THERMAX LIMITED

26th
ANNUAL REPORT
2006-2007

THERMAX

A GLORIOUS MORNING

"The heightened awareness about climate change and its consequences has strengthened the trend of investment in green energy and improved efficiency options like cogeneration and harnessing waste heat to generate steam and power. This has created additional demand for energy saving and eco-friendly equipment and systems. Thermax is well positioned to tap into these opportunities in energy and environment technology solutions."

– from the Chairperson's Message

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HIGHLIGHTS OF THE YEAR

The company's total income crossed the Rs. 2000-crore mark at Rs. 2210 crore, up by 48 percent over the previous year

Profit after tax was up 52 percent at Rs. 187.8 crore, the highest ever posted by the company

The market cap of the company crossed USD 1 billion and the consolidated EPS more than doubled to Rs. 16.26

The Thermax Group order book stood at Rs. 3672 crore by year end, a 66 percent increase over last year

The company has bagged a number of high-value orders for captive power, heat recovery and wastewater treatment during the year

Based on the order book and strong enquiry inflow the company expects to grow at more than 40 percent in FY 2007-08

The year saw the launch of the Thermax leadership development process to groom business leaders at all levels

VISION

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

Board of Directors

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

Shishir Joshipura
Prakash Kulkarni
Gopal Mahadevan
Amitabha Mukhopadhyay
Sudhir Sohoni
M. S. Unnikrishnan

Officers of the Company

Gopal Mahadevan
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
Karvy Computershare Pvt. Ltd.
Plot No. 17 to 24,
Kamal Vitthalrao Nagar
Madhapur, Hyderabad - 500 081
Ph: 040-23420818 & 828
Fax.: 040-23420833

INDIAN SUBSIDIARY COMPANIES
Thermax Surface Coatings Limited
Thermax Engineering Construction Company Limited
Thermax Instrumentation Limited

OVERSEAS SUBSIDIARY COMPANIES
Thermax International Limited, Mauritius
Thermax Europe Limited, U.K.
Thermax Inc., U.S.A.
Thermax do Brasil Energia e Equipamentos Ltda, Brazil
Thermax Hong Kong Limited, Hong Kong
Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd., China

WEBSITES
www.thermaxindia.com
www.tbwindia.com

CHAIRPERSON'S MESSAGE

On behalf of the Board, I would like to express my sincere gratitude and thanks to Prakash for leading the turnaround of our company and putting it on the growth path in the seven years as Managing Director of Thermax. We have every confidence that Unny, with the support of a strong and capable team, will take Thermax to even greater heights.

Dear Shareholder,

It is my privilege to present the 26th Annual Report of the company. The highlight during the year is that total income has crossed the Rs 2000-crore mark to Rs 2210 crore and the net profit is a healthy Rs 187.8 crore. This is an increase of 48 and 52 percent respectively over the previous year – a laudable achievement. I congratulate Prakash Kulkarni, our Managing Director, and the management team. I acknowledge and appreciate the contribution of all our employees, business associates, customers and suppliers. I also thank our Board members for their guidance, valuable feedback and counsel.

In January, the Board was pleased to announce the appointment of M.S. Unnikrishnan as the Managing Director of Thermax Limited effective July 1, 2007 – a planned and smooth succession when Prakash Kulkarni retires at 60 as per the company policy, at the end of June. On behalf of the Board, I would like to express my sincere gratitude and thanks to Prakash for leading the turnaround of our company and putting it on the growth path in the seven years as Managing Director of Thermax. We have every confidence that Unny, with the support of a strong and capable team, will take Thermax to even greater heights. On behalf of all of us, I welcome Unny as our new business leader and wish him all success.

The company has done well. Not only have we taken advantage of the growth in the economy and the upsurge in demand for capital goods, but have also continued to make improvements in our operations under Project Evergreen – enhancing throughput, de-bottlenecking our manufacturing capacity and standardising some products and processes.

During the last year oil and gas prices have posed serious challenges for industry worldwide and this continues. Combined with the heightened awareness about climate change and its consequences, this has strengthened the trend of investment in green energy and improved efficiency options like cogeneration and harnessing waste heat to generate steam and power. This has created additional demand for energy saving and eco-friendly equipment and systems. Thermax is well positioned to tap into these opportunities in energy and environment technology solutions.

Although there is talk about the Indian economy overheating and the Government's recent intervention to curb inflation, a growth rate of around 8 percent is projected. With a stronger rupee and rationalised customs duties, we, as Indian manufacturers will need to make ourselves much more competitive in order to maintain our margins and be able to withstand global competition. A cause for concern is our deteriorating infrastructure – whether it is power, ports or roads.

Taking advantage of the boom in the economy, Thermax has grown at a significant pace in the last three years. While the business environment offers many opportunities, there are internal challenges, one of which is managing this growth. The biggest challenge faced by most growing industries today is in human resources. Our company is investing a lot of time and effort in recruitment, training and talent management. We have recently launched a Thermax leadership development programme which is expected to develop business leaders over the medium term.

Secondly, the pace of growth has strained our manufacturing and delivery schedules. To enhance capacity, we are investing in a new plant near Baroda which will be ready phase-wise starting July 07. The choice of location was based mainly on availability of good infrastructure. The company has been successful at revamping and de-bottlenecking the existing manufacturing facilities both at Pune and Paudh. A similar exercise is also underway with our vendors and fabricators to help meet demand and improve delivery schedules. Together, this will ease pressures and significantly improve our commitment levels to customers.

In the domestic market, the demand for captive power plants continues to grow and clients are clamouring for more solutions in energy management and environment conservation. To capitalize fully on these market opportunities, our company has successfully launched service businesses that include operation and maintenance of power plants, renovation and augmentation of water treatment systems and energy audits in process industries as part of a certification process.

Our growth in exports has been 31 percent over the previous year. However, as part of Project Evergreen, we plan to make this a more focused approach, moving more towards internationalisation in selective markets abroad.

China is the largest market in the world for absorption chilling. To be a significant player in this product line, we have entered the Chinese market, picked up a few select orders and are learning to compete. Moreover, China offers a lower cost manufacturing base. Hence, the company has decided to set up a manufacturing facility in China for which land has been acquired and necessary permissions have been obtained. The plant will be operational by March 2008 and will have an initial production capacity of 200 chillers per year. China has also been a good sourcing base for the company.

In my message in the previous year's Annual Report I had mentioned the losses incurred by our UK subsidiary, ME Engineering. Despite our best efforts, this company did not show signs of recovery. We have decided to cap the losses and have filed for Administration. This experience has brought home the need for more rigorous due diligence in acquiring and managing overseas subsidiary companies.

The reality beyond the economic boom can be quite sobering. Access to basic education and health can make a big difference in empowering sections which are left out from the benefits of liberalisation of the economy, leading to a more “inclusive” model of growth. Corporate India is showing greater sensitivity to corporate social responsibility (CSR), yet there is much to be done.

We at Thermax have recently formalised the Thermax Social Initiative Foundation and have decided to primarily concentrate our efforts and resources on education for the underprivileged. We believe that good education is a great leveller and can bridge the gap between the haves and have-nots. As Amartya Sen has pointed out, “Poverty is deprivation of basic capabilities rather than merely a lowness of income.”

The Foundation has partnered with the Pune Municipal Corporation (PMC) for taking over and running an English medium school for the next 30 years. The PMC runs 21 English medium schools and in standard II, takes a test to select bright students to be admitted to a school for gifted children. To begin with, we will have Std III, IV and V. The plan is to add one class every year. We have appointed the Principal and the teachers, repaired and renovated the existing school and are ready to begin the academic year in June 2007.

Finally, I thank all of you, our shareholders, all our stakeholders and well wishers for your continued support and trust. I am confident that Thermax is on the right track. With your good wishes, we will continue to do well in the multi-opportunity areas of energy and environment with a responsible approach to social and governance issues.

With best wishes,

Meher Pudumjee

LETTER FROM THE MANAGING DIRECTOR

Dear Shareholder,

I am happy to report that your company has again posted excellent results, with total income crossing the Rs. 2,000-crore mark at Rs. 2210 crore. The profit after tax is the highest till date at Rs. 187.8 crore. This has been possible because of our collective commitment to performance and every one in the organisation deserves kudos on this achievement.

To give you a perspective, your company has grown three times in the last three years and the bottom line has also tripled in the same period. The order book is healthy but we have to manage some tough execution challenges.

Recently an investment journal has ranked Thermax as number one among the top 21 wealth creators in the country, over the last five years. The consolidated EPS has more than doubled to Rs. 16.26 in 2006-07. And, the market capitalization of your company has crossed USD 1 billion. I am sure this is something that makes you feel rewarded for your trust and loyalty to the company.

It has been a specially eventful year with all our businesses growing at a fast pace – notably the power and energy businesses have made substantial gains in volumes and market presence. The service businesses have also performed well and O&M and energy audits are generating a lot of interest in the market. The challenge before us is to manage the growth in our energy and environment businesses and deliver on commitments made to the customers.

It has been a specially eventful year with all our businesses growing at a fast pace – notably the power and energy businesses have made substantial gains in volumes and market presence. The service businesses have also performed well and O&M and energy audits are generating a lot of interest in the market

The year also saw better utilisation of fixed assets and there were concerted efforts to build further on integrated cost reduction and supply chain management. This enabled your company to handle larger volumes of business with almost the same resources with process improvements.

The scale of the company's project business is increasing in size and complexity and the company has recently received an order valued at Rs. 388 crore from a cement major for setting up multiple captive power plants to reduce their energy costs. The company has also received a large contract from a municipal body to set up a sewage treatment plant in a major city. At the year end, the company's consolidated order book stood at Rs. 3672 crore. Based on this and a strong enquiry inflow the company expects to grow at more than 40 percent in FY 2007-08.

Your company has built up a substantial war chest which will enable it to take more risks and seek opportunities more aggressively than in the past.

As reported in the audited results, we have accounted for the losses of our Brazil and Hong Kong subsidiaries as well as ME Engineering by providing for all liabilities, should they arise.

A very senior professor from IIM-A is completing a major case study on your company which spans a period of 40 years – from small beginnings, to the heady growth years to the troubled period and the turnaround and transformation period currently under way. This case study will be taught to practicing managers in advanced management programmes. The point of sharing this with you is that we are in the good company of IIM-A which says something about the brand equity of Thermax which has been nurtured over the years.

As you probably know I am retiring at the end of June, when M S Unnikrishnan takes over as Managing Director. I have a lot of confidence in his leadership abilities and I wish him all the best in the journey of growth and transformation. As for me, I have not firmed up my retirement plans but I believe things will fall in place in due course. Thermax has been my second home for the last 37 years, since I joined as a design engineer in 1971. I have some very good memories of my long career in Thermax – including the grooming and nurturing from Rohinton Aga and the human insights from Anu Aga.

I would like to thank all the board members and my senior management team for their guidance and support. I also appreciate the continued confidence our shareholders, customers, business associates and employees have placed in the company's management.

With best regards,

Prakash Kulkarni

M. S. Unnikrishnan : smooth succession

DIRECTORS' REPORT

Dear Shareholder,

Your Directors have pleasure in presenting the Twenty-sixth Annual Report together with the audited accounts of your company for the year ended March 31, 2007.

FINANCIAL RESULTS

(Rupees in crore)

	2006-2007	2005-2006
Total income	2210.03	1498.00
Profit before interest, depreciation, tax and extraordinary items	**316.08**	**208.68**
Interest & depreciation	20.06	16.15
Profit before tax & before extraordinary items	296.02	192.53
Extraordinary items of expenses	5.48	
Provision for taxation	102.74	69.28
Profit after tax & extraordinary items	**187.80**	**123.25**
Balance carried forward from last year	136.61	51.17
Transfer on amalgamation	–	29.50
Profit available for appropriation	**324.41**	**203.92**
Dividend on preference shares	–	0.92
Interim dividend/proposed equity dividend	71.49	40.51
Tax on dividend & preference shares redemption	10.95	12.50
Transfer to general reserves	19.00	13.38
Surplus carried forward	222.97	136.61

PERFORMANCE

Your company has posted robust results during the year with total income at Rs. 2210 crore, up from Rs 1498 crore in the previous year, registering a growth of 47.5 percent. Profit before tax and extraordinary items at Rs. 296 crore (Rs. 192.5 crore in the previous year), recorded a growth of 53.8 percent.

Profit after tax is higher at Rs. 187.8 crore from Rs. 123.3 crore of the previous year. Earnings per share (EPS) moved up significantly to Rs. 15.76 compared to Rs. 9.69 in 2005-06.

During the year exports have risen to Rs. 401.7 crore from Rs. 307.6 crore last year, recording a growth of 30.6 percent.

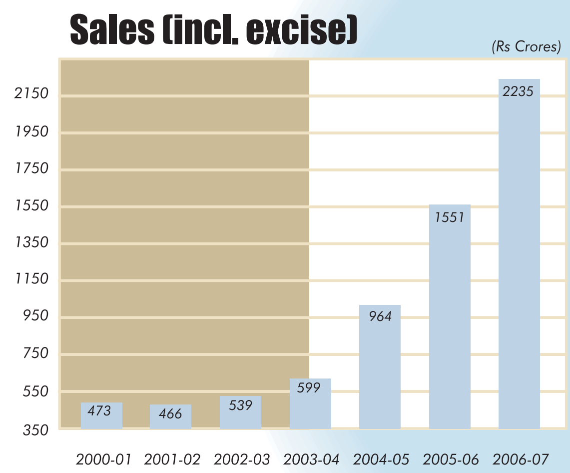
The current year's figures are not strictly comparable with those of the previous year as three wholly-owned subsidiary companies – Thermax Co-Gen Limited, Thermax Electronics Limited and Winman Gas Limited – were amalgamated with Thermax Limited during the year. However, as there has been no sales income from the three amalgamated companies, it does not have any material impact on the income/profit of the company.

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

CONSOLIDATED RESULTS

The consolidated income of the Thermax Group has gone up by 44.1 percent to Rs. 2362.6 crore. Income from international business has increased to Rs. 441.2 crore from Rs. 392.5 crore. Profit before tax has increased 75.8 percent to Rs. 303.8 crore. Profit after tax and minority interest has increased 88.9 percent to Rs. 193.7 crore. Earnings per share (EPS) on a consolidated basis more than doubled to Rs. 16.26 as compared to Rs. 7.96 in the previous year. ME Engineering Ltd., the UK based step-down subsidiary, was referred to Administration during the year and has not been considered for consolidation. Thermax Energy Performance Services Ltd, the joint venture subsidiary company, has been referred for voluntary winding up and also has not been considered for consolidation.

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, Directors' Report and Auditors' Report of the subsidiary companies have not been attached to the Accounts of the company for the year 2006-07. However, on request by any member of the company/ statutory authority interested in obtaining them, these documents will be made available for examination, at its corporate office. The audited consolidated financial statement presented by the company include 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

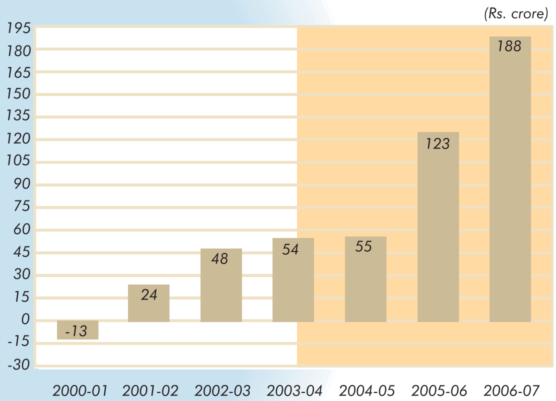


the subsidiaries is attached along with the consolidated financial statement.

AMALGAMATION

Thermax Co-gen Limited (TCGL), Thermax Electronics Limited (TEL) and Winman Gas Limited (WGL), three wholly owned subsidiary companies, have been amalgamated with your company with effect from April 1, 2006, the

Profit After Tax (PAT)



Appointed Date as per the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Judicature at Bombay.

After amalgamation, Rs. 0.5 crore, Rs. 1 crore and Rs. 3.1 crore that the company had invested as equity in TCGL, TEL and WGL respectively stand extinguished. The net worth of your company has decreased by Rs. 4.8 crore.

DIVIDEND

In March 2007, the Board of Directors have declared and paid an interim dividend of Rs. 3.40 per equity share (170 percent) of face value of Rs. 2 each for the financial year 2006-07.

The Directors have recommended a final dividend of Rs. 2.60 per equity share (130 percent).

The total dividend, including interim, for the financial year 2006-07 aggregates to Rs. 6 per equity share (300 percent), as against 170 percent paid last year.

The final dividend, if approved by the shareholders, will entail an outgo of Rs. 36.3 crore towards final dividend payout, including tax, and Rs. 82.4 crore as total payout, including tax for the year.

SUBSIDIARIES

Indian Subsidiaries

Thermax Engineering Construction Co. Ltd.

Thermax Engineering Construction Co. Ltd. (TECC), a 100 percent subsidiary of your company, undertakes and executes engineering construction projects mainly for businesses of the group companies.

During the year under review, the company was awarded a Rs. 42.7 crore order by a major refinery, which is under execution. During the year TECC constructed and commissioned India's largest bagasse fired boiler of 170 TPH capacity for a cogeneration plant.

TECC's total income increased by 19.4 percent to Rs. 88.5 crore from Rs. 74.1 crore last year. Profit after tax also improved to Rs. 1.9 crore from Rs. 1.3 crore in the previous year.

Thermax Instrumentation Limited

Thermax Instrumentation Limited (TIL), a 100 percent subsidiary, has expanded its business activities by introducing the following new business lines:

- Supply of electronic and instrumentation systems
- Electrical installations including, cabling, switch yards etc.
- Installation and commissioning of power/co-generation plants including civil construction

Realising the potential and opportunities in the power and engineering sectors, the company has taken up these new business activities which are in synergy with the core businesses of the parent company. This has helped the company achieve a total income of Rs. 43.4 crore and profit after tax of Rs. 3.1 crore during the year under review.

Considering the bright outlook of the power sector across various industry segments and with a strong order book position of more than Rs. 219 crore, the subsidiary has good potential for growth.

Thermax Energy Performance Services Ltd.

Thermax Energy Performance Services Ltd. (TEPS) was a joint venture company between Thermax Limited and EPS Asia Inc., with 51 percent and 49 percent shareholding respectively.

As reported last year, the company had no potential for a turnaround due to the non-acceptance of its business model and lack of technical and financial investments from the joint venture partner. Accordingly, foreclosing all open contracts during the year, the company has been referred for voluntary winding-up which became effective on February 28, 2007. This has no material impact on the profit of the parent company for the year.

Overseas Subsidiaries

Thermax Inc., U.S.A.

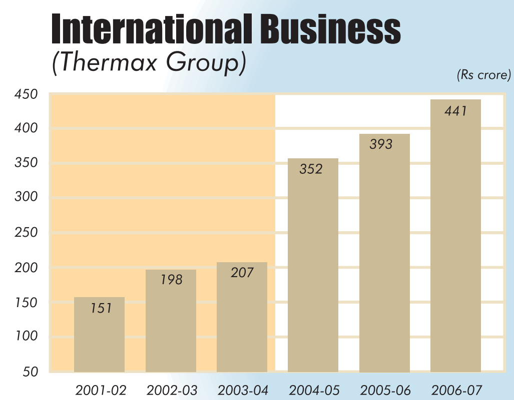
This wholly owned step-down subsidiary is the front-end value chain for the parent company's two key businesses in the Americas – Chemical and Cooling. Though there has been an increase of 8.3 percent in income, the company reported a loss of USD 0.2 million because of cost pressures and write down of inventory as per corporate provisioning norms. While the chemical business has shown good growth, rising prices of natural gas have slowed down chiller sales.

With an improved order book for both business segments – chemical and cooling – and continued focus on specialty chemicals having higher margins, your company expects to turn around this operation.

Thermax Europe Ltd., U.K.

Growing concern about climate change and environment has resulted in consistent demand in Europe for absorption chillers as part of cogeneration and CHPC systems. Your company expects this to continue as a niche business.

The subsidiary's income has increased to £ 3.6 million from £ 1.8 million last year while profits have dipped from £ 184,180 to £ 80,718 after accounting for expenses of the boiler and service business. This was anticipated due to the seeding of the heating business in Europe, which is still under review.



Thermax Hong Kong Limited, Hong Kong

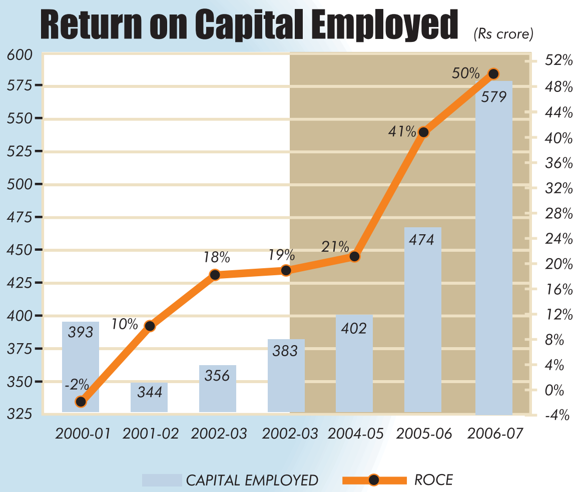
Thermax Hong Kong Limited (THKL), a wholly owned overseas subsidiary, had been set up to develop business for absorption chillers in China and to create a sourcing base for raw materials and components for the parent company.

Its Shanghai representative office continued to receive orders from the Chinese market, laying the foundation for future business. Besides this, it has doubled its sourcing by value, improving the competitiveness of the various business divisions of Thermax Limited.

During the year, your company has provided Rs. 3.5 crore towards diminution of its investment in this subsidiary.

Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd., China

Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd., the newly formed subsidiary, has been incorporated to set up an absorption chiller manufacturing facility in the



Zhejiang province of China at an investment of USD 8 million. As China accounts for more than 50 percent of the world market for absorption chillers, the new facility is planned to avail the lower cost of production and also to be close to this major market.

The new facility will complement Thermax's manufacturing base and play a key role in its selective internationalisation programme.

During the year, your company has invested USD 1.2 million in the share capital of this subsidiary.

Thermax do Brasil – Energia e Equipamentos Ltda., Brazil (TdB)

During the fiscal year income of the subsidiary remained stagnant at BR 0.7 million. Your company has invested an additional USD 80,000 towards the share capital of TdB during the year.

Owing to higher import duties and local currency transactions accepted by competitors, no major business transactions are expected in FY 2007-08 also. Your company will take a considered decision about the continuation of this subsidiary during 2007-08.

ME Engineering Limited, U.K.

This wholly owned step-down subsidiary had been facing financial difficulties due to cost overruns and delays in execution of projects. Though your company gave adequate technical and financial support to tide over the crisis, the revival of ME Engineering seemed unlikely.

It was therefore decided to refer the company to Administration as per the UK laws. Consequently, the accounts of the company have not been considered for consolidation with the Thermax Group. Thermax International Limited, Mauritius, a subsidiary of your company which is the holding company of ME Engineering, has provided for the diminution in value of investment of USD 2.3 million. Based thereon Thermax Limited has made a provision for diminution in value of investment and also possible financial obligations on account of counter guarantees given by the company, aggregating to Rs. 16.8 crore.

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 endeavour of your company to follow and implement best practices in 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 – National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE).

FINANCE, ACCOUNTS AND SYSTEMS

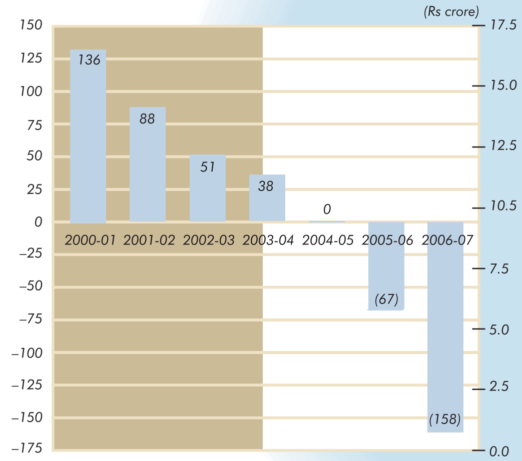
Cash generated from operations during the year improved substantially to Rs. 324.3 crore as compared to Rs. 208.8 crore in the previous year. This has been due to higher profits and an improved net working capital position. The company maintained its debt free status and was a net foreign exchange earner of Rs. 11.1 crore during the year.

In managing its treasury/investment portfolio the company adopts a conservative approach based on safety, liquidity and returns. To achieve this objective, the investment portfolio has been realigned. Over 99 percent of the treasury investments are kept in debt funds. Based on the management's perception of interest rate movements the entire debt fund portfolio is kept in liquid funds, fixed maturity plans or arbitrage funds.

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 had no unpaid deposits as on March 31, 2007. 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.

Working Capital



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 dividend for the financial year 1998-99 amounting to Rs. 1.8 lakh to the fund.

AWARDS AND RECOGNITION

Featured in Forbes

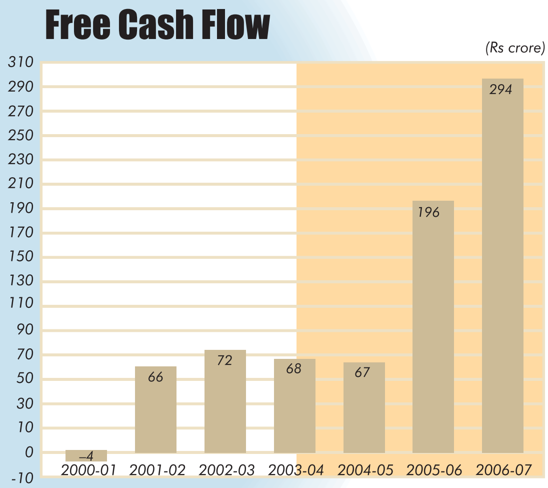
For the second consecutive year, Thermax was featured in the Forbes list of Asia's Best Under a Billion companies.

Engineering Export Promotion Council Award

During the year your company was awarded the silver shield for outstanding export performance from the Western Region during 2004-05 by the Engineering Export Promotion Council.

Innovation Award

The Thermax R&D team won a national award for the most innovative product design at a Heating Ventilation and Air conditioning (HVAC) event in Kolkata. The award was for the development of a specialised lithium



bromide vapour absorption chiller with extended cooling range for applications in the dairy and food sectors.

EMPLOYEE STRENGTH

The total number of permanent employees on the rolls of the company was 2876 as on March 31, 2007.

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. However, in terms of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to all shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary at the corporate office.

DIRECTORS

Mr. M.S. Unnikrishnan, Executive Vice-President has been appointed as an Additional Director and Managing Director of the company, effective July 1, 2007, by the Board of Directors at the meeting held on May 29, 2007. He succeeds Mr. Prakash Kulkarni, who retires on June 30, 2007.

Mr. Unnikrishnan holds office of Additional Director, pursuant to the provisions of Section 260 of the Companies Act, 1956, and Article 98 of the Articles of Association of the Company, upto the conclusion of the ensuing Annual General Meeting of the company. The requisite notice, together with necessary deposit has been received from members, pursuant to Section 257 of the Companies Act, 1956, proposing Mr. Unnikrishnan as a Director of the company. Necessary resolutions appointing Mr. Unnikrishnan as Director and Managing Director of the company are being placed for the approval of shareholders at the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Dr. Jairam Varadaraj and Mr. Pheroz Pudumjee 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, 2007 and the Balance Sheet as at that date ("financial statements") and confirm that:

1. 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.

2. Appropriate accounting policies have been selected and applied consistently. Judgements 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 Financial statements.

3. 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 coordinates the internal audit process. The Audit Committee of the Board meets at regular intervals to review the internal audit function.

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

COMMITTEES OF THE BOARD

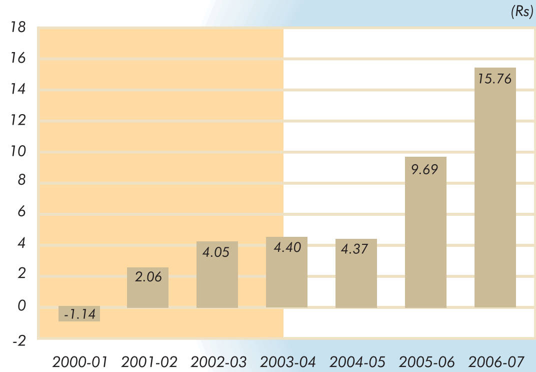
During the year, changes have been effected in the following committees of the Board:

Human Resource Committee: The committee has been renamed as Remuneration and Compensation Committee. Dr. Jairam Varadaraj has been appointed as the chairman of this committee effective May 24, 2006. The members of the reconstituted committee comprise Mrs. Anu Aga and Mr. Tapan Mitra.

Strategic Business Development Committee: Dr. Valentin von Massow has been inducted and appointed as chairman of this committee with effect from May 24, 2006. Mr. Ravi Venkatesan has stepped down as the chairman and member of this committee.

Overseas Investment Committee: Mr. Tapan Mitra has been inducted as a member of this committee effective November 15, 2006.

Earnings Per Share (EPS)



The Corporate Governance Report details the functioning of each of the aforesaid committee.

REGISTRAR & TRANSFER AGENT

The company has appointed Karvy Computershare Private Limited, Hyderabad (KCPL) as the company's Registrar and Transfer Agent (RTA) effective May 16, 2007. From this date the appointment of existing RTA, MCS Limited has ceased.

AUDITORS

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

ACKNOWLEDGEMENTS

In appreciation of Mr. Prakash Kulkarni

During the seven years that he served as Managing Director, Mr. Prakash Kulkarni has played a stellar role in turning around Thermax and setting it firmly on the growth path. Your Directors are happy to place on record their deep appreciation of Mr. Kulkarni's leadership and wish him all the very best as he retires as per the company policy.

Your Directors also place on record their appreciation of the continued support extended by the company's clients, business associates, bankers and investors during the year. Your Directors also place on record their appreciation of the dedication and contributions made by employees at all levels, who through their competence, hard work and support have enabled the company to achieve growth and improved performance. Your Directors look forward to their continued support in the future as well.

For and on behalf of the Board

Meher Pudumjee
Chairperson

Pune : May 29, 2007

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, 2007

A. CONSERVATION OF ENERGY

During the year resource conservation worth Rs. 56 lakh was achieved as a result of implementing the following measures:

1. Recycling of incoming packaging products for utility in finished goods
2. Optimisation and improvements in the stress relieving furnace operations resulting in lower fuel consumption

Health, Safety and Environment measures

1. A new corporate Health, Safety and Environment (HSE) policy was formulated and circulated to all employees.
2. Integrated HSE management system introduced for the manufacturing plants of Thermax. The system meets international standards of ISO14001:2004 and OHSAS 18001: 1999.
3. To improve safety in operations, safety audits, job hazard analysis and "toolbox" talks are conducted regularly.
4. To reduce electrical hazards during operation of overhead cranes, 2000 metres long shrouded bus bars were introduced.

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

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

   Spentwash incineration: Developed to meet zero liquid discharge (ZLD) norms, the concept has gone commercial during the year. This technology is expected to mitigate the pollution problem in the distillery industry.

   Solid fuel fired thermosyphon: The concept developed earlier was commercialised during the year, for which detailed design/system engineering were carried out. The product is expected to support Thermax business in the South East Asian markets.

   Cold storage: Cold storage application with solid fuel fired ammonia vapour absorption chillers was successfully piloted during the year to cover a broad range of cooling applications up to minus 20°C.

2. **Benefits derived:**

   The spent wash incineration option opens up opportunities in the distillery sector. It is expected that such systems with cogeneration option will increase viability of such projects.

   Solid fuel thermosyphon can replace oil fired heating systems in the food and process industries thereby effecting substantial energy cost savings for customers.

   Cold storages using ammonia absorption can work with very little power input and can use biomass as the primary fuel. This product, once fully commercialised, will find extensive use in rural cold storages near farm lands and "mandis".

3. **Future plan of action:**

   The Research & Development Center of the company is working on developing products and applications based on emerging technologies in both the energy and environment sectors through collaborative research.

4. Expenditure on R&D

1. Capital	:	Rs. 0.03 crore
2. Recurring	:	Rs. 5.53 crore
3. Total	:	Rs. 5.6 crore
4. Total R&D expenditure as a percentage of turnover	:	0.3 percent

Technology absorption, adaptation and innovation

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

   System design capability has been built based on the cement plant waste heat recovery technology acquired. This has enabled the company to make bids to prospective customers for converting waste energy into usable power.

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

   The company has received the first commercial order for a 14 MW cement waste heat recovery based captive power plant incorporating the acquired technology.

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 reasons thereof & future plan of action
1	Cyclone & fully evaporative agglomeration spray systems	2004	Yes	N. A.
2	Cement plant waste heat recovery boiler	2005	Yes	N. A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Management Discussion and Analysis report elaborates the various activities undertaken by the company towards growth in exports and development of niche international markets.

During the year, the company was a net foreign exchange earner of Rs. 11.1 crore.

The details on foreign exchange earnings and outgo are given in the Notes 7(E), (F) and (G) of Schedule 18 to the Accounts, which form part of the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

With GDP growing at 9.2 percent, the year saw vibrancy in all sectors. The manufacturing sector grew by 12 percent and capital goods registered a robust growth of 18 percent – with capital goods accounting for 30 percent of total engineering exports. New power and infrastructure projects along with continuing investments in the iron & steel, cement, petrochemical and textile sectors brought in steady business for your company in both its energy and environment segments.

During 2006-07, rising oil-gas prices remained the overriding concern of the world economy. As industries struggled to be competitive, energy security emerged at the top of national agendas. Around the world, industries continued their trend of shifting to cheaper solid fuels – coal in Sri Lanka or biomass in India and several South East Asian countries. As fuel prices escalated, pushing up energy costs, there were renewed efforts to sustain competitiveness through improved efficiency. For process industries, this challenge translated into a search for better resource productivity – making the most of water through recycling, extracting more from steam by way of cogeneration and harnessing waste heat to offset rising energy costs.

The year also reflected a deepening awareness of the climate change crisis. This strengthened the trend of increased investments by developed economies, like Europe's, in green technologies like solar power, cogeneration, fuel cells and wind energy. This has created additional demand for energy saving and eco-friendly systems and equipment.

Fuelled by the appreciation of the rupee against the US dollar, India has joined the exclusive club of 12 countries with a trillion dollar economy. The country's GDP was projected to grow at over 9 percent. However, with the Reserve Bank's increase in CRR rates and monetary tightening to curb inflation and price rise, GDP growth is now pegged at a more conservative 8 percent level.

Infrastructural problems continue to plague the capital goods industry – reliable power, congestion at the ports and airports resulting in long turnaround time and high transportation costs owing to poor connectivity. The availability of water and its productive use also remains a serious national issue that needs a regulatory framework.

For capital goods manufacturers availability of raw material such as alloy steel could pose difficulties.

There is also a concern about increased competition from imports due to reduction in customs duty and the strengthening of the rupee. Reduced customs duty could narrow the difference of parity between imported and domestic capital goods, tempting domestic industries to opt for second hand imported machines. This could have repercussions on the price competitiveness of the Indian capital goods industry.

In spite of these concerns, the outlook for your company remains positive. Driven by heightened industrial activity, fresh investments in cement, power, metals, oil and gas and petrochemicals and the continued spending on infrastructure, the buoyancy in the capital goods sector is expected to continue in 2007-08 and beyond. Ongoing efforts by several industrial houses to add to their capacities will also have positive spin-offs for the engineering sector.

Review of Operations

It was a very upbeat year for your company. With the sustained economic boom and continuing industrial upswing, your company's total income touched Rs. 2210 crore. Profit after tax increased by 52.4 percent to Rs 187.8 crore. Exports were up at Rs. 401.7crore, from Rs. 307.6 crore in the previous year. Based on the current market capitalisation of the company, which has crossed USD 1 billion, an investment magazine rated your company at the top among the 21 super wealth creators of the country, over the last five years. Thermax ended the year with carry forward orders worth Rs. 2769 crore.

During the year the three restructured business groups of Thermax – Projects, Cooling & Heating and Chemical & Water – registered impressive growth. The Projects Business Group (boilers & heaters, captive power and air pollution control) accounted for nearly 62.7 percent of the company's turnover, while the Cooling & Heating Group contributed 23.8 percent and Chemical & Water Group 13.5 percent.

The process improvements begun under Project Evergreen for a company wide transformation

Driven by heightened industrial activity, fresh investments in cement, power, metals, oil and gas and petrochemicals and the continued spending on infrastructure, the buoyancy in the capital goods sector is expected to continue in 2007-08 and beyond.

continued steadily. The drive for operational excellence concentrated on manufacturing and supply chain processes. There was overall improvement in the throughput at all levels. However, increased business volumes did put pressure on the delivery and execution schedules of the company.

To meet the growing business volumes, the company invested in capacity expansion during the year. Work on the additional manufacturing facility at Baroda for boilers and heaters is in progress and the plant will be fully commissioned by March 2008. Thermax has also procured land in China for a manufacturing plant to roll out its vapour absorption chillers for the huge Chinese market and to cater to the company's growing export market in the Asia Pacific region.

During the year, your company began work on a major energy project for Asia's largest refinery in Western India. In the environment space, it has bagged a large order for retrofitting and augmenting a municipal corporation's sewage treatment plant to double its capacity to 30 million gallons per day. These projects would provide Thermax with the necessary credentials for similar projects in future.

Your company executed several solid fuel based captive power projects across the country. These have helped Thermax to further strengthen and fine-tune its project management skills and have equipped the company to handle new business opportunities in the higher range of captive power plants.

The newly formed Services division of the Cooling & Heating Group has done well. The nascent business of power plant O&M also established itself last year by receiving good orders and is poised to be a strong player. The cement sector, in particular, offered a range of business opportunities – captive power plants with O&M services and air pollution control equipment.

The Chemical business improved its income and reach through a spurt in its ion exchange resin business. The business also attempted a modest seeding of the European market and for the first time supplied oil field chemicals for operations in an African country.

Thermax rolled out an integrated Health, Safety and Environment Policy for the benefit of employees, customers and the community where Thermax projects are going on.

During the year the company introduced new products and applications – Energen, a waste heat recovery boiler for combined heating and cooling applications; a skid mounted containerised reverse osmosis unit for business units with multiple water treatment requirements; and a number of ion exchange resins and speciality chemicals. Another notable new product was the award-winning lithium bromide absorption system that extended the cooling range of conventional chillers. In a breakthrough, your company has also supplied the first solid fuel fired, closed loop heater (thermosyphon) to an edible oil major.

Energy Segment Analysis

It has been a rewarding year for the energy businesses of your company. By March 31, 2007, the Cogen business of Thermax successfully commissioned a cumulative 277.5 MW of captive power capacity and bagged several orders including its biggest order from one of the country's mega industrial houses. The company was also able to reap rich dividends from the expansion programme of various industries that tapped waste heat as a major source of energy for captive power generation.

In India too – as in some overseas markets – solid fuels including biomass were the preferred choice for industry. Your company's range of heating equipment, using a variety of solid fuels, were in demand as oil and gas prices rose to unprecedented levels.

The non availability and rising prices of natural gas in the country affected the demand for gas engines. However, in areas where industries find it difficult to shift to solid fuels, there has been a growing trend to reduce energy costs by opting for improved efficiency through technology interventions – by combined heating, power and cooling (CHPC) solutions or through inlet air cooling for turbines. Your company has tied up with a service provider to promote waste heat recovery boilers coupled to absorption chillers as part of a CHPC business model.

New commercial complexes in growing towns opened up opportunities in the area of large capacity cooling. Since many of these are going to rely on captive power, there is good opportunity for chillers fired on genset exhaust and for systems that fit into cogeneration and CHPC systems.

During the year your company supported many small and medium industries by conducting a sizeable number of energy audits. Conducted by specialists, certified by the Bureau of Energy Efficiency, these audits help industries to conserve energy on the generation, distribution and utilisation fronts and improve their competitiveness. Your company has positioned itself favourably in this service business and has plans to scale up the numbers in the current financial year.

The energy businesses had to grapple with the HR challenge of retaining and recruiting talent to keep pace with the growing demand for trained professionals.

Environment Segment Analysis

Your company's environment businesses continued to focus on water treatment, air pollution control, waste water treatment and speciality chemicals for a host of specialised applications. In the present scenario, where both water availability and quality are issues, the

To meet the growing business volumes, the company invested in capacity expansion during the year. Work on the additional manufacturing facility at Baroda for boilers and heaters is in progress and the plant will be fully commissioned by March 2008

company's chemical and water business has big potential.

The synergies brought together by chemical and water businesses are helping your company to offer integrated water and waste water management – from pre-treatment and purification to O&M services. Such an integrated offer has been provided to an auto major last year and to an upcoming coking unit in the ferrous industry. The water business also executed a desalination project in western India. This business has also grown with a special focus on the realty sector.

For your company's environment businesses, life extension and augmentation services provided new business opportunities. The water business did some major projects in augmentation of pretreatment capacities for leading industry houses. The air pollution control business (Enviro) retrofitted several air pollution control equipment, and some of these projects involved work on equipment supplied by your company's competitors as well.

Projects Business Group

Boiler & Heater

It was a year of significant growth for the boiler & heater business unit as it registered an impressive growth of 52.7 percent over the previous year. It posted an income of Rs. 707.2 crore.

This business grew with major orders from the iron & steel, petrochemical, sugar and captive power generation. Its association with global EPC majors in project execution continued during the period.

In its thrust to provide industry with higher capacity boilers fired on solid fuels, it is supplying the largest bagasse fired boilers to one of the sugar units.

A major highlight of the year was a breakthrough order received from a large refinery for an energy and waste heat recovery project which puts the company in the big league of energy equipment vendors.

This business is investing in a new manufacturing facility and is scaling up its satellite engineering setup and ancillary development. Currently, standardisation and design automation are being initiated to improve delivery processes. The business is also focusing on developing niche products for the overseas markets.

As energy management remains a top priority with industry, the outlook for this business remains positive.

Net sales and percentage of export figures for 2006-07 and four previous years are given below:

Boiler & Heater	Net Sales (excl excise duty) Rs crore	Growth % YOY	% Exports	Exports Growth %
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
2006-07	707.2	52.7	22.8	37.7

Power (Cogen)

Your company's power business was one of the main drivers of the overall growth of the company. It continues to maintain its leadership position in the mid-size captive power market. During the year, it generated a total income of Rs. 471.6 crore, an increase of 95.3 percent over the previous year.

With several captive power plants commissioned, this SBU has emerged as the preferred EPC contractor for the cement sector.

A major highlight of the year was a breakthrough order received from a large refinery for an energy and waste heat recovery project which puts the company in the big league of energy equipment vendors

Its clientele also came from metallurgical and chemical sectors. The O&M arm of this business bagged new orders and is now poised to grow as a robust service business, as outsourcing of utilities management is becoming a strong trend.

During the year, the SBU honed its multi project execution skills and brought in advanced project management systems. It worked on continuous improvement of its engineering and project management capability to ensure quality and on-time performance.

To give the desired focus to the under 10 MW small power plant segment, which offers good business potential, a dedicated team has been formed for business development.

As on March 31, 2007, this business unit has successfully commissioned cumulatively 277.5 MW of captive power capacity. Orders booked during FY 2006-07 totaled 315.5 MW against 164 MW in the previous year.

To expand its business, this SBU is now addressing larger power plants in the range of upto 150 MW. With this end in view, it has repositioned itself as the Power division of Thermax. With the continuing power shortage faced by Indian industry, the business outlook remains positive.

Net sales figures for 2006-07 and four previous years are given below:

Power (Cogen)	Net Sales (excl. excise duty) Rs crore	Growth % YOY
2002-03	85.6	692.6
2003-04	17.0	(80.1)
2004-05	136.9	705.3
2005-06	241.5	76.4
2006-07	471.6	95.3

Enviro (Air pollution control)

Investments in the cement, steel and power sectors opened up good business opportunities for your company's air pollution control business. The total income of this business unit went up by 10.6 percent to Rs. 161.7 crore during the year.

Focusing on the cement sector, it bagged a number of high-end projects during the year. The retrofit and rebuild business performed well and in several projects retrofit was done on equipment supplied by some of your company's competitors. On the export front, this business unit continued to work through OEMs dealing in cement plants and machinery.

The Purafil range of ultra filtration systems also found increasing acceptance with several large orders from both the traditional industrial market and the emerging commercial market.

The SBU is implementing a substantial improvement in supply chain and operating systems. This initiative should help it to achieve robust sustainable growth during the coming years. The business outlook remains positive.

Net sales figures for 2006-07 and four previous years are given below:

Enviro	Net Sales (excl. excise duty) Rs crore	Growth % YOY
2002-03	30.4	(9.0)
2003-04	58.0	90.8
2004-05	118.0	103.4
2005-06	146.2	28.1
2006-07	161.7	10.6

Cooling & Heating Group

Cooling

The Cooling SBU of your company registered a growth of 6.7 percent with an income of 129. 8 crore during the year (comparison with last year's figures is not appropriate, as the service income is shown separately this year).

In the domestic market, increased competition from local and Chinese competitors slowed down income growth. In exports, although sales from the American markets declined, other exports continued to do well, with an increase of 22.1 percent over the previous year.

The SBU commissioned three steam fired chillers providing a total cooling capacity of 4600 TR at a leading petrochemical group in Saudi Arabia. Its eco-friendly products also found increasing buyers in Europe which is shopping for green energy options in the wake of increasing concern about climate change.

For the second year in a row, the SBU bagged a national award for the most innovative product – lithium bromide absorption chillers that offer cooling below the conventional cooling ranges. During the year, the SBU also developed chillers using exhaust gas for subzero temperature requirements.

The prospects for the cooling business continue to be good with industry's drive to conserve waste energy and its need for combined heating, cooling and power solutions (CHPC).

Net sales and percentage of export figures for 2006-07 and four previous years are given below:

Cooling	Net Sales (excl excise duty) Rs crore	Growth % YOY	% Exports	Exports Growth %
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
2006-07	129.8	6.7	42.4	22.1

Heating

The SBU, formerly known as the Process Heat division, registered a growth of 0.6 percent over the previous year. It posted an income of Rs. 290.4 crore (comparison with last year's figures is not appropriate, as the service income is shown separately this year). In the domestic market, business came from the all round buoyancy experienced by diverse market segments where it has its customers.

Soaring oil prices and delays in gas-based projects in India, SE Asia and West Asia helped this SBU to promote heating solutions based on biomass and other solid fuels. It was able to expand its 'energy from waste' initiative to countries outside India, especially to South East Asia.

There has been a 10.8 percent growth in the export of heating equipment, with a focus on Middle East and South East Asia. Thermax is now supplying 'CE' certified boilers which hold their ground against competition from European boiler makers. Partnering with OEMs and packagers, the year also saw a tie-up with a European company for an annual supply of 70 thermal oil heaters.

The bi-drum boiler introduced last year is doing well in the domestic market and work is on to reduce the delivery time. However, the high efficiency hot oil heater has not done as well as expected in the South East Asian market.

The outlook continues to be good for this business.

Net sales and percentage of export figures for 2006-07 and four previous years are given below:

Heating	Net Sales (excl. excise duty) Rs crore	Growth % YOY	% Exports	Exports Growth %
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
2006-07	290.4	0.6	33.0	10.8

Services

This SBU, created after restructuring Thermax business groups, registered a total income of Rs. 88.3 crore for the service business of Cooling and Heating.

As part of its Facility Energy Management Services, it focused on energy audits for process industries, mandated by the Bureau of Energy Efficiency (BEE).

With energy efficiency and value added services high on the agenda of most industries, the prospects for this services business continue to be good.

Chemical & Water Group

Chemicals

The chemical business of your company posted a consistent growth of 21 percent to Rs.127.7 crore. Its exports grew by 31.9 percent during the year.

Improved reach and distribution in South East Asia, West and East Asian markets contributed to a boost in income and reach in the year.

Helped by efficient sourcing and cost reduction measures, the business managed to maintain its profitability in spite of price volatility of key raw materials like styrene and di-vinyl benzene.

Capacity expansion and de-bottlenecking of ion exchange resin manufacturing has helped to address increased market demand.

Environmental awareness and stricter norms are driving the use of ion exchange media for special applications. The SBU maintained its focus on developing specialty resins and addressing the areas of selective removal of heavy metal and other contaminants.

The business has taken steps to improve its growth in performance chemicals segment in the domestic and export markets. During the year, the SBU took the first steps to focus on the European market. It was also able to supply oil field chemicals to an African national oil company.

The suit filed last fiscal, in the US, by one of our competitors against four of its ex-employees who have joined Thermax Inc., for alleged pilferage of data and had also made Thermax Limited and some of its officials as defendants, still continues. While the management does not expect any liability arising from this, the litigation has partially affected prospective business in this market.

The outlook for chemical business is good and it is poised to grow consistently in both the export and domestic markets.

Net sales and percentage of export figures for 2006-07 and four previous years are given below:

Chemical	Net Sales (excl.excise duty) Rs crore	Growth % YOY	% Exports	Exports Growth %
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
2006-07	127.7	21.0	48.9	31.9

For your company's environment businesses, life extension and augmentation services provided new business opportunities. The water business did some major projects in augmentation of pretreatment capacities for leading industry houses

Water

This SBU posted an annual income of Rs.156.5 crore, a growth of 50.5 percent over the previous year.

In a significant year, this business unit commissioned the largest pre-treatment augmentation project in the country for an iron & steel major. It also bagged a breakthrough order for its largest ever sewage treatment plant for a municipal corporation. This SBU has re-entered the desalination space by executing a project in Western India. All three projects will position the business for bigger opportunities in the future.

The business is also focusing on the vast opportunities presented by the growing townships and the boom in the realty sector of the country. Rapid urbanisation is throwing up immense challenges in the areas of water and waste water management – expanding the possibilities for innovative products and systems.

During the year, a Service and Solutions group was formed for dedicated support to the Chemical & Water Group. Integrated water management solutions ranging from raw water treatment and advance purification to effluent treatment and O&M services are being offered. Solutions for resource recovery – helping a pharma intermediate manufacturer to treat waste and recover hazardous chemicals for use in its processes – are also being offered. The synergies of the company's water and chemical business support such integrated solutions to customers.

The outlook for the business remains positive.

The year also saw the launch of the Thermax leadership development process. A major change management exercise, it will integrate the work of the development centres and is expected to groom business leaders at all levels of the company

Net sales figures for 2006-07 and four previous years are given below:

Water	Net Sales (excl. excise duty) Rs crore	Growth % YOY
2002-03	59.2	31.3
2003-04	50.1	(15.4)
2004-05	89.8	79.2
2005-06	104.0	15.6
2006-07	156.5	50.5

Risk Management

The company recognises that risks are inevitable in business and believes in identifying and reviewing risks on an ongoing basis. The executive management is empowered to initiate suitable measures to identify and mitigate risks – by reporting and reviewing business as well as process related risks at defined intervals. During the year, the company reviewed the Thermax risk universe it had mapped last year, which identified various risk factors associated with the company's business objectives and processes. Beyond the risks identified earlier, others have been brought within the scope of the risk framework. This framework is supported by identified processes, controls and documentation customised to Thermax requirements. Under the framework, the company reviewed risk identification, reporting and reviews. Based on risk severity, the company has introduced a formal risk reporting and review procedure at various levels of management.

During the year, as part of improving the risk management process, your company began highlighting major and significant risks on a risk dashboard, which is designed to flag the top 10 risks for the company, with indicators of changes in risk levels. Calibrated with the changing business environment and realities,

The process improvements begun under Project Evergreen for a company wide transformation continued steadily. The drive for operational excellence concentrated on manufacturing and supply chain processes. There was overall improvement in the throughput at all levels

the dashboard will be suitably modified, periodically, to cover actual needs.

During the year, the Board reviewed the risks highlighted in the risk dashboard. It believes that periodic risk reviews within the framework will enable it to minimise the effects of risks. The analysis and comments on key business risks follows:

Analysis and comments on key business risks:

Business risk

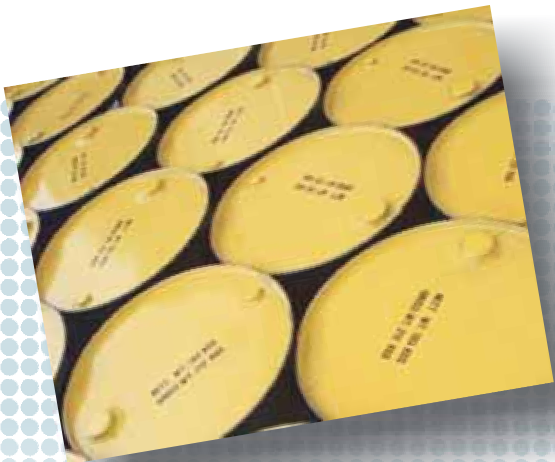
Risk of cyclical business

Your 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. At present, with the boom in the capital goods sector – especially power – growth from large projects outweighs growth from the product business.

Your company addresses this risk by clearly and separately focusing on project, product and service businesses and also on selective internationalisation. The company's attempts at de-risking also include expanding its product business of absorption chillers, packaged boilers, standard water and waste treatment plants and chemicals, which is less cyclical.

To create a sharper focus on service business – which is least volatile and generates a steady income stream – two independent SBUs are operational under the Cooling and Heating Group and the Chemical and Water Group, both predominantly product groups. In the project business too, your company has created special focus on service income.

Continuing its thrust on exports, the company has formulated a strategy of selective internationalisation. This initiative has been accorded high priority with management level supervision. During the year exports have grown by 30.6 percent to Rs 401.7 crore on



During the year, as part of improving the risk management process, your company began highlighting major and significant risks on a risk dashboard, which is designed to flag the top 10 risks for the company, with indicators of changes in risk levels

comparable basis.

Risk of concentration in one business segment

The company operates in both the energy and the environment segments. Over the last four years the energy segment has grown at a fast rate and now constitutes 78.6 percent of total income. However, under the energy segment the offerings are under three major business units as mentioned earlier. These business units are quite diverse and cater to different market requirements. Similarly the environment segment comprises of three different business units. Hence, the company's range of offerings, though synergistic, is quite diversified. Still, it faces the risk of concentration because of the large value project business opportunities within the energy segment, emerging from specific industry segments. This is closely reviewed and monitored by the management.

Customer concentration risk

The company recognises the risk associated with undue dependence on any single customer or any single project. It continues to spread its business among numerous customers, with no single customer accounting for more than 15 percent and no single order value more than 10 percent of the company's turnover. However, concerning the company's captive power and waste heat recovery businesses, and considering their growth potential, the size of a single project order sometimes requires a different consideration and such exceptions are consciously made with a detailed risk evaluation.

Competition risk

The opening up of the economy and the consequent lowering of tariffs has resulted in increased competition from imports – from China and other parts of the world. As a fast growing economy, India is an attractive destination for international players in capital goods, telecom, retail, infrastructure, among others – and this trend is likely to gather further momentum.

The company recognises this risk and has identified key deliverables under quality, cost and delivery. The management, with its Project Evergreen initiative, is attempting to create a sustainable competitive advantage. As part of its selective internationalisation agenda, the company's products and services are continually benchmarked against global competition.

Credit risk

Your company perceives the risk of substantial outstandings from any single customer or industry segment. However, such customers of Thermax are large and reputed organisations with sound balance sheets. Your company has a well-documented credit policy for evaluating and authorising all large credit exposures. Credits are also monitored through reporting and review, and in case of delay and default the company imposes stricter payment terms. For large value orders and export transactions, letters of credit are the preferred mode of payment. It has also implemented strict provisioning norms for account receivables.

Energy price fluctuations risk

The company recognises that fluctuations in fuel and energy prices change the viability of projects and also drive the use of alternate energy/fuel sources. It believes that the management of this risk can 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, liquid and gaseous. The combustion expertise for solid fuel includes all varieties of coal and coke, and a wide range of biomass. The company is also a leader in harnessing waste heat as a source of energy for its clients. This expertise helps the company not only to mitigate risk, but also provides it with the advantage to leverage its knowledge and experience to de-risk oil and coal based energy systems.

Procurement and supply chain management risk

Rise in raw material prices and delays in critical inputs could adversely affect the company's profitability and delivery schedules. Hence the company has opted for centralised sourcing with better vendor management. It also monitors raw material prices in the domestic as well as the international market and ensures procurement at competitive prices. Thermax has also initiated sourcing from China to widen its supply chain. Normally in large project jobs, contracts do not provide for any input linked price escalation. In such cases an increase in raw material prices can have a substantial negative 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. Thermax is also developing vendors and upgrading their skills to cope with the demands of growth.

Project management risk

Over the years your company has acquired a strong competency in managing and executing large projects and has a robust and well-documented system for reporting, evaluating and monitoring risks at regular intervals. The company faces various risks, including delays in execution of large projects, and this can result in a substantial financial impact as well as customer dissatisfaction. Hence it believes in risk management on a case-to-case basis on project orders. These risks are monitored and mitigated throughout the life of the project – from pre-order to commissioning and handing over. Proper estimation and evaluation systems, with improved capability in mitigating risks during execution, gives your company's management added confidence in managing risks. During project execution, cost and time schedules are regularly monitored through a well-defined methodology. The management regularly reviews the risk of cost overruns, delays and performance.

Exchange fluctuations and interest rate risks

Thermax is a net exporter. Exports are usually

Thermax successfully commissioned a cumulative 277.5 MW of captive power capacity and bagged several orders including its biggest order from one of the country's mega industrial houses

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

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

Your company has no borrowings and has invested its surplus funds. A major portion of its investments are in debt funds leading to a high sensitivity to interest rate fluctuations. The company has a well-defined investment policy and all investments are made within the policy guidelines. The risk of interest rate movements and the risk of average portfolio maturity are reviewed at periodic intervals with close management supervision.

Talent availibity and attrition risks

Thermax management closely and periodically reviews the attrition risk and talent availability risk – in terms of headcount and competence. The overall industry attrition trend is also examined and the company takes necessary measures to mitigate the impact of this human resource related risk. With the boom in the economy, human resource is a high priority area of focus for your company.

Human Resources

HR is the toughest challenge of all, whether it be retention and grooming of talent or attracting talent to support the growth of the organisation.

To help meet this challenge during the year, your company introduced a series of initiatives in its human resources policies to align them to the company's growth plans. These were based on an HR strategy, evolved in consultation with the business leaders, and approved by the Board.

An engagement survey among employees was completed and the results were shared. As part of talent management and leadership development, a leading consulting firm was commissioned to identify the competencies and behaviors that Thermax requires to achieve its long term goals. Based on its findings, development centres were designed at various managerial levels to map and nurture the desired competencies.

A job evaluation exercise was also launched to assess the various positions and to facilitate a suitable organisation structure to match the growing size of the company.

The year also saw the launch of the Thermax leadership development process. A major change management exercise, it will integrate the work of the development centres and is expected to groom business leaders at all levels of the company.

A number of employee welfare and well-being programmes were conducted during the year.

Compliance with law

Your company operates from a large number of countries across the globe and must adhere to all laws including laws relating to local employment. It has initiated a risk management framework for reporting and reviewing of compliance. This process is facilitated by creating and updating a database on applicable provisions of various laws. Compliance reporting and reviews are monitored under close supervision.

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 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 communication, high standards of safety, accounting fidelity, product and service quality. It has also set up adequate review processes.

COMPLIANCE OF CORPORATE GOVERNANCE

A) BOARD OF DIRECTORS AND PROCEDURES

The Board of your company consists of nine directors – three non-executive promoter directors, five non-executive independent directors and one managing director. The table 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 Promoter	None except *	Yes	10	1	2	22,75,500 #
Mrs. Anu Aga	Non-executive Promoter	None except *	Yes	7	—	1	68,88,305 &
Mr. Prakash Kulkarni	Executive	N.A.	No	4	—	4	1,27,750
Dr. Valentin von Massow	Non-executive Independent	None	No	3	1	—	—
Mr. Tapan Mitra	Non-executive Independent	None	No	2	2	5	—
Mr. Pheroz Pudumjee	Non-executive Promoter	None	Yes	5	2	2	3,57,000
Dr. Manu Seth	Non-executive Independent	None	No	5	—	1	—
Dr. Jairam Varadaraj	Non-executive Independent	None	No	15	1	4	—
Mr. Ravi Venkatesan	Non-executive Independent	None	No	—	—	—	—

@ 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. 6,18,000/- to Mrs. Aga and Rs. 1,35,000/- to Mrs. Pudumjee as rent for premises taken on lease. The company has maintained security deposit of Rs. 40,00,000/- with Mrs. Aga for the premises taken on lease.

Non-executive directors are entitled to reimbursement of expenses incurred in performance of their duties as directors, members of the committees appointed by the Board and as directors on the Boards of subsidiary companies.

The expression 'independent director' as defined in Clause 49, signifies non-executive director of the company, who

a. 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;

b. is not related to promoters or persons occupying management positions at the board level or at one level below the board;

c. has not been an executive of the company in the immediately preceding three financial years;

d. 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

e. is not a supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director; and

f. 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 5 committees, as per the requirements of the Listing Agreement.

The Board met nine times during the financial year 2006-07 on the following dates: 24-05-2006, 20-07-2006, 21-09-2006, 22-09-2006, 23-09-2006, 15-11-2006, 31-01-2007, 01-02-2007 and 13-03-2007. 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

Name of the Director	Total attendance of Board meetings during FY 2006-07	Whether attended the AGM held on 20.07.2006	Sitting fees * (Rs.)	Salary and perquisites (Rs.)	Commission# (Rs.)	Total remuneration (Rs.)
Mrs. Meher Pudumjee	9	Yes	2,80,000	NA	15,00,000	17,80,000
Mrs. Anu Aga	8	Yes	2,20,000	NA	3,00,000	5,20,000
Mr. Prakash Kulkarni	9	Yes	NA	77,29,674	50,00,000	1,27,29,674
Dr. Valentin von Massow	7	Yes	2,20,000	NA	14,47,250	16,67,250
Mr. Tapan Mitra	9	Yes	3,40,000	NA	8,00,000	11,40,000
Mr. Pheroz Pudumjee	8	Yes	3,80,000	NA	8,00,000	11,80,000
Dr. Manu Seth	7	Yes	2,00,000	NA	3,00,000	5,00,000
Dr. Jairam Varadaraj	7	No	2,60,000	NA	8,00,000	10,60,000
Mr. Ravi Venkatesan	3	No	60,000	NA	3,00,000	3,60,000

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 proposed for the year ended March 31, 2007 will be paid, subject to deduction of tax, after adoption of accounts by shareholders at the ensuing Annual General Meeting.

c) Information placed before the Board of Directors

Agenda papers are circulated well in advance of the Board meeting to the members. It contains important and adequate information for facilitating deliberations at the meeting. The draft minutes are circulated to the Board members. These are approved at the next meeting after incorporating changes, if any, which are affirmed by the Chairperson.

The following information forms part of the Board meetings' agenda 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. Information on recruitment of the senior officers just below board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
3. Report on matters relating to foreign collaborations/ joint ventures/ acquisitions/ mergers/ opening of overseas offices, etc.
4. 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.
5. Report on statutory compliance highlighting defaults, show cause notices, penalties, suits filed by/against the company, etc.
6. Quarterly finacial results for the company and for the group companies with analysis of performance.

7. Minutes of the meetings of committees of the Board, namely :
   - Audit Committee
   - Remuneration and Compensation Committee
   - Share Transfer and Shareholders' Grievance Committee
   - Borrowing and Investments Committee
   - Strategic Business Development Committee
   - Overseas Investment Committee
8. Significant labour problems and their proposed solutions, wage agreements, VRS etc.
9. Fatal or serious accidents at the plants or sites, dangerous occurrences, any effluent or pollution problems.
10. Any material default in financial obligations to and by the company.
11. 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

The Board at present has six committees :

1) Audit Committee 2) Remuneration and Compensation Committee(formerly the Human Resources Committee) 3) Share Transfer and Shareholders' Grievances Committee 4) Borrowing and Investments Committee 5) Strategic Business Development Committee and 6) Overseas Investment Committee. The Board constitutes the committees and defines their terms of reference. The members of the committees are co-opted by the Board.

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. The other members of the committee comprise of Mr. Pheroz Pudumjee, Dr. Manu Seth and Dr. Jairam Varadaraj.

The committee met four times during the financial year 2006-07 on the following dates: 23-05-2006, 19-07-2006, 14-11-2006 and 31-01-2007. Details of meetings attended by the members are as follows:

Committee Members	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	3
Mr. Pheroz Pudumjee	Non-executive Promoter	4

The constitution of Committee also meets the requirements of Section 292A of the Companies Act, 1956.

The 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 Chief Financial Officer, 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 committee broadly include:

- Overseeing the company's financial reporting process and the disclosure of 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 judgement 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, 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 areas 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 specialising in carrying out internal audit services, detailing their scope of work and 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) Remuneration and Compensation Committee

The Human Resource Committee has been renamed as the Remuneration and Compensation Committee effective May 24, 2006.

Dr. Jairam Varadaraj, Independent Director, was appointed as the chairman of the reconstituted committee. Mrs. Anu Aga and Mr. Tapan Mitra are the other members of the committee.

The modified terms of reference of the Remuneration and Compensation Committee are broadly enumerated below:

a) Reviewing the remuneration of the Managing Director and any whole-time Director of the company and to deal with all elements of the remuneration package of all such Directors.

b) Reviewing the salaries of senior management employees.

c) Taking an overview of human resources and industrial relations policies of the company, as well as capability building/succession planning of its senior management employees.

d) Recommending suggestions to the policies.

e) Defining the terms governing ESOP / ESPS, if any.

During the financial year, the committee met thrice on 23-05-2006, 22-09-2006 and 01-02-2007. The attendance record of the members for the meetings of the committee held is as follows:

Committee Members	Category	No. of meetings attended
Dr. Jairam Varadaraj	Non-executive Independent	3
Mrs. Anu Aga	Non-executive Independent	3
Mr. Tapan Mitra	Non-executive Independent	3
Mr. Pheroz Pudumjee*	Non-executive Promoter	1
Mr. Ravi Venkatesan*	Non-executive Independent	–

* Ceased to be members of the committee w.e.f. 24-05-2006

3) Share Transfer and Shareholders' Grievance Committee

The company has a Share Transfer and Shareholders' Grievance Committee comprising of three members, namely, Mr. Pheroz Pudumjee (chairman), Mrs. Meher Pudumjee and Mr. Prakash Kulkarni. The 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 usually 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 and Transfer Agent, MCS Limited (MCS), 17 complaints were received from the shareholders/ investors during the financial year ended March 31, 2007.

Summary of complaints during 2006-07

Nature	Opening Balance	No. Received	No. Cleared	Pending
No. of sub-divided share certificates	Nil	12	12	Nil
Non-receipt of shares lodged for transfer	Nil	3	3	Nil
Non-receipt of dividend	Nil	2	2	Nil

All complaints were acknowledged and resolved to the satisfaction of the shareholders and no complaints remained unattended / pending for more than 30 days as on March 31, 2007.

During the year the company processed 61 physical transfers comprising of 35,950 numbers of equity shares.

During the year, the Board of Directors has delegated to the committee powers to finalise terms and conditions in respect of the appointment of a new Registrar and Transfer Agent (RTA) in place of MCS. This was in view of the decision of MCS to transfer their registry business to another Registrar. As it was imperative for the company to change the RTA and based on an evaluation of options, it has signed an agreement with Karvy Computershare Pvt. Ltd. to act as its RTA. The company has taken necessary action to inform the shareholders of the change.

4) Borrowing and Investments Committee

The committee comprises of two members, Mrs. Meher Pudumjee (chair) 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 March 26, 2007 where both the members were present.

5) Strategic Business Development Committee

The Strategic Business Development Committee of the Board was constituted with the primary objective to review and monitor the strategic business initiatives of the company.

During the year the committee has been restructured. Dr. Valentin Massow was appointed to head this committee after Mr. Ravi Venkatesan expressed his desire to step down. The committee consists of following other members viz., Mrs. Meher Pudumjee, Mr. Pheroz Pudumjee and Mr. Prakash Kulkarni.

The committee met four times during the financial year on 19-07-2006, 20-09-2006, 14-11-2006 and 29-01-2007 where all the members were present.

6) Overseas Investment Committee

During the year Mr. Tapan Mitra was inducted as a member effective November 15, 2006, making it a three-member committee. Mr. Pheroz Pudumjee is the chairman and Mr. Prakash Kulkarni is the other member of the committee.

The purpose of the committee is to:

- ensure 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 subsidiaries' financial reporting process and the disclosure of financial information to ensure integrity and credibility. 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 subsidiaries.
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 had one meeting during the financial year on December 12, 2006 where all 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 at Firodia Hall, The Institution of Engineers, 1332, J. M. Road, Shivajinagar, Pune, as under:

Year	Date	Time
2003-04	27-07-2004	11.00 am
2004-05	26-07-2005	11.00 am
2005-06	20-07-2006	11.00 am

No special resolutions were passed during the last three years that required approval through postal ballot. Similarly, there is no proposal to pass any special resolution through 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 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.
4. Code of Conduct: To promote ethical conduct and maintain high standards in carrying out business transactions of the company, a Code of Conduct has been laid down for procedures to be followed by Board members and senior management employees. This code is also posted on the company's website.

   All Board members and senior management employees have confirmed adherence to the code for the financial year ended March 31, 2007. The declaration of the Managing Director is given as annexure.
5. CEO / CFO Certification: A certificate signed by Mr. Prakash Kulkarni, Managing Director and Mr. Gopal Mahadevan, Executive Vice President & CFO of the company, pursuant to the provisions of

Clause 49 of the Listing Agreement, was tabled before the Board of Directors at its meeting held on May 29, 2007.

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
2. Quarterly results are published in prominent financial and mainline dailies. The annual results are also posted on the company's website.
3. All important information and official press releases 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.

iv) Code for Prevention of Insider Trading

The company has adopted a Code for Prevention of Insider Trading. The code is applicable to the Directors and designated employees of the company. The code enumerates the procedure to be followed for dealing in the shares of the company and the periodic disclosures to be made. The code restricts an insider from dealing in the shares of the company either on his/her own or on behalf of another person during the period when the Trading Window is announced closed and also when in possession of unpublished price sensitive information.

D) SHAREHOLDER INFORMATION

i) Annual General Meeting

Date and Time	:	July 25, 2007 at 11.00 a.m.
Venue	:	Bal Gandharva Rang Mandir Jangli Maharaj Road Shivajinagar Pune 411 005

ii) Financial Calendar

Financial Year : 1st April to 31st March

For the year ended March 31, 2007 the financial results were announced on:

	As indicated	Actual Date
Quarter ended June 2006	July 20, 2006	July 20, 2006
Quarter ended September 2006	November 15, 2006	November 15, 2006
Quarter ended December 2006	January 31, 2007	January 31, 2007
Year ended March 2007	End May 2007	May 29, 2007

For the year ending March 31, 2008 the indicative announcement dates are:

Results for the quarter ended June 2007	July 25, 2007
Results for the quarter ending September 2007	November 3, 2007
Results for the quarter ending December 2007	January 29, 2008
Results for the year ending March 2008	End May 2008

iii) Book Closure Date

The company had fixed March 21, 2007 as the Record Date to determine members eligible to receive the interim dividend on the equity shares.

The company's Share Transfer Books and Register of Members of equity shares shall remain closed from July 16, 2007 to July 25, 2007 (both days inclusive), to determine the entitlement of shareholders to receive final dividend for the year ended March 31, 2007.

iv) Listing

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

The company has paid listing fees to both the Stock Exchanges for the year 2007-08.

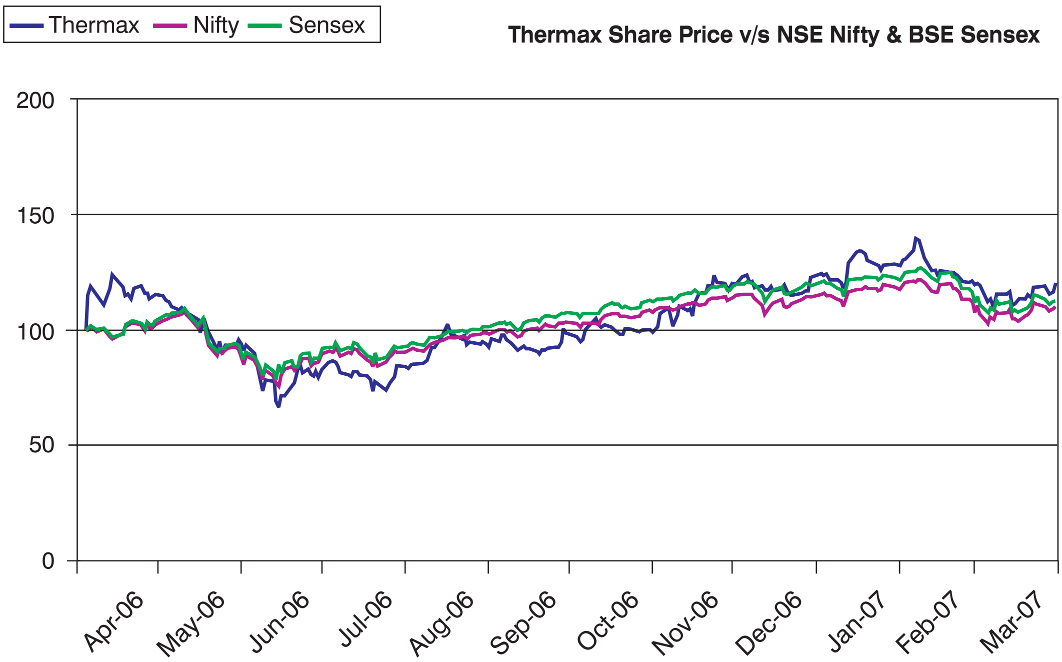
Stock Codes

Name of the exchange	Equity Share
National Stock Exchange of India Ltd.	Thermax EQ
Bombay Stock Exchange Ltd.	500411
International Security Identification No (ISIN)	INE 152A01029

Stock Data

Month	MKT QUOTE - NSE		MKT QUOTE - BSE	
	High	Low	High	Low
April 2006	405.00	312.00	410.00	300.00
May	385.00	250.40	385.00	252.35
June	314.00	206.00	307.80	206.00
July	283.00	233.00	279.40	232.20
August	329.70	260.20	327.00	261.15
September	327.90	280.10	329.70	281.00
October	343.40	299.00	343.40	300.00
November	417.90	310.00	417.00	314.00
December	398.05	353.00	397.95	355.00
January 2007	462.55	366.45	434.25	370.00
February	448.85	326.65	447.00	350.00
March	398.60	333.55	410.90	341.10

Stock Performance



NOTE : The company's share price and indices have been indexed to 100 as on the first working day of the financial year 2006-2007 i.e. April 3, 2006

Custodial Fees to Depositories: The Company has paid Custodial Fees for the year 2007-08 to National Securities Depository Limited and Central Depository Services (India) Limited on the basis of number of beneficial accounts maintained by them, as on March 31, 2007.

v) Registrar and Share Transfer Agent

Karvy Computershare Private Limited
Plot No. 17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad – 500 081
Telephone: 040 – 23420818 and 828
Fax: 040 - 23420814

E-mail ID for redressal of shareholder/ investor grievances : igkcpl@karvy.com

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

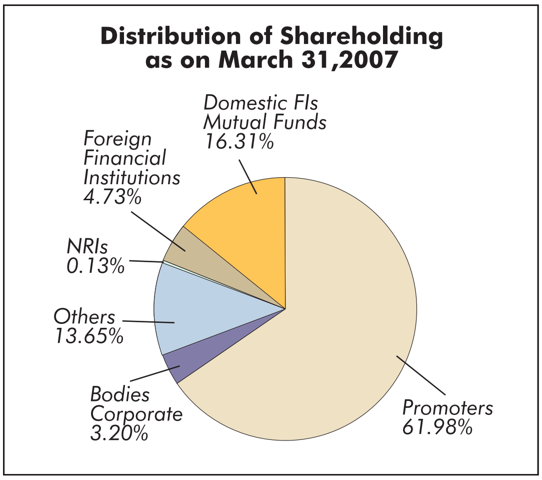
vii) Shareholding Pattern

Distribution of equity shareholding as on March 31, 2007

No. of Shares	No. of Shareholders	%	No. of Shares held	% Shareholding
1-500	25,808	97.92	55,48,965	4.66
501-1000	187	0.71	7,29,182	0.61
1001-2000	106	0.40	7,72,513	0.65
2001-3000	37	0.14	4,72,961	0.40
3001-4000	14	0.05	2,53,167	0.21
4001-5000	16	0.06	3,68,178	0.31
5001-10000	54	0.21	20,95,010	1.76
10001 & above	133	0.51	10,89,16,324	91.4
Total	**26,355**	**100.00**	**11,91,56,300**	**100.00**

Category of equity shareholders as on March 31, 2007

Category	No. of Shares held	% of Shareholding
Promoters holding	7,38,55,305	61.98
Non-Promoters Holding 1 Mutual funds, banks, financial institutions, insurance companies, etc.	1,94,27,481	16.31
2 Foreign institutional investors	56,41,920	4.73
3 Corporate bodies	38,15,846	3.20
4 Non-resident individuals	1,50,157	0.13
5 Indian public & others	1,62,65,591	13.65
Total	**11,91,56,300**	**100.00**



viii) Details of Dematerialisation

The company's equity shares are under compulsory demat trading by all categories of investors. As on March 31, 2007, 3,74,98,795 shares have been dematerialised which account for 31.47% of the total equity.

ix) Plant Locations

D-13, MIDC Industrial Area,
R. D. Aga Road,
Chinchwad, Pune - 411 019.
Maharashtra State

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

At Paudh, Post Mazgaon,
Tal. Khalapur,
Dist. Raigad,
Maharashtra State

x) Address for correspondence

Investors should address their correspondence to the company's Registrar & Transfer Agent, Karvy Computershare Private Limited, whose address has been provided at D(v) above.

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: cservice@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. 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 1998-99 have been transferred to the IEPF.

Financial year	Dividend	Date of declaration	Total dividend amount (Rs crore)	Unclaimed Dividend as on March 31, 2007		Due for transfer to IEPF on
				(Rs.)	%	
1999-00	Interim	25.05.2000	8.14	1,91,353	0.23	12.07.2007
2000-01	Final	05.09.2001	2.33	73,713	0.32	10.10.2008
2001-02	Final	27.09.2002	11.63	2,42,487	0.21	30.10.2009
2002-03	Final	31.07.2003	28.60	5,49,456	0.19	04.09.2010
2003-04	Final	27.07.2004	Equity: 28.60	4,41,936	0.15	02.09.2011
			RPS : 1.50	72,227	0.48	
2004-05	Final	26.07.2005	Equity: 28.60	3,49,236	0.12	31.08.2012
			RPS : 2.86	64,910	0.22	
2005-06	Final (pro rata)	26.07.2005	RPS : 0.92	20,619	0.23	31.08.2012
2005-06	Final	20.07.2006	40.51	7,23,576	0.25	30.08.2013

Bank details

Shareholders holding shares in physical form are requested to notify / send the following information to the Registrar and 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, should include the following: bank's name, branch, 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 pays dividend 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 also be downloaded from the company's website (www.thermaxindia.com). To avail of the ECS facility the mandate form should be sent by post or hand delivered to the company's Corporate Office or its Registrar and Transfer Agent before the commencement of the book closure date i.e. July 16, 2007.
- 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 Agent.** Changes intimated to the DP would be downloaded and updated in the company's records for disbursement of dividend or any corporate benefits.

ANNEXURE

To the Shareholders of Thermax Limited
Sub: Compliance with Code of Conduct

The company has adopted a Code of Conduct which deals with governance practices expected to be followed by Board members and senior management employees of the company.

I hereby declare that all the Directors and senior management employees have affirmed compliance with the Code of Conduct adopted by the Board.

Prakash Kulkarni
Managing Director

Pune: May 29, 2007

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 March 31, 2007, 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)

Pune : May 29, 2007

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 minimise 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 2007, 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 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 (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 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 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 2007;

      (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 29, 2007

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 account 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 2007, 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. Crore)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act and Local Sales Tax Acts (including works contract)	Sales tax including interest and penalty, as applicable	0.025 0.002 0.182 0.041 0.254	1992-93 2000-01 2001-02 2003-04 2004-05	Appellate Authority- upto Commissioner's level
		0.608 0.077 0.057 0.039 0.008 0.086	1996-97 1997-98 2000-01 2001-02 2002-03 2003-04	Tribunal
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable.	3.867 0.495 0.110	1999-2000 2003-04 2005-06	Appellate Authority- upto Commissioner's level
		0.155 0.309 0.736 0.051	2001-02 2003-04 2005-06 2006-07	Tribunal
		3.838	2006-07	Supreme Court
Customs Act, 1962	Customs duty including interest and penalty, as applicable	0.228 0.029	2005-06 2006-07	Appellate Authority- upto Commissioner's level
		0.631	2005-06	Tribunal
Finance Act, 1994 (Service Tax)	Service Tax including interest and penalty, as applicable	0.321 1.747	2003-04 2005-06	Appellate Authority- upto Tribunal
ESI Act, 1948 and Industrial Dispute Act, 1947	Dues, interest and penalty as applicable	0.011 0.850 0.005 6.250 0.143 0.086 0.142 0.008 0.028	1979-83 1989-91 1990-91 1998 till date 1999 till date 2000 till date 2001 till date 2005 till date 1987 to 89	Appellate Authority- upto Labour Court High Court

10. The Company has neither accumulated losses as at 31st March 2007, 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

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

Place: Pune
Date: May 29, 2007

Balance Sheet as at March 31, 2007

	Sch	Sch 18 Note No. Reference	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SOURCES OF FUNDS				
Shareholders' Funds:				
Share Capital	1	11	23.83	23.83
Reserves & Surplus	2		555.36	454.76
			579.19	478.59
Loan Funds:				
Secured Loans	3	14	—	—
			—	—
Deferred Tax Liability:		9		
Deferred Tax Liabilities			19.68	19.10
Deferred Tax Assets			(9.29)	(9.81)
			10.39	9.29
Total Funds Employed			589.58	487.88
APPLICATION OF FUNDS				
Fixed Assets	4	1(c)&(d)		
Gross Block			279.40	243.32
Less: Depreciation			121.52	110.08
Net Block			157.88	133.24
Capital Work-in-progress			11.67	4.38
Investments	5	1(f)	577.61	417.49
Current Assets, Loans & Advances:				
Inventories	6	1(g)	200.24	118.74
Contracts in Progress		8	75.32	43.54
Sundry Debtors	7		382.51	226.30
Cash & Bank Balances	8		62.47	36.11
Other Current Assets			21.92	21.54
Loans & Advances	9		186.95	86.73
			929.41	532.96
Less: Current Liabilities & Provisions:				
Current Liabilities	10		1000.04	478.72
Contracts in Progress		8	30.46	65.43
Provisions	11	1(j)&26	56.59	56.24
			1087.09	600.39
Net Current Assets			(157.68)	(67.43)
Miscellaneous Expenditure to the extent not written off or adjusted	12	1(h)	0.10	0.20
Total Funds Applied			589.58	487.88
Notes to Accounts	18			

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

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 29, 2007

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

Prakash Kulkarni
Managing Director

Sunil Lalai
Company Secretary

Pune, May 29, 2007

Profit and Loss Account for the year ended March 31, 2007

	Sch	Sch 18 Note No. Reference	Year ended March 31, 2007 Rs. Crore	Year ended March 31, 2006 Rs. Crore
INCOME				
Sales and Other Income	13	1(k)	**2210.03**	1498.00
EXPENDITURE				
Materials	14		**1433.59**	947.92
Personnel	15		**191.14**	130.92
Other Expenses	16		**267.38**	209.76
Excise Duty (Net)			**1.84**	0.72
Depreciation		1(d)	**18.76**	15.21
Interest	17	1(l)	**1.30**	0.94
			1914.01	1305.47
Profit Before Tax & Extra Ordinary Items			**296.02**	192.53
Extra-ordinary Items of Expenses				
Obligations under counter guarantees given on behalf of subsidiary		12	**(5.48)**	—
Profit Before Tax			**290.54**	192.53
Less : Provision for Taxation		1(n)		
Current Tax			**99.54**	63.03
Deferred Tax		9	**1.10**	2.36
Fringe Benefit Tax			**2.10**	3.89
Profit After Tax			**187.80**	123.25
Balance carried forward from last year			**136.61**	51.17
Transferred on Amalgamation			—	29.50
Profit available for appropriation			**324.41**	203.92
Appropriations				
Interim Equity Dividend			**40.51**	—
Proposed Equity Dividend			**30.98**	40.51
Preference Dividend			—	0.92
Tax on Dividend			**10.95**	12.50
General Reserve			**19.00**	13.38
Balance Carried to Balance Sheet			**222.97**	136.61
			324.41	203.92
Basic / Diluted Earnings Per Share (EPS) - Rs. [Equity Shares of Rs. 2/- each]		24	**15.76**	9.69
Weighted average number of Equity Shares			**11,91,56,300**	11,91,56,300
Notes to Accounts	18			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 29, 2007

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

Prakash Kulkarni
Managing Director

Sunil Lalai
Company Secretary

Pune, May 29, 2007

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

	Sch 18 Note No. Reference	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
37,50,00,000 Equity Shares of Rs. 2/- each		**75.00**	75.00
		75.00	75.00
Issued, Subscribed & Paid Up			
11,91,56,300 Equity Shares of Rs. 2/- each, fully paid-up	**11**	**23.83**	23.83
		23.83	23.83
SCHEDULE 2			
RESERVES & SURPLUS			
Capital Redemption Reserve			
Per Last Balance Sheet		**50.34**	2.68
Add: Transferred from General Reserve on redemption of 6% Redeemable Preference Shares		**—**	47.66
		50.34	50.34
Share Premium Account			
Per Last Balance Sheet		**61.13**	61.13
Capital Reserve			
Per Last Balance Sheet		**2.25**	8.00
Less: Adjustment on Amalgamation	**10**	**0.33**	5.75
		1.92	2.25
General Reserve			
Per Last Balance Sheet		**200.00**	208.62
Add: Transferred on Amalgamation		**—**	25.66
Less: Transferred to Capital Redemption Reserve on redemption of 6% Redeemable Preference Shares		**—**	47.66
Add: Transferred from Profit and Loss A/c		**19.00**	13.38
		219.00	200.00
Amalgamation Reserve			
Per Last Balance Sheet		**4.43**	7.00
Less: Adjustment on Amalgamation	**10**	**4.43**	2.57
		—	4.43
Balance in Profit & Loss A/c		**222.97**	136.61
		555.36	454.76

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

	Sch 18 Note No. Reference	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SCHEDULE 3			
SECURED LOANS			
Borrowings from Banks for Working Capital (including Working Capital Term Loans)	14	—	—
		—	—

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

Rs. Crore

Particulars	Gross Block					Depreciation					Net Block	
	Cost As at 1st April 2006	Transfer of Assets on Amalgamation	Additions/ Adjustments during the Year	Deductions/ Adjustments during the Year	**Total Cost as at 31st March 2007**	Upto 31st March 2006	Transfer on Amalgamation	Deductions/ Adjustments during the Year	Provisions during the Year	**Total as at 31st March 2007**	**As at 31st March 2007**	As at 31st March 2006
TANGIBLE:												
A. Land - Freehold	7.36	-	-	-	**7.36**	-	-	-	-	-	**7.36**	7.36
B. Land - Leasehold*	2.29	0.83	7.97	0.03	**11.06**	0.08	0.14	-	0.07	**0.29**	**10.77**	2.21
C. Building	33.50	0.72	6.09	-	**40.31**	8.20	0.11	-	1.01	**9.32**	**30.99**	25.30
D. Plant & Machinery	125.41	-	13.54	1.87	**137.08**	62.66	-	1.58	7.37	**68.45**	**68.63**	62.75
E. Machinery given on Lease	0.46	-	-	-	**0.46**	0.43	-	-	-	**0.43**	**0.03**	0.03
F. Electrical Installation	4.88	0.02	0.56	0.04	**5.42**	2.71	0.01	0.01	0.41	**3.12**	**2.30**	2.17
G. Furniture & Fixtures, Office Equipments and Computers	53.03	-	11.23	6.22	**58.04**	31.26	-	5.71	6.28	**31.83**	**26.21**	21.77
H. Vehicles	12.68	-	2.11	0.70	**14.09**	3.02	-	0.29	1.78	**4.51**	**9.58**	9.66
INTANGIBLE:												
A. Software	3.37	-	1.28	-	**4.65**	1.49	-	-	1.23	**2.72**	**1.93**	1.88
B. Technical Knowhow	0.35	-	0.58	-	**0.93**	0.23	-	-	0.61	**0.84**	**0.09**	0.12
Total	**243.32**	**1.57**	**43.36**	**8.86**	**279.40**	**110.08**	**0.26**	**7.59**	**18.76**	**121.52**	**157.88**	**133.24**
Previous Year	176.79	45.38	31.39	10.24	**243.32**	84.15	19.50	8.78	15.21	**110.08**	**133.24**	92.64
Capital W.I.P											**11.67**	4.38

* Registration / transfer of assets on Company's name for assets acquired on amalgamation has been in progress.

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

	Face Value Rs. Crore	**As at March 31, 2007 Rs. Crore**	As at March 31, 2006 Rs. Crore
SCHEDULE 5			
Investments (See note 1(f) of Schedule 18)			
Non Trade (Long Term)			
Government Securities			
1 National Savings Certificates [Amount Rs. 15,000 (Previous Year Rs. 15,000)]	0.00	**0.00**	0.00
2 50,000 *(Previous year 50,000)* 12.25 % GOI 2008	0.50	**0.53**	0.53
Units - Quoted but not Listed			
3 50,99,485 *(Previous Year Nil)* Units of ABN AMRO Fixed term Plan E Series 4 of ABN AMRO Asset Management	5.10	**5.10**	-
4 2,02,03,154 *(Previous Year Nil)* Units of ABN AMRO Fixed term Plan C Series 4 of ABN AMRO Asset Management	20.20	**20.20**	-
5 1,01,77,548 *(Previous Year Nil)* Units of ABN AMRO Fixed term Plan C Series 6 of ABN AMRO Asset Management	10.18	**10.18**	-
6 1,00,00,000 *(Previous year 1,00,00,000)* units of Birla Fixed Term Series of Birla Sunlife Mutual Fund	10.00	**10.00**	10.00
7 Nil *(Previous year 1,49,91,605)* units of Birla Fixed Maturity Quarterly Plan of Birla Sunlife Mutual Fund	-	**-**	15.00
8 Nil *(Previous year 10,00,000)* units of Birla Fixed Term Plan Series A of Birla Sunlife Mutual fund	-	**-**	1.00
9 1,49,89,371*(Previous year 20,62,059)* units of Birla Cash Plus Institutional Premium Plan of Birla Mutual Fund	14.99	**15.05**	2.08
10 Nil *(Previous year 28,49,931)* units of Birla Cash - Institutional Plan of Birla Mutual Fund	-	**-**	3.07
11 Nil (*Previous year 46,26,548*) units of Birla Cash Plus - Institutional Plan of Birla Mutual Fund	-	**-**	5.00
12 51,69,101 *(Previous year 49,80,130)* units of Birla Sun Life Short Term Fund of Birla Sunlife Mutual Fund	5.17	**5.19**	5.00
13 50,00,000 *(Previous year Nil)* units of Birla Fixed Term Plan Half Yearly Plan Series 1 of Birla Sunlife Mutual Fund	5.00	**5.00**	-
14 Nil *(Previous year 5,00,000)* units of Birla Fixed Term Plan Series C of Birla Sunlife Mutual fund	-	**-**	0.50
15 Nil *(Previous year 1,00,00,000)* units of Chola Fixed Maturity Plan Series -2 of Chola Mutual Fund	-	**-**	10.00
16 1,05,166 *(Previous year 1,05,166)* units of Chola Liquid Institutional Plus Cumulative Plan of Chola Mutual Fund	0.11	**0.14**	0.14
17 1,84,41,787*(Previous year 30,09,858)* units of DBS Chola Fixed Maturity Plan -2 Series 6 of DBS Chola Mutual Fund	18.44	**18.44**	3.01
18 3,51,84,656 *(Previous year Nil)* units of DBS Chola Fixed Maturity Plan -3 Series 6 of DBS Chola Mutual Fund	35.18	**35.18**	-
19 Nil *(Previous year 42,84,000)* units of Chola Liquid Institutional Plus Plan of Chola Mutual Fund	-	**-**	5.05
20 Nil *(Previous year 50,00,000)* units of Chola Fixed Maturity Plan Series 3 units of Chola Mutual Fund	-	**-**	5.00
21 Nil *(Previous year 50,00,000)* units of Chola Fixed Maturity Series of Chola Mutual Fund	-	**-**	5.00

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

		Face Value Rs. Crore	**As at March 31, 2007 Rs. Crore**	As at March 31, 2006 Rs. Crore
22	Nil *(Previous year 1,00,000)* units of DSPML Fixed term of DSP Merrill Lynch Mutual Fund	-	**-**	10.00
23	Nil *(Previous year 30,390)* units of DSP Merrill Lynch Bond Fund Retail of DSP Merrill Mutual Fund	-	**-**	3.04
24	Nil *(Previous year 94,729)* units of DSPML Liquidity Fund of DSP Merill Lynch Mutual Fund	-	**-**	9.48
25	51,032 *(Previous year Nil)* units of DSPML Fixed term Plan Series 1 I of DSP Merill Lynch Mutual Fund	5.10	**5.10**	-
26	1,00,00,000 *(Previous year 1,00,00,000)* units of Grindlays Fixed Maturity -22nd Plan of Standard Chartered Mutual Fund	10.00	**10.00**	10.00
27	Nil *(Previous year 1,01,01,400)* units of Grindlays Fixed Maturity - 19th Plan of Standard Chartered Mutual Fund	-	**-**	10.10
28	Nil *(Previous year 1,51,41,300)* units of Grindlays Fixed Maturity -21st Plan of Standard Chartered Mutual Fund	-	**-**	15.14
29	Nil *(Previous year 1,50,88,530)* units of HSBC Fixed Term Series 7 of HSBC Mutual Fund	-	**-**	15.08
30	Nil *(Previous year 50,00,000)* units of HDFC Fixed Maturity Plan of HDFC Mutual Fund	-	**-**	5.00
31	49,86,456 *(Previous year Nil)* units of HSBC Liquid Plus Institutional Plan of HSBC Mutual Fund	4.99	**5.01**	-
32	Nil *(Previous year 75,00,000)* units of HSBC Fixed Term Series 8 of HSBC Mutual Fund	-	**-**	7.50
33	2,06,85,668 *(Previous year Nil)* units of HDFC Liquid Fund Premiun Plan of HDFC Mutual Fund	20.69	**25.82**	-
34	Nil *(Previous year 50,00,000)* units of ING Vysya Fixed Maturity Series VIII - of ING Vysya Mutual Fund	-	**-**	5.00
35	1,50,00,000 *(Previous year Nil)* units of ING Vysya Fixed Maturity Series XXI - of ING Vysya Mutual Fund	15.00	**15.00**	-
36	Nil *(Previous year 1,59,26,382)* units of JM Short Term Floater of JM Mutual Fund	-	**-**	16.01
37	Nil *(Previous year 5,00,000)* units of JM Fixed Maturity Plan -YSO1 of JM Financial Mutual Fund	-	**-**	0.50
38	50,00,000 *(Previous year 50,00,000)* units of JM Fixed Maturity Fund Series II YSA of JM Financial Mutual Fund	5.00	**5.00**	5.00
39	Nil *(Previous year 75,00,000)* units of JM Fixed Maturity Fund Series II of JM Financial Mutual Fund	-	**-**	7.50
40	Nil *(Previous year 81,18,993)* units of JM Equity & Derivative Fund Plan of JM Financial Mutual Fund	-	**-**	8.22
41	1,54,57,857 *(Previous year Nil)* units of JM Fixed Maturity Fund Series IV of JM Financial Mutual Fund	15.46	**15.46**	-
42	Nil *(Previous year 1,00,92,581)* units of Kotak Fixed Maturity Series XVI of Kotak Mutual Fund	-	**-**	10.09
43	Nil *(Previous year 1,49,98,114)* units of Kotak Liquid Institutional Premium Plan of Kotak Mahindra Mutual Fund	-	**-**	15.06
44	Nil *(Previous year 1,50,70,933)* units of Kotak Fixed Maturity Plan Series XVIII of Kotak Mahindra Mutual Fund	-	**-**	15.08

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

		Face Value Rs. Crore	**As at March 31, 2007 Rs. Crore**	As at March 31, 2006 Rs. Crore
45	Nil *(Previous year 15,46,349)* units of Kotak Liquid Institutional Plan of Kotak Mahindra Mutual Fund	-	**-**	1.55
46	Nil *(Previous year 5,00,000)* units of Kotak Fixed Maturity Plan of Kotak Mahindra Mutual Fund	-	**-**	0.50
47	Nil *(Previous year 50,00,000)* units of Kotak Fixed Maturity Series XV of Kotak Mutual Fund	-	**-**	5.00
48	Nil *(Previous year 50,15,844)* units of Kotak Fixed Maturity Plan Series 20 of Kotak Mahindra Mutual Fund	-	**-**	5.02
49	3,61,13,760 *(Previous year Nil)* units of Kotak Fixed Maturity Plan Series 8 of Kotak Mahindra Mutual Fund	36.11	**36.11**	-
50	1,53,73,789*(Previous year Nil)* units of Kotak Fixed Maturity Plan Series 2 of Kotak Mahindra Mutual Fund	15.37	**15.37**	-
51	1,02,54,813 *(Previous year Nil)* units of Kotak Fixed Maturity Plan Series 10 of Kotak Mahindra Mutual Fund	10.25	**10.25**	-
52	51,16,298*(Previous year Nil)* units of Kotak Fixed Maturity Plan Series 3 of Kotak Mahindra Mutual Fund	5.12	**5.12**	-
53	4,10,000 *(Previous year Nil)* units of Kotak Liquid (Regular) Plan of Kotak Mahindra Mutual Fund	0.41	**0.53**	-
54	Nil *(Previous year 1,42,21,649)* units of Prudential ICICI-Blended Plan B of Prudential ICICI Mutual Fund	-	-	14.32
55	Nil *(Previous year 18,91,907)* units of Prudential ICICI Fixed Maturity Plan of Prudential ICICI Mutual Fund	-	**-**	1.89
56	31,31,945 *(Previous year 30,57,708)* units of Prudential ICICI Blended Plan A of Prudential ICICI Mutual Fund	3.13	**3.15**	3.07
57	Nil (*Previous year 50,00,000*) units of Prudential ICICI Fixed Maturity Series XXVII of Prudential ICICI Mutual fund	-	**-**	5.00
58	3,61,85,796 (*Previous year Nil*) units of Prudential ICICI Fixed Maturity Series 34 of Prudential ICICI Mutual fund	36.19	**36.19**	-
59	2,57,48,988 (*Previous year Nil*) units of Prudential ICICI Fixed Maturity Series 35 Plan A of Prudential ICICI Mutual fund	25.75	**25.75**	-
60	1,51,47,746 (*Previous year Nil*) units of Prudential ICICI Fixed Maturity Series 35 Plan B of Prudential ICICI Mutual fund	15.15	**15.15**	-
61	Nil *(Previous year 1,13,60,824)* units of Principal PNB Fixed Maturity Plan of Principal Mutual Fund	-	**-**	11.36
62	Nil *(Previous year 1,47,82,549)* units of Principal Deposit Fund of Principal Mutual Fund	-	**-**	15.00
63	19,15,511*(Previous year Nil)* units of Principal Income Fund (Bonus Units of Principal Mutual Fund)	1.92	**-**	-
64	49,99,550 *(Previous year Nil)* units of Principal Cash Management Fund of Principal Mutual Fund	5.00	**5.00**	-
65	1,50,00,000 *(Previous year Nil)* units of Principal PNB Fixed Maturity Plan 34 of Principal Mutual Fund	15.00	**15.00**	-
66	Nil *(Previous year 10,00,000)* units of Reliance Fixed Maturity Fund Annual Plan of Reliance Mutual Fund	-	**-**	1.00
67	Nil *(Previous year 10,00,000)* units of Reliance Fixed Maturity Fund Annual Plan Series I of Reliance Mutual Fund	-	**-**	1.00

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

		Face Value Rs. Crore	**As at March 31, 2007 Rs. Crore**	As at March 31, 2006 Rs. Crore
68	Nil *(Previous year 10,00,000)* units of Reliance Fixed Maturity Fund Annual plan Series II of Reliance Mutual Fund	-	**-**	1.00
69	Nil *(Previous year 2,50,00,000)* units of Reliance Fixed Maturity Fund Series II of Reliance Mutual Fund	-	**-**	25.00
70	Nil *(Previous year 32,92,958)* units of Reliance Fixed Maturity Fund Monthly Plan XI of Reliance Mutual Fund	-	**-**	3.31
71	Nil *(Previous year 49,98,778)* units of Reliance Liquidity Fund Plan of Reliance Mutual Fund	-	**-**	5.02
72	9,38,761 *(Previous year 9,38,761)* units of Reliance Power Sector Fund Growth Plan of Reliance Mutual Fund	0.94	**1.32**	1.32
73	Nil *(Previous year 9,72,838)* units of Reliance Income Fund - Retail Plan Bonus units of Reliance Mutual Fund	-	**-**	-
74	2,57,76,726 *(Previous year Nil)* units of Reliance Fixed Horizon Fund II Series II of Reliance Mutual Fund	25.78	**25.78**	-
75	1,00,29,649 *(Previous year Nil)* units of Reliance Fixed Horizon Fund I Annual Plan Series I of Reliance Mutual Fund	10.03	**10.03**	-
76	1,03,61,131 *(Previous year Nil)* units of Reliance Fixed Horizon Fund I Series IV of Reliance Mutual Fund	10.36	**10.36**	-
77	1,56,81,392 *(Previous year Nil)* units of Reliance Fixed Horizon Fund II Series IV of Reliance Mutual Fund	15.68	**15.68**	-
78	1,50,00,000 *(Previous year Nil)* units of Reliance Fixed Horizon Fund II Series VI of Reliance Mutual Fund	15.00	**15.00**	-
79	Nil *(Previous year 1,00,38,500)* units of Standard Chartered Fixed Maturity of Standard Chartered Mutual Fund	-	**-**	10.03
80	Nil *(Previous year 1,00,85,306)* units of Standard Chartered Liquidity Plan of Standard Chartered Mutual Fund	-	**-**	10.08
81	5,00,000 *(Previous year 5,00,000)* units of Sundaram S.M.I.L.E. Fund Dividend Plan of Sundaram Mutual Fund	0.50	**0.50**	0.50
82	50,00,000 *(Previous year 50,00,000)* units of Sundaram Fixed Term Plan Series 1 of Sundaram Mutual Fund	5.00	**5.00**	5.00
83	5,56,69,883 *(Previous year Nil)* units of Sundaram Fixed Term Plan Series XXIII of Sundaram Mutual Fund	55.67	**55.67**	-
84	49,02,082 *(Previous year Nil)* units of Sundaram Money Fund Institotional Plan of Sundaram Mutual Fund	4.90	**5.09**	-
85	Nil *(Previous year 50,00,000)* units of Sundaram Fixed Term Plan Series 3 of Sundaram Mutual Fund	-	**-**	5.00
86	1,53,28,501 (Previous Year Nil) units of SBI Debt Fund Series - 180 days - dividend of SBI Mutual Fund	15.33	**15.33**	-
87	2,50,00,000 (*Previous Year Nil*) units of SBI Debt Fund Series -90 days-II-Divident of SBI Mutual Fund	25.00	**25.00**	-
88	50,63,100 (*Previous Year Nil*) units of SBI Debt Fund Series -90 days-II-Growth of SBI Mutual Fund	5.06	**5.06**	-
89	Nil *(Previous year 1,00,00,000)* units of Tata Fixed Horizon Fund Series 5 of Tata Mutual Fund	-	**-**	10.00
90	Nil *(Previous year 1,00,65,592)* units of Tata Fixed Horizon Fund Series 3 of Tata Mutual Fund	-	**-**	10.06

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

		Face Value Rs. Crore	**As at March 31, 2007 Rs. Crore**	As at March 31, 2006 Rs. Crore
91	Nil *(Previous year 29)* units of Tata Liquid Plan of Tata Mutual Fund	-	**-**	0.00
92	7,250 *(Previous year 7,250)* 6.75 % Tax Free Unit Trust Of India 64 Bonds	0.07	**0.10**	0.10
Quoted Equity Shares (fully paid up)				
93	2,500 *(Previous year 2,500)* Equity Shares of Rs. 10/- each in Global Boards Ltd.	0.00	**0.00**	0.00
94	Nil *(Previous year 40,462)* Equity Shares of Rs.10/- each in Recron Synthetics Ltd.	-	**-**	0.04
95	1,190 *(Previous Year Nil)* Equity Shares of Rs 10 /- each in Indian Petrochemcials Corporation Limited (received on amalgamation of Recron Synthetics Ltd.)	0.00	**0.04**	-
96	450 *(Previous year 450)* Equity Shares of Rs. 10/- each in Sudarshan Chemical Industries Ltd.	0.00	**0.00**	0.00
97	7,000 *(Previous year 9,700)* Equity Shares of Rs.10/- each in Sanghvi Movers Ltd.	0.01	**0.06**	0.08
Quoted Equity Shares (partly paid up)				
98	1,25,000 *(Previous year 1,25,000)* Equity Shares of Rs.10/- each Rs. 2.50 paid up in Parasrampuria Synthetics Ltd.	0.13	**0.06**	0.06
Unquoted Equity Shares (fully paid up)				
99	1,375 *(Previous year 1,375)* Equity Shares of Rs. 20/- each in Cosmos Co-operative Bank Ltd.	0.00	**0.00**	0.00
100	17,539 *(Previous Year 17,539)* Equity Shares of Rs. 10/- each in G S L (India) Ltd.	0.02	**0.00**	0.00
101	10,000 *(Previous Year 10,000)* Equity Shares of Rs. 10/- each in Sicom Ltd.	0.01	**0.07**	0.07
Unquoted Preference Shares (fully paid up)				
102	21,800 *(Previous year 21,800)* 18% Redeemable Cumulative Preference Shares of Rs.10/- each in Indian Food Fermentation Ltd.	0.02	**0.02**	**0.02**
In Subsidiary Companies (fully paid up)				
103	7,50,000 *(Previous year 7,50,000)* Equity Shares of Rs. 10/- each in Thermax Surface Coatings Ltd.	0.75	**0.45**	0.45
104	15,00,000 *(Previous year 15,00,000)* Equity Shares of Rs.10/- each in Thermax Engineering Construction Company Ltd.	1.50	**1.50**	1.50
105	Nil *(Previous year 10,00,000)* Equity Shares of Rs.10/- each in Thermax Electronics Ltd. #	-	**-**	1.00
106	90,00,000 *(Previous year 90,00,000)* Equity Shares of Rs.10/- each in Thermax Instrumentation Ltd.	9.00	**4.59**	4.59
107	2,00,000 *(Previous year 2,00,000)* Ordinary Shares of GBP 1/- each in Thermax Europe Ltd.	1.17	**1.17**	1.17
108	50,000 *(Previous year 50,000)* Equity Shares of Rs.10/- each in Winman Gas Ltd. #	-	**-**	3.06
109	Nil *(Previous year 5,00,000)* Equity Shares of Rs.10/- each in Thermax Co-gen Ltd. #	-	**-**	0.50

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

		Face Value Rs. Crore	**As at March 31, 2007 Rs. Crore**	As at March 31, 2006 Rs. Crore
110	9,88,776 *(Previous year 9,88,776)* Equity Shares of Rs.10/- each in Thermax Energy Performance Services Ltd.*	0.99	**0.99**	0.99
111	14,55,000 *(Previous year 14,55,000)* Equity Shares of USD 1/- each in Thermax International Ltd., Mauritius	6.78	**6.78**	6.78
112	9,56,050 *(Previous year 8,50,300)* Equity Shares of Brazilian Real 1/- each in Thermax do Brasil - Energia e Equipamentos Ltda.	1.57	**1.57**	1.35
113	59,33,133 *(Previous year 32,16,608)* Equity Shares of Hong Kong Dollar 1/- each in Thermax Hong Kong Ltd.	3.49	**3.49**	1.91
114	17,47,300 *(Previous year 17,47,300)* 6% Cumulative Redeemable Preference Shares of USD 1 /- each with conversion option in Thermax International Ltd., Maruitius	7.81	**7.81**	7.81
	Application Money			
	Towards Shares / Units		**5.45**	0.89
		591.20	**598.00**	421.59
	Provision for diminution in value of investments		**20.39**	4.10
			577.61	417.49

\# Refer Note No. 10 of Schedule 18

* Refer Note No. 13(B) of Schedule 18

	As at March 31, 2007		As at March 31, 2006	
	Cost Rs. Crore	**Market Value Rs. Crore**	Cost Rs. Crore	Market Value Rs. Crore
Aggregate Value of Quoted Investments	564.11	**573.82**	389.58	393.94
Aggregate Value of Un-quoted Investments	33.89	**-**	32.01	-

Following investments were purchased and sold during the year :

Name Units	**No of units in Crore**	**Face Value Rs. Crore**	**Cost of Acquisition Rs. Crore**
ABN Amro FTP Series 3 Quarterly Plan H - Monthly Dividend	0.51	5.08	5.08
ABN Amro FTP Series 4 - Quarterly Plan A - Monthly Dividend	0.51	5.08	5.08
ABN Amro FTP Series 4 - Quarterly Plan B	1.02	10.18	10.18
Birla FMP - Series 2-Quarterly Plan	1.50	14.99	15.00
Birla FMP - Series 2-Quarterly Plan	1.50	14.99	15.00
Birla FMP - Series 2-Quarterly Plan	1.50	14.99	15.00
Birla Bond Plus Institutional - Fortnightly Dividend - Reinvestment	2.42	24.23	25.50
Birla FTP Series C Growth	0.05	0.50	0.54
DBS Chola FMP Series 3 (Quarterly Plan - II) - Dividend	1.00	10.00	10.00
DBS Chola FMP Series 3 (Quarterly Plan - II) - Cummilative	0.51	5.07	5.07
DBS Chola FMP Series 3 (Quarterly Plan III) - Dividend	2.52	25.16	25.16
DBS Chola FMP Series 3 (Quarterly Plan IV) - Dividend	2.52	25.17	25.17
DBS Chola FMP Series 5 (Quarterly Plan - I) - Dividend	0.50	5.00	5.00
DBS Chola FMP Series 5 (Quarterly Plan - II) - Dividend	1.53	15.33	15.33
DBS Chola FMP - Series 5 (Quarterly Plan - III) - Dividend	3.52	35.18	35.18

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

Name Units	No of units in Crore	Face Value Rs. Crore	Cost of Acquisition Rs. Crore
DBS Chola FMP Series 4 (Quarterly Plan - II) - Dividend	1.53	15.33	15.33
DBS Chola Freedom Income STP. Inst - Monthly Dividend	0.46	4.57	5.00
DBS Chola FMP Series 3 (Quarterly Plan -II)	0.31	3.05	3.05
DBS Chola FMP Series 3 (Quarterly Plan -II Cummilative)	0.31	3.11	3.11
DBS Chola FMP Series 5 (Quarterly Plan -2) Dividend	0.31	3.11	3.11
DBS Chola Fixed Term Scheme Quarterly Series II Dividend	0.01	0.07	0.07
DBS Chola FMP Series 2 Quarterly Plan II Dividend	0.02	0.16	0.16
DSPML Fixed Term Plan - Series ID	0.01	5.01	5.01
DSPML Fixed Term Series 1 D Dividend	0.01	10.39	10.39
DSPML Fixed Term Series 1 E Dividend	0.01	5.08	5.08
DSPML Fixed Term Series 1 F Dividend	0.01	5.08	5.08
DSP Merrill Lynch Liquid Plus Institutional Plan - Weekly Dividend	0.01	10.09	10.10
DSP Merrill Lynch Liquid Plus Institutional Plan - Weekly Dividend	0.03	25.55	25.58
DSPML - FTP - Series 1D Dividend	0.00	3.14	3.14
DSP Merrill Lynch Liquid Plus Institutional Plan - Weekly Dividend	0.00	3.14	3.15
DSPML Fixed Term Seies 1 C Dividend	0.00	0.00	0.00
Franklin Templeton Investments	0.04	35.42	35.63
Templeton India Treasury Management Account Institutional Plan - Weekly Dividend	0.01	5.15	5.15
HDFC FMP 3M May 2006 (1) - Institutional Plan - Dividend	1.01	10.14	10.14
HDFC FMP 6M June 2006 (1) - Institutional Plan - Dividend	1.03	10.28	10.28
HDFC FMP 3M June 2006 (I) - Institutional Plan - Dividend	0.52	5.16	5.16
HDFC FMP 3M June 2006 (I) - Institutional Plan - Dividend	0.51	5.07	5.07
HDFC FMP 3M June 2006 (I) - Institutional Plan - Dividend	1.52	15.21	15.21
HDFC FMP 3M Aug. 2006 (1) - Institutional Plan - Dividend	1.03	10.28	10.28
HDFC FMP 3M Sept. 2006 (I) - Institutional Plan - Dividend	2.58	25.82	25.82
HDFC FMP 3M November 2006 (1) - Institutional Plan - Dividend	1.03	10.28	10.28
HDFC FMP 90 D Dec. 2006 (2) - Wholesale Plan - Dividend	2.58	25.82	25.82
HDFC FMP 3M March 2006 (I) - Institutional Plan - Dividend	0.01	0.09	0.09
HSBC Cash Fund Inst. Plan Weekly Dividend	2.13	21.28	21.61
HSBC Income Fund - Short Term - Institutional - Dividend	1.01	10.07	10.12
HSBC Fixed Term Series 7 Dividend	0.01	0.14	0.14
HSBC Fixed Term Series -8 - Dividend	0.01	0.13	0.13
ING Vysya Fixed Maturity Fund Series - X - Dividend Option	1.00	10.00	10.00
ING Vysya Fixed Maturity Fund Series- XIV-dividend Option	1.50	15.00	15.00
ING Vysya Liquid Fund Institutional -Daily Dividend Option	1.02	10.21	10.22
ING Vysya Liquid Fund Daily Dividend Option	0.94	9.42	10.16
JM Fixed Maturity Fund - Series III-Quarerly Plan	1.52	15.23	15.23
Kotak FMP Series 27 Dividend Reinvest	2.98	29.78	29.78
Kotak FMP 6M Series 1 - Dividend	1.54	15.42	15.42
Kotak FMP 3M Series 3-Dividend	0.51	5.07	5.07
Kotak FMP 3M Series 5-Dividend	3.56	35.61	35.61
Kotak FMP 3M Series 6 -Dividend	1.02	10.16	10.16
Kotak Flexi Debt Scheme - Daily Dividend	1.01	10.05	10.09
Kotak liquid Institutional Premium Plan Weekly Dividend	1.50	14.96	15.02
Kotak FMP - Series I - For 90 Days	0.05	0.50	0.53
Kotak FMP Series XVI Dividend	0.00	0.05	0.05

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

Name Units	No of units in Crore	Face Value Rs. Crore	Cost of Acquisition Rs. Crore
Kotak FMP Series 20 Dividend	0.00	0.01	0.01
Kotak FMP Series Dividend Reinvest XVIII	0.02	0.16	0.16
Principal Deposit Fund (FMP-3-20) 91 Days Plan Dividend Reinvestment	1.03	10.27	10.27
Principal Deposit Fund 91 Day Plan Dividend	1.55	15.48	15.48
Principal Income Fund (Short Term Plan - Instl. Plan - Weekly Dividend)	2.76	27.59	30.17
Principal Income Fund (Growth Plan)	0.29	2.87	5.00
Principal Deposit Fund - 91 Days	0.13	1.28	1.28
Principal Deposit Fund 91 Day Plan	0.00	0.04	0.04
Prudential ICICI FMP Series 32 - Three Months Plan - A - Retail - Dividend	1.02	10.21	10.21
Prudential ICICI FMP Series 32 - Three Months Plan - A - Retail - Dividend	1.01	10.13	10.13
Prudential ICICI FMP Series 32 - Three Months Plan - A - Retail - Dividend	1.53	15.32	15.32
Prudential ICICI FMP Series 32 - Three Months Plan - B - Retail - Dividend	1.01	10.14	10.14
Prudential ICICI FMP Series 32 - Three Months Plan -C - Retail - Dividend	1.52	15.23	15.23
Prudential ICICI FMP Series 32 - Three Months Plan -C - Retail - Dividend	1.02	10.16	10.16
Prudential ICICI FMP Series 32 - Three Months Plan -C - Retail - Dividend	1.02	10.16	10.16
Prudential ICICI FMP Series 32 - Three Months Plan - D - Retail - Dividend	2.54	25.40	25.40
Prudential ICICI Institutional Liquid Plan - SIP Weekly Dividend	3.55	35.53	35.56
Prudential ICICI Institutional Liquid Plan - SIP Weekly Dividend	2.03	20.29	20.30
Prudential ICICI Institutional Liquid Plan - SIP Weekly Dividend	2.03	20.33	20.34
Prudential ICICI - FMP - SR XXV - Yearly (91 days)	0.19	1.92	1.92
Prudential ICICI FMP- Monthly Plan XXVII	0.01	0.09	0.09
Reliance Fixed Term Scheme - Quarterly Plan B Series II Dividend	2.50	25.00	25.00
Reliance Fixed Horizon Fund - Quarterly Plan B - Series I - Dividend Option	1.52	15.20	15.20
Reliance Fixed Horizon Fund Monthly Plan A - Series III - Dividend Option	1.00	10.04	10.04
Reliance Fixed Horizon Fund - Quarterly Plan B - Series III- Dividend Option	1.02	10.21	10.21
Reliance Fixed Horizon Fund Monthly Plan A - Series IV - Dividend Option	1.01	10.09	10.09
Reliance Fixed Term Scheme - Quarterly Plan B Series IV Dividend	2.54	25.38	25.38
Reliance Fixed Horizon Fund Monthly Plan A - Series V - Dividend Option	1.01	10.14	10.14
Reliance Fixed Horizon Fund -Quarterly Plan B - Series V - Dividend Option	1.54	15.44	15.44
Reliance Fixed Horizon Fund Monthly Plan A - Series VI - Dividend Option	1.02	10.19	10.19
Reliance Fixed Horizon Fund - Quarterly Plan I - Series I- Dividend Option	1.04	10.36	10.36
Reliance Fixed Horizon Fund I Monthly Plan - Series I - Dividend Plan	1.02	10.24	10.24
Reliance Fixed Horizon Fund I Monthly Plan - Series II - Dividend Plan	1.03	10.29	10.29
Reliance Fixed Horizon Fund - Quarterly Plan B Series II Dividend	2.58	25.78	25.78
Reliance Fixed Horizon Fund I - Quarterly Plan B Series III - Dividend Plan	1.57	15.68	15.68
Reliance Fixed Horizon Fund I Monthly Plan - Series III - Dividend Plan	1.03	10.34	10.34
Reliance Fixed Horizon Fund I Monthly Plan - Series IV - Dividend Plan	1.04	10.40	10.40
Reliance Fixed Horizon Fund II Monthly Plan - Series I -Retail Dividend Plan	1.04	10.40	10.40
Reliance Liquidity Fund - Weekly Dividend Reinvest Option	2.51	25.07	25.10
Reliance Fixed Horizon Fund II- Dividend Option	0.33	3.33	3.33
Reliance Fixed Horizon Fund Monthly Plan A - Series 11 - Dividend Option	0.33	3.34	3.34
Reliance Fixed Horizon Fund Monthly Plan A - Series III - Dividend Option	0.34	3.36	3.36
Reliance Fixed Horizon Fund Monthly Plan A - Series IV - Dividend Option	0.34	3.37	3.37
Reliance Fixed Horizon Fund Monthly Plan A - Series VI - Dividend Option	0.34	3.40	3.40
Reliance Fixed Horizon Fund I - Monthly Plan - Series I - Dividend Plan	0.34	3.42	3.42

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

Name **Units**	**No of units** **in Crore**	**Face Value** **Rs. Crore**	**Cost of** **Acquisition** **Rs. Crore**
Reliance Fixed Horizon Fund I - Monthly Plan - Series II - Dividend Plan	0.34	3.44	3.44
Reliance Fixed Horizon Fund I - Monthly Plan - Series III - Dividend Plan	0.34	3.44	3.44
Reliance Fixed Horizon Fund Monthly Plan A - Series V - Dividend Option	0.34	3.39	3.39
SBI Debt Fund Series - 90 Days (October) - Dividend	0.50	5.00	5.00
SBI Debt Fund Series - 60 Days (November 06) - Dividend	2.50	25.00	25.00
SBI Debt Fund Series - 60 Days (November 06) - Growth	0.50	5.00	5.00
SBI Debt Fund Series - 90 Days (December 06) - Dividend	0.50	5.00	5.00
Standard Chartered Fixed Maturity -7th Plan - Dividend	1.00	10.00	10.00
Sundaram Fixed Term Plan Series VI June 06 (100 days)	2.00	20.00	20.00
Sundaram Fixed Term Plan Series VIII (30 days) - Dividend Plan	2.51	25.13	25.13
Sundaram BNP Fixed Term Plan Series XI (90 days) - Dividend Plan	2.51	25.13	25.13
Sundaram BNP Fixed Term Plan Series XI (90 days) - Dividend Plan	0.50	5.00	5.00
Sundaram BNP Fixed Term Plan Series XI (90 days) - Dividend Plan	2.50	25.00	25.00
Sundaram BNP Paribas Fixed Term Plan Series XIV 90 days - Dividend Plan	1.52	15.24	15.24
Sundaram BNP Paribas Fixed Term Plan Series XVII 90 days - Dividend Plan	0.51	5.09	5.09
Sundaram BNP Paribas Money Fund Inst. Weekly Dividend Reinvestment	0.49	4.90	5.09
Tata Fixed Horizon Fund Series 5 - Scheme C	0.51	5.07	5.07
Tata Fixed Horizon Fund Series 6 - Scheme G - Dividend	0.52	5.15	5.15
Tata Fixed Horizon Fund	0.01	0.07	0.07
Tata Fixed Horizon Fund Series 5 Scheme A (6 Months)Dividend	0.03	0.30	0.30
		1,399.06	1,407.29

	Sch 18 **Note No.** **Reference**	**As at** **March 31, 2007** **Rs. Crore**	As at March 31, 2006 Rs. Crore
SCHEDULE 6 **INVENTORIES** (As valued and certified by Management)	**1 (g)**		
Raw Materials and Components [Including Rs. 23.14 Crore Goods in Transit *(Previous year Rs. 15.08 Crore)]*		**161.68**	83.34
Work-in-Progress		**21.43**	21.25
Finished Goods		**10.58**	9.32
Stores, Spare Parts and Tools		**6.55**	4.83
		200.24	118.74
SCHEDULE 7 **SUNDRY DEBTORS**	**1(o)(ii)**		
Unsecured			
Debts Outstanding for a period exceeding six months			
Considered good		**21.55**	24.52
Considered doubtful		**25.38**	23.76
Less : provided for		**25.38**	23.76
Other Debts		**360.96**	201.78
		382.51	226.30

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

	Sch 18 Note No. Reference	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SCHEDULE 8			
CASH & BANK BALANCES			
Cash on hand		**0.32**	1.08
Bank Balances & remittances in transit :			
With Scheduled banks :			
In Current accounts		**7.14**	13.56
In Deposit accounts		**0.03**	0.05
With Other Banks in Foreign Currency:			
In Current Accounts			
Bangkok Bank - Bangkok		**0.02**	0.01
[Maximum balance during the year Rs. 0.16 Crore *(Previous year Rs. 0.10 Crore)]*			
PT Bank Mandiri - Indonesia		**0.01**	0.04
[Maximum balance during the year Rs. 0.24 Crore *(Previous year Rs. 0.09 Crore)]*			
Al Ahli Bank- Kuwait		**0.12**	0.52
[Maximum balance during the year Rs.1.99 Crore *(Previous year Rs. 0.52 Crore)]*			
Bank Bumiputra - Malaysia		**0.00**	0.01
[Maximum balance during the year Rs. 0.18 Crore *(Previous year Rs. 0.03 Crore)]*			
Bank Austria - Moscow		**0.02**	0.06
[Maximum balance during the year Rs. 0.23 Crore *(Previous year Rs. 0.14 Crore)]*			
Bank of Baroda - Belgium		**0.27**	—
[Maximum balance during the year Rs. 0.27 Crore *(Previous year Rs. Nil)*			
HSBC Bank - Dubai		**0.12**	—
[Maximum balance during the year Rs. 0.46 Crore *(Previous year Rs. Nil)*			
Standard Chartered Grindlays Bank - Bangladesh		**0.01**	0.04
[Maximum balance during the year Rs. 0.43 Crore *(Previous year Rs. 0.08 Crore)]*			
Remittances in Transit		**54.41**	20.74
		62.47	36.11

Schedules attached to and forming part of the Balance Sheet as at March 31, 2007

	Sch 18 Note No. Reference	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SCHEDULE 9			
LOANS & ADVANCES			
Unsecured, considered good			
Advances recoverable in cash or in kind or for value to be received		**105.70**	43.20
Advances for Capital Expenditure		**10.56**	0.53
Loans & Advances to Subsidiary Companies (Net of dues Rs. Nil)	**16**	**4.14**	6.62
Advances to Staff and Workers [Including Advances to Directors & Officers Rs. Nil *(Previous year Rs. Nil)]* [Maximum balance Rs. Nil (Previous year Rs. Nil)]		**6.04**	6.52
Balance in Central Excise & Customs Accounts		**25.34**	4.12
Sundry Deposits [Including Deposits with Directors Rs. 0.40 Crore *(Previous year Rs. 0.40 Crore)]* [Maximum balance Rs. 0.40 Crore *(Previous year Rs.0.40 Crore)]*		**10.27**	7.45
Advance Payment of Income Tax and Wealth Tax [Net of Provision of Rs. 385.53 Crore *(Previous year Rs.283.32 Crore)]*		**24.87**	18.29
Advance Payment of Fringe Benefit Tax [Net of Provision of Rs. 6.00 Crore *(Previous year Rs.3.89 Crore)]*		**0.03**	—
		186.95	86.73
SCHEDULE 10			
CURRENT LIABILITIES			
Acceptances		**14.89**	11.21
Customer Advances		**604.13**	247.01
Sundry Creditors	**3 & 4**	**293.14**	151.28
Other Liabilities	**15**	**86.50**	67.91
Trade Deposits		**1.38**	1.31
		1000.04	478.72
SCHEDULE 11			
PROVISIONS	**1(j)**		
Proposed Equity Dividend		**30.98**	40.51
Provision for Tax on Dividend		**5.27**	5.68
Provision for Employee Retirement & Other Benefits	**1(i)**	**14.86**	9.25
Provision for obligation under Counter Guarantees	**12 & 26**	**5.48**	—
Provision for Fringe Benefit Tax Net of Advance Tax		**—**	0.80
		56.59	56.24
SCHEDULE 12			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)	**1(h)**		
Technical Know-how			
Per last Balance Sheet		**0.20**	0.71
Less: Amortised during the period		**0.10**	0.51
		0.10	0.20

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2007

	Sch 18 Note No. Reference	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SCHEDULE 13			
SALES AND OTHER INCOME			
I. Sales	**1(k) & 7(B)**		
(i) Domestic		**1808.50**	1255.42
Less: Excise Duty		**97.95**	86.28
Net Sales		**1710.55**	1169.14
Add : Closing CIP		**0.93**	(23.70)
Less : Opening CIP		**(23.70)**	(11.81)
		1735.18	1157.25
(ii) Exports		**356.42**	318.79
Add : Closing CIP		**43.93**	1.82
Less : Opening CIP		**1.81**	13.95
[Includes Deemed Exports of Rs 64.49 Crore *(Previous Year Rs. 72.87 Crore)]*		**398.54**	306.66
(iii) Trading Exports		**3.11**	0.95
Total Sales	**(I)**	**2136.83**	1464.86
II. Other Income from Operations			
(i) Claims and Refunds		**0.27**	0.25
(ii) Balances earlier written off now recovered		**1.10**	0.39
(iii) Commission		**4.12**	2.34
(iv) Sale of scrap		**8.01**	5.49
(v) Exchange difference income	**1(m) & 18**	**4.85**	0.60
(vi) Provision for doubtful debt written-back		**—**	0.26
(vii) Miscellaneous income		**17.86**	9.21
Total Other Income from Operations	**(II)**	**36.21**	18.54
III. Other Income From Investments			
(i) Dividend from subsidiaries		**1.20**	0.60
(ii) Dividend - others	**1 (k)(viii)**	**29.84**	10.30
(iii) Interest		**3.45**	0.42
(iv) Profit/(Loss) on sale of investment		**1.25**	2.08
(v) Provision for dimunition in value of investments written back		**1.00**	0.79
(vi) Miscellaneous Income		**0.25**	0.41
Total Income from Investments	**(III)**	**36.99**	14.60
	(I+II+III)	**2210.03**	1498.00

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2007

		Sch 18 Note No. Reference	**Year ended March 31, 2007 Rs. Crore**	Year ended March 31, 2006 Rs. Crore
SCHEDULE 14				
MATERIALS				
A. Consumption of raw materials and components				
Opening Stocks			**72.91**	68.84
Add: Purchases			**1507.02**	959.17
(Including cost of goods resold)				
			1579.93	1028.01
Less: Closing Stocks			**144.90**	72.91
	(A)		**1435.03**	955.10
B. (Increase)/Decrease in stocks				
Opening Stocks:				
Work-in-Progress			**21.25**	12.36
Finished Goods			**9.32**	11.03
			30.57	23.39
Less: Closing Stocks :				
Work-in-Progress			**21.43**	21.25
Finished Goods			**10.58**	9.32
			32.01	30.57
	(B)		**(1.44)**	(7.18)
	(A)+(B)	**7(c)**	**1433.59**	947.92
SCHEDULE 15				
PERSONNEL				
Salaries, wages, bonus, testimonials and allowances			**165.70**	109.94
Gratuity		**1 (i)(ii)**	**4.75**	3.48
Contribution to Provident and other Funds		**1 (i)(i)**	**12.74**	9.52
Staff Welfare Expenses			**7.95**	7.98
			191.14	130.92

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2007

		Sch 18 Note No. Reference	Year ended March 31, 2007 Rs. Crore	Year ended March 31, 2006 Rs. Crore
SCHEDULE 16				
OTHER EXPENSES				
a.	Consumables and Tools		**14.01**	12.20
b.	Power and Fuel		**11.35**	8.81
c.	Drawing, Design and Technical Service Charges		**21.03**	16.62
d.	Site Expenses and Contract Labour Charges		**11.89**	11.03
e.	Rent and Service Charges		**5.31**	2.20
f.	Lease Rentals		**0.00**	0.19
g.	Rates and Taxes		**1.11**	0.87
h.	Insurance		**2.34**	1.62
i.	Repairs and Maintenance:			
	Building		**4.18**	1.90
	Plant and Machinery		**5.44**	4.34
	Others		**9.84**	5.72
j.	Communication		**6.59**	5.58
k.	Travelling and Conveyance		**32.92**	27.36
l.	Advertising and Exhibition Expenses		**2.16**	1.96
m.	Freight Outward		**14.38**	11.72
n.	Commission on Sales		**18.76**	9.27
o.	Other Selling and Distribution Expenses		**17.05**	15.39
p.	Free of Cost Supplies and Modifications		**14.91**	12.41
q.	Bank Charges		**6.13**	4.20
r.	Legal & Professional Charges		**24.47**	23.61
s.	Printing and Stationery		**3.40**	2.69
t.	Donations		**0.36**	0.33
u.	Bad Debts		**1.98**	9.94
v.	Provision for Doubtful Debts	**13(A)(iii)/1(o)(ii)**	**1.58**	—
w.	Liquidated Damages	**1(o)(i)**	**4.26**	7.85
x.	Loss on Assets sold/discarded (net)		**0.86**	0.51
y.	Additional Sales Tax and Turnover Tax		**0.93**	0.53
z.	Premium on Forward Contracts(net)	**18**	**0.01**	0.01
aa.	Balances Written Off		**0.20**	0.39
ab.	Miscellaneous Expenses	**6**	**12.54**	10.00
ac.	Deferred Revenue Expenditure	**1(h)**	**0.10**	0.51
ad.	Diminution in Value of Long-term Investments	**1(f)/13(A)(i)&(ii)**	**17.29**	—
			267.38	209.76

SCHEDULE 17			
INTEREST	**1(l)**		
Interest on:			
Fixed Period Loans		**—**	—
Others		**1.30**	0.94
		1.30	0.94

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 recognize 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 31st 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 employees' 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 recognized 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 recognized 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 recognized profits / less recognized 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 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 recognized on the basis of stage of completion.

viii. Dividend from investments is recognized when the Company's right to receive is established.

l) 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 capitalized 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 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) 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 recognized, 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.

o) 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. 15.65 Crore *(Previous Year Rs. 4.99 Crore)*, Sales Tax Rs. 1.38 Crore *(Previous Year Rs. 1.65 Crore)* and other Statutes Rs. 10.96 Crore *(Previous Year Rs.* 11.07 *Crore)*

b) Income Tax

i) Demands disputed in appellate proceedings Rs. 19.18 Crore *(Previous Year Rs. 23.22 Crore).*

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 Crore *(Previous Year Rs. 21.30 Crore).*

c) Counter Guarantees given by the Company to the banks on behalf of group companies :

Rs. 11.51 Crore on behalf of Thermax Engineering Construction Co. Ltd , Rs. 24.32 Crore on behalf of Thermax Instrumentation Ltd. and Rs. 1.13 Crore on behalf of ME Engineering Ltd, towards securing advances received from clients and performance of contracts *(Previous Year Rs. 7.92 Crore for Thermax Engineering Construction Co. Ltd and Rs. 2.67 Crore for ME Engineering Ltd.).*

d) Counter Guarantees given to the banks for guarantees issued by them on Company's behalf Rs. 549.54 Crore *(Previous Year Rs.* 311.09 *Crore).*

e) Indemnity Bonds/Corporate Guarantees given by the Company to the customers on behalf of ME Engineering Rs. 1.73 Crore *(Previous Year Rs. 1.57 Crore)* and for securing banking facilities obtained by ME Engineering Rs. Nil *(Previous Year Rs. 4.77 Crore).*

f) Indemnity Bonds/Corporate guarantees given to Customs, other Government departments and various customers Rs. 21.82 Crore *(Previous Year Rs. 11.64 Crore).*

g) Liability for unexpired export obligations Rs. 3.04 Crore *(Previous Year Rs. 1.57 Crore).*

h) Claims against the Company not acknowledged as debts Rs. 0.18 Crore *(Previous Year Rs. 0.18 Crore).*

i) Bills Discounted with banks Rs. 25.58 Crore *(Previous Year Rs.* 22.24 *Crore).*

j) Liability in respect of partly paid shares in Parasrampuria Synthetics Ltd. Rs. 0.19 Crore *(Previous Year Rs. 0.19 Crore).*

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. 11.04 Crore *(Previous Year Rs. 28.51 Crore)* due to SSI Undertakings. Out of this, Rs. 1.34 Crore *(Previous Year Rs. 4.53 Crore)* are due to SSI Undertakings, listed below, each outstanding for more than 30 days, within agreed terms :

A A Chemicals, A D Engineers, A.G.Engineering Services, A. K. Industries, Abhiraj Plastic Industries, Abros Enterprises, Airochem Engineering Company, Akshay Chemicals, Akshay Dynamics, Akshaya Metal Works, Alliance Engineering Co, Alloy Steels, Alpa Engineering, Amee Metals Pvt Ltd, Ameya Enterprises, Amir Fabricators, Anant Enterprises, Ann Engineer's, Anvin Engineers & Instruments, Arun Plast, Asara Engineering Works, Ashirwad Enterprises, Basava Engineers, Bengal Industries, Biju Engineers, Biju Industries, Castwel Industries, Chaitanya Industries, Chaitraa Engineers, Chemiron Industries, Citizen Engineering Works, Creative Moulding Industries, D.S.Engg., Delta Flow, Deshpande Enterprises, Devam Industries, Eagle Plastics, Electrotech Systems, Emkay Rubber Works, Fair Tech Engineers, Fortek Engineers, Friends Engineering Works, Genuine Filters, Goa Instruments Industries, Greentech Engineers, H M Enterprises, H R Refractories, Harshada Industries, Helicon Engineering Company, Hemant Industries, Indus Metal Works, Isha Engineering Works, K J Engineering Works, K M V Industries, Keltron Controls, Kuksons Electronics Pvt Ltd, Laxmi Engineering Works, M H Valves Pvt Ltd, Magtronix, Mahajan Enterprises, Mangalam Enterprises, Master Fab Engineers, Max-Fab, Mayuresh Engineering Works, Metal Carves Corporation, Metapow Industries, Mhetre Industries, Modern Crafts, Multi-Tech Fabricators, Neha Industries, Nutan Engineering, Nutech Engineers, Omkar Fabricators, P R S Fabricators, Panchal Engineering Works, Parmar Techno Forge, Prashant Engineering, Preet Enterprises, Prompt Engineering Works, Punjab Metal Works, R R Industries, Radhika Fabricators, Rahul Engineering Co, Rashmi Fabricators, Rasvin Rubbers Pvt Ltd, Ravi Industries, Royal Engineering, S S Engineering, Sai Industries, Shiv Industrial Products, Shree Engineers, Shree Yash Engineers, Shreeji Insulation, Siddharth Engineers, Singhal Packaging, Sumo Engineers, Sunbeam Rubber Linings, Superb Engineers, Systems Technologies, Uma Enterprises, Unique Engineers, Vasudha Enterprises,Vatturkar Industrial, Vikrant Industries, Vipani Udyog, Yasho Industries P Ltd.

4. The Company, on its own, has initiated the process of obtaining the information from the suppliers regarding filing by them of necessary memorandum with the appointed authority as required by The Micro, Small and Medium Enterprises Development Act, 2006. However, the Company has not yet received the relevant information from the suppliers required for the purpose of disclosure under Section 22 of the said Act.

5. Directors' Remuneration *:

	2006-07	Rs. Crore 2005-06
(i) Salaries	**1.11** @	0.83 @
(ii) Contribution to Provident & other funds	**0.16**	0.11
(iii) Perquisites in cash or in kind	**Nil**	0.01
(iv) Commission to Non-Executive Directors	**0.62**	Nil

@ includes Rs. 0.50 Crore (*Previous Year Rs. 0.40 Crore*) commission payable to the Managing Director.

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

Note : Provisions for contribution to employee retirement / post retirement and other employee benefits which are based on actuarial valuations done on an overall company basis are excluded above.

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

	2006-07	Rs. Crore 2005-06
(i) Profit Before Tax and Extra Ordinary Items	**296.02**	192.53
(ii) Add:		
Remuneration to Directors	**1.89**	0.95
Directors sitting fees	**0.20**	0.14
Provision for diminution in investment	**17.29**	Nil
Loss on discarded assets	**0.31**	0.08
Loss on sale of assets	**0.60**	0.47
Sub total (ii)	**20.29**	1.64
(iii) Less:		
Profit on sale of assets	**0.05**	0.04
Profit on sale of investment	**1.25**	2.08
Write-back of provision for diminution in the value of investments	**1.00**	0.79
Sub total (iii)	**2.30**	2.91
Net profit as per Sections 349 & 350 of the Companies Act, 1956 (i + ii - iii)	**314.01**	191.26
Remuneration to Whole-time Director(s) restricted to	**15.70**	9.56

6. Auditors' Remuneration & Directors fees :

Other expenses include:

	2006-07	Rs. Crore 2005-06
a) Auditors' Remuneration (excluding service tax)		
i) As Auditors	**0.33**	0.30
ii) For Taxation matters (including Tax Audits)	**0.11**	0.17
iii) Certification fees	**0.01**	0.01
iv) Reimbursement of expenses	**0.01**	0.01
b) Directors Sitting fees	**0.20**	0.14

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

A) Production and Stock

(Value in Rs. Crore)

Particulars	Units	Installed Capacity	Prod.Qty.		Closing Stock as on 31.03.2007		Closing Stock as on 31.03.2006	
			2006-07	2005-06	**Qty**	**Value**	Qty	Value
Energy Products & Systems								
a) Boilers Capacity up to 30MT / Chillers	Nos.	3,281	**2,080**	2,050	**169**	**9.13**	223	7.62
b) Boilers Capacity above 30MT	MT	5,700	**2,727**	2,538	-	-	-	-
c) Heaters	Mn.Kg Cal	-	**14**	42	-	-	-	-
d) Power Plants	MW	-	**101**	69	-	-	-	-
Environmental Products & Systems								
a) Air Pollution Control Plants & Systems	Nos.	-	**940**	555	-	-	-	-
b) Water and Waste Treatment Plants	Nos.	-	**1,713**	1,429	**1**	**0.03**	-	-
c) Ion Exchange Resins & Chemicals	MT	34,890	**15,856**	14,056	**365**	**1.43**	475	1.70
Components & Spares	Numerous	-	-	-	-	**6.55**	-	**4.83**
Total						**17.13**		14.15

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

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

Particulars	UNIT	2006-07		2005-06	
		QTY.	**VALUE**	QTY.	VALUE
Energy Products & Systems					
a) Boilers capacity up to 30 MT / Chillers					
(i) Completed	NOS.	**2,125**	**377.83**	1,950	337.61
(ii) Ongoing		**17**	**41.33**	13	18.05
b) Boilers Capacity above 30MT					
(i) Completed	MT	**2,072**	**264.59**	2,286	308.43
(ii) Ongoing		**-**	**403.62**	-	108.71
c) Heaters	Mn.Kg. Cal	**14**	**7.26**	42	15.37
d) Power Plants					
(i) Completed	MW	**101**	**32.99**	69	27.51
(ii) Ongoing		**-**	**434.80**	-	207.94
Environmental Products & Systems					
a) Air Pollution Control Plants & Systems	NOS.				
(i) Completed		**704**	**139.06**	426	111.45
(ii) Ongoing		**15**	**16.93**	8	27.65
b) Water & Waste Treatment Plants	NOS.				
(i) Completed		**1681**	**61.67**	1,395	59.89
(ii) Ongoing		**60**	**92.72**	31	40.00
c) Ion Exchange Resins & Chemicals	MT	**15,263**	**122.87**	13,317	102.28
Goods Traded In	Numerous	**-**	**4.46**	-	15.26
Accessories, Spares, Erection, Commissioning, Services etc.		**-**	**136.71**	-	84.71
Total			**2136.83**		1464.86

Notes:

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

II) a) Energy Products & Systems :
   - i. Boiler capacity up to 30 MT / chiller
     - 3 nos. used for captive consumption *(Previous Year 3 nos.)*
     - 6 nos. free replacements *(Previous Year 5 nos.)*
   - ii. Boiler capacity above 30 MT.
     - 655 MT used for captive consumption *(Previous Year 252MT)*

   b) Environmental Products & Systems :
   - i. Air Pollution Control Plants & Systems
     - 236 nos. used for captive consumption *(Previous Year 129 nos.)*
   - ii. Water & Waste Treatment Plants
     - 31 nos. used for captive consumption *(Previous Year 34 nos.)*
   - iii. Ion Exchange Resins & Chemicals
     - 651 MT used for captive consumption *(Previous Year 555MT)*
     - 52 MT free replacements *(Previous Year 11 MT)*

(Value in Rs. Crore)

C) Consumption of Raw Materials, Components etc.

Particulars	UNIT	2006-07		2005-06	
		QTY.	VALUE	QTY.	VALUE
Ferrous Sheets, Plates	MT	**13,177**	**50.72**	12,529	42.14
Ferrous Tubes	Numerous		**168.35**		78.53
Fabricated Items	Numerous		**419.24**		340.77
Chemicals	MT	**22,411**	**72.48**	20,480	65.96
Purchase of goods for resale	Numerous		**4.14**		6.68
Others	Numerous		**718.65**		413.83
Total			**1433.59**		947.92

D) Value of imported & indigenous raw materials, components & spare parts consumed

Particulars	%	2006-07	%	2005-06
Imported	**17**	**240.82**	14	135.83
Indigenous	**83**	**1192.77**	86	812.09
Total	**100**	**1433.59**	100	947.92

E) CIF Value of Imports

Particulars	2006-07	2005-06
Raw Materials	**180.13**	99.98
Components & Spares	**64.71**	54.79
Consumables	**7.09**	1.13
Capital Goods	**6.39**	1.17
Total	**258.33**	157.07

F) Earnings in Foreign Currency (on accrual basis)

Particulars	2006-07	2005-06
Export of goods on FOB	**303.98**	240.39
Others	**1.65**	1.60
Total	**305.63**	242.01

G) Expenditure in Foreign Currency (on accrual basis)

Particulars	2006-07	2005-06
Technical Fees	**0.65**	2.71
Expenses in Foreign Offices	**8.48**	4.96
Royalty	**3.35**	3.62
Travelling, Commission and Others	**23.53**	20.40
Capital Expenditure at foreign offices	**0.18**	0.01
Total	**36.19**	31.70

8. Contracts in Progress (CIP) (Value in Rs. Crore)

Particulars	2006-07	2005-06
A. Aggregate amount recognised as Contract Revenue (excluding Captive)	**1,365.99**	992.90
B. In respect of Contract in Progress as on 31st March :		
1) Aggregate amount of costs incurred and recognised profits (less recognised losses)	**1,304.91**	1,292.63
2) Amount of Customer Advances received	**474.08**	191.97
3) Amount of Retentions	**27.46**	24.11
C. Gross amount due from customers for contract work	**75.32**	43.54
D. Gross amount due to customers for contract work	**30.46**	65.43

9. Deferred Tax :

Particulars	2006-07	2005-06
Major components of deferred tax asset:		
i Provision for Doubtful Debts	**8.63**	8.00
ii Diminution in Value of Investments	**Nil**	0.45
iii Others	**0.66**	1.36
Total (A)	**9.29**	9.81
Major components of deferred tax liability		
i Depreciation on Fixed Assets	**19.28**	18.47
ii Others	**0.40**	0.63
Total (B)	**19.68**	19.10
Net Deferred Tax Assets / (Liability) (A-B)	**(10.39)***	(9.29)*

* Includes net Deferred Tax Assets of Rs. Nil on account of amalgamations *(previous year Rs. 1.26 Crore)*. Deferred Tax debit for the year of Rs. 1.10 Crore *(Previous Year debit Rs. 2.36 Crore)* has been recognised in the Profit & Loss Account of the year.

10. Amalgamation of Subsidiary Companies

Pursuant to the Schemes of Amalgamation approved by the Hon'ble High Court of Judicature at Bombay, by its orders dated 12th January 2007, issued on 31st January 2007 and filed with the Registrar of Companies on 9th February 2007, the entire undertaking and all the properties, assets, liabilities, obligations etc. of Thermax Co-gen Ltd. (TCGL), Thermax Electronics Ltd. (TEL) and Winman Gas Ltd. (WGL), wholly-owned subsidiary companies, stand transferred to and vest in the Company w.e.f. the Appointed Date viz. 1st April, 2006. The schemes have accordingly been given effect to.

Income, expenses and results of TCGL, TEL and WGL for the year ended 31st March, 2007, 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.

TCGL, TEL and WGL were not engaged in any specific business activity.

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 TCGL, TEL and WGL have been recorded at their existing carrying amounts. Difference of Rs. 3.01 Crore between nominal value of the shares held by the Company in WGL and their cost of acquisition has been adjusted against Amalgamation Reserve and 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 :

a) Debit balance in Profit & Loss Account of Rs. 1.00 crore and Rs. 1.17 Crore of WGL and TEL respectively and credit balance of Rs. 0.05 Crore in case of TCGL have been adjusted against Amalgamation Reserve instead of Profit & Loss Account / General Reserve.

b) The credit balance of Rs. 0.02 Crore in the Capital Reserve of WGL has been credited to Amalgamation Reserve instead of Capital Reserve.

c) The credit balance of Rs. 0.35 Crore in the General Reserve of TEL has been credited to Amalgamation Reserve instead of General Reserve.

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

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

11. Share Capital

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.

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

Rs. 5.48 Crore being provision for possible financial obligations, as provisionally estimated by the Company, on account of counter-guarantees given by the Company in relation to M.E. Engineering Ltd. (ME, UK.)

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

(A) Provisions in relation to wholly owned subsidiary companies :

i) Rs. 12.10 Crore being provision for diminution in the value of long term investment in the shares of an overseas subsidiary which is in turn based on the diminution in the value of shares of ME, UK, a UK based step down subsidiary of the Company and two other companies.

ii) Rs. 5.19 Crore being provision for diminution in the value of long term investment in the shares of two overseas subsidiaries.

iii) Rs. 0.78 Crore being provision for debts owed to the Company by ME, UK.

The affairs of ME, UK. have presently been handed over to an Administrator under the local insolvency laws.

(B) Thermax Energy Performance Services Ltd. (TEPS), a subsidiary company, has been referred to voluntary winding-up and the process has been commenced on 28th February 2007.

14. Secured Loan

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

15. Other Liabilities

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

		(Rs. Crore)	
		As on 31.03.07	As on 31.03.06
i)	Unclaimed Dividend on Equity	**0.34**	0.24
ii)	Unclaimed Dividend on RPS	**0.02**	0.02
iii)	RPS Redemption Amount	**0.11**	0.15
iv)	Unclaimed matured deposits	**0.01**	0.01

16. 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:

(Rs. Crore)

Sr No	Name of subsidiary	Bal. Outstanding As on 31.3.07	Maximum Bal. Outstanding During the Year
1	Thermax Hong Kong Ltd.*	Nil	0.05
2	Thermax Surface Coatings Ltd.	2.16	2.16
3	Thermax Instrumentation Ltd.	0.66	0.66

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

i) no repayment schedule or repayment beyond seven years or

ii) no interest or interest below Section 372A of The Companies Act

17. 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.

18. Foreign Exchange Transactions

a) Net foreign exchange gain dealt with in the Profit & Loss Account is Rs. 4.85 Crore *(Previous Year Rs. 0.60 Crore).*

b) The net amount of foreign exchange difference (income) in respect of forward exchange contracts to be recognised in subsequent accounting period is Rs. 0.01 Crore *(Previous Year Rs. 0.01 Crore).*

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

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

Particulars	**Amt. in Rs. Crore**	**Amt. in foreign currency**
Import of Goods	0.97	GBP 1,13,411
Import of Goods	0.37	JY 1,01,85,126

19. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 110.15 Crore *(Previous year Rs. 1.15 Crore)*.

20. Capitalisation of expenses

a) Raw materials, labour and overheads capitalised in respect of Plant & Machinery Rs. 0.34 Crore *(Previous Year Rs. 0.05 Crore)*.

b) Foreign exchange fluctuation capitalised during the year amounted to Rs. 0.01 Crore *(Previous Year capitalised Rs. 0.01 Crore)*.

21. Previous year's expenses / income included under various heads of accounts:

	(Rs. Crore)
Legal & Professional Charges, Travelling	0.18
Drawing & Design, Site Expenses / Technical Charges	0.13
Repairs & Maintenance Charges	0.11
Other Miscellaneous Expenses	0.19
Miscellaneous Income	Nil

22. 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.

I. Information about Primary Segments

Rs. Crore

Particulars	2006-07 Energy	Environment	Total
Revenue :			
Gross Revenue	1836.39	532.19	2368.58
Less : Inter-segment Revenue	127.63	67.91	195.54
Net Revenue	1708.76	464.27	2173.04
Result :			
Segment Result	255.32	66.48	321.80
Unallocated income net of unallocated expenditure			(24.48)
Operating Profit			297.32
Interest expenses			1.30
Taxation for the year			102.74
Profit after taxation and before exceptional items			193.28
Extra-ordinary items of expenses			5.48
Net Profit			187.80
Other Information :			
Segment Assets	885.12	249.50	1134.62
Unallocated Corporate Assets			461.21
Total Assets			1595.84
Segment Liabilities	767.61	174.77	942.38
Unallocated Corporate Liabilities			74.27
Total Liabilities			1016.65
Capital Expenditure	43.64	7.05	50.69
Depreciation	14.38	4.37	18.75
Non-cash expenses other than depreciation	0.00	0.10	0.10

Particulars	2005-06 Energy	Environment	Total
Revenue :			
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
Result :			
Segment Result	164.25	45.60	209.85
Unallocated income net of unallocated expenditure			(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
Net Profit			123.25
Other Information :			
Segment Assets	409.80	187.88	597.68
Unallocated Corporate Assets			444.53
Total Assets			1042.21
Segment Liabilities	369.40	117.87	487.27
Unallocated Corporate 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

II. Information about Secondary Segments

Rs. Crore

Particulars	Year Ended March 31, 2007	Year Ended March 31, 2006
Revenue :		
India	**1771.39**	1175.79
Outside India	**401.65**	307.61
Total Revenue	**2173.04**	1483.40
Carrying Amount of Segment Assets :		
India	**1081.90**	561.71
Outside India	**52.72**	35.96
Addition to Fixed Assets :		
India	**50.66**	31.38
Outside India	**0.03**	0.01

23. 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.
Thermax Energy Performance Services Ltd. (up to 28th Feb. 2007)
Thermax Engineering Construction Co. Ltd.
Thermax Instrumentation Ltd.

ii. Overseas:

– Thermax Europe Ltd., U.K.
– Thermax International Ltd., Mauritius
– Thermax Hong Kong Ltd., Hong Kong
– Thermax do Brasil Energia e Equipamentos Ltda., Brazil
– ME Engineering Ltd., U.K. (up to 4th Oct. 2006)
– Thermax Inc., USA
– Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd., China (incorporated on 15th Dec. 2006)

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

Rs. Crore

	Particulars	2006-07	2005-06
I	**Sales, Service, Other income**		
	Sale of Goods :		
	i Thermax Europe Ltd	**14.07**	9.76
	ii Thermax Inc.	**41.95**	38.57
	iii Others	**0.79**	5.69
	Total	**56.81**	54.02
	Rendering of Services	**0.27**	0.66
	Interest Income	**0.20**	0.17
	Reimbursement of Expenses / Cost of Material / Stores	**0.59**	0.27
	Management Contracts including for deputation of employees	**-**	0.11

Rs. Crore

	Particulars	2006-07	2005-06
II	**Purchase of Material**		
	Purchase of Goods		
	i Thermax Engineering Construction Co. Ltd.	**18.98**	19.08
	ii Others	**0.73**	—
	Total	**19.71**	19.08
III	**Expenses**		
	Receiving of Services	**1.31**	1.14
	Reimbursement of Expenses	**0.26**	1.43
	Liquidated Damages Paid		
	i ME Engineering Ltd.	—	0.45
	ii Thermax Inc.	—	0.17
	Total	—	0.62
	Bad debts / Provision for Doubtful Debts		
	Thermax Europe Ltd.	—	0.82
	Management Contracts including for deputation of employees	**0.49**	0.02
	Other Expenses	—	0.23
IV	**Finance (Including Loan / Equity Contribution)**		
	Equity Contribution		
	i Thermax do Brasil - Energia e Equipamentos Ltda.	**0.35**	—
	ii Thermax (Zhejiang) Cooling & Heating Eng. Co. Ltd.	**5.32**	—
	iii Thermax International Ltd.	—	7.81
	iv Thermax Hong Kong Ltd.	**0.70**	0.89
	Total	**6.37**	8.70
	Diminution in value of Investments provided		
	i Thermax International Ltd.	**12.10**	—
	ii Thermax Hong Kong Ltd.	**1.70**	—
	iii Thermax do Brasil - Energia e Equipamentos Ltda.	**3.49**	—
	Total	**17.29**	—
	Loans / Advances Given		
	i Thermax Surface Coatings Limited	**0.05**	0.10
	ii Winman Gas Ltd.	—	0.48
	iii Thermax Instrumentation Ltd.	—	0.61
	Total	**0.05**	1.19
	Loans / Advance Received back		
	Thermax Energy Performance Services Ltd.	**0.49**	—
	Loans / Advance Written off / Provided	**0.13**	—
V	**Guarantee / Bond / Collateral Given**		
	i ME Engineering Ltd.	**2.86**	20.91
	ii Thermax Instrumentation Ltd.	**24.32**	—
	iii Thermax Engineering Construction Co. Ltd.	**11.51**	7.92
	Total	**38.69**	28.83
VI	**Amount Outstanding - Loan / Advances Receivable**		
	Loan / Advances Outstanding		
	i Thermax Instrumentation Ltd.	**1.93**	1.89
	ii Winman Gas Ltd.	—	2.25
	iii Thermax Energy Performance Services Ltd.	—	0.58
	iv Thermax Surface Coatings Ltd.	**2.16**	1.88
	v Thermax Hong Kong Ltd.	—	0.05
	Total	**4.09**	6.65
	Accounts Receivable		
	i Thermax Inc.	**25.46**	18.59
	ii ME Engineering Ltd.	—	4.95
	iii Thermax Europe Ltd.	**3.40**	1.68
	iv Others	**1.08**	0.40
	Total	**29.94**	25.62

Rs. Crore

Particulars	**2006-07**	2005-06
Trade Advances		
Thermax Engineering Construction Co Ltd.	**2.86**	0.81
Other Current Assets	**—**	0.12
VII Amount Outstanding - Payable		
Accounts Payable		
i Thermax Engineering Construction Co. Ltd.	**8.54**	0.69
ii Others	**1.26**	0.54
Total	**9.80**	1.23
2) Details of Transactions relating to the Persons refered to at 'B' and 'C' above		
Managerial Remunaration	**1.27**	0.95
Directors' Sitting Fees	**0.09**	0.07
Rent paid to Directors	**0.08**	0.04
Commission paid to Directors	**0.26**	—
Loan, Advance/Deposit outstanding at the end of the year - Deposit	**0.40**	0.40

24. Earnings Per Share (EPS)

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

Particulars	**2006–07**	2005–06
Profit After Tax but before Extra-ordinary items (Rs. Crore)	**193.28**	123.25
Dividend (including tax on dividend) on Preference Shares (Rs. Crore)	**Nil**	7.73
Net Profit before Extra-ordinary items available for Equity Shareholders (Rs. Crore)	**193.28**	115.52
Weighted average number of Equity shares of Rs. 2/- each	**119156300**	119156300
Basic & Diluted EPS before Extra Ordinary items (Rs.)	**16.22**	9.69
Profit After Tax and after Extra-ordinary items available for Equity Shareholders (Rs. Crore)	**187.80**	115.52
Basic & Diluted EPS after Extra-ordinary items (Rs.)	**15.76**	9.69

25. 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.

26. Disclosure as required by AS-29 (Contingent Liabilities and Provisions): Rs. Crore

Particulars	Warranty		Obligation under counter guarantees	
	2006-07	2005-06	**2006-07**	2005-06
Opening Balance (as on 1st April)	**17.00**	6.52	**—**	—
Transferred on amalgamation	**—**	2.49	**—**	—
Additions during the year	**13.91**	15.43	**5.48**	—
Utilisation during the year	**7.74**	3.52	**—**	—
Reversals during the year	**6.16**	3.92	**—**	—
Closing Balance (31st March)	**17.01**	17.00	**5.48**	—

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

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

I. Registration Details

Registration No. : 022787 State Code : 11

Balance Sheet Date : 31st March, 2007

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	:	16766604	Total Assets	:	16766604
Sources of Funds					
Paid up Capital	:	238313	Reserves & Surplus	:	5553564
Secured Loans	:	Nil	Unsecured Loans	:	Nil
Application of Funds					
Net Fixed Assets	:	1695564	Investments	:	5776111
Net Current Assets	:	(1576874)	Misc. Expenditure	:	1005
Accumulated Losses	:	Nil			

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

Turnover	:	22100264	Total Expenditure	:	19194857
Profit Before Tax / Loss (-)	:	2905407	Profit After Tax / Loss (-)	:	1878007
Earnings Per Share in Rs.	:	15.76			

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

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

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 29, 2007

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

Prakash Kulkarni
Managing Director

Sunil Lalai
Company Secretary

Pune, May 29, 2007

CASH FLOW STATEMENT

Rs. Crore

		2006-07	2005-06
A	**Cash flow from Operating Activities**		
	Net profit before tax	**290.54**	192.53
	Add Adjustments for		
	Depreciation	**18.76**	15.21
	Amortisation of deferred revenue expenses	**0.10**	0.51
	Net Provision for Doubtful Debts	**1.62**	0.34
	Interest (expense)	**1.30**	0.94
	Lease rentals paid	**0.00**	0.19
	Leave Encashment Provision	**4.79**	1.25
	Diminution Provision for Long term Investments	**17.29**	—
	Less Adjustments for		
	Interest / Dividend / Brokerage Income	**(34.74)**	(11.73)
	Profit/Loss on sale of Investment	**(1.25)**	(2.08)
	Profit/Loss on sale of assets	**0.86**	0.51
	Diminution Provision for Long Term Investments written back	**(1.00)**	(0.79)
	Operating profit before working capital changes	**298.27**	196.89
	Adjustments for		
	Trade and other receivables	**106.28**	56.70
	Inventories	**(81.50)**	(20.45)
	Trade payables	**164.94**	17.77
	Contracts in Progress	**(66.74)**	24.02
	Cash generated from operations (before Extra Ordinary Items)	**421.24**	274.92
	Adjustment for Extra Ordinary Items		
	Provision for obligation under Counter Guarantees	**5.48**	
	Cash generated from operations	**426.72**	274.92
	Direct taxes paid	**(102.47)**	(66.12)
	Net cash from operating activities	**324.25**	208.81
B	**Cash flow from Investing activities**		
	Purchase of Fixed Assets (Net)	**(50.24)**	(25.36)
	Advance for Capital Expenditure	**(10.03)**	(0.01)
	Investments in Subsidiaries / Group Companies	**(6.37)**	(8.49)
	Purchase of other Investments	**(2174.20)**	(1087.63)
	Proceeds from sale of Investments	**2001.39**	1011.25
	Advance to Subsidiaries	**0.23**	(1.17)
	Interest / Dividend / Brokerage received	**34.86**	11.63
	Net cash from Investing activities	**(204.36)**	(99.78)

Rs. Crore

		2006-07	2005-06
C	**Cash flow from Financing Activities**		
	Redemption of Preference Shares (including tax thereon)	**(0.05)**	(54.19)
	Lease rentals paid	**(0.00)**	(0.19)
	Interest paid	**(1.30)**	(0.94)
	Dividend paid and Tax thereon	**(92.29)**	(36.95)
	Net cash from Financing activities	**(93.65)**	(92.28)
	Net (decrease)/increase in cash & cash equivalents	**26.25**	16.75
	Opening cash & bank balances	**36.11**	11.15
	Opening Cash & bank Balances of Amalagamated entities	**0.11**	8.21
	Closing cash & bank balances	**62.47**	36.11

Note: Previous year 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*	**Gopal Mahadevan** *Executive Vice President* *& Chief Financial Officer*	**Sunil Lalai** *Company Secretary*
Pune, May 29, 2007		Pune, May 29, 2007

Statement pursuant to Section 212 of the Companies Act, 1956

(Relating to the subsidiary companies for their financial year ending March 31, 2007)

(Amount in crore)

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 Surface Coatings Ltd.	100%	Rs.	-	(0.02)	2.06	(0.82)
Thermax Engineering Construction Co. Ltd.	100%	Rs.	0.60	1.25	2.73	2.20
Thermax Instrumentation Ltd.	100%	Rs.	-	3.11	(4.88)	(4.27)
Thermax International Ltd. (Mauritius)	100%	USD	-	(0.23)	-	(0.04)
Thermax Europe Ltd. (U.K.)	100%	GBP	-	0.01	-	0.02
Thermax Hong Kong Ltd. (Hong Kong)	100%	Hong Kong Dollar	-	(0.22)	-	(0.36)
Thermax do Brasil-Energia e Equipamentos Ltda (Brazil)	100%	Brazilian Real	-	(0.01)	-	(0.06)
Thermax Inc. (U.S.A.) *	100%	USD	-	(0.02)	-	0.05

* This company is subsidiary of Thermax International Ltd. (Mauritius) and hence step-down subsidary of the Company.

Meher Pudumjee
Chairperson

Prakash Kulkarni
Managing Director

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 29, 2007

Thermax Limited

Consolidated Financial Statements

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 (therein referred to as "Thermax group") as at 31st March, 2007 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 the 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 statement of six foreign subsidiaries, whose financial statements reflect total assets of Rs. 52.96 crore as at 31st March, 2007 and total revenues of Rs. 92.53 crore 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, 2007;

   (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 flow 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 29, 2007

Consolidated Balance Sheet as at March 31, 2007

	Schedule	Sch. 19 Note No. Ref.	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SOURCES OF FUNDS				
Shareholders' Funds :				
Share Capital	1		23.83	23.83
Reserves & Surplus	2		566.12	435.57
			589.95	459.40
Loan Funds :				
Secured Loans	3	8	2.17	7.00
Unsecured Loans	4		-	-
			2.17	7.00
Minority Interest			-	-
Deferred Tax Liability:		5		
Deferred Tax Liability			20.12	19.62
Deferred Tax Asset			(13.31)	(10.40)
			6.81	9.22
Total Funds Employed			598.93	475.62
APPLICATION OF FUNDS				
Fixed Assets:	5	3 (e)		
Gross Block			292.10	252.89
Less : Depreciation			124.98	114.00
Net Block			167.12	138.89
Capital Work in Progress			11.81	5.00
Investments	6	3 (h)	574.12	396.97
Current Assets, Loans & Advances:				
Inventories	7	3(i)	210.79	128.25
Contracts in Progress		3(m)(iv)	91.76	54.94
Sundry Debtors	8		399.99	241.19
Cash & Bank Balances	9		97.24	54.74
Other Current Assets	10		22.13	21.50
Loans & Advances	11		201.61	89.18
			1,023.52	589.80
Less : Current Liabilities & Provisions:				
Current Liabilities	12		1,080.30	518.47
Contracts in Progress		3(m)(iv)	40.12	76.46
Provisions	13	3(l)	57.36	60.37
			1,177.78	655.30
Net Current Assets			(154.26)	(65.50)
Miscellaneous Expenditure to the extent not written off or adjusted	14	3 (j)	0.14	0.26
Total Funds Applied			598.93	475.62
Notes to Accounts	19			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 29, 2007

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

Prakash Kulkarni
Managing Director

Sunil Lalai
Company Secretary

Pune, May 29, 2007

Consolidated Profit and Loss Account for the year ended March 31, 2007

	Schedule	Sch. 19 Note No. Ref.	Year ended March 31, 2007 Rs. Crore	Year ended March 31, 2006 Rs. Crore
INCOME				
Sales and Other Income	15	3 (m)	2362.64	1639.77
EXPENDITURE				
Materials	16		1457.88	985.80
Personnel	17		213.89	159.89
Other Expenses	18		364.16	302.95
Excise Duty (Net)			1.84	0.73
Depreciation		3 (e)	19.50	15.98
Interest		3 (n)	1.54	1.61
			2058.81	1466.94
Profit Before Tax and Extra-ordinary items			303.83	172.83
Extra-ordinary Items of Expenses				
Obligations under counter guaratntees given on behalf of ME Engineering Ltd., UK		2 & 6	5.48	—
Profit before Tax and after Extra-ordinary Items			298.35	172.83
Provision for Taxation				
Current Tax		3 (f) (i)	(101.08)	(63.76)
Deferred Tax		3 (f) (ii)	(1.24)	(2.45)
Fringe Benefit Tax			(2.31)	(4.08)
Profit After Tax			193.72	102.53
Less : Minority Interest			—	—
Profit After Tax and Minority Interest			193.72	102.53
Balance carried forward from last year			98.04	55.52
Adjustment on Amalgamation		2	2.13	7.95
Add: Accumulated net deferred tax asset			3.66	0.03
Add: Balance in Minority Interest Transferred			—	(0.31)
Add: Adjustment on account of ME Engineering Ltd., UK and Tharmax Energy Performance Services Ltd.		2	15.87	—
Add: Transfer on sale of Subsidiary			—	(0.15)
Profit available for appropriation			313.42	165.72
Appropriations				
Interim / Proposed Equity Dividend			71.49	40.51
Preference Dividend			—	0.92
Tax on Dividend			11.03	12.58
General Reserve			19.20	13.52
Balance carried to Balance Sheet			211.70	98.04
			313.42	165.57
Basic / Diluted Earnings Per Share (EPS) - Rs. [Equity Shares of Rs. 2/- each]		11	16.26	7.96
Weighted Average number of Equity Shares			11,91,56,300	11,91,56,300
Notes to Accounts	19			

As per our report of even date

For B. K. Khare & Co.
Chartered Accountants

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 29, 2007

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

Prakash Kulkarni
Managing Director

Sunil Lalai
Company Secretary

Pune, May 29, 2007

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2007

	Sch. 19 Note No. Ref.	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
37,50,00,000 Equity Shares of Rs. 2/- each		**75.00**	75.00
		75.00	75.00
Issued, Subscribed & Paid Up			
11,91,56,300 Equity Shares of Rs. 2/- each, fully paid-up		**23.83**	23.83
		23.83	23.83
SCHEDULE 2			
RESERVES & SURPLUS			
a. Capital Redemption Reserve			
Per last Balance Sheet		**50.34**	2.68
Add : Transferred from General reserve on redemption of 6% Redeemable Preference Shares		**-**	47.66
		50.34	50.34
b. Capital Reserve			
Per last Balance Sheet		**13.45**	19.21
Less : Adjustment on Amalgamation	2	**0.35**	5.75
		13.10	13.45
c. Capital Reserve on Consolidation			
Capital Reserve (on investment in Subsidiaries)		**4.71**	5.36
Less : Goodwill (on investment in subsidiaries)		**-**	3.01
		4.71	2.35
d. Share Premium			
Per last Balance Sheet		**61.13**	61.13
		61.13	61.13
e. Reserve under RBI Act			
Per last Balance Sheet		**-**	2.95
Addition During the year		**-**	-
Less :Transferred on Amalgamation		**-**	2.95
		-	-
f. General Reserve :			
Per last Balance Sheet		**203.30**	225.71
Less: Transferred to Capital Redemption Reserve on redemption of 6% Redeemable Preference Shares		**-**	47.66
Add: Transferred from Profit & Loss a/c		**19.20**	13.52
Add: Transferred on Amalgamation	2	**(0.35)**	11.74
		222.15	203.30
g. Amalgamation Reserve			
Per last Balance Sheet		**4.43**	7.00
Less : Adjustment on Amalgamation	2	**4.43**	2.57
		-	4.43
h. Foreign Currency Translation Reserve	3 (d)	**2.99**	2.53
i. Balance in Profit & Loss A/c		**211.70**	98.04
		566.12	435.57

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2007

	Sch. 19 Note No. Ref.	**As at March 31, 2007 Rs. Crore**	As at March 31, 2006 Rs. Crore
SCHEDULE 3			
SECURED LOANS			
a. Borrowing from Banks for Working Capital (including Working Capital Term Loans)	**8**	**2.17**	7.00
b. Other Secured Loans		**-**	-
		2.17	7.00
SCHEDULE 4			
UNSECURED LOANS			
a. Bank Loans and Overdrafts		**-**	-
b. Inter Corporate Deposits		**-**	-
		-	-

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

Rs. Crore

Particulars of Asset	**Gross Block**					**Depreciation**					**Net Block**	
	Cost as at 01-04-2006	Adj on Account of ME,(UK) & TEPS	Additions During the year	Deductions/ During the year	**Total Cost as at 31-03-2007**	Upto 31-03-2006	Adj on Account of ME,(UK) & TEPS	Deductions/ During the year	Provisions During the year	**Total as at 31-03-2007**	**As at 31-03-2007**	**As at 31-03-2006**
TANGIBLE:												
A. Land - Freehold	7.36	-	3.79	-	**11.15**	-	-	-	-	-	**11.15**	7.36
B. Land - Leasehold	3.24	-	7.98	0.03	**11.19**	0.24	-	-	0.07	**0.31**	**10.88**	3.00
C. Building	36.64	-	6.71	-	**43.35**	8.88	-	-	1.11	**9.99**	**33.36**	27.76
D. Plant & Machinery	128.45	-	14.17	2.58	**140.04**	63.96	-	1.79	7.72	**69.89**	**70.15**	64.49
E. Assets given on Lease	0.46	-	-	-	**0.46**	0.44	-	0.01	-	**0.43**	**0.03**	0.02
F. Electrical Installation	5.28	-	0.58	0.04	**5.82**	2.86	-	0.01	0.42	**3.27**	**2.55**	2.42
G. Furniture, Fixtures, Computers & Office Equipment	54.54	1.11	11.79	5.56	**59.66**	32.57	0.77	5.53	6.48	**32.75**	**26.91**	21.97
H. Vehicles	13.19	0.13	2.49	0.70	**14.85**	3.32	0.10	0.29	1.85	**4.78**	**10.07**	9.87
INTANGIBLE:												
A. Software	3.37	-	1.28	-	**4.65**	1.49	-	-	1.23	**2.72**	**1.93**	1.88
B. Technical Knowhow	0.35	-	0.58	-	**0.93**	0.23	-	-	0.61	**0.84**	**0.09**	0.12
Total	**252.89**	**1.24**	**49.37**	**8.91**	**292.10**	**114.00**	**0.87**	**7.63**	**19.50**	**124.98**	**167.12**	**138.89**
Previous Year	231.89	-	32.23	11.23	**252.89**	107.61	-	9.58	15.97	**114.00**	**138.89**	124.20
Capital WIP											**11.81**	5.00

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2007

	Sch. 19 Note No. Ref.	**As at March 31, 2007 Rs. Crore**	As at March 31, 2006 Rs. Crore
SCHEDULE 6			
INVESTMENTS	**3(h)**		
A) Non Trade (Long Term)			
a. Government Securities		**0.00**	0.00
b. Units		**563.32**	389.23
c. Bonds		**0.63**	0.63
d. Quoted Equity Shares (fully paid up)		**0.10**	0.13
e. Quoted Equity Shares (partly paid up)		**0.06**	0.06
f. Unquoted Equity Shares (fully paid up)		**0.07**	0.07
g. Unquoted Preference Shares (fully paid up)		**0.02**	0.02
h. Equity in Subsidiary Companies (fully paid up)	**2**	**3.55**	-
i. Preference Shares in Subsidiary Companies (fully paid up)	**2**	**7.58**	-
		575.33	390.14
Provision for Diminution in value of long-term investments		**11.29**	0.16
	(A)	**564.04**	389.98
B) Current Investments			
a. Units		**10.08**	6.99
	(B)	**10.08**	6.99
	(A+B)	**574.12**	396.97

	As at March 31, 2007		As at March 31, 2006	
	Cost	**Market Value**	Cost	Market Value
Aggregate Value of Quoted Investments	**574.18**	**583.96**	395.61	400.93
Aggregate Value of Unquoted Investments	**11.23**	**-**	1.52	-

	Sch. 19 Note No. Ref.	**As at March 31, 2007 Rs. Crore**	As at March 31, 2006 Rs. Crore
SCHEDULE 7			
INVENTORIES	**3 (i)**		
(As valued & certified by Management)			
a. Raw Material & Components		**161.68**	83.53
b. Work in Progress		**21.43**	21.25
c. Finished Goods		**20.91**	18.42
d. Stores, Spare Parts & Tools		**6.77**	5.05
		210.79	128.25

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2007

	Sch. 19 Note No. Ref.	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SCHEDULE 8			
SUNDRY DEBTORS			
Considered good		**23.28**	39.55
Considered doubtful		**26.37**	26.74
Less: Provided for		**26.37**	26.74
Other Debts		**376.71**	201.64
		399.99	241.19
SCHEDULE 9			
CASH & BANK BALANCES			
A. Cash in Hand		**0.38**	1.12
B. Bank Balances & Remittances in Transit :			
With Scheduled Banks :			
a. In Current Accounts		**34.08**	18.51
b. In Deposit Accounts		**0.42**	0.40
With Non-scheduled bank /Foreign Banks			
a. In Current Accounts		**4.63**	13.27
b. In Deposit Accounts		**3.17**	0.70
Remittances in Transit		**54.56**	20.74
		97.24	54.74
SCHEDULE 10			
OTHER CURRENT ASSETS			
a. Duty Drawback Receivable		**14.70**	12.48
b. Excise Recoverable		**2.52**	7.88
c. Accrued Interest		**0.01**	0.02
d. Other Current Assets		**4.90**	1.12
		22.13	21.50
SCHEDULE 11			
LOANS & ADVANCES			
Unsecured, considered good :			
a. Advances recoverable in Cash or in Kind		**115.58**	48.53
b. Advances for Capital Expenditure		**10.81**	0.53
c. Advances to Staff & Workers		**7.07**	7.05
d. Balance in Central Excise & Customs Accounts		**26.47**	4.12
e. Sundry Deposits		**10.47**	7.63
f. Advance Payment of Income Tax		**31.06**	22.18
g. Advance Payment of Fringe Benefit Tax		**0.07**	(0.87)
h. Others		**0.08**	0.01
		201.61	89.18

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2007

	Sch. 19 Note No. Ref.	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SCHEDULE 12			
CURRENT LIABILITIES			
a. Acceptances		**14.89**	11.21
b. Customer Advances		**660.67**	259.97
c. Sundry Creditors		**311.70**	165.39
d. Other Liabilities		**91.61**	80.60
e. Trade Deposits		**1.43**	1.31
		1,080.30	518.47
SCHEDULE 13			
PROVISIONS	**3 (l)**		
a. Proposed Equity Dividend		**30.98**	40.51
b. Tax on Dividend		**5.27**	5.77
c. Provision for Employee Retirement & Other Benefits	**3 (k)**	**15.22**	13.68
d. Provision for Contingency		**0.41**	0.41
e. Provision for obligation under counter guarantees	**6**	**5.48**	-
		57.36	60.37
SCHEDULE 14			
MISCELLANEOUS EXPENDITURE	**3(j)**		
(To the extent not written off or adjusted)			
Technical Know-how			
Per last Balance Sheet		**0.26**	0.71
Add : Incurred during the year		**-**	0.07
		0.26	0.78
Less : Written off during the year		**0.12**	0.52
Technical Know-how		**0.14**	0.26

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2007

		Sch. 19 Note No. Ref.	Year ended March 31, 2007 Rs. Crore	Year ended March 31, 2006 Rs. Crore
SCHEDULE 15				
SALES AND OTHER INCOME				
I.	**Sales & Services :**	**3 (m)**		
a.	India		**1918.03**	1310.10
	Less: Excise Duty		**97.95**	86.28
			1820.08	1223.82
	Add : Closing Contracts in Progress		**7.69**	(20.73)
	Less: Opening Contracts in Progress		**(20.73)**	(10.59)
			1848.50	1213.68
b.	Outside India		**395.93**	429.68
	Adjustments on account of ME, UK		**2.65**	—
	Add : Closing Contracts in Progress		**43.93**	(0.84)
	Less: Opening Contracts in Progress		**(0.84)**	37.29
			438.05	391.55
c.	Outside India - Trading		**3.11**	0.95
	Total Sales & Services	**(I)**	**2289.66**	1606.18
II.	**Other Income from Operations**			
a.	Claims & Refunds		**0.29**	0.36
b.	Balances earlier written off now recovered		**1.11**	0.59
c.	Profit on Sale of Assets		**—**	0.07
d.	Commission		**4.12**	2.34
e.	Sale of Scrap		**8.14**	5.50
f.	Interest Income (Operations)		**0.05**	0.01
g.	Exchange Difference (net)	**3 (o)**	**4.89**	0.63
h.	Balances/Excess Provision Written Back		**0.04**	0.46
i.	Provision for Doubtful Debt written back		**0.28**	0.26
j.	Miscellaneous Income		**18.06**	9.71
	Total Other Income from Operations	**(II)**	**36.98**	19.92
III.	**Other Income From Investments**			
a.	Dividend	**3 (m)(viii)**	**30.50**	10.60
b.	Interest (on investments)		**3.36**	0.51
c.	Profit/(Loss) on Sales of Current Investments		**—**	—
d.	Profit/(Loss) on Sales of Long Term Investments		**1.89**	2.08
e.	Provision For Diminution in value of Investment Written Back		**—**	0.08
f.	Other Income From Investment		**0.25**	0.41
	Total Other Income from Investment	**(III)**	**36.00**	13.67
	Total Income from Sales and other activities	**(I+II+III)**	**2362.64**	1639.77

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2007

	Sch. 19 Note No. Ref.	**Year ended March 31, 2007 Rs. Crore**	Year ended March 31, 2006 Rs. Crore
SCHEDULE 16			
MATERIALS			
(A) Consumption of Raw Material & Components			
Opening Stock		**73.16**	69.67
Less : Adjustments on account of ME, UK	**2**	**(0.19)**	-
Add : Purchases		**1532.13**	1000.65
		1605.10	1070.32
Less : Closing Stock		**144.91**	73.16
	(A)	**1460.19**	997.16
(B) (Increase) / Decrease in stock			
Opening Stock :			
Work-in-Progress		**21.25**	12.36
Finished Goods		**18.58**	16.11
		39.83	28.47
Less : Closing Stock			
Work-in-Progress		**21.43**	21.25
Finished Goods		**20.71**	18.58
		42.14	39.83
	(B)	**(2.31)**	(11.36)
	(A+B)	**1457.88**	985.80

SCHEDULE 17			
PERSONNEL			
a. Salaries, Wages, Bonus, Testimonials & Allowances		**186.64**	137.31
b. Gratuity	**3 (k) (ii)**	**4.83**	3.52
c. Contribution to Provident & Other Funds	**3 (k) (i)**	**13.28**	9.91
d. Staff Welfare Expenses		**9.14**	9.16
		213.89	159.89

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2007

		Sch. 19 Note No. Ref.	Year ended March 31, 2007 Rs. Crore	Year ended March 31, 2006 Rs. Crore
SCHEDULE 18				
OTHER EXPENSES				
a.	Consumables and Tools		**14.24**	12.23
b.	Power and Fuel		**11.36**	8.82
c.	Drawing, Design and Technical Service Charges		**22.86**	19.52
d.	Site Expenses and Contract Labour Charges		**16.82**	13.81
e.	Erection, Fabrication Charges		**76.92**	56.53
f.	Rent and Service Charges		**6.47**	3.94
g.	Lease Rentals		**0.43**	0.25
h.	Rates and Taxes		**1.33**	1.16
i.	Insurance		**5.03**	3.67
j.	Repairs and Maintenance :			
	Building		**4.18**	1.90
	Plant & Machinery		**5.44**	4.35
	Others		**9.98**	5.97
k.	Communication		**7.75**	7.26
l.	Travelling and Conveyance		**38.28**	35.09
m.	Advertisement and Exhibition		**2.55**	2.55
n.	Freight Outward		**15.89**	17.10
o.	Commission on Sales		**18.70**	10.38
p.	Other Selling and Distribution Expenses		**18.25**	17.79
q.	Free of Cost Supplies and Modifications		**15.43**	14.07
r.	Bank Charges		**6.52**	4.66
s.	Legal and Professional Charges		**25.47**	25.84
t.	Printing & Stationery		**3.93**	3.35
u.	Donations		**0.36**	0.33
v.	Bad Debts		**2.19**	10.43
w.	Provision for Doubtful Debts	**(7)**	**2.33**	1.16
x.	Liquidated Damages	**3(p)**	**4.29**	8.55
y.	Loss on Asset Discarded		**0.87**	0.51
z.	Additional Sales Tax and Turnover Tax		**0.93**	0.53
aa.	Premium on Forward Contracts		**0.01**	0.01
ab.	Loss on Sale of Assets		**-**	0.07
ac.	Balances Written Off		**0.20**	0.41
ad.	Miscellaneous Expenses		**13.36**	9.93
ae.	Deferred Revenue Expenditure	**3(j)**	**0.12**	0.52
af.	Diminution in Value of Long Term Investments	**3(h) & 7**	**11.57**	—
ag.	Loss On Exchange Fluctuations	**3(o)**	**0.10**	0.27
			364.16	302.95
SCHEDULE 19				
INTEREST				
Interest on :		**3(n)**		
a.	Fixed Period Loan		**—**	—
b.	Others		**1.54**	1.61
			1.54	1.61

Schedules forming part of the Consolidated Accounts

SCHEDULE 19

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

1. The Consolidated Financial Statements (CFS) pertains to Thermax Ltd. and its nine 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.

2. 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 March 31, 2007
1	Thermax Surface Coatings Limited	India	100
2	Thermax Engineering Construction Co. Ltd	India	100
3	Thermax Instrumentation Limited	India	100
4	Thermax International Limited	Mauritius	100
5	Thermax Europe Limited	UK	100
6	Thermax Inc.	USA	100
7	Thermax Hong Kong Ltd.	Hong Kong	100
8	Thermax do Brasil Energia e Equipamentos Ltda.	Brazil	100
9	Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd.	China	100

During the year, Thermax Co-gen Ltd. (TCGL), Thermax Electronics Ltd. (TEL) and Winman Gas Ltd. (WGL) have been merged with the Parent.

Also, during the year, affairs of ME Engineering Ltd., UK (ME, UK) wholly owned step down subsidiary company of parent have been handed over to an Administrator under the local insolvency laws and Thermax Energy Performance Services Ltd. (TEPS), a subsidiary company of parent, has been referred to voluntary winding-up and hence, the accounts of these two companies have not been consolidated with the Parent.

During the year, Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. has been incorporated in China as a 100% subsidiary company of the Parent.

3. Significant Accounting Policies

a. Basis for Preparation of Financial Statements

Accounts of the Parent and 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 :

i) 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.

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 capitalized 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 recognized, 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.

g. Assets 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.

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 recognize 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 and 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.

j. Deferred Revenue Expenditure

In case of Parent Company expenditure incurred up to March 31, 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.

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.

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 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 recognized 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 recognized 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 recognized profits / less recognized 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 (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 recognized on the basis of stage of completion.

viii) Dividend from investments is recognized when the 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 capitalized 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 capitalized 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

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

4. Contingent Liabilities not provided for

a) Disputed demands in respect of Excise and Customs Duty Rs. 15.65 Crore *(Previous year Rs. 5.02 Crore)*, Sales Tax Rs. 1.67 Crore *(Previous year Rs. 1.64 Crore)* and other Statutes Rs. 10.96 Crore (*Previous year Rs.11.08 Crore*)

b) i) Income Tax demands disputed in appellate proceedings Rs. 22.08 Crore (*Previous year Rs.26.03 Crore*)

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 Crore (*Previous year Rs.21.41 Crore*)

c) Counter Guarantees given to the banks for guarantees issued by them on Group's behalf Rs. 590 Crore (*Previous year Rs.325.18 Crore*)

d) Indemnity Bonds/Corporate Guarantees given to Customs, other Government departments and various customers Rs. 27.21 Crore (*Previous year Rs.23.91 Crore*)

e) Liability for unexpired export obligations Rs. 3.04 Crore (*Previous year Rs.1.57 Crore*)

f) Claims against Group not acknowledged as debts Rs. 0.22 Crore (*Previous year Rs.0.22 Crore*)

g) Bills Discounted with banks Rs. 25.58 Crore (*Previous year Rs.22.24 Crore*)

h) Liability in respect of partly paid shares Rs. 0.19 Crore (*Previous year Rs.0.19 Crore*)

i) Future Lease obligations payable on non-cancelable operating leases Rs. 2.44 Crore (*Previous year Rs.2.08 Crore*)

j) Saving guarantees given to the customers through Master Energy Services Agreements (MESA) for projects completed Rs. Nil (*Previous year Rs.12.21 Crore*)

5. Deferred Taxation

(Rs. Crore)

Particulars		31.3.2007	31.3.2006
Major components of deferred tax asset are:			
i) Provision for Doubtful Debts		**8.88**	8.13
ii) Diminution in Value of Investments		**0.45**	—
iii) Others		**4.43**	1.82
Total	**A**	**13.31**	10.40
Major components of deferred tax liability are :			
i) Depreciation on Fixed Assets		**19.72**	18.99
ii) Capital Expenditure on R & D Assets		**—**	—
iii) Others		**0.40**	0.63
Total	**B**	**20.12**	19.62
Net deferred Assets/(Liability)	**(A-B)**	**(6.81)**	(9.22)

Deferred tax debit for the year of Rs. 1.24 Crore *(previous year debit of Rs. 2.45 Crore)* has been recognised in the Profit & Loss Account of the year.

During the year Rs. 3.66 Crore has been recognised as deferred Tax Assets and credited to Profit & Loss A/c.

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

Rs. 5.48 Crore being provision for possible financial obligations, as provisionally estimated by the Company, on account of counter-guarantees given by the Company in relation to ME Engineering Ltd., UK (ME, UK).

7. Profit for the year before tax is after accounting for the following exceptional items of expenses :

i) Rs. 10.58 Crore being provision for diminution in the value of investment in the shares of ME, UK.

ii) Rs. 0.99 Crore being provision for diminution in the value of investment in the shares of TEPS.

iii) Rs. 0.78 Crore being provision for debts owed to the Parent by ME, UK.

8. 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 and book debts.

9. Segment Reporting

a) The Group has disclosed Business Segment as the primary segment. Segments have been identified by the Management taking in to 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. Crore

Particulars	2006-07			
	Energy	Environment	Others	Total
Revenue :				
Gross Revenue	1973.96	548.16	0.33	2522.45
Less : Intersegment Revenue	127.80	68.00	—	195.80
Net Revenue	1846.16	480.16	0.33	2326.65
Result :				
Segment Result	260.01	65.97	(10.67)	315.31
Unallocated expenses net of unallocated income				9.94
Operating Profit				305.37
Interest expenses				1.54
Extra-ordinary items of expenses				5.48
Taxation for the year				104.63
Net Profit				193.72
Other Information :				
Segment Assets	987.82	248.00	0.37	1236.19
Unallocated Corporate assets				459.69
Total Assets				1695.88
Segment Liabilities	863.65	170.71	0.50	1034.86
Unallocated Corporate Liabilities				71.08
Total Liabilities				1105.94
Capital expenditure	49.64	7.13	—	56.77
Depreciation	15.05	4.45	0.00	19.50
Non-cash expenses other than Depreciation	0.02	0.10	—	0.12

Rs. Crore

Particulars	2005-06			
	Energy	**Environment**	**Others**	**Total**
Revenue :				
Gross Revenue	1356.60	415.56	0.16	1772.31
Less : Inter-segment Revenue	100.28	45.91	0.02	146.21
Net Revenue	1256.32	369.65	0.14	1626.10
Result :				
Segment Result	148.95	43.86	(1.69)	191.12
Unallocated expenses net of unallocated income				16.66
Operating Profit				174.45
Interest expenses				1.63
Extra-ordinary items of expenses				-
Taxation for the year				70.30
Net Profit				102.53
Other Information :				
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

ii) Information about Secondary Segments : Rs. Crore

Particulars	**2006-07**	2005-06
Revenue		
India	1885.36	1232.94
Outside India	441.29	393.16
Total	**2326.65**	1626.10
Carrying amount of Segment Assets :		
India	1134.77	562.98
Outside India	101.42	101.27
Additions to Fixed assets :		
India	52.77	32.07
Outside India	4.00	0.16

10. 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:

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 Rs. Crore

	2006-07	2005-06
Rent Paid	**0.08**	0.04
Managerial Remuneration	**1.27**	0.95
Sitting Fees	**0.09**	0.07
Commission	**0.26**	—
Loan, Advance/ Deposits Outstanding at the end of the year - Deposits	**0.40**	0.40

11. Earnings Per Share

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

	2006-07	2005-06
Profit After Tax but before Extra-ordinary items (Rs. Crore)	**199.20**	102.53
Dividend on Preference Shares, Tax on Preference dividend and on redemption of Preference Shares (Rs. Crore)	**Nil**	7.73
Net Profit before extra-ordinary items available for Equity Shareholders (Rs. Crore)	**199.20**	94.80
Weighted average number of Equity shares of Rs. 2/- each	**11,91,56,300**	11,91,56,300
Basic & Diluted EPS before Extra-ordinary items (Rs.)	**16.72**	7.96
Profit After Tax and after Extra-ordinary items available for Equity Shareholders (Rs. Crore)	**193.72**	94.80
Basic & Diluted EPS after Extra-ordinary items (Rs.)	**16.26**	7.96

12. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs.110.16 Crore (*Previous year Rs. 1.17 Crore)*

13. Foreign exchange fluctuation capitalised during the year amounted to Rs. 0.01Crore (*Previous year Rs. 0.01 Crore)*

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

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

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 29, 2007

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

Prakash Kulkarni
Managing Director

Sunil Lalai
Company Secretary

Pune, May 29, 2007

CONSOLIDATED CASH FLOW STATEMENT

			Rs. Crore
		2006-07	2005-06
A	**Cash flow from Operating activities**		
	Net profit before tax	**298.35**	172.83
	Add Adjustments for		
	Depreciation	**19.50**	15.98
	Amortisation of deferred revenue expenses	**0.12**	0.52
	Provision for Doubtful Debts	**(0.38)**	1.67
	Interest paid	**1.54**	1.61
	Lease rentals Paid	**0.43**	0.25
	Diminution in value of Investments	**11.57**	-
	Less Adjustments for		
	Interest / Dividend / Brokerage (Income received)	**(34.11)**	(11.51)
	Profit/Loss on sale of Investment	**(1.89)**	(2.08)
	(Profit)/Loss on sale of assets	**0.87**	0.52
	Provision for Long Term Investments-Written back	**-**	(0.08)
	Operating profit before working capital changes	**296.00**	179.64
	Adjustments for		
	Trade and Other Receivables	**131.92**	71.76
	Inventories	**(82.72)**	(24.06)
	Trade Payables	**185.75**	3.83
	Contracts in Progress	**(70.54)**	48.16
	Cash generated from Operation (before Extra Ordinary Items & tax)	**460.40**	279.33
	Adjustments for Extra Ordinary items Provision for Obligation under counter guaranted	**5.48**	-
	Cash generated from Operations (after Extra Ordinary Items before tax)	**465.88**	279.33
	Direct taxes paid	**(113.21)**	(72.10)
	Net cash from operating activities (after tax)	**352.68**	207.23

Rs. Crore

		2006-07	2005-06
B	**Cash flow from Investing Activities**		
	Purchase of Fixed Assets	**(66.03)**	(25.95)
	Purchase of Investments	**(2,178.99)**	(1,089.71)
	Proceeds from sale of Investments	**2,001.39**	1,011.25
	Exchange Rate Fluctuation	**(0.26)**	2.12
	Profit/Loss on Sale of Investments	**1.88**	2.08
	Interest / Dividend / Brokerage received	**34.11**	11.56
	Net cash from Investing activities	**(207.89)**	(88.66)
C	**Cash flow from Financing activities**		
	Redemption of Preference Shares	**(0.05)**	(54.35)
	Increase/(Decrease) in borrowings	**0.52**	0.30
	Lease rentals paid	**(0.43)**	(0.25)
	Interest paid	**(1.54)**	(1.61)
	Dividend paid and Tax thereon	**(92.42)**	(35.99)
	Net cash from Financing activities	**(93.91)**	(91.89)
	Net (decrease)/increase in cash & cash equivalents	**50.88**	26.68
	Opening cash & bank balances	**54.74**	28.05
	Opening cash & bank balances of ME Engineering Ltd., UK and Thermax Energy Performance Services Ltd.	**(8.38)**	—
	Closing cash & bank balances	**97.24**	54.74

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

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 29, 2007

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

Prakash Kulkarni
Managing Director

Sunil Lalai
Company Secretary

Pune, May 29, 2007

THERMAX LIMITED

TWENTY SIXTH ANNUAL REPORT 2006-2007

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

Rs. Crore

Sr No.	Particulars	Thermax Energy Performance Services Ltd. #		Thermax Surface Coatings Ltd.		Thermax Engineering Construction Co. Ltd.		Thermax Instrumentation 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)	
		2006-07	2005-06	**2006-07**	2005-06	**2006-07**	2005-06	**2006-07**	2005-06	**2006-07**	2005-06	**2006-07**	2005-06	**2006-07**	2005-06	**2006-07**	2005-06	**2006-07**	2005-06	**2006-07**	2005-06
1	Capital	-	1.94	**0.75**	0.75	**1.50**	1.50	**9.00**	9.00	**13.89**	14.29	**1.71**	1.55	-	10.85	**2.17**	2.23	**3.29**	2.74	**2.02**	1.75
2	Reserves	-	(2.64)	**(0.84)**	(0.82)	**3.45**	2.20	**(1.16)**	(7.92)	**(11.68)**	(1.56)	**2.62**	1.76	-	(14.97)	**1.15**	2.14	**(3.26)**	(2.09)	**(1.66)**	(1.32)
3	Total Assets	-	0.49	**2.30**	2.23	**47.31**	34.15	**60.57**	3.81	**2.25**	12.75	**12.16**	5.98	-	29.75	**31.73**	27.82	**0.83**	1.19	**0.81**	0.71
4	Total Liabilities	-	1.20	**2.39**	2.31	**42.36**	30.45	**52.73**	2.73	**0.03**	0.02	**7.83**	2.67	-	33.87	**28.42**	23.45	**0.80**	0.54	**0.46**	0.28
5	Investments																				
	A) Long Term (Non-Trade Investments)																				
	a. Government Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b. Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c. Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	f. Unquoted Equity Shares (fully paid up)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Less: Provision for Diminution in value of long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Long Term(Non Trade) Investments (A)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B) Current Investments																				
	a. Unquoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b. Quoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c. Units	-	-	-	-	**8.04**	6.98	**2.04**	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Current Investments (B)	-	-	-	-	**8.04**	6.98	**2.04**	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Investments (A+B)	-	-	-	-	**8.04**	6.98	**2.04**	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Revenue	-	0.09	**0.33**	0.03	**89.14**	74.99	**43.43**	0.11	**0.00**	0.00	**30.82**	14.17	-	69.46	**58.99**	51.78	**1.29**	1.47	**1.44**	1.23
7	Profit Before Tax	-	(0.03)	**(0.02)**	(0.47)	**3.14**	2.33	**3.77**	(0.13)	**(10.60)**	(0.02)	**0.99**	1.27	-	(16.42)	**(1.73)**	0.59	**(1.26)**	(1.33)	**(0.31)**	(0.49)
8	Provision for tax	-	-	-	-	**(1.21)**	(1.01)	**(0.66)**	0.01	-	-	**(0.31)**	0.17	-	-	**0.33**	(0.22)	**(0.04)**	(0.02)	-	-
9	Profit After Tax	-	(0.03)	**(0.02)**	(0.47)	**1.94**	1.32	**3.11**	(0.12)	**(10.60)**	(0.02)	**0.68**	1.44	-	(16.42)	**(1.40)**	0.37	**(1.30)**	(1.35)	**(0.31)**	(0.49)
10	Proposed Dividend (Excluding Tax on Dividend)	-	-	-	-	**0.60**	0.60	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Original Currency	INR	INR	INR	INR	INR	INR	**INR**	INR	USD	USD	GBP	GBP	GBP	GBP	USD	USD	HKD	HKD	Brasilian Real	Brasilian Real
12	Exchange rate as on 31st March in INR									43.38	44.62	85.37	77.50	85.37	77.50	43.38	44.62	5.55	5.75	21.08	20.61

Note : The annuals 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.

During the year, Thermax Energy Performance Services Ltd. has been referred for voluntary winding up and hence the current year's figures have not been given in the above statement.

* ME Engineering Ltd, UK the step-down subsidiary was referred to Administration as per the laws of UK. Therefore, the current year's figures have not been given in the above statement.

THERMAX LIMITED - FINANCIALS AT A GLANCE

Rs. Crore

PARTICULARS	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Domestic Sales (excluding excise duty)	2479	1735	1157	740	446	398	333	345	307	343
Export (including deemed export)	678	402	308	176	118	116	107	101	76	96
% to Total Sales	*21%*	*19%*	*21%*	*19%*	*21%*	*22%*	*24%*	*23%*	*20%*	*22%*
Total Sales	3157	2137	1465	916	564	514	440	445	383	439
% Growth	*48%*	*46%*	*60%*	*62%*	*10%*	*17%*	*-1%*	*16%*	*-13%*	*-7%*
Other Income	89	73	33	25	40	39	36	32	92	42
Total Income	3246	2210	1498	941	604	552	476	477	475	481
Total Expenses	2795	1894	1289	848	516	473	422	469	411	416
Profit before Depreciation, Interest, Extra Ordinary Items and Tax	451	316	209	93	87	80	54	8	64	65
% to Total Income	*14%*	*14%*	*14%*	*10%*	*14%*	*14%*	*11%*	*2%*	*14%*	*13%*
Depreciation	22	19	15	9	9	10	12	12	12	10
Interest	1	1	1	1	0	1	3	4	3	5
Extra-ordinary Items of Expenses	(2)	5	0	0	6	6	7	3	6	0
Profit before Tax/(Loss)	430	291	193	83	72	64	31	(10)	42	50
% to Total Income	*13%*	*13%*	*13%*	*9%*	*12%*	*11%*	*6%*	*(2%)*	*9%*	*10%*
Tax	150	103	69	28	18	15	7	3	10	12
Profit after Tax/(Loss)	281	188	123	55	54	48	24	(13)	32	38
% to Total Income	*9%*	*8%*	*8%*	*6%*	*9%*	*9%*	*5%*	*(3%)*	*7%*	*8%*
Gross Block	419	279	243	177	165	166	167	168	167	161
Net Block	326	170	138	102	83	81	87	99	109	112
Investments	580	578	417	316	276	240	189	158	161	113
Current Assets	1008	929	533	368	265	201	232	254	258	245
Current Liabilities	1163	1087	600	368	227	150	145	118	133	115
Net Current Assets	(155)	(158)	(67)	0	38	51	88	136	124	130
Deffered Revenue Expenses	0	0	0	1	1	8	14	4	15	9
Capital Employed	736	579	474	402	383	356	344	393	394	355
Equity Share Capital	24	24	24	24	24	24	24*	23	23	23
Preference Share Capital $	0	0	0	48	48	0	0	0	0	0
Reserves and Surplus	712	555	450	332	312	340	324	331	347	324
Networth	736	579	474	355	335#	356	333	350	355	339
Loan Funds	0	0	0	0	0	0	11	43	39	17

Fixed Asset Turnover Ratio	*9.68*	*12.60*	*10.64*	*9.01*	*6.80*	*6.33*	*5.07*	*4.50*	*3.51*	*3.91*
Working Capital Turnover Ratio	*0.00*	*0.00*	*0.00*	*0.00*	*14.74*	*9.98*	*5.03*	*3.28*	*3.08*	*3.39*
Debt-Equity Ratio	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.03*	*0.12*	*0.11*	*0.05*
Current Ratio	*0.87*	*0.85*	*0.89*	*1.00*	*1.17*	*1.34*	*1.60*	*2.15*	*1.93*	*2.12*
Return on Capital Employed	*59%*	*50%*	*41%*	*21%*	*19%*	*18%*	*10%*	*(2%)*	*12%*	*15%*
Return on Net Worth	*38%*	*32%*	*24%*	*15%*	*16%*	*14%*	*7%*	*(4%)*	*9%*	*11%*
*Cash Earnings Per Share (Rs.) **	*25.39*	*17.34*	*10.97*	*5.14*	*5.13*	*4.86*	*3.05*	*(0.13)*	*3.75*	*4.07*
*Earnings Per Share (Rs.) **	*23.56*	*15.76*	*9.69*	*4.37*	*4.40*	*4.05*	*2.02*	*(1.11)*	*2.71*	*3.22*
Dividend (%)	*400%*	*300%*	*170%*	*120%*	*120%*	*120%*	*50%*	*10%*	*35%*	*35%*
*Book Value Per Share (Rs.) **	*62*	*49*	*40*	*30*	*28*	*30*	*28*	*30*	*30*	*29*

* During the year the Company had alloted 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 of Rs. 2/- each and accordingly all the previous years' fiqures have been restated for the sake of comparability.

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

THERMAX GROUP - FINANCIALS AT A GLANCE

						Rs. Crore
PARTICULARS	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Domestic Sales (excluding excise duty)	1849	1214	895	570	501	436
Export	441	393	352	207	198	151
% to Total Sales	*19%*	*24%*	*28%*	*27%*	*28%*	*26%*
Total Sales	2290	1606	1247	777	699	587
% Growth	*43%*	*29%*	*60%*	*11%*	*19%*	
Other Income	73	34	34	51	42	40
Total Income	2363	1640	1281	829	741	627
Total Expenses	2038	1449	1165	721	641	562
Profit before Depreciation, Interest, Extra-ordinary Items and Tax	325	190	117	108	100	66
% to Total Income	*14%*	*12%*	*9%*	*13%*	*14%*	*10%*
Depreciation	19	16	12	12	14	18
Interest	2	2	1	1	1	4
Extra-ordinary Items of Expenses	5	0	0	6	6	8
Profit before Tax	298	173	104	89	79	36
% to Total Income	*13%*	*11%*	*8%*	*11%*	*11%*	*6%*
Tax	105	70	37	23	20	8
Profit after Tax but before Minority Interest	194	103	67	65	59	28
Minority Interest	0	0	(1)	3	3	0
Profit after Tax & after Minority Interest	194	103	68	62	56	28
% to Total Income	*8%*	*6%*	*5%*	*8%*	*8%*	*4%*
Gross Block	292	253	232	207	215	216
Net Block	179	144	134	102	102	110
Investments	574	397	318	287	242	170
Current Assets	1024	590	536	379	270	309
Current Liabilities	1178	655	519	321	210	201
Net Current Assets	(154)	(66)	17	58	59	108
Deffered Revenue Expenses	0	0	1	1	8	15
Capital Employed	592	462	455	434	388	367
Equity Share Capital	24	24	24	24	24	24
Preference Share Capital $	0	0	48	48	0	0
Reserves and Surplus	566	431	378	337	357	333
Networth	590	455	401	377	386	352
Minority Interest	0	0	0	17	13	10
Loan Funds	2	7	7	9	2	16
Fixed Asset Turnover Ratio	*12.80*	*11.16*	*9.32*	*7.60*	*6.87*	*5.33*
Working Capital Turnover Ratio	*0.00*	*0.00*	*74.19*	*13.34*	*11.81*	*5.43*
Debt-Equity Ratio	*0.00*	*0.02*	*0.02*	*0.02*	*0.00*	*0.04*
Current Ratio	*0.87*	*0.90*	*1.03*	*1.18*	*1.28*	*1.54*
Return on Capital Employed	*51%*	*38%*	*23%*	*21%*	*20%*	*11%*
Return on Net Worth	*33%*	*23%*	*17%*	*16%*	*14%*	*8%*
*Cash Earnings per Share (Rs.) ***	*17.89*	*9.30*	*6.46*	*6.11*	*5.89*	*3.86*
*Earnings per Share (Rs.) ***	*16.26*	*7.96*	*5.46*	*5.07*	*4.67*	*2.32*
Dividend (%)	*300%*	*170%*	*120%*	*120%*	*120%*	*50%*
*Book Value per Share (Rs.) ***	*49*	*38*	*34*	*32*	*32*	*30*

$ Issued bonus 6% Redeemable Preference Share (RPS) of face value Rs. 10/- each 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 of Rs. 2/- each and accordingly all the previous years' fiqures have been restated for the sake of comparability.

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

NOTES

NOTES

A GLORIOUS MORNING

"The heightened awareness about climate change and its consequences has strengthened the trend of investment in green energy and improved efficiency options like cogeneration and harnessing waste heat to generate steam and power. This has created additional demand for energy saving and eco-friendly equipment and systems. Thermax is well positioned to tap into these opportunities in energy and environment technology solutions."

– from the Chairperson's Message

THERMAX

Sustainable Solutions in
Energy and Environment