in value of long-term investments		1.63	1.64
	(A)	<b>389.98</b>	<b>272.96</b>
<b>B) Current Investments</b>			
a. Unquoted Equity Shares		-	0.03
b. Quoted Equity Shares		-	0.01
c. Units		6.99	45.43
	(B)	<b>6.99</b>	<b>45.47</b>
	(A+B)	<b>396.97</b>	<b>318.43</b>

	As at March 31, 2006		As at March 31, 2005	
	Cost	Market Value	Cost	Market Value
Aggregate Value of Quoted Long Term Investments	390.12	394.52	273.13	273.89
Aggregate Value of Unquoted Long Term Investments	1.52	-	1.47	-

	Sch. 19 Note No. Ref.	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SCHEDULE 7</b>			
<b>INVENTORIES</b>			
(As valued & certified by Management)			
a. Raw Material & Components		83.53	71.34
b. Work in Progress		21.25	12.36
c. Finished Goods		18.58	16.11
d. Stores, Spare Parts & Tools		4.89	4.39
		<b>128.25</b>	<b>104.20</b>

**Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2006**

	Sch. 19 Note No. Ref.	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SCHEDULE 8</b>			
<b>SUNDRY DEBTORS</b>			
Unsecured			
Debts Outstanding for a period exceeding six months			
Considered good		39.55	25.89
Considered doubtful		26.74	25.07
Less: Provided for		26.74	25.07
Other Debts		201.64	234.64
		<u>241.19</u>	<u>260.53</u>
<b>SCHEDULE 9</b>			
<b>CASH &amp; BANK BALANCES</b>			
<b>A. Cash in Hand</b>		1.12	0.53
<b>B. Bank Balances &amp; Remittances in Transit :</b>			
<b>With Scheduled Banks :</b>			
a. In Current Accounts		18.51	18.94
b. In Deposit Accounts		0.40	0.32
<b>With Non-scheduled Banks /Foreign Banks</b>			
a. In Current Accounts		13.27	4.93
b. In Deposit Accounts		0.70	1.72
Remittances in Transit		20.74	1.61
		<u>54.74</u>	<u>28.05</u>
<b>SCHEDULE 10</b>			
<b>OTHER CURRENT ASSETS</b>			
a. Duty Drawback Receivable		1.47	1.81
b. Excise Recoverable		7.88	4.49
c. Accrued Interest		0.02	0.04
d. Other Current Assets		12.13	2.45
		<u>21.50</u>	<u>8.79</u>
<b>SCHEDULE 11</b>			
<b>LOANS &amp; ADVANCES</b>			
<b>Unsecured, considered good :</b>			
a. Advances recoverable in Cash or in Kind		48.53	43.24
b. Advances for Capital Expenditure		0.53	1.20
c. Advances to Staff & Workers		7.05	4.67
d. Balance in Central Excise & Customs Accounts		4.12	2.05
e. Sundry Deposits		7.63	6.95
f. Advance Payment of Income Tax		22.18	17.92
g. Others		0.01	0.15
		<u>90.05</u>	<u>76.18</u>

**Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2006**

	Sch. 19 Note No. Ref.	As at March 31, 2006 Rs. Crores	As at March 31, 2005 Rs. Crores
<b>SCHEDULE 12</b>			
<b>CURRENT LIABILITIES</b>			
a. Acceptances		11.21	5.46
b. Customer Advances		259.96	182.83
c. Sundry Creditors		165.39	207.19
d. Other Liabilities		80.60	44.51
e. Trade Deposits		1.31	1.23
		<u>518.47</u>	<u>441.22</u>
<b>SCHEDULE 13</b>			
<b>PROVISIONS</b>			
a. Proposed Equity Dividend	3 (l)	40.51	28.60
b. Proposed Preference Dividend		-	2.86
c. Provision for Tax on Dividend		5.77	4.49
d. Provision for Employee Retirement & Other Benefits	3 (k)	13.68	7.32
e. Provision for Contingencies		0.41	3.09
f. Provision for Fringe Benefit Tax Net of Advance Tax		0.87	-
		<u>61.24</u>	<u>46.36</u>
<b>SCHEDULE 14</b>			
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)			
<b>A. Technical Know-how</b>			
Per last Balance Sheet		0.71	1.03
Add : Incurred during the year		0.07	-
		<u>0.78</u>	<u>1.03</u>
Less : Written off during the year		0.52	0.32
	(A)	<u>0.26</u>	<u>0.71</u>
<b>B. Software Expenses</b>			
Per last Balance Sheet		-	0.09
Less : Amortised during the year		-	0.09
	(B)	<u>-</u>	<u>-</u>
	(A+B)	<u>0.26</u>	<u>0.71</u>



**Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2006**

	Sch. 19 Note No. Ref.	Year ended March 31, 2006 Rs. Crores	Year ended March 31, 2005 Rs. Crores
<b>SCHEDULE 15</b>			
<b>SALES AND OTHER INCOME</b>			
<b>I. Sales &amp; Services</b>	<b>3 (m)</b>		
a. India		<b>1310.10</b>	949.35
Less: Excise Duty		<b>86.28</b>	57.39
		<b>1223.82</b>	891.96
Add: Closing Contracts in Progress		<b>(20.73)</b>	(10.59)
Less: Opening Contracts in Progress		<b>(10.59)</b>	(13.71)
		<b>1213.68</b>	895.08
b. Outside India		<b>429.68</b>	337.34
Add: Closing Contracts in Progress		<b>(0.84)</b>	37.29
Less: Opening Contracts in Progress		<b>37.29</b>	23.61
		<b>391.55</b>	351.02
c. Outside India - Trading		<b>0.95</b>	1.02
<b>Total Sales &amp; Services</b>	<b>(I)</b>	<b>1606.18</b>	1247.12
<b>II. Other Income from Operations</b>			
a. Claims & Refunds		<b>0.36</b>	0.27
b. Balances earlier written off now recovered		<b>0.59</b>	0.94
c. Profit on Sale of Assets		<b>0.07</b>	0.23
d. Commission		<b>2.34</b>	1.87
e. Sale of Scrap		<b>5.50</b>	5.62
f. Interest Income (Operations)		<b>0.01</b>	0.24
g. Exchange Difference (net)		<b>0.63</b>	3.26
h. Balances/Excess Provision Written Back		<b>0.46</b>	2.22
i. Provision for Doubtful Debts Written Back		<b>0.26</b>	0.49
j. Premium on Forward Contracts (net)		<b>-</b>	0.02
k. Miscellaneous Income		<b>9.70</b>	7.28
<b>Total Other Income from Operations</b>	<b>(II)</b>	<b>19.92</b>	22.44
<b>III. Other Income</b>			
<b>A) From Investments</b>			
a. Dividend		<b>10.60</b>	9.73
b. Interest (on investments)		<b>0.51</b>	1.33
c. Profit/(Loss) on Sale of Current Investments		<b>-</b>	0.15
d. Profit/(Loss) on Sale of Long Term Investments		<b>2.08</b>	0.32
e. Prov. for Diminution in value of Investments Written Back		<b>0.08</b>	0.25
f. Other Income From Investments		<b>0.40</b>	-
	<b>(A)</b>	<b>13.67</b>	11.78
<b>B) From Other Activities</b>			
a. Lease Rentals (Net of Lease Equalisation)		<b>-</b>	0.02
	<b>(B)</b>	<b>-</b>	0.02
<b>Total Other Income</b>	<b>(III)(A+B)</b>	<b>13.67</b>	11.80
<b>Total Income from Sales and other activities</b>	<b>(I+II+III)</b>	<b>1639.77</b>	1281.36

**Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2006**

	Sch. 19 Note No. Ref.	Year ended March 31, 2006 Rs. Crores	Year ended March 31, 2005 Rs. Crores
<b>SCHEDULE 16</b>			
<b>MATERIALS</b>			
<b>(A) Consumption of Raw Material &amp; Components</b>			
Opening Stock		69.67	42.40
Add : Purchases		1000.65	852.27
		<u>1070.32</u>	<u>894.67</u>
Less : Closing Stock		73.16	69.67
	(A)	<u>997.16</u>	<u>825.00</u>
<b>(B) (Increase) / Decrease in stock</b>			
Opening Stock			
Work-in-Progress		12.36	12.21
Finished Goods		16.11	13.16
		<u>28.47</u>	<u>25.37</u>
Less : Closing Stock			
Work-in-Progress		21.25	12.36
Finished Goods		18.58	16.11
		<u>39.83</u>	<u>28.47</u>
	(B)	<u>(11.36)</u>	<u>(3.10)</u>
	(A+B)	<u>985.80</u>	<u>821.90</u>
<b>SCHEDULE 17</b>			
<b>PERSONNEL</b>			
a. Salaries, Wages, Bonus, Testimonials & Allowances	6	137.31	95.70
b. Gratuity		3.51	3.40
c. Contribution to Provident & Other Funds		9.90	8.39
d. Staff Welfare Expenses		9.16	7.06
		<u>159.88</u>	<u>114.55</u>

**Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2006**

	Sch. 19 Note No. Ref.	Year ended March 31, 2006 Rs. Crores	Year ended March 31, 2005 Rs. Crores
<b>SCHEDULE 18</b>			
<b>OTHER EXPENSES</b>			
a. Consumables and Tools		12.23	11.39
b. Power and Fuel		8.82	7.54
c. Drawing, Design and Technical Service Charges		19.52	14.08
d. Site Expenses and Contract Labour Charges		13.81	6.78
e. Erection, Fabrication Charges		56.53	29.71
f. Rent and Service Charges		3.94	2.70
g. Lease Rentals		0.25	0.37
h. Rates and Taxes		1.16	0.79
i. Insurance		3.67	3.47
j. Repairs and Maintenance:			
Building		1.90	1.52
Plant & Machinery		4.35	2.99
Others		5.97	4.61
k. Communication		7.26	6.31
l. Travelling and Conveyance		35.09	27.65
m. Advertisement and Exhibition		2.55	1.46
n. Freight Outward		17.10	9.98
o. Commission on Sales		10.38	10.11
p. Other Selling and Distribution Expenses		17.79	18.88
q. Free of Cost Supplies and Modifications	3(p)(ii)	14.07	6.71
r. Bank Charges		4.66	3.84
s. Legal and Professional Charges	6	25.84	19.75
t. Printing & Stationery		3.35	2.16
u. Donations		0.33	0.24
v. Bad Debts		10.43	2.79
w. Doubtful Debts		1.16	9.21
x. Liquidated Damages	3(p)(i)	8.55	6.15
y. Loss on Pre-closure of Lease		-	0.01
z. Loss on Asset Discarded		0.51	0.91
aa. Additional Sales Tax and Turnover Tax		0.53	0.30
ab. Premium on Forward Contracts		0.01	0.01
ac. Loss on Sale of Assets		0.07	0.19
ad. Balances Written Off		0.41	0.50
ae. Miscellaneous Expenses		9.92	12.24
af. Deferred Revenue Expenditure		0.52	0.41
ag. Amortization of Goodwill		-	0.08
ah. Diminution in Value of Long Term Investments		-	1.48
ai. Diminution in Value of Current Investments		-	0.01
aj. Loss on Exchange Fluctuations		0.27	0.06
		<b>302.95</b>	<b>227.39</b>

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 19

#### NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

- The Consolidated Financial Statements (CFS) pertains to Thermax Ltd. and its thirteen subsidiaries of which six are overseas subsidiaries. In the CFS, the term “Parent” refers to Thermax Ltd. and “Group” refers to the Parent along with its subsidiaries.
- The CFS 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 31 <sup>st</sup> March, 2006
1	Thermax Energy Performance Services Ltd	India	51
2	Thermax Surface Coatings Limited	India	100
3	Thermax Electronics Limited	India	100
4	Thermax Engineering Construction Co. Ltd	India	100
5	Thermax Instrumentation Limited	India	100
6	Thermax Co-gen Limited	India	100
7	Winman Gas Limited	India	100
8	Thermax International Limited	Mauritius	100
9	Thermax Europe Limited	UK	100
10	ME Engineering Limited	UK	100
11	Thermax Inc.	USA	100
12	Thermax Hong Kong Ltd.	Hong Kong	100
13	Thermax do Brasil Energia e Equipamentos Ltda.	Brazil	100

During the year, Thermax Babcock & Wilcox Ltd. (TBW) and Thermax Capital Ltd. (TCL) have been merged with the Parent.

Also, during the year, Parent sold entire equity stake in Thermax (Rus) Ltd., Russia, (TRL) and hence, TRL has no more remained subsidiary company of the Parent. This transaction has no material impact on the consolidated results of the group.

### 3. Significant Accounting Policies

#### a. Basis for Preparation of Financial Statements

Accounts of the Parent & its subsidiaries have been prepared under historical cost convention on accrual basis and comply with applicable accounting standards.

#### 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. Principles of Consolidation

- The financial statements of the Parent and its Subsidiaries have been consolidated on a line-by-line basis by adding together the book value of like item of assets, liabilities, income and expenses, after eliminating intra group balance and unrealised profit / losses on intra group transaction, and are presented to the extent possible, in the same manner as the Parent’s independent financial statements.

- ii) The excess / deficit of cost to the Parent of its investment over its portion of equity in the Subsidiary at the respective dates on which the investment in such Subsidiary was made is recognised in CFS as goodwill / capital reserve.
- iii) The losses attributable to Minority interest in the net assets of CFS have been adjusted against the profits of majority as possibility of recovery of such losses against future profits is very remote.

**d. Foreign Currency Translation**

Indian Rupee is the reporting currency for the Group. However, the local currency of overseas subsidiaries is different from the reporting currency of the Group. All the overseas subsidiaries have been classified as non-integral operation according to Accounting Standard 11. Therefore, in respect of overseas subsidiaries, all the assets and liabilities are translated using exchange rate prevailing at the Balance Sheet date and revenue, cost and expenses are translated using average exchange rate prevailing during the reporting period. The resultant translation exchange gain / loss has been disclosed as "Foreign Currency Translation Reserve" under the Reserves & Surplus.

**e. Fixed Assets – Tangible and Intangible Assets & Depreciation**

- i) Tangible fixed assets are stated at cost (net of refundable taxes and levies) and include any other attributable cost for bringing the assets to working condition for their intended use.
- ii) Borrowing costs, if any, attributable to fixed assets, are capitalised.
- iii) Expenditure incurred on acquisition or development of goodwill, technical know how, software, patents, research and development and such other intangibles are recognised as Intangible Asset, if it is expected that such assets will generate sufficient future economic benefits.
- iv) Exchange difference on liability relating to imported fixed assets, except in the case of overseas subsidiaries, is adjusted in the carrying cost of the respective fixed assets.
- v) Depreciation on all fixed assets is provided by the domestic companies on 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.
- vi) Depreciation has been provided by overseas subsidiaries on method and at rate required / permissible by the local laws so as to write off the assets over the useful life.
- vii) Depreciation on exchange rate variance capitalised as a part of the fixed assets, is provided prospectively over the remaining useful life of the related asset.
- viii) Amount paid in respect of leasehold land is being amortised over the period of lease.

**f. Taxes on Income**

- i) Current tax is provided on the basis of estimated tax liability, computed as per applicable tax regulations.
- ii) Deferred tax is recognised, subject to the consideration of prudence, in respect of deferred tax assets, on timing differences, being the differences between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**g. Assets Impairment**

Provision for impairment loss is recognised to the extent by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is determined on the basis of the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

**h. Investments**

- i) Investments classified as current investments are valued at lower of cost and fair value.
- ii) Investments classified as long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary in nature, in the carrying amount of such long-term investments.

**i. Inventories**

- i) Inventories are valued at lower of cost and net realisable value.
- ii) Cost of raw materials, components, consumables, stores & spares, patterns & tools are valued at 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) Inventory obsolescence is provided for on the basis of standard norms, except in case of overseas subsidiaries.

**j. Deferred Revenue Expenditure**

In case of Parent Company expenditure incurred up to 31<sup>st</sup> March 2003, on research and development, technical know-how and software, other than those capitalised as fixed asset or expensed out as revenue expenditure, are being amortised over a period of time (maximum six years) depending upon the nature of the expenditure and evaluation of future benefits therefrom.

**k. Retirement and other Employee Benefits**

- i) Contributions to defined contribution schemes, such as approved Provident and Superannuation Funds, are charged to Profit & Loss statement on actual liability basis. In the case of ME Engineering Ltd., UK, differential contributions to the discontinued defined benefit pension scheme is charged / credited to the Profit & Loss Account.
- ii) 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.
- iii) Leave encashment benefit is provided on the basis of actuarial valuation.
- iv) Liability on account of company's obligations under employee's medical reimbursement scheme and leave travel assistance scheme is provided on actual basis.

**l. Provisions and Contingent Liabilities**

- i) Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation.
- ii) Group provides for warranty obligations on substantial completion of contracts based on technical evaluation and past experience.
- iii) Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

**m. 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 in respect of projects for construction of plants and systems, execution of which is spread over different accounting periods is recognised on the basis of percentage of completion method.
- iii) Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.
- iv) Difference between costs incurred plus recognised profits / less recognised losses and the amount of invoiced sale is disclosed as contract in progress.
- v) 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, the percentage of completion, costs to completion, the expected revenue from the contract and the foreseeable losses to completion.
- vi) Supply of spare parts and services are accounted on 'as billed' basis.
- vii) Revenue in respect of long-term service contracts / maintenance contracts is recognised on the basis of stage of completion.

viii) Dividend from investments is recognised when the company's right to receive is established.

**n. Borrowing Costs**

- i) Borrowing costs on working capital is charged to profit and loss statement in the year of incurrence.
- ii) Borrowing costs that are attributable to the acquisition of tangible fixed assets are capitalised till the date of substantial completion of the activities necessary to prepare the relevant asset for its intended use.
- iii) Borrowing costs that are attributable to the acquisition or development of intangible assets are capitalised till the date they are put to use

**o. 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 relatable transaction.
- iii) Exchange difference is either adjusted in the carrying amount of imported fixed assets, except in case of overseas subsidiaries, 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 average rate.

**p. Others**

- i) Liquidated damages are charged to Profit & Loss account, on the basis of deduction made by customers.
- ii) 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.

**4. Contingent Liabilities not provided for**

- a) Disputed demands in respect of Excise and Customs Duty Rs. 5.02 crores (*Previous year Rs.6.84 crores*), Sales tax Rs.1.64 crores (*Previous year Rs.1.69 crores*) and other Statutes Rs. 11.08 crores (*Previous year Rs.4.05 crores*)
- b) i) Income tax demands disputed in appellate proceedings Rs. 26.03 crores (*Previous year Rs.25.63 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. 21.41 crores (*Previous year Rs.9.44 crores*)
- c) Counter Guarantees given to the banks for guarantees issued by them on Group's behalf Rs. 325.18 crores (*Previous year Rs.218.55 crores*)
- d) Indemnity Bonds/Corporate Guarantees given to Customs, other Government departments and various customers Rs.23.91 crores (*Previous year Rs.20.42 crores*)
- e) Liability for unexpired export obligations Rs. 1.57 crores (*Previous year Rs.5.28 crores*)
- f) Claims against Group not acknowledged as debts Rs. 0.22 Crores (*Previous year Rs.0.18 crores*)
- g) Bills Discounted with banks Rs. 22.24 crores (*Previous year Rs.12.69 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. 2.08 crores (*Previous year Rs.0.55 crores*)
- j) Saving guarantees given to the customers through Master Energy Services Agreements (MESA) for projects completed Rs. 12.21 crores (*Previous year Rs.16.23 crores*).

## 5. Deferred Taxation

Particulars	(Rs. Crores)	
	31.3.2006	31.3.2005
<b>Major components of deferred tax asset are:</b>		
i) Provision for Doubtful Debts	8.13	7.38
ii) Diminution in Value of Investments	0.45	0.54
iii) Others	1.82	3.61
<b>Total</b>	<b>10.40</b>	<b>11.53</b>
<b>Major components of deferred tax liability are :</b>		
i) Depreciation on Fixed Assets	18.99	18.13
ii) Capital Expenditure on R & D Assets	—	0.65
iii) Others	0.63	(0.39)
<b>Total</b>	<b>19.62</b>	<b>18.39</b>

Deferred tax debit for the year of Rs. 2.45 crores (*previous year debit of Rs. 0.40 crores*) has been recognised in the Profit & Loss Account of the year.

## 6. Profit for the year before tax is after accounting for the following exceptional item of expenses:

- a) Fees paid to management consultant for business transformation exercise undertaken by the company Rs 5.83 crores (previous year Rs 9.02 crores).
- b) Differential contributions to the discontinued defined benefit pension scheme Rs 4.31 crores (previous year Rs nil).

## 7. Secured Loans

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

## 8. Segment Reporting

- a) 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 Recycle Plants, Ion Exchange Resins & Performance Chemicals.

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.



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

India

Outside India

i) **Information about Primary Segments**

Rs. Crores

Particulars	2005-06			
	Energy	Environment	Others	Total
<b>Revenue :</b>				
Gross Revenue	1398.70	441.04	0.16	1839.90
Less : Intersegment Revenue	141.98	71.80	0.02	213.80
Net Revenue	1256.73	369.24	0.14	1626.10
<b>Result :</b>				
Segment Result	148.95	43.86	(1.69)	191.12
Unallocated expenses net of unallocated income				16.66
Operating Profit				174.46
Interest expenses				1.63
Extra-ordinary items of expenses				
Taxation for the year				70.30
Net Profit				102.53
<b>Other Information :</b>				
Segment Assets	466.93	192.15	5.18	664.25
Unallocated Corporate assets				422.18
Total Assets				1086.43
Segment Liabilities	424.38	118.52	0.90	543.80
Unallocated Corporate Liabilities				83.24
Total Liabilities				627.04
Capital expenditure	27.17	5.05		32.23
Depreciation	11.81	3.97	0.20	15.98
Non-cash expenses other than Depreciation	0.41	0.10	-	0.52

Rs. Crores

Particulars	2004-05			
	Energy	Environment	Others	Total
<b>Revenue :</b>				
Gross Revenue	1075.92	334.67	1.67	1412.26
Less : Intersegment Revenue	91.81	50.85	0.04	142.70
Net Revenue	984.11	283.82	1.63	1269.56
<b>Result :</b>				
Segment Result	90.21	31.95	(0.69)	121.47
Unallocated expenses net of unallocated income				16.74
Operating Profit				104.73
Interest expenses				1.02
Extra-ordinary items of expenses				-
Taxation for the year				36.51
Net Profit				67.20
<b>Other Information :</b>				
Segment Assets	492.11	151.08	19.90	663.09
Unallocated Corporate assets				325.26
Total Assets				988.35
Segment Liabilities	389.80	84.67	(3.35)	471.12
Unallocated Corporate Liabilities				61.08
Total Liabilities				532.20
Capital expenditure	28.32	3.59	5.98	37.89
Depreciation	7.83	3.04	1.05	11.92
Non-cash expenses other than Depreciation	0.34	0.15	-	0.49

ii) **Information about Secondary Segments :**

Rs. Crores

Particulars	2005-06	2004-05
<b>Revenue</b>		
India	1232.94	915.24
Outside India	393.16	354.32
<b>Total</b>	<b>1626.10</b>	1269.56
<b>Carrying amount of Segment Assets :</b>		
India	562.98	579.70
Outside India	101.27	83.38
<b>Additions to Fixed assets :</b>		
India	32.07	37.26
Outside India	0.16	0.63

## 9. 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

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

### Nature of Transactions

	2005-06	Rs. Crores 2004-05
Rent Paid	0.04	0.04
Managerial Remuneration	0.95	0.80
Sitting Fees	0.07	0.07
Loans, Advances/Deposits Outstanding at the end of the year - Deposits	0.40	0.40

## 10. Earnings Per Share

Earnings Per Share (EPS) calculated in accordance with Accounting Standard 20 issued by The Institute of Chartered Accountants of India.

Particulars	2005-06	2004-05
Profit After Tax (Rs. Crores)	102.53	68.28
Dividend on Preference Shares, Tax on Preference dividend and on redemption of Preference Shares (Rs. Crores)	7.73	3.26
Net Profit available for Equity Shareholders (Rs. Crores)	94.80	65.02
Weighted average number of Equity Shares of Rs. 2/- each (previous year Rs 10/- each)	11,91,56,300	2,38,31,260
Basic & Diluted EPS (Rs.)	7.96	27.28

11. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 1.17 crores (Previous year Rs.2.76 crores)

12. Foreign exchange fluctuation capitalised during the year amounted to Rs. 0.01 crores (Previous year capitalised Rs. 0.11 crores)

13. 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

**Meher Pudumjee**  
Chairperson

**Prakash Kulkarni**  
Managing Director

**H. P. Mahajani**  
Partner  
Membership No.: 30168

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

**Sunil Lalai**  
Company Secretary

Pune, May 24, 2006

Pune, May 24, 2006

## CONSOLIDATED CASH FLOW STATEMENT

Rs. Crores

	2005-06	2004-05
<b>A Cash flow from Operating Activities</b>		
Net profit before tax	<b>172.83</b>	103.71
<i>Add: Adjustments for:</i>		
Depreciation	<b>15.98</b>	11.92
Amortisation of deferred revenue expenses	<b>0.52</b>	0.41
Amortisation of Goodwill	-	0.08
Provision for Doubtful Debts	<b>1.67</b>	8.90
Interest (expense)	<b>1.61</b>	0.98
Lease rentals paid	<b>0.25</b>	0.38
Diminution in value of Investments	-	1.49
<i>Less: Adjustments for:</i>		
Interest / Dividend / Brokerage ( Income received)	<b>(11.51)</b>	(11.07)
(Profit)/Loss on Sale of Investment	<b>(2.08)</b>	(0.47)
Payment towards Deferred Revenue Expenditure	<b>(0.07)</b>	-
(Profit)/Loss on sale of assets	<b>0.52</b>	0.87
Provision for Long Term Investments-Written Back	<b>(0.08)</b>	(0.25)
Lease Rentals Received	-	(0.02)
Operating profit before working capital changes	<b>179.64</b>	116.93
<i>Adjustments for</i>		
Trade and Other Receivables	<b>71.76</b>	(34.08)
Inventories	<b>(24.06)</b>	(32.14)
Trade Payables	<b>4.09</b>	108.21
Contracts in Progress	<b>48.16</b>	(16.74)
Cash generated from Operations (After Extra Ordinary Items before tax)	<b>279.59</b>	142.18
Direct taxes paid	<b>(72.10)</b>	(34.79)
<b>Net cash from operating activities (after tax)</b>	<b>207.49</b>	107.39

	Rs. Crores	
	2005-06	2004-05
<b>B Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(25.95)	(45.48)
Purchase of Investments	(78.46)	(33.14)
Acquisition of Additional stake in Subsidiary	-	(7.75)
Exchange Rate Fluctuation	2.12	0.08
Profit/(Loss) on Sale of Investments	2.08	0.47
Interest / Dividend / Brokerage received	11.56	11.49
Lease Rentals Received	-	0.02
<b>Net cash from Investing Activities</b>	<b>(88.65)</b>	<b>(74.31)</b>
<b>C Cash flow from Financing Activities</b>		
Redemption of Preference Shares	(54.35)	-
Increase in Borrowings	0.30	(2.40)
Lease Rentals paid	(0.25)	(0.38)
Interest paid	(1.61)	(0.97)
Dividend paid and Tax thereon	(36.24)	(34.01)
<b>Net cash from Financing Activities</b>	<b>(92.15)</b>	<b>(37.76)</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>	<b>26.69</b>	<b>(4.68)</b>
Opening cash & bank balances	28.05	32.73
Closing cash & bank balances	54.74	28.05

As per our report of even date

**For B. K. Khare & Co.**  
*Chartered Accountants*

**Meher Pudumjee**  
*Chairperson*

**Prakash Kulkarni**  
*Managing Director*

**H. P. Mahajani**  
*Partner*  
*Membership No.: 30168*

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

**Sunil Lalai**  
*Company Secretary*

Pune, May 24, 2006

Pune, May 24, 2006

**THERMAX LIMITED**  
**TWENTY FIFTH ANNUAL REPORT 2005-2006**

**Summarised statement of financials of subsidiary companies pursuant to approval under Section 212(8) of the Companies Act, 1956.**

Rs. Crores

Sr No.	Particulars	Thermax Energy Performance Services Ltd.		Thermax Surface Coatings Ltd.		Thermax Electronics Ltd.		Thermax Engineering Construction Co. Ltd.		Thermax Instrumentation Ltd.		Thermax Co-gen Ltd.		Winman Gas Ltd.		Thermax International Ltd. (Mauritius)		Thermax Europe Ltd. (U.K.)		ME Engineering Ltd. (U.K.)		Thermax Inc. (U.S.A.)		Thermax Hong Kong Ltd. (Hong Kong)		Thermax do Brasil Energia e Equipamentos Ltda. (Brazil)		
		04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	
1	Capital	1.94	0.75	1.00	1.50	1.00	1.50	9.00	9.00	9.00	9.00	0.50	0.50	0.05	0.05	6.36	14.29	1.55	1.65	3.10	3.31	2.23	2.19	2.74	1.80	1.75	1.39	
2	Reserves	(2.64)	(0.82)	(0.81)	2.20	(7.83)	(7.92)	(7.83)	(7.83)	(7.83)	(7.83)	0.05	0.06	(0.48)	(0.48)	(1.51)	(1.56)	1.76	0.35	(14.97)	1.20	2.14	1.81	(2.09)	(0.67)	(1.32)	(0.65)	
3	Total Assets	0.49	2.23	0.19	34.15	2.96	34.15	3.81	23.51	3.81	2.96	0.56	0.57	1.34	1.34	4.87	12.75	5.98	4.99	29.75	56.68	27.82	21.22	1.19	1.19	0.71	0.88	
4	Total Liabilities	1.20	2.31	0.01	30.45	1.79	30.45	2.73	20.45	2.73	1.79	0.01	0.01	1.77	1.77	0.02	0.02	2.67	2.99	41.62	52.17	23.45	17.22	0.54	0.05	0.28	0.12	
5	Investments																											
	A) Long Term (Non-Trade)	-	-	-	-	-	-	-	-	-	-	0.54	0.54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	B) Current Investments	-	-	-	6.98	-	6.98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total Investments (A+B)	-	-	-	6.98	-	6.98	-	-	-	-	0.54	0.54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Turnover	0.09	0.22	0.01	74.99	0.11	74.99	0.11	45.99	0.11	0.11	-	0.08	-	-	-	-	14.17	15.65	68.13	95.05	51.78	36.94	1.47	0.07	1.23	0.57	
7	Profit Before Tax	(0.03)	(0.47)	(0.00)	2.33	(0.13)	2.33	(0.13)	1.36	(0.13)	(0.09)	(0.01)	0.07	(0.51)	(0.04)	(0.02)	(1.50)	1.27	0.59	(16.10)	(1.46)	0.59	0.53	(1.33)	(0.66)	(0.49)	(0.51)	
8	Provision for tax	-	-	-	(1.01)	0.01	(1.01)	0.01	(0.47)	0.01	-	-	(0.01)	-	-	-	-	0.17	(0.18)	-	-	(0.22)	(0.21)	(0.02)	-	-	-	
9	Profit After Tax	(0.03)	(0.47)	(0.01)	1.32	(0.12)	1.32	(0.12)	0.89	(0.12)	(0.09)	(0.01)	0.06	(0.51)	(0.04)	(0.02)	(1.50)	1.44	0.41	(16.10)	(1.46)	0.37	0.32	(1.35)	(0.66)	(0.49)	(0.51)	
10	Proposed Dividend (Excluding Tax on Dividend)	-	-	-	0.60	-	0.60	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	Currency	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	USD	GBP	GBP	GBP	GBP	USD	USD	USD	HKD	HKD	Braslian Reals	Braslian Reals
12	Exchange rate as on 31st March in INR	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	43.74	77.50	77.50	82.69	77.50	82.69	44.62	43.74	5.75	5.61	20.61	16.37	

Note: The annual accounts of the above subsidiary companies are open for inspection by any investor at the Company's Corporate Office and the Registered Office of the respective subsidiary companies.

## THERMAX LIMITED - FINANCIALS AT A GLANCE

Rs. Crores										
PARTICULARS	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
Domestic Sales (including excise duty)	1244	788	480	423	359	372	329	370	402	420
Export	308	176	118	116	107	101	76	96	95	71
% to Total Sales	20%	18%	20%	21%	23%	21%	19%	21%	19%	15%
Total Sales	1551	964	599	539	466	473	406	466	497	491
% Growth	159%	79%	29%	16%	-1%	16%	-13%	-6%	1%	9%
Other Income	33	25	40	39	36	32	92	42	33	31
Total Income	1584	989	639	577	502	504	498	508	530	522
Total Expenses	1376	897	551	498	448	497	434	443	458	451
Profit before Depreciation, Interest, Extra-ordinary Items and Tax	215	102	87	80	54	8	64	65	72	72
% to Total Income	14%	10%	14%	14%	11%	2%	13%	13%	14%	14%
Depreciation	15	9	9	10	12	12	12	10	10	9
Interest	1	1	0	1	3	4	3	5	5	9
Except.& Extra-ordinary Items	6	9	6	6	7	3	6	0	0	0
Profit before Tax/(Loss)	193	83	72	64	31	(10)	42	50	56	54
% to Total Income	12%	8%	11%	11%	6%	-2%	9%	10%	11%	10%
Tax	69	28	18	15	7	3	10	12	11	11
Profit after Tax/(Loss)	123	55	54	48	24	(13)	32	38	45	44
% to Total Income	8%	6%	8%	8%	5%	-3%	6%	8%	9%	8%
Gross Block	243	177	165	166	167	168	167	161	153	136
Net Block	138	102	83	81	87	99	109	112	114	105
Investments	417	316	276	240	189	158	161	113	80	83
Current Assets	533	368	265	201	232	254	258	245	293	291
Current Liabilities	600	368	227	150	145	118	133	115	141	161
Net Current Assets	(67)	0	38	51	88	136	124	130	152	130
Deferred Revenue Expenses	0	1	1	8	14	4	15	9	10	5
Capital Employed	474	402	383	356	344	393	394	355	345	318
Equity Share Capital	24	24	24	24	24*	23	23	23	23	23
Preference Share Capital \$	0	48	48	0	0	0	0	0	0	0
Reserves and Surplus	450	332	312	340	324	331	347	324	295	258
Networth	474	355	335 #	356	333	350	355	339	308	277
Loan Funds	0	0	0	0	11	43	39	17	37	41

Fixed Asset Turnover Ratio	11.27	9.49	7.22	6.63	5.36	4.78	3.72	4.15	4.36	4.66
Working Capital Turnover Ratio	0.00	0.00	15.64	10.46	5.32	3.48	3.27	3.59	3.27	3.78
Debt-Equity Ratio	0.00	0.00	0.00	0.00	0.03	0.12	0.11	0.05	0.12	0.15
Current Ratio	0.89	1.00	1.17	1.34	1.60	2.15	1.93	2.12	2.08	1.80
Return on Capital Employed	41%	21%	19%	18%	10%	-2%	12%	15%	18%	20%
Return on Net Worth	24%	15%	16%	14%	7%	-4%	9%	11%	15%	16%
Cash Earnings Per Share (Rs.)&	10.97	25.69	25.67	24.31	15.27	(0.63)	18.76	20.34	23.23	21.97
Earnings Per Share &	9.69	21.83	21.99	20.24	10.08	(5.55)	13.57	16.08	19.02	18.28
Dividend(%)	170%	120%	120%	120%	50%	10%	35%	35%	35%	35%
Book Value Per Share (Rs.) &	40	149	141	149	140	147	149	142	129	116

\* 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 for implementing ESOP scheme in the Company.

\$ Issued 6% Redeemable Preference Share (RPS) of face value Rs. 10/- each as bonus shares in the ratio of two RPS for every equity share held.

# Networth reduced consequent upon issue of 6% RPS as bonus shares.

& During FY 2005-06, Equity Shares of face value Rs. 10/- each were sub-divided into face value Rs. 2/- each.

Note : Figures of previous years have been regrouped to conform to this year's classification.

## THERMAX GROUP - FINANCIALS AT A GLANCE

	Rs. Crores				
PARTICULARS	2005-06	2004-05	2003-04	2002-03	2001-02
Domestic Sales (including excise duty)	1300	952	605	531	464
Sales outside India	392	352	207	198	151
% to Total Sales	23%	27%	26%	27%	25%
Total Sales	1692	1304	812	729	615
% Growth	30%	61%	11%	19%	-
Other Income	34	34	51	42	40
Total Income	1726	1338	863	771	655
Total Expenses	1536	1221	756	671	589
Profit before Depreciation, Interest, Extra-ordinary Items and Tax	201	126	108	100	66
% to Total Income	12%	9%	12%	13%	10%
Depreciation	16	12	12	14	18
Interest	2	1	1	1	4
Except.& Extra-ordinary Items	10	9	6	6	8
Profit before Tax	173	104	89	79	36
% to Total Income	10%	8%	10%	10%	5%
Tax	70	37	23	20	8
Profit after Tax before Minority	103	67	65	59	28
Minority Interest	0	(1)	3	3	0
Profit after Tax after Minority	103	68	62	56	28
% to Total Income	6%	5%	7%	7%	4%
Gross Block	253	232	207	215	216
Net Block	144	134	102	102	110
Investments	397	318	287	242	170
Current Assets	591	536	379	270	313
Current Liabilities	656	519	321	210	205
Net Current Assets	(66)	17	58	59	108
Deffered Revenue Expenses	0	1	1	8	15
Capital Employed	462	455	434	388	368
Equity Share Capital	24	24	24	24	24
Preference Share Capital \$	0	48	48	0	0
Reserves and Surplus	431	378	337	357	333
Networth	455	401	377	386	352
Minority Interest	0	0	17	13	10
Loan Funds	7	7	9	2	16
Fixed Asset Turnover Ratio	11.76	9.75	7.94	7.17	5.57
Working Capital Turnover Ratio	(25.84)	77.60	13.94	12.32	5.68
Debt-Equity Ratio	0.02	0.02	0.02	0.00	0.04
Current Ratio	0.90	1.03	1.18	1.28	1.53
Return on Capital Employed	38%	23%	21%	20%	11%
Return on Net Worth	21%	16%	16%	14%	8%
Cash Earnings Per Share (Rs.) #	9.30	32.28	30.53	30.19	19.77
Earnings Per Share #	7.96	27.28	25.37	23.37	11.59
Dividend(%)	170%	120%	120%	120%	50%
Book Value Per Share (Rs.) #	38	168	158	162	148

\* 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 for implementing ESOP scheme in the Company.

\$ Issued 6% Redeemable Preference Share (RPS) of face value Rs. 10/- each as bonus shares in the ratio of two RPS for every equity share held.

# During FY 2005-06, Equity Shares of face value Rs. 10/- each were sub-divided into face value Rs. 2/- each.

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