





About the cover

On unfamiliar stretches of the journey, when it is still early to dream of safe arrivals, to stave off thoughts of danger it is important to be focused on the task at hand and stay on course.

It is useful to remember that the grit and thoughtfulness one brings to the voyage can brighten the inner weather of team mates who share the same anxieties and hopes.

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HIGHLIGHTS OF THE YEAR

- Posted a total income of Rs. 4,764 crore and a profit after tax of Rs. 350 crore. Improved order booking by 21% to Rs. 4,859 crore.
- Won the first turnkey order in Africa for a captive power plant project in Zambia. Thermax to supply vapour absorption heat pumps to a district heating plant in Denmark, one of the largest waste-to-energy projects in Europe.
- Asia Innovator Award for Thermax MD and CEO, M.S. Unnikrishnan at the 2012 CNBC Asia Business Leaders Awards at Bangkok.
- Commissioned a bi-drum boiler manufacturing plant at the company's facility in Savli (Gujarat).
- Among the new products introduced during the year, were a Hybrid Chiller that combines absorption and compression technologies to provide sub zero temperature for process cooling and achieve significant power reduction; and a smaller capacity CFBC boiler making the benefits of this technology available to medium sized industries.
- Water and Waste Solutions business received its single largest order from a steel major for its expansion project.



Thermax's manufacturing team with a heat exchanger made for a client's coal gasification facility in Orissa. Two of these secondary waste heat boilers, 268 tons each, are the biggest made by Thermax.

OUR VISION

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

Board of Directors

Meher Pudumjee
Chairperson

M. S. Unnikrishnan
Managing Director & CEO

Anu Aga
Dr. Raghunath. A. Mashelkar
Dr. Valentin A.H. von Massow
Nawshir Mirza
Tapan Mitra
Pheroze Pudumjee
Dr. Jairam Varadaraj

Executive Council

Ravinder Advani
Sharad Gangal
Pravin Karve
Gopal Mahadevan
Hemant Mohgaonkar
Rajan Nair
S. Ramachandran
R. V. Ramani
Dr. R. R. Sonde
M. S. Unnikrishnan

Officers of the Company

Gopal Mahadevan
*Executive Vice President
& CFO*

Gajanan P. Kulkarni
*Vice President – Legal
& Company Secretary*

WHOLLY OWNED SUBSIDIARIES

DOMESTIC

1. Thermax Sustainable Energy Solutions Limited
2. Thermax Engineering Construction Company Limited
3. Thermax Instrumentation Limited
4. Thermax Onsite Energy Solutions Limited

OVERSEAS

1. Thermax International Limited, Mauritius
2. Thermax Europe Limited, UK.
3. Thermax Inc., USA.
4. Thermax do Brasil Energia e Equipamentos Ltda, Brazil
5. Thermax Hong Kong Limited, Hong Kong
6. Thermax (Zhejiang) Cooling & Heating Engineering Co. Limited, China
7. Thermax Netherlands B. V.
8. Thermax Denmark ApS
9. Danstoker A/ S, Denmark
10. Omnical Kessel- und Apparatebau GmbH, Germany
11. Ejendomsanpartsselskabet Industrivej Nord 13, Denmark
12. Rifox-Hans Richter GmbH, Germany
13. Thermax Sdn. Bhd., Malaysia

JOINT VENTURES

1. Thermax SPX Energy Technologies Limited
2. Thermax Babcock & Wilcox Energy Solutions Private Limited

REGISTERED OFFICE

D-13, M.I.D.C. Industrial Area,
R. D. Aga Road, Chinchwad,
Pune 411019
Ph.: 020-66122100/ 27475941
Fax.: 020-27472049

CORPORATE OFFICE

Thermax House
14, Mumbai-Pune Road,
Wakdevadi, Pune 411003
Ph.: 020-66051200/ 25542122
Fax.: 020-25541226

BANKERS

Union Bank of India
Bank of Baroda
Canara Bank
Citibank N.A.
Corporation Bank
ICICI Bank Ltd.
State Bank of India
HSBC

AUDITORS

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

REGISTRAR & SHARE TRANSFER AGENT

Karvy Computershare Pvt. Ltd.
Plot No. 17 to 24,
Vittalrao Nagar
Madhapur, Hyderabad 500 081
Ph: 040-23420818/ 28
Fax: 040-23420814
E-mail : igkcpl@karvy.com

WEBSITE : www.thermaxindia.com

ENERGY – ENVIRONMENT OFFERINGS



Power



Heating



Cooling



Water



Chemicals

Utilities



Raw material
➔



➔
Desired products

Waste products



Hazardous waste treatment



Wastewater treatment



Air pollution control

OUR CORE BUSINESS

Boiler & Heater



Boiler & Heater

- Packaged boilers
- Large capacity power boilers
- Thermal oil / water heaters
- Energy recovery systems
- Retrofit and Revamp

Cooling & Heating



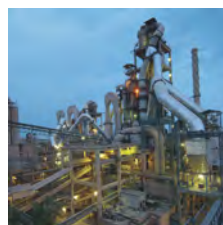
Cooling

- Exhaust & multi-energy fired chillers
- Steam / hot water / direct fired chillers
- Chiller heater
- Heat pump
- Hybrid chiller

Heating

- Steam boilers for power generation (upto 30 TPH)
- Packaged boilers, thermal oil heaters & hot water generators suitable for solid/ oil/ gaseous fuel
- Engine exhaust waste heat recovery boilers
- Steam efficiency products & services

Power Generation



Turnkey power plants

- Solid fuel based
- Gas based combined cycle
- Waste heat recovery based
- Renewable energy based (biomass, waste heat, solar)
- Power plant management services

Chemicals & Water



Chemicals

- Ion exchange resins
- Fuel & water treatment chemicals
- Oilfield chemicals
- Paper chemicals
- Construction chemicals

Water and Waste Solutions

- Water treatment
- Effluent & sewage treatment
- Water recycling
- Waste management
- O&M services

Air Pollution Control



Enviro

- ESP & bag filters
- Scrubbers
- Air purification
- Retrofit & revamp

Renewable Energy



Solar

- Solar thermal
 - Cooling
 - Process heating
 - Comfort and industrial cooling
 - Concentrated Solar Power (CSP)
- Photovoltaic (PV)
 - Rooftop PV : grid connected & off- grid
 - Grid connected PV



Oil & Gas



Steel

RELIABLE SUPPORT FOR INDUSTRY

Our business-to-business solutions help a broad range of industries to be energy efficient and eco-friendly:



Automobile



Food



Cement



Chemicals



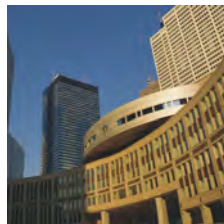
Refineries & Petrochemicals



Power Generation



Textile



Hotels & Commercial complexes



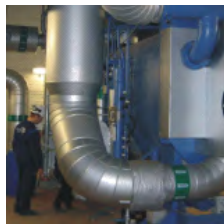
Pharma



Paper & Pulp



Tank Farm heating



Space heating



EPC Majors & Consultants



Distilleries



Sugar



Paint



Rubber



Edible oil



Municipalities



Board of Directors

(Left to right) Anu Aga, Dr. Raghunath Mashelkar, Dr. Valentin von Massow, M. S. Unnikrishnan, Dr. Jairam Varadaraj, Meher Pudumjee, Nawshir Mirza, Tapan Mitra, Pheroze Pudumjee.

THERMAX LIMITED – FINANCIALS AT A GLANCE

	Rs. Crore									
PARTICULARS	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Domestic Sales (excluding excise duty)	3648	4101	3722	2432	2299	2479	1735	1157	740	446
Export (Including Deemed Export)	984	1143	1066	656	912	678	402	308	176	118
<i>% to Total Sales</i>	21%	22%	22%	21%	28%	21%	19%	21%	19%	21%
Total Sales	4632	5244	4788	3088	3211	3157	2137	1465	916	564
<i>% Growth</i>	(12%)	10%	55%	(4%)	2%	48%	46%	60%	62%	10%
Other Income	132	131	147	147	92	89	73	33	25	40
Total Income	4764	5375	4935	3235	3303	3246	2210	1498	941	604
Total Expenses	4184	4720	4317	2801	2850	2795	1894	1289	848	516
Profit before Depreciation, Interest, Extra Ordinary Items and Tax	580	654	618	434	453	451	316	209	93	87
<i>(% to Total Income)</i>	12%	12%	13%	13%	14%	14%	14%	14%	10%	14%
Depreciation	55	47	43	40	32	22	19	15	9	9
Interest	9	7	2	2	3	1	1	1	1	—
Extra-ordinary Items of Expenses	—	—	—	115	(1)	(2)	5	—	—	6
Profit before Tax/Loss	516	601	573	277	419	430	291	193	83	72
<i>(% to Total Income)</i>	11%	11%	12%	9%	13%	13%	13%	13%	9%	12%
Tax	166	194	190	136	132	150	103	69	28	18
Profit after Tax/ Loss	350	407	382	141	287	281	188	123	55	54
<i>(% to Total Income)</i>	7%	8%	8%	4%	9%	9%	8%	8%	6%	9%
Gross Block	873	805	717	688	603	419	279	243	177	165
Net Block	645	574	516	505	458	326	170	138	102	83
Investments	804	553	404	378	176	580	578	417	316	276
Current Assets	2840	2913	2658	1664	1287	1008	929	533	368	265
Current Liabilities	2168	2324	2307	2044	1270	1163	1087	600	368	227
Net Current Assets	672	589	351	(381)	17	(155)	(158)	(67)	(—)	38
Deferred Revenue Expenses	—	—	—	—	—	—	—	—	1	1
Capital Employed	1869	1601	1292	1051	962	736	579	474	402	383
Equity Share Capital	24	24	24	24	24	24	24	24	24	24
Preference Share Capital \$	—	—	—	—	—	—	—	—	48	48
Reserves and Surplus	1845	1577	1269	1027	938	712	555	450	332	312
Networth	1869	1601	1292	1051	962	736	579	474	355	335 [#]
Loan Funds	—	—	—	—	—	—	—	—	—	—
<i>Fixed Asset Turnover Ratio</i>	7.18	9.14	9.27	6.12	7.02	9.68	12.60	10.64	9.01	6.80
<i>Working Capital Turnover Ratio</i>	0.00	0.00	0.00	0.00	187.74	0.00	0.00	0.00	0.00	14.74
<i>Debt-Equity Ratio</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Current Ratio</i>	1.31	1.25	1.15	0.81	1.01	0.87	0.85	0.89	1.00	1.17
<i>Return on Capital Employed</i>	28%	38%	44%	37%	44%	58%	51%	41%	21%	21%
<i>Return on Net Worth</i>	19%	25%	30%	13%	30%	38%	32%	24%	15%	16%
<i>Cash Earnings per Share (Rs.) **</i>	33.97	38.09	35.73	15.26	26.81	25.39	17.34	10.97	5.14	5.13
<i>Earnings per Share **</i>	29.37	34.15	32.09	11.87	24.11	23.56	15.76	9.69	4.37	4.40
<i>Dividend(%)</i>	350%	350%	450%	250%	250%	400%	300%	170%	120%	120%
<i>Book Value per Share (Rs.) **</i>	157	134	108	88	81	62	49	40	30	28

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

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

** During FY 2005-06, Equity Shares of face value Rs. 10/- each were sub-divided into face value Rs. 2/- each and accordingly all the previous years' figures have been restated.

Note : The Working Capital figures for FY 10-11, FY 11-12 and FY 12-13 are based on revised Schedule VI classification and hence are not strictly comparable with previous years' figures.

THERMAX GROUP – FINANCIALS AT A GLANCE

PARTICULARS	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	Rs. Crore
Domestic Sales (excluding excise duty)	3965	4457	3997	2556	2445	2718	1849	1214	895	570	
Export	1468	1574	1250	720	959	715	441	393	352	207	
<i>% to Total Sales</i>	27%	26%	24%	22%	28%	21%	19%	24%	28%	27%	
Total Sales	5433	6031	5247	3276	3404	3433	2290	1606	1247	777	
<i>% Growth</i>	(10%)	15%	60%	(4%)	(1%)	50%	43%	29%	60%	11%	
Other Income	144	144	148	146	97	93	73	34	34	51	
Total Income	5577	6176	5395	3422	3501	3525	2363	1640	1281	829	
Total Expenses	5002	5501	4763	2975	3038	3055	2038	1449	1165	721	
Profit before Depreciation, Interest , Extra Ordinary Items and Tax	575	675	632	447	463	471	325	190	117	108	
<i>(% to Total Income)</i>	10%	11%	12%	13%	13%	13%	14%	12%	9%	13%	
Depreciation	77	66	54	44	35	23	19	16	12	12	
Interest	17	12	4	2	4	2	2	2	1	1	
Extra-ordinary Items of Expenses	—	—	—	115	(1)	(2)	5	—	—	6	
Profit before Tax/Loss	481	596	573	286	425	448	298	173	104	89	
<i>(% to Total Income)</i>	9%	10%	11%	8%	12%	13%	13%	11%	8%	11%	
Tax	177	204	196	142	136	157	105	70	37	23	
Profit after Tax/ Loss before Minority	304	392	377	144	289	291	194	103	67	65	
Minority Interest	(16)	(11)	(5)	—	—	—	—	—	(1)	3	
Profit after Tax/ Loss after Minority	320	404	382	144	289	291	194	103	68	62	
<i>(% to Total Income)</i>	6%	7%	7%	4%	8%	8%	8%	6%	5%	8%	
Gross Block	1296	1193	1068	742	661	433	292	253	232	207	
Net Block	1390	1091	821	548	509	349	179	144	134	102	
Investments	443	242	241	370	143	560	574	397	318	287	
Current Assets	3287	3406	3065	1832	1402	1119	1024	590	536	379	
Current Liabilities	2509	2758	2563	2239	1372	1259	1178	655	519	321	
Net Current Assets	778	648	502	(407)	30	(140)	(154)	(66)	17	58	
Deferred Revenue Expenses	—	—	—	—	—	4	—	—	1	1	
Capital Employed	2362	1828	1452	1096	995	756	592	462	455	434	
Equity Share Capital	24	24	24	24	24	24	24	24	24	24	
Preference Share Capital \$	—	—	—	—	—	—	—	—	48	48	
Reserves and Surplus	1845	1605	1291	1054	967	736	566	431	378	337	
Networth	1869	1629	1315	1078	991	756	590	455	401	377	
Minority Interest	110	112	52	9	—	—	—	—	—	17	
Loan Funds	383	88	85	8	4	—	2	7	7	9	

<i>Fixed Asset Turnover Ratio</i>	3.91	5.53	6.39	5.98	6.69	9.85	12.80	11.16	9.32	7.60	
<i>Working Capital Turnover Ratio</i>	—	—	—	—	113.89	—	—	—	74.19	13.34	
<i>Debt-Equity Ratio</i>	0.21	0.05	0.06	0.01	—	—	—	0.02	0.02	0.02	
<i>Current Ratio</i>	1.31	1.24	1.20	0.82	1.02	0.89	0.87	0.90	1.03	1.18	
<i>Return on Capital Employed</i>	21%	33%	40%	37%	43%	59%	52%	38%	23%	22%	
<i>Return on Net Worth</i>	17%	25%	29%	13%	29%	38%	33%	23%	17%	16%	
<i>Cash Earnings per Share (Rs.) **</i>	33.33	39.42	36.57	15.82	27.20	26.34	17.89	9.30	6.46	6.11	
<i>Earnings per Share (Rs.) **</i>	26.87	33.86	32.03	12.11	24.25	24.40	16.26	7.96	5.46	5.07	
<i>Dividend(%)</i>	350%	350%	450%	250%	250%	400%	300%	170%	120%	120%	
<i>Book Value per Share (Rs.) **</i>	157	137	110	90	83	63	49	38	34	32	

\$ 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 Rs. 2/- each and accordingly all the previous years' figures have been restated.

Note : The Working Capital figures for FY 10-11, FY 11-12 and FY 12-13 are based on revised Schedule VI classification and hence are not strictly comparable with previous years' figures.

CHAIRPERSON'S MESSAGE



Asia Business Leaders Awards in Bangkok. My hearty congratulations to him on this unique honour.

The overall economic landscape is not likely to change for the better in the immediate future and we may see another challenging year. These apprehensions stem from the fact that the global economy, though improving, is witnessing a very slow turnaround. The austerity measures across Europe continued for most of last year. From all available indicators it also seems that the recovery of the US economy will be slow and long drawn-out. Most emerging economies including BRIC have witnessed decelerating growth and some of them have introduced financial protection measures.

On the domestic front, high inflation, an increased current account deficit and controlling monetary response slowed consumption demand in 2012-13. Although reforms in fuel subsidies are a welcome move to reduce the current account deficit, the excess capacity in engineering and capital goods the world over is likely to affect exports from India, as also margins. However, Thermax's footprint in most overseas countries is small and we are continuing our efforts to enhance our presence in select international markets. The sudden depreciation of the Indian rupee will certainly help exports, but will have a negative impact on our imports.

Dear Shareholder,

It is my privilege to present the 32nd Annual Report of your company. Thermax has marginally improved its order backlog to Rs. 4,357 crore in fiscal 2012-13, compared to Rs. 4,230 crore last year. The operating revenue stood at Rs. 4,691 crore, a dip of 12% when compared to Rs. 5,304 crore last year. The company's profit after tax was lower by 14% at Rs. 350 crore, down from last year's Rs. 407 crore.

I would like to thank our Managing Director and CEO, M.S. Unnikrishnan and his entire team for the company's performance in these trying times. I am also grateful to our Directors for their continued guidance and support. I am happy to share with you that our MD received the Asia Innovator Award at the 2012 CNBC

Due to a slow reform process, large investments in infrastructure projects, especially the power sector which Thermax substantially depends on, have been the worst affected. The slowdown in decision making has impacted important milestones such as environment clearances, fuel linkages and land acquisition. Banks reaching the end of their sectoral lending limits for the power sector, delay in the much awaited distribution reforms and tariff revisions have aggravated the situation, leading to delays in a number of power projects. This sector has not seen many finalisations of new orders. With elections looming, not many large projects will see the light of day in the immediate future.

I am happy to inform you that the state-of-the-art plant for supercritical boilers being set up by our joint venture company, Thermax Babcock & Wilcox Energy Solutions

is nearing completion. Due to the current stagnation in the power sector, we are still awaiting our first order. In the medium to long term, I am confident the JV will do well.

As part of derisking our business, we have created a strategic spread of our product businesses which cater to small-medium enterprises and other process industries. These businesses, which have not been affected as deeply as the projects business, coupled with the service revenue stream and selective internationalisation, have lived up to the very purpose they were seeded for – offsetting the periodic instability caused by project business cycles. I am confident that the market for energy and environment products will improve in the medium term. If we can take care of our governance issues, India has the right ingredients – a young and very large demography, a growing middle class, moderate inflation and sustained consumer spends for a brighter long-term future.

Last year, your company was able to progress further with its greening portfolio by adding more renewable energy projects. The Power business won projects on biomass and also on waste gas and heat recovery. Thermax also successfully executed a technology demonstration project to provide cold storage facilities in rural areas. This system successfully integrates various forms of renewable energy to create a cold storage to preserve agricultural produce at below 5° C and also generate incidental power.

The Solar business of the company has expanded into the solar photovoltaic space and has commissioned a few prestigious projects. On the concentrated solar power (CSP) front, Thermax is executing a major balance of plant for a power block of Asia's largest CSP project under construction.

It gives me immense pleasure that our Thermax Social Initiative Foundation has successfully completed its 6th year of operation. Through our strategic alliance with the Pune Municipal Corporation (PMC) and the Akanksha Foundation, we now manage four municipal schools within PMC limits. I am delighted to share with you that this year, the first batch of 58 students

from one of our schools appeared for the 10th Standard Board examination – the first ever batch from a PMC English medium school to do so. The school scored a 100% pass, with 42 students scoring a First Class and 9 achieving Distinction. From June 2013, we have started two more schools in the Pimpri Chinchwad Municipal Corporation (PCMC) under this initiative.

Since we believe the best way to give back to society is through education, we feel that the quality of education will not improve without quality teaching staff. We are therefore working with the PMC to conduct a year-long in-service training programme for teachers of the PMC English Medium Schools. This is the first time we have ventured into formal and holistic teacher training and we are keen to make it a worthwhile experience.

Let me conclude by once again thanking all our employees, customers, shareholders, business partners and well wishers. With your support, we are confident of managing these challenging times.

With best wishes,

Meher Pudumjee



LETTER FROM THE MANAGING DIRECTOR



Dear Shareholder,

We have just crossed one of the toughest years for the company in recent times. As the downward spiral of the national economy continued, in the absence of a favourable investment environment, the capital goods sector languished. This has affected the performance of companies in this sector including that of Thermax. Though in the latter part of the year, signs of recovery appeared in some overseas markets, the shadow of overall economic uncertainty continued to hover over global markets, dampening

demand and restraining the flow of goods and services.

Although the year gone by saw a dip in our revenues due to the lower order carry forward from 2011-12, we were able to protect the profitability of the company's operations. We have been able to shore up our margins through internal discipline and efficiency improvement programmes. We have contained the material cost, bringing it down by 1.6% during the year. While this has been partly due to the easing of the commodity market, the cost reduction exercise carried out by our teams – corporate finance and business divisions – has also contributed significantly.

In FY 2012-13, your company improved its order booking by 21% at the Group level to Rs. 5,609 crore compared to Rs. 4,632, previous year. International orders contributed a fairly large share of the improved order booking. The superior order intake is reflected in the case of the company's European subsidiary, Danstoker too.

The strategies we put in place – capturing the revenue spend of customers, growing standard products, selective internationalisation and development of new businesses and product portfolios – to combat the cyclical nature of project businesses have helped Thermax remain stable. In 2012-13, the income obtained from the revenue spend of clients showed a positive trend in the depressed economic environment where capital expenditure has reduced drastically. The power and water O&M groups have brought in improved business.

The divisions handling the standard products of the company performed well, harnessing new opportunities in select international markets. The thrust on Africa, along with South East Asia and the Middle East continues for the company's product and project businesses.

The company's solar business has broadened its client base and is confidently moving ahead with growth plans. This business is positioned well in both solar thermal and solar photovoltaic technology areas and is benefitting from the synergy of Thermax's heating, cooling and power businesses. With diesel prices going up, the viability of solar business is slated to improve.

The investments made in product development are giving us good dividends, with 11 new product lines commercialised in the last three years. During 2012-13, we introduced some exciting products: a dry cooler that is ideal for industries in water scarce areas – it substitutes conventional cooling towers by utilising air in place of water as a medium for heat transfer; a CFBC boiler for smaller capacities making the benefits of this technology affordable to a larger number of industries. The triple effect chiller introduced in 2011-12 for a technology demonstration project has already found a customer. Your company's innovation teams have made seminal contributions in the design, production and commercial viability of these new products.

The operational excellence programme of your company continued in 2012-13. Under the programme, there were improvements in the supply chain, debottlenecking of process and value engineering. Two of your company's project businesses — Power, Boiler & Heater — assisted by a consultant have initiated projects for business improvement.

As the power sector continues to be stymied by a host of issues, the prospects for captive power generation seem to be on the upswing. Your company has received several small and medium level project orders, the most significant being an order from a public sector steel unit for its new integrated steel plant in central India.

During the year, Royal Dutch Shell chose your company as a key supplier of heat recovery steam generators and water tube boilers. Under a five year agreement signed with Shell, Thermax now qualifies as a vendor to bid for Shell projects in the oil and gas sector.

At its manufacturing facility in Savli, Gujarat, Thermax has set up a plant to manufacture bi-drum boilers.

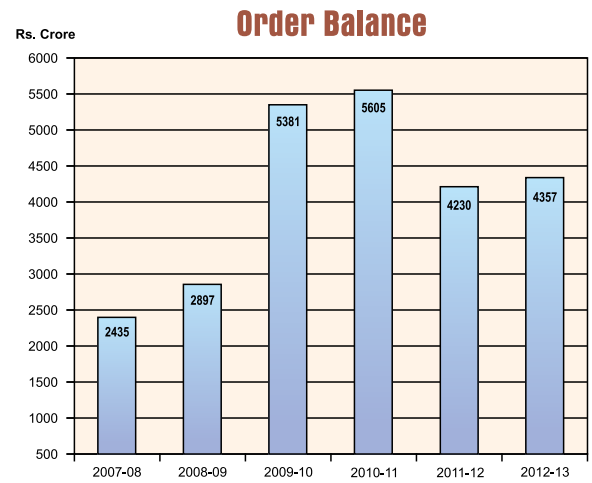
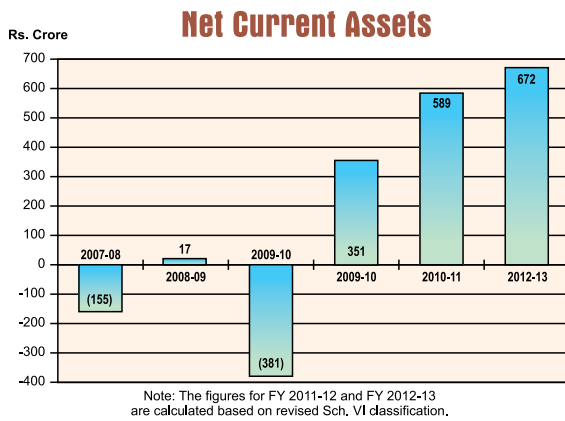
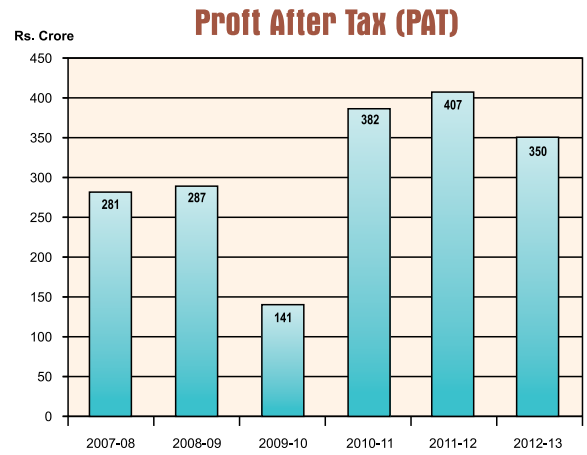
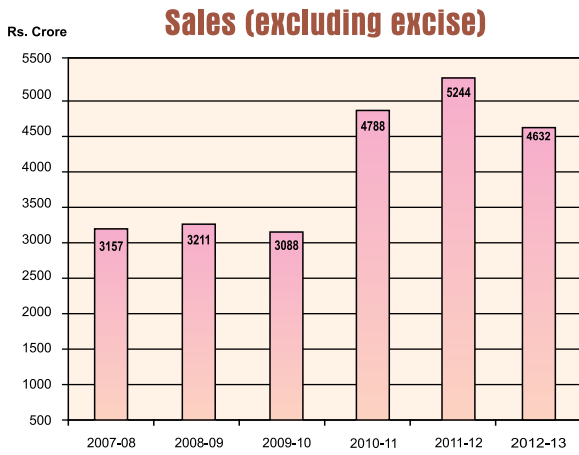
Your company expects challenging conditions to continue in 2013-14 too. The domestic market conditions are expected to remain the same. While the South East Asia, Middle East and African markets are not displaying any signs of slow down, competition has intensified in these markets with Korean, Chinese and European firms pitching in for orders.

With the experience gained from tough times, supported by the goodwill of its customers and dedicated work of its employees, your company expects to stay on course during these turbulent times and resume the growth trajectory it has chosen for itself.

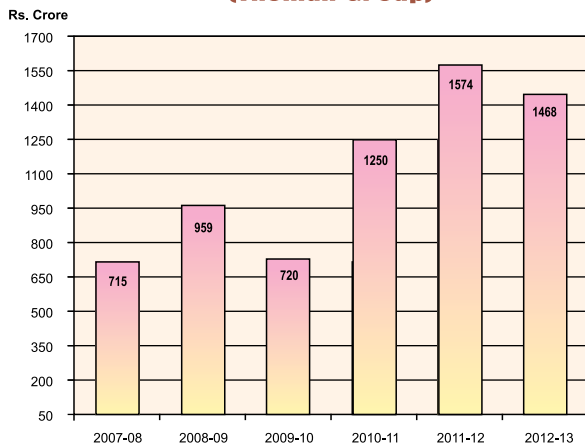
With warm regards,

M.S. Unnikrishnan

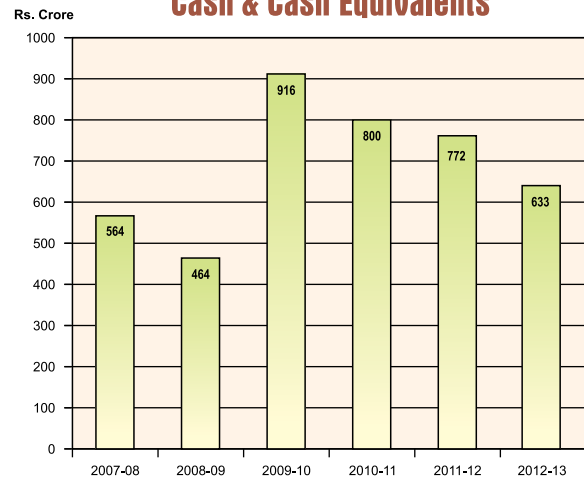




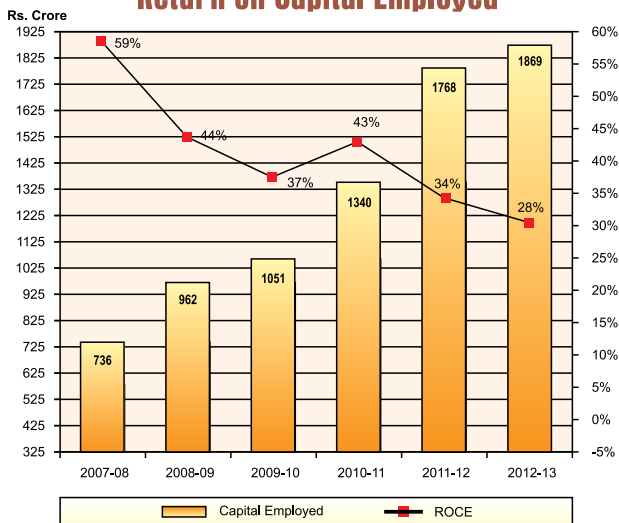
International Business (Themax Group)



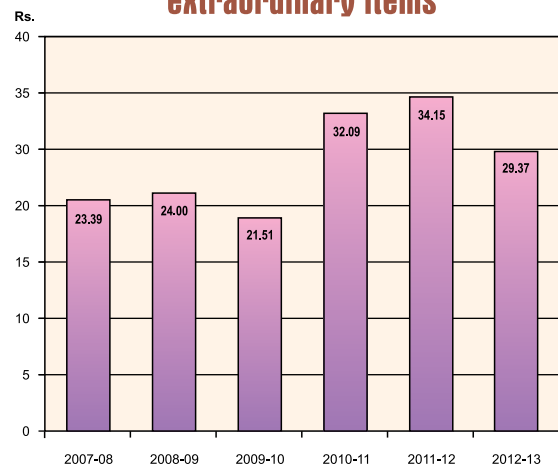
Cash & Cash Equivalents



Return on Capital Employed



Earnings Per Share before extraordinary items



DIRECTORS' REPORT



Dear Shareholder,

Your Directors have pleasure in presenting the Thirty-second Annual Report, together with the audited accounts of your company for the year ended March 31, 2013.

Financial Results

(Rupees in crore)

	2012-13	2011-12
Total income	4763.88	5374.55
Profit before finance cost, depreciation and tax	580.14	654.40
Finance cost & depreciation	64.51	53.50
Profit before tax	515.63	600.90
Provision for taxation (incl. deferred tax)	165.67	194.04
Profit after tax	349.96	406.86
Balance carried forward from last year	1091.46	823.54
Profit available for appropriation (cumulative)	1441.42	1230.40
Proposed equity dividend	83.41	83.41
Tax on dividend	14.18	13.53
Transfer to general reserve	35.00	42.00
Surplus carried forward	1308.83	1091.46

ANNUAL PERFORMANCE

For the financial year 2012-13, your company reported a total revenue of Rs. 4,763.9 crore as against last year's revenue of Rs. 5,374.6 crore, a reduction of 11.4 % owing to a lower order book at the beginning of the year.

Thermax's Energy business – Boiler & Heater, Power, Cooling and Heating divisions plus the fledgling Solar group – contributed 77% of the total revenue while the Environment business comprising Air Pollution Control, Water and Waste Solutions and Chemical division accounted for the remaining 23%. Last year the share of Energy and Environment businesses was 78% and 22% respectively.

During the year, exports including deemed exports were at Rs. 983.9 crore against Rs. 1,142.7 crore last year, a decrease of 13.9%.

Profit before tax at Rs. 515.6 crore was 10.8% of the total revenue, compared to Rs. 600.9 crore, 11.2%, previous year. In a year that continued to witness increase in input costs, lower price realisations and reduced revenues, the company maintained EBITDA margins at 10.8% as the management continued focusing on operational efficiency and controlling costs on a sustainable basis across the company.

Profit after tax stood at Rs. 350 crore compared to Rs. 406.9 crore in the previous year. Earnings per share (EPS) declined to Rs. 29.37 from Rs. 34.15 in FY 2011-12.

Order booking for the year was Rs. 4,859 crore against Rs. 4,032 crore last year, registering an increase of 20%. Your company completed the year with an order backlog of Rs. 4,357 crore as against Rs. 4,230 crore in FY 2011-12. Like the previous year, FY 2012-13 has also been challenging for the capital goods sector. The difficulties of the power sector and the resulting absence of fresh investments and order finalisations continued.

Profit after tax on a consolidated basis is lower than the stand-alone results owing to the losses incurred by Thermax Instrumentation Ltd. (TIL), Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. (TZL) and the company's share of losses in the joint venture subsidiaries, Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. (TBWES) and Thermax SPX Energy Technologies Ltd. (TSPX). TIL, which

undertakes construction and commissioning work for the Power division of the company, is expected to face another challenging year ahead. In the tough market conditions prevailing in China, TZL is still working towards breaking even. The construction of the manufacturing plant of TBWES is nearing completion and the JV is focussing on making it operational.

The consolidated total income of the Thermax Group was Rs. 5,576.5 crore (Rs. 6,174.2 crore, previous year). Income from international business including deemed exports was Rs. 1,468.3 crore as compared to Rs. 1,574.2 crore for the previous year. The Group registered a profit before tax of Rs. 481.4 crore (Rs. 596.5 crore, previous year). Profit after tax, and minority interest was Rs. 320.1 crore for the year. EPS was Rs. 26.87 (Rs. 33.86, previous year).

The audited consolidated financial statements presented by the company include the financial results of all subsidiary companies, prepared in accordance with Accounting Standard 21 issued by The Institute of Chartered Accountants of India. In addition, a statement of summarised financials of all the subsidiaries is included.

ACQUISITION OF ASSETS

In April 2013, the company, through its step down subsidiary Danstoker A/S, Denmark, acquired assets including the factory of D.P. Clean Tech Ltd., Denmark which are suitable for manufacturing and servicing industrial boilers. The assets are held in the newly formed companies viz. Boilerworks A/S and Boilerworks ApS. They will provide additional manufacturing support for Danstoker. The acquisition was funded through the internal accruals of Danstoker A/S.

DIVIDEND

The Directors have recommended a dividend of Rs. 7/- (350 %) per equity share of face value Rs. 2/-. The dividend, if approved by the shareholders, will result in a payout of Rs. 97.6 crore, including dividend distribution tax of Rs. 14.2 crore.

SUBSIDIARIES

By a general circular (No. 2/ 2011 dated February 8, 2011), the Ministry of Corporate Affairs, Government of India, under Section 212(8) of the Companies Act, 1956, has permitted companies not to attach copies

of the Balance Sheets and Profit and Loss Accounts, Directors' Reports, Auditors' Reports and other documents of all their subsidiaries to the Accounts of the company. The company has acted accordingly.

However, annual accounts of the subsidiary companies and the related detailed information are available at any time to shareholders of the parent company, subsidiary companies and to statutory authorities. On request, these documents will be made available for inspection at the company's corporate office.

Thermax Energy Performance Services Ltd. (TEPS)

TEPS, a joint venture company with 51-49 percent shareholding between Thermax Limited and EPS Asia Inc. respectively, had been referred for voluntary winding-up effective February 28, 2007 due to non-acceptance of business model and lack of technical and financial investments from the joint venture partner.

TEPS was dissolved on May 10, 2012 pursuant to the Order passed by the Bombay High Court.

Thermax Sdn. Bhd., Malaysia

Your company acquired this entity (registered under the Companies Act, 1965 of Malaysia) in July, 2012 by way of acquisition of its entire share capital. The entity is now a wholly-owned subsidiary of the company.

MANAGEMENT DISCUSSION AND ANALYSIS

A Management Discussion and Analysis report, highlighting the performance and prospects of the company's energy and environment segments, including details of subsidiaries catering to the respective businesses is attached.

CORPORATE GOVERNANCE REPORT

A detailed Corporate Governance Report is included in this report.

A certificate from the statutory auditors of the company regarding compliance with the conditions of corporate governance as required under Clause 49 of the Listing Agreement is 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 stock code - Thermax EQ) and BSE Limited (BSE stock code - 500411).

FINANCE, ACCOUNTS AND SYSTEMS

Opening cash & cash equivalent as on April 1, 2012

A captive power plant Thermax is building for a leading ferro alloy manufacturer in Orissa. The first unit of this 2x60 MW plant was commissioned in December 2012. The scope of supply in this project being executed on an EPC (turnkey) basis includes two CFBC boilers, water and wastewater treatment systems and air pollution control equipment.





Felicitating employees who complete 25 years of service. In 2012-13, Thermax honoured 89 such employees and their spouses for staying with the company in good and not-so-good times. A dialogue organised at the venue and a dinner were the other highlights of the event.

including current investments was Rs. 771.5 crore. Closing cash & cash equivalent as on March 31, 2013 including current investments stood at Rs. 632.9 crore, after repayment of buyer's credit loan of Rs. 162.8 crore.

In addition to repayment of outstanding buyer's credit loan of Rs. 162.8 crore during the year, the company made net investments of Rs. 127.3 crore in fixed assets (previous year Rs. 105.8 crore) and Rs. 42.7 crore in certain subsidiaries (previous year Rs. 88.6 crore), details of which are mentioned in this report.

The net cash outflow after factoring the above was Rs. 138.6 crore in the current year as against Rs. 25.9 crore in the previous year.

During the year, the company has made net investment of Rs. 195.5 crore in mutual funds which has been shown separately in cash flow statement.

The company's net working capital, adjusted for bank fixed deposits, was positive at Rs. 469.1 crore as against Rs. 33.6 crore in the previous year owing to lower customer advance balances and higher receivables in absolute terms.

The company continued to strengthen the process of building internal controls as well as automation of work flows. Focus on cash flows, working capital as well expenditure control continued through enhanced Management Information Systems.

ICRA Ltd. has reaffirmed its rating, AA+ for long term and A1+ for short term banking facilities. The long

term rating carries a 'Stable' outlook.

Public Deposits

The company had no unpaid / unclaimed deposit(s) as on March 31, 2013. It has not accepted any fixed deposits during the year.

EMPLOYEE STRENGTH

The total number of permanent employees on the rolls of the company was 4,100 as on March 31, 2013 (4,016, the previous year).

WAGE AGREEMENTS

During FY 2013-14, the Memorandum of Settlement with the Thermax Kamagar Sangathan (representing workmen at Chinchwad works) and with the Bhartiya Kamgar Karmachari Mahasangh (representing workmen at Paudh works) are due for fresh negotiations. The management of the company is confident of amicable negotiations and closure of these settlements.

PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956

A statement of the particulars required under Section 217(1) of the Companies Act, 1956 (the Act), 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.

In terms of the provisions of Section 217(2A) of the Act, read with the rules framed thereunder as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219 (1) (b) (IV) of the Act, the Annual Report excluding the aforesaid information is being sent to all the members of the company and others entitled thereto. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the corporate office of the company. The statement is also available for inspection at the corporate office during working hours up to the date of the Annual General Meeting.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association, Pheroz Pudumjee and Dr. Jairam Varadaraj retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment as directors.

COMPANY SECRETARY

Gajanan P. Kulkarni was appointed as the Company Secretary as per the provisions of Section 383A of the Companies Act, 1956. He was also designated as the Compliance Officer in terms of the Listing Agreement.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors, to the best of their knowledge and belief and according to the information and explanations obtained by them with respect to the statement of Profit & Loss for the financial year ended March 31, 2013 and the Balance Sheet as at that date ("financial statements"), 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 have been followed.
2. Appropriate accounting policies have been selected and are being applied consistently. Judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period. Significant accounting policies and other required disclosures have been made in Notes 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

M.S. Unnikrishnan, Thermax MD and CEO won the Asia Innovator Award at the Asia Business Leaders Awards instituted by CNBC. The award highlighted his "inventive thinking in business and his leadership in an organisation that has innovation at its core." The winners were selected from Asia's best after analysing company performances and conducting face-to-face interviews.



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 periodic 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.

COMMITTEES OF THE BOARD

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

- A) Borrowing & Investments Committee: The terms of reference of the committee were amended by the Board on July 26, 2012.
- B) Strategic Business Development Committee: The Board appointed Dr. Jairam Varadaraj as a member of the committee with effect from February 26, 2013.

The Corporate Governance Report gives details of these committees.

AUDITORS

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

As required under the provisions of Section 224(1B) of the Companies Act, 1956, the company has obtained a written consent from them to the effect that their reappointment, if made, would be in conformity with the limits specified in the said section.

COST AUDITORS

M/s. Dhananjay V. Joshi & Associates, Cost Accountants, Pune have been appointed as the Cost Auditors of the Company for FY 2013-14 subject to the approval of the Central Government.

AWARDS AND RECOGNITION

Your company has received the following awards and recognition during the year:

- Thermax MD and CEO, M.S. Unnikrishnan received the Asia Innovator Award at the 2012 CNBC Asia Business Leaders Awards (ABLA) in Bangkok. He is the first Indian to receive the Innovation Award in the 11 year history of ABLA.
- Thermax's Savli and Chinchwad factories won awards from the CII and the Greentech Foundation for their health, safety and environment (HSE) practices, employee involvement and environment management systems.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the continued support extended during the year by the company's clients, business associates, suppliers, bankers, investors, government authorities and joint venture partners. Your Directors also place on record their appreciation of the dedication and contributions made by all the employees including the workmen, for commitment, hard work and support.

Your Directors would also like to thank all their shareholders for their continued faith in the company and its future.

For and on behalf of the Board

Pune: May 22, 2013

Meher Pudumjee
Chairperson

Annexure to the Report of the Board of Directors as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, for the year ended March 31, 2013

A. CONSERVATION OF ENERGY

The overall energy consumption of the company is not substantial as its processes require optimal energy. During the year, the following measures were taken towards energy and resource conservation:

1. Electricity: At the Chinchwad and Savli manufacturing facilities, consumption was optimised using energy efficient systems including installing auto on-off, replacing old devices, arresting leakage points through air audit, proper crimping of air hoses with internally developed crimping tools; and maintaining the power factor according to State Electricity Board norms, resulting in an annual saving of Rs. 0.8 crore.

At the Paudh plant, the company has reduced electricity consumption by 11% over the last year for every cubic metre of resin produced. This was done by controlling process cycle time, effectively utilising power-consuming machinery and reducing power consumption in cooling towers by relocating them from the ground to the top of the building.

2. Water: The company saved Rs. 1.35 lakh by minimising wastage of potable water at various locations in the Chinchwad plant.

At Paudh and Jhagadia plants, around 1,70,000 m³ water has been recycled and used for gardening, process and recirculation of condensate water to boiler feed.

3. Fuel: At Paudh, the company has been able to save Rs. 0.5 crore through improvement in boiler efficiency and optimum utilisation of steam.

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

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

Four R&D-cum-technology demonstration projects

initiated as public-private partnerships were commissioned successfully. These projects are a) Distributed power generation through a combination of solar and biomass, b) Solar air conditioning, c) Cold storage using solar biomass hybrid technology and d) Anaerobic wastewater treatment. In solar air conditioning, the company has demonstrated three more prototypes in the field, especially to cater to the needs of small and medium offices with medium to low temperature solar collectors.

In the area of energy, the company also made substantial progress on internationally funded projects and enhanced its networking with international research institutes. In the environment sector, new applications of technology on indoor air quality are currently being studied and initial experiments have shown positive results. The new generation designs for air pollution control equipment are in the final stages of development.

Innovation projects undertaken for pollution control equipment demonstrated significant performance improvement. New designs were developed for sewage treatment plants to meet stringent norms stipulated by pollution control boards and to accommodate plants where space is a constraint.

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

The technology demonstration projects have created considerable interest and a credible enquiry base for second stage demonstration projects in solar cooling, cold storage, etc.

Spin-off benefits in these technology demonstration projects like parabolic troughs, organic rankine cycle, triple effect chilling system and gassifier will also find applications in many related energy fields.

The R&D work on air pollution control and waste water is beneficial in improving efficiencies of the existing products as well as meeting the stringent norms of waste disposal.

3. Future plan of action

Renewable energy technologies - solar (both concentrated solar thermal and photovoltaic), biomass and geothermal will gain importance in

the coming years. Solar thermal technologies for power, heating, cooling and low temperature waste heat recovery will continue to be thrust areas. Your company will invest its resources in areas like energy efficient technologies for commercial buildings, fuel cells, absorption cooling systems, etc.

In the environment sector, your company is focusing on waste-to-energy products and improved wastewater treatment systems to meet stringent environmental regulations.

As part of its strategy, your company intends to invest in new applications in photovoltaic (PV) systems.

4. Expenditure on R&D

Particulars	Amount in Rs. crore	
	Current year	Previous year
a. Capital	3.8	3.9
b. Recurring	18.7	15.3
c. Total	22.5	19.2
d. Total R&D expenditure as a percentage of turnover	0.49%	0.37%

Technology absorption, adaptation and innovation

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

- Assimilation and adaptation of technologies related to biomass gasification designs and harnessing of geothermal energy in India through new innovative concepts.
- In-house development of surface and coating chemicals which fill product gaps in the range of paper chemicals are currently being tested in the market.
- Innovations and automations in dual axis tracking systems for concentrating solar thermal as well as solar PV systems.

- Development of special combustion grate (pusher grate) for waste-to- energy projects and the development of high capacity, low velocity carbon burnout unit in the field of large sized boilers and heaters.

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

- Initiatives in biomass gasification and geothermal technologies will result in efficient and easier power generation and addition of green products to your company's portfolio.
- Introduction of surface and coating chemicals expanded the product basket of Thermax paper chemicals.
- Innovation in the solar domain such as dual axis tracking system helped capture more energy, thereby reducing solar field footprint and eliminating manual intervention.
- Newly developed special combustion grate proved to be the best import substitute for European and Chinese technologies for the waste-to-energy market in India.

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

Technology imported	Year of import	If technology has been fully absorbed	If not fully absorbed, reasons and future plan of action
High pressure condensate polishing unit technology	2012	In the process of absorption	This technology would be absorbed after commissioning and execution of a commercial project. Currently, such a project is being pursued.
Construction chemicals technology	2011	In the process of absorption	The technology transfer is complete and the product development, third party testing and seed marketing is in the final stage. It is expected to be completed in FY 2013-14.
Technology for certain intermediaries used in the manufacture of different bases of concrete admixtures	2011	In the process of absorption	
Reciprocating grates	2010	Yes	N.A.
Difficult-to-degrade wastewater systems	2009	In the process of absorption	Technology absorption and application development has been completed for other industrial segments and commercialisation is being pursued.
Sequencing Batch Reactor system	2009	In the process of absorption	Project commissioning has been delayed due to various constraints. Once the project is commissioned, the technology will be absorbed.
Photo-electro chemical air purification technology for indoor air purification	2009	In the process of absorption	Basic product development completed including rapid prototyping. New critical applications in industrial segments with good potential identified. Detailed understanding of requirements in the identified segments done. Initiated investigations to evaluate product efficacy.
Eco Power	2008	In the process of absorption	First prototype unit manufactured and ready for testing.
Sub critical utility boiler technology	2008	In the process of absorption	The first and second pulverized coal boiler installations were commissioned during FY 2012-13. Performance trials are scheduled in FY 2013-14.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The company's operations in export markets are elaborated in the Management Discussion and Analysis Report.

During the year, the company had a net foreign exchange inflow of Rs. 381.3 crore as against a net inflow of Rs. 44.6 crore in the previous year.

The details on foreign exchange earnings and outgo are given in the Notes 31(j), 31(k) and 31(l) of Financial Statements, which form part of the Annual Report.



HIGHLIGHTS OF 2012-13



Thermax channel partners grew with the company, guided by its commitment to support customers with reliable products and service. Thermax recently honoured several of these associates on completing 25 years of partnership.



Gold Award for the cogeneration plant that Thermax built for Bataan:20, a paper manufacturer in Philippines at the Asian Power Awards 2012.



Honours for the Environment Management System deployed at Thermax's Chinchwad manufacturing facility. The company officials received the Golden Peacock Award, 2012 at the Annual World Congress on Environment Management.



Performance bonus for the Thermax team that looks after the operation & maintenance of the captive power plant of Madras Cements Limited at Jayanthipuram, Tamil Nadu.



The solar photovoltaic installation for lighting at St. Xavier's college Mumbai, is one of the several aesthetically executed projects from Thermax that are synchronised with the power grid.

MANAGEMENT DISCUSSION AND ANALYSIS



Overview of the business environment

As the economic distress in international markets continued, global economic growth slowed to 3.2% in 2012 from 3.9% in the previous year. Most international markets, especially the larger economies, experienced even tougher times in the past year. With the continuing Eurozone difficulties, austerity measures resulted in less spending, further slowing down economic growth. Among advanced economies, Japan appeared to be the only exception and with its new economic policy unveiled, poised to reverse its prolonged phase of deflation.

The American GDP shrank 0.1% further in the fourth quarter of 2012 while unemployment dropped to 7.9% in January '13 indicating that turnaround will be a painfully slow process for the world's largest economy. The overall growth rate for developed economies was much lower at 1.6% and 1.3% for 2011 and 2012 respectively. Many emerging economies including those of BRIC (Brazil, Russia, India, China) countries have witnessed decelerating growth with financial protection measures being introduced by some.

On the domestic front, the Indian economy continues to be in the grip of a slowdown, though among the developing economies, only China and Indonesia grew faster than India in FY 2012-13. While strong post-financial-crisis stimulus led to stronger growth in FY 2009-10 and FY 2010-11, in the last two years (FY 2011-12 and FY 2012-13), growth slowed to 6.2% and 5.0% respectively. Growth in the services sector also declined from 8.2% in FY 2011-12 to 6.6% in FY 2012-13. High inflation and the tightening monetary policies slowed down consumption demand in FY 2012-13. The consumer price index (CPI) for inflation also remained close to double digits throughout the year.

The continued global slowdown led to surplus capacities in Europe and China, thus affecting capital goods exports from India especially in the power sector. With net exports declining, India's balance of payments and current account deficit have come under pressure. With government savings falling, the current account deficit also widened due to higher external borrowings.

The capital goods sector was adversely affected for the second consecutive year. Investments have continued to be low especially in infrastructure sectors like power due to policy challenges affecting important milestones such as environmental clearances, fuel linkages and land acquisition, among others. Factors like sectoral banking limit exhaustion and tariff revisions have further added to the complexities resulting in a large number of big projects being delayed. The sector hasn't seen any improvement in new order finalisations. There aren't visible signs of change in the situation in the immediate future as this stagnation is likely to continue, severely limiting the number of active projects in the market. Moreover, projects that have been sanctioned are slowing their pace of execution, bringing tightness to the cash cycle. Competition has become intense due to many players chasing fewer orders.

The year saw capacity utilisation in the capital goods sector hovering at about 70% with above average inventory levels and no major capacity additions announced. With the country approaching general elections, the possibilities of new radical policy changes and their implementation or their positive impact on large lead projects seem unlikely.

However, it is not all gloom. In recent months, there have been signals of positive growth from both USA and Japan. In India, there have been some encouraging indicators for prospects of growth in the medium and long term. From its peak of 8.3% in November 2011, inflation declined to 4.2% in December 2012. The consumer spend has sustained so far with consumption



At the 130 MW combined cycle power plant of PT Bekasi Power in Jakarta, Indonesia, heat recovery steam generators from Thermax provide essential support. They convert waste heat from gas turbines into steam to generate additional power.

in smaller towns and rural areas maintaining its active trend, stimulating growth of smaller process industries, though at a slow pace.

The cement sector is witnessing better capacity utilisation and profitability. The oil and gas sector is also expected to be buoyant in FY 2013-14 as major PSU oil companies have declared their expansion plans for

the coming year. In the steel sector, beyond some brown field expansion in the near future, no major revival is visible. Food processing continues to see expansion and new investments. Overall, though the aspirational imperatives of the economy and the derisking strategies that individual companies are putting in place could have some positive effect, FY 2013-14 is going to be another challenging year.

The power sector continues to lag behind and no major changes are expected even next year. The 88,000 MW generation capacity aimed for in the 12th Five-Year Plan (2012-17) is still held up in the confusion of governmental policy formulation and implementation. Though various measures from amending existing fuel supply agreements (FSAs) to price pooling of coal are being discussed, closure on these critical issues still remains elusive and prospects of recovery for the sector remains distant. The power shortages in many states across the country will compel the revival of captive power generation in the coming year. This augurs well for the captive power generation business.

There are indisputable grounds for growth and there is the expectation that the economy will shift to its earlier phase of dynamism. Though the last two years saw economic performance slipping below what was expected, effective government policies and planning can ensure growth for India. Such a revival demands investments in energy and non-conventional resources. Though short term prospects appear bleak, for companies positioned in the power sector, outlook for medium and long-term is good.

Despite political difficulties, the government has made some bold moves in the past few months. The Union budget is designed with a medium term focus. Efforts to contain fiscal deficit plus the measures to alter the current account deficit situation are positive signals for the economy and are bound to give the required stimulus to revive the country's exports. The budgetary allocation for the proposed implementation of Goods and Services Tax will certainly stimulate industrial growth. Investment allowance for projects of over Rs. 100 crore will provide the impetus for companies to opt for investments.

The scheme for restructuring the debts of state power distribution companies could lead to better recoveries and may encourage capacity additions in the long run. The setting up of the Cabinet Committee of Investment headed by the Prime Minister to fast-track mega

projects is a welcome move for the industry. Permitting FDI in a number of areas including power exchanges is a ray of hope for a revival in the power sector.

However, as it takes time for policy intent to be translated to industrial revival, it will take longer for its impact to be felt by the capital goods sector and FY 2013-14 is not going to be significantly different from FY 2012-13.

Overview of company operations

Your company posted lower results for fiscal FY 2012-13 with a total revenue of Rs. 4,763.9 crore and a net profit after tax of Rs. 350 crore. Export income, including deemed exports decreased by 13.9% to Rs. 983.9 crore.

The economic uncertainties in the domestic and international markets resulted in a reduced opening order book, affecting Thermax's performance for the year under review. However, the order booking during the year improved to Rs. 4,859 crore, an increase of 20 % from the previous year.

With lower opening carry forwards, the project businesses of the company – power, large boilers and air pollution control – performed at lower levels. Still, the order balance at the end of the year stood at Rs. 4,357 crore, a marginal improvement of 3% over the previous year.

Product development teams at Thermax innovate to meet new challenges at customer facilities. A Dry Cooler, introduced during the year can help industries in water scarce areas conserve their resources. They utilise air as a medium for heat transfer in place of water, traditionally used in conventional cooling towers.



The company's standard product businesses, except heating, have a healthy order book. They introduced several new products that could bring in new revenue streams for the company in the coming years. A separate segment in this report provides details of the new products.

The order booking during the year was mainly from public sector steel units, cement and power sectors. Food and food processing, textile and pharma also contributed.

For the export market, South East Asia and the Middle East accounted for the largest market share. Thermax also continued to make inroads in the African market.

The Service business of the company grew by 44.6% over the previous year.

New products

The Cooling division introduced 'Dry Coolers'. They are convective heat transfer machines and substitute conventional wet cooling towers. As the dry coolers utilise air as a medium for heat transfer unlike cooling towers that use water, they can help industries operating in areas troubled by water scarcity.

Hybrid Chillers, also introduced during the year, combine absorption and compression technologies to

reduce power consumption by half while generating additional steam or other forms of heat. They offer sub-zero chilling for process cooling applications.

Both these cooling systems have already found customers.

The Heating business group launched a solid fuel fired hot air generator called Aquaerotherm to provide clean hot air for process heating and drying. The group has already supplied several units to tea estates.

The Research, Technology and Innovation Centre (RTIC) successfully completed a technology demonstration project of a solar based cold storage facility for rural areas. Installed at the Solar Energy Centre of the Ministry of New and Renewable Energy (MNRE) at Gurgaon, the system is now ready for demonstration under different conditions.

Energy Segment Analysis

Year	Energy Business		
	Income * (Rs. crore)	Growth (% YoY)	Income from exports (Rs. crore)
2010-11	3,879	61	883
2011-12	4,150	7	980
2012-13	3,637	-12	789

* Figures are adjusted for inter-segment income.



Thermax was awarded a Rs. 280 crore project by a Government of India enterprise for a combined cycle extension power project in the North East. Thermax has contracted over 80 power projects on various fuels – coal, washery rejects, waste heat, natural gas, renewable energy including biomass and solar.

Thermax systems treat water at various State managed power installations. The clarifier and associated systems at the recently commissioned 180 MLD water treatment plant for the Karnataka Power Corporation Limited (KPCL). The treated water is used in KPCL's cooling towers.



Energy business of your company accounted for 77% of segmental revenues and has declined by 12.4%, owing to the lower order carry forwards.

This segment had a profitability of 10.4% (10.7% last year). The adverse factors affecting project businesses impacted this segment's performance, especially that of the large boilers. However, the standard products businesses – Cooling and Heating – capitalised on the sectors unaffected by the slowdown and performed reasonably well.

The Operation & Maintenance (O&M) group of the Power business continued to do well. The services business of Cooling and Heating entered new markets in Africa and the Middle East.

The gap in the demand and supply of power as well as the sharp increase in electricity rates in some states is expected to provide an impetus to the company's captive power generation business.

A. POWER

Power division registered lower revenues owing to lower carry forward business from the previous year. However, during the year the group was able to achieve higher order booking, which promises a better FY 2013-14.

The Power division won several EPC power plant orders from a number of prestigious customers in India and abroad. Among them were orders for an 80 MW

captive power plant from a leading Government of India enterprise for its new 3 mtpa integrated steel plant in central India and a combined cycle extension project from a leading PSU in the North East of India. The year also witnessed the division winning breakthrough orders from new sectors like pharmaceuticals and distilleries. It has also entered the solar thermal space by being the EPC partner for a project to set up Asia's largest power plant based on Compact Linear Fresnel Reflector (CLFR) technology.

The division advanced its internationalisation programme to de-risk reliance on the domestic business and has successfully entered the emerging markets of Africa with an order from Zambia. It also expanded its presence in SAARC with an order from Sri Lanka.

For a captive cogeneration plant built for a leading paper manufacturer in the Philippines, the division won the prestigious Gold Award at the Asian Power Award 2012. Leveraging this success, it also bagged another 20 MW biomass based power project in the region.

The division commissioned over 400 MW of power projects in 2012-13. These included the first units of two of its major projects – the 300 MW IPP in Andhra Pradesh and the 120 MW captive power plant for a ferro alloy plant in Orissa, demonstrating its capability to set up larger power plants.

The division continued to focus on safety measures at its project sites and ensured 'safe man hours' at multiple sites across the country.

In view of a healthy order book this financial year, the division expects a marginal improvement in performance.

Power Plant Management (O&M) Services

The Power Plant Management (O&M) business continued its healthy growth in revenues with repeat orders and renewals of earlier contracts from most of its customers. This service group won a bonus for achieving more than 99% reliability at a cement company's captive power plant which it is operating and maintaining. It also bagged the Best Contractor Award for 2012 from one of the leading Chlor Alkali manufacturers in India for its O&M services.

Outsourcing of power plant O&M is fast becoming a preferred option, resulting in a positive outlook for this business.

Thermax Instrumentation Limited (Wholly Owned Subsidiary)

Thermax Instrumentation Limited, the construction arm of the Power division, earned a total income of Rs. 217.4 crore during the year (Rs. 249.5 crore, previous year). The company posted a net loss of Rs. 20 crore (Rs. 10.4 crore loss, previous year) mainly because of cost overruns and provisions on certain contracts. Order booking in the captive power sector in the current year is Rs. 190.7 crore (Rs. 100.1 crore, previous year). Efforts are on to improve the company's performance and bring about a turnaround in FY 2013-14.

B. BOILER & HEATER

The Boiler & Heater (B&H) division of the company registered revenues lower than the previous year. Lower order carry forward from the previous year, sluggish investment climate and the near absence of new projects affected its performance.

During the year the division successfully commissioned many large Circulating Fluidised Bed Combustion (CFBC) / pulverized coal fired boilers and high capacity fired heaters. At a refinery in Gujarat, the division commissioned utility scale power boilers (2 x 750 TPH capacity, 2 x 225 MW equivalent). The Strategic Business Unit (SBU) also commissioned its largest capacity oil & gas fired boiler for a fertilizer company in Egypt.

The division bagged orders for blast furnace gas fired boilers from steel companies. From international EPC companies it won two prestigious orders for waste heat recovery boilers.

Having commissioned three high capacity bagasse fired boilers and concluding an order for a fourth boiler, B&H is establishing its foothold in Thailand.

During the year the division implemented 'Project Ascent' to improve business performance

In the absence of new investments and a lower order book, outlook for the Boiler & Heater division's performance in FY 2013-14 will be subdued.

B&H Services

The Services arm of the Boiler & Heater Group was able to obtain a large number of spares orders. The Group also successfully bid for several plant improvement projects (PIP) for competitors' boilers and heaters in both domestic and overseas markets.

It enhanced its presence in the Condition Assessment and Residual life Analysis of heating systems. Besides, the Services group also carried out substantial developmental activities for the Indian navy, as part of their indigenisation programme.

During the year, based on customer industry clusters, the SBU mobilised a number of service engineers at different locations in India to cater to service requirements.

Thermax Engineering Construction Company Limited (Wholly Owned Subsidiary)

The Company undertakes and executes engineering construction projects mainly for the Boiler & Heater division of the company. This subsidiary posted a total income of Rs. 191.7 crore for the year (Rs. 171 crore, previous year) on account of increased scale of operations. It made a profit after tax of Rs. 4.5 crore (Rs. 7.1 crore, previous year), the dip due to increase in direct cost and decrease in other income during the year. With its year-end order balance lower than the previous year due to the slowdown in the relevant sectors where it operates, the company expects a challenging FY 2013-14.

C. COOLING

The Cooling business had a healthy growth in revenues as well as order booking in FY 2012-13.

In India, the division maintained its performance despite the difficult economic conditions and factors that affected the market such as the substantial rise in gas price and its non-availability. Innovative applications and the introduction of newer products have enabled the business to offset challenging conditions. With substantial increase in power costs in several states in the recent past, the outlook for the Indian market looks positive.

International business accounted for more than a half of revenues as well as order booking. In spite of the difficult economic situation, business from Europe grew on account of large capacity heat-pump orders. The market share improved substantially in Bangladesh and business from new territories like Algeria, Lebanon, Tunisia, South Africa and Qatar contributed to growth. With consolidation in the markets of Africa, Russia and Turkey, the installed base in these regions is set to improve. Outlook for the export business is also positive for FY 2013-14.

The division introduced the triple effect series of chillers which is a path breaking achievement in vapour absorption technology. These chillers that work on hot water, steam and exhaust are 25% more efficient as compared to double-effect technology. Exhaust based triple effect will give 15% more heat recovery than

currently operating chillers, a key differentiator for cogeneration requirements.

Other products introduced during the year include 'Dry Cooler', slated to find increasing acceptance in view of the looming water scarcity and Hybrid Chiller, combining absorption and compression technologies to reduce power consumption by half while generating additional steam or other forms of heat.

With a healthy order carry forward, buoyancy in some of its export markets and a domestic power situation troubled by shortages and sharp rise in electricity charges, the cooling business is poised to maintain growth in FY 2013-14.

Thermax (Zhejiang) Cooling and Heating Engineering Company Limited (Wholly Owned Subsidiary)

The turnover of this company supporting the global cooling business declined marginally compared to the previous year. For FY 2012-13, the revenue stood at RMB 61.7 million (USD 9.9 million) as compared to RMB 67.7 million (USD 10.89 million). After accounting for interest and depreciation, loss for the year was RMB 10.3 million (USD 1.66 million) compared to RMB 8.4 million (USD 1.3 million) for last year.

The fall in revenue has been primarily due to the global slowdown that also affected China, and competition in the local market. The company continues to supply quality equipment to its customers on time.



Thermax aims to make use of the cleaner biotechnology route in place of the traditional chemical processes to develop select products or used as inputs in its existing products. The company has set up a new biotechnology lab and signed a technology agreement with the National Institute for Interdisciplinary Science and Technology (NIIST).

With product orders being flat, the company would focus on making its service more effective in China by establishing a service franchisee network.

Thermax Inc. (Wholly Owned Subsidiary)

Thermax Inc., the US subsidiary, recorded revenues of USD 12.7 million (USD 13.6 million, previous year) and a profit after tax of USD 0.17 million (USD 0.21 million, previous year) in FY 2012-13.

In view of the slow recovery of the US economy, the performance of the company in FY 2013-14 is likely to be subdued.

Thermax Europe Limited (Wholly Owned Subsidiary)

Operating in the tough conditions that continued to prevail in Europe in FY 2012-13, the subsidiary was able to maintain its performance.

The year closed with a turnover of £ 5.30 million (£ 5.35, previous year.) The pretax profit, stands at £ 635,000 (£ 611,864, previous year). The strong carry forward at the beginning of the year helped the company to achieve its projected turnover. Non-availability of funds in the market has affected the performance in southern Europe, where squeeze on funding to public projects have affected the cogen markets for Thermax chillers.

The Heat pump business continued to find application in district heating networks and is part of the energy efficiency schemes for such plants. The company has bagged in March '13 the largest ever order from Europe for the supply of large heat pumps for a project in Denmark.

The outlook for FY 2013-14 is good.

D. HEATING

Heating business recorded an increase of 8.5 % in its income compared to last year with exports accounting for over 35.6 % of revenue. The moderate performance of some of the industry segments – food processing, textile, chemical, pharma, and distillery – helped the SBU maintain its performance.

Lambion grate technology that Thermax absorbed last year helped Heating pick up several biomass based

orders. Major orders in exports included its single largest boiler order till date from a steam and power rental company, a thermosyphon order for the edible oil segment from Indonesia and boilers for polysilicon segment in the Middle East.

Heating launched a solid fuel fired hot air generator called Aquaerotherm to provide clean hot air for process heating/ drying in industries.

The new bi-drum state-of-the-art manufacturing facility at Savli, Gujarat went on stream in December 2012.

It is going to be a challenging year in view of the continuing slowdown of most sectors, coupled with escalating fuel cost. Heating SBU expects business from the market shift to biomass and other solid fuel fired systems to drive its growth in FY 2013-14.

Danstoker A/S (Wholly Owned Subsidiary)

Investment and industrial growth continued to be subdued in Europe. Tough economic conditions prevailed in Germany while the smaller Scandinavian economies remained stable. In the tough market conditions that prevailed, Danstoker and its German subsidiary Omnicol maintained their revenues at € 53 million. Both companies have a healthy order balance, significantly higher than last year.

Danstoker continued to maintain its dominant position in the renewable fuels market with 53% of its total order booking from this segment. Omnicol continued to work with industry majors and garner business in the waste heat recovery boiler segment. It standardised its offerings in the 5 Mw and higher steam and hot water boiler segment helping it to gain access to packagers and customers in various markets.

From Latin America, Danstoker has picked up orders in Chile, Honduras and Spain. Omnicol made a breakthrough in the Middle East market with a 40 TPH x 3 boilers order through Thermax India. Danstoker's focus on Canada is expected to generate business in the near future.

Outlook for Danstoker and Omnicol for fiscal 2013-14 is better.

Services (Cooling & Heating)

The SBU offering energy efficiency solutions registered an increase of 9.6% in its total income during the year.



Another new product introduced in 2012-13, a scaled down CFBC (circulating fluidised bed combustion) boiler. This system packs classic CFBC benefits –higher efficiency, fuel flexibility and lower emissions – for smaller capacities (less than 80 TPH), making them affordable to medium level industries.

Focus on product lines along with growing business in Africa, Middle East & South East Asia markets supported its profitable business growth.

The steam engineering manufacturing facility the group set up received the required statutory approval for production of various steam accessories. Supplies from the facility have already begun to various industries. The SBU offers products for heat recovery, emission reduction, efficiency improvement services including equipment health checkups, life assessment services, remote monitoring and mobile based service call management.

With the prospect of sustained business, the outlook for the business continues to be positive.

Rifox-Hans Richter GmbH (Wholly Owned Subsidiary)

Effective 1st April 2012, Thermax had acquired Rifox, a Germany based company providing high-end steam efficiency products. The company has a state-of-the-art manufacturing facility at Bremen. The company is geared to serve industries such as nuclear power, ship building, chemical, pharmaceutical and oil & gas.

In its first year of operations after acquisition, Rifox had a revenue of €3.118 million. After accounting for interest & depreciation, loss for the year is €192,453 (€286,849 previous year).

The company supports Thermax’s global service

business and will continue to concentrate on increasing its global reach to stabilise and consolidate its business.

E. SOLAR BUSINESS

This financial year has been eventful for the Solar business. Consolidating its position in the solar thermal market, the group is designing solutions for both, cooling and heating applications across industry and commercial verticals.

The Solar group set up several demonstration projects at the Solar Energy Centre, Gurgaon deploying technologies like Absorption and Adsorption. This included a rural cold storage facility for agricultural products. With the objective of commercialising such projects, a solar air conditioning project of 100 kW was commissioned for a multinational engineering major in Andhra Pradesh and a plant of 350 kW is getting ready for a strategic government installation in Rajasthan. Two of its installations in solar process heating are also operating successfully.

FY 2012-13 also marked the year of your company’s successful foray into Photovoltaic (PV) EPC. Beginning with a roof top installation on a Thermax building in Pune, there are now several small and medium installations. Its solar PV business received the highest SP-1A rating, while the group maintained a similar rating for the solar thermal business.

With the stabilising of the business, and with uncertainties plaguing the power sector, the outlook for FY 2014 for the solar business is promising

Environment Segment Analysis

Year	Environment Business		
	Income* (Rs. crore)	Growth (% YoY)	Income from exports (Rs. crore)
2010-11	973	25	183
2011-12	1154	19	163
2012-13	1054	-9	195

* Figures are adjusted for inter-segment income.

The environment segment accounted for 23% of the segmental revenues, a dip of 8.7% compared to the previous year. This segment had a profitability of 11.3% (13.8% last year).

The delay in the announcement of the second phase of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) that covers the water utilities affected the momentum of the company's water business in the area of municipal infrastructure. However, owing to the acute shortage of water experienced in different parts of the country, the water business was able to address the water recycling needs of small and medium industries.

The Chemical business of this segment has enhanced its revenues in tough times. The service arm of the Chemical & Water groups has increased its business in the O&M of water utilities.

F. AIR POLLUTION CONTROL (ENVIRO)

Challenging conditions prevailed in both domestic and international markets for the company's air pollution control business. Both revenue and profits of the division were adversely affected due to the economic slowdown and paucity of investments in the key market segments of cement, steel and power.

During the year, the division successfully commissioned its largest electrostatic precipitators (ESPs) on a 325 MW coal fired co-generation power plant in Western India.

In fiscal 2013-14, the division's business is likely to remain subdued due to continued sluggish investment in key customer segments. Intense competition in these segments and higher input cost are eroding margins by exerting pressure on market share and price realisation.

The division's manufacturing unit at Solapur, Maharashtra is already operational.

G. WATER AND WASTE SOLUTIONS

The SBU marginally improved its performance in 2012-13. The slowdown in the power sector and the lack of announcements of the new phase of JNNURM schemes for urban water projects made it a difficult year for this business.

During the year under review, the SBU addressed the industrial needs of refineries, non-ferrous metals etc. It also ventured into international markets. It has been putting to use the guiding principle of 'reduce, reuse, recycle' for the country's small and medium enterprises (SME) that have retained growth momentum in spite of the macro economic slow down. The division offers water recycle solutions to this sector where water availability is hampering industrial units.

Water scarcity resulting in reduction in supply of fresh water or higher supply rates, coupled with stringent discharge norms by pollution control boards have created a difficult operating context for industries. The SBU has deployed several new technologies and will help customers conserve their water resources.

With capital investment under stress, this business is expected to grow only at a moderate pace.

H. CHEMICAL

The Chemical SBU improved its performance in both revenue and profits, against the backdrop of slowdown in larger infrastructure industries. It has gained from focusing on R&D based products that address special needs like recovering precious metals from industrial wastewater or preventing discharge of pollutants from mines and industries. Such products developed in the water treatment and paper chemical ranges have helped clients use low grade water and raw material, while maintaining product quality and adhering to environmental standards.

The division has successfully transferred technology for construction chemicals from Tecnochem Italiana SpA, the Italian company. Seed marketing and product certification from nationally acclaimed laboratories are in an advanced stage of completion.

The new manufacturing plant for performance chemicals at Jhagadia in Gujarat has been upgraded for additional output to meet sales requirements. This

additional facility has improved the response time of the business to deliver products to customers.

The SBU is confident of performing better in FY 2013-14

Services (Chemical & Water)

The service business of Chemical & Water grew in FY 2012-13 by offering a host of benefits – operation & maintenance services to run customer facilities and; repair and augmentation services that enable them to modify existing plants rather than building a new plant for water treatment.

Water quality and availability issues are persuading today's industry to demand better results from their existing plants. Outlook for the SBU in FY 2013-14 appears bright.

Other Wholly Owned Subsidiaries

Thermax Onsite Energy Solutions Limited (TOESL)

TOESL established Thermax's energy rental business and earned a total income of Rs. 11.3 crore as against 9.2 crore for the previous year. Profit after tax was at Rs. 1.3 crore against 1.1 crore in the previous year.

During the year 2012-13, the company generated and supplied 43,794 tons of steam and 4,240 Mn Kcal of heat from existing projects for various clients. TOESL bagged three prestigious orders from leading multinational and Indian companies for supply of steam for their manufacturing facilities in southern and western India.

With companies reluctant to opt for capital expenditure, TOESL's business model is likely to attract more customers. The outlook for the company is encouraging.

Thermax Sustainable Energy Solutions Limited (TSESL)

During the year under review, the company successfully registered 27 projects under the Program of Activities (POA) with the United Nations Framework Convention on Climate Change (UNFCCC). However, overall outlook of this business, at present, isn't encouraging due to the very low price of Certified Emission Reductions (CERs) in the global market. The company is closely watching developments and will

make moves that are in the best interest of the company and its customers.

If there is no improvement in the price of CERs in the global market, the entire viability of the business will be challenging, compelling us to take curtailment decisions.

Joint Venture Subsidiaries

Thermax Babcock & Wilcox Energy Solutions Private Limited

During the year, the company has successfully transferred the technology from Babcock & Wilcox, the JV partner, for 660 MW and 800 MW in the supercritical range. Indigenisation of the technology including critical components conforming to Babcock & Wilcox standards has been completed. The manufacturing plant construction at Shirwal, Satara (Maharashtra) is nearing completion.

The Shirwal plant has already received Indian Boiler Regulation (IBR) approval and its products will be built in accordance with the Boiler and Pressure Vessel Code of the American Society of Mechanical Engineers (ASME).

The company does not expect a quick reversal of the market conditions that are troubling the power equipment sector in the country – weak financial position of the generation companies, banks' reluctance to go beyond sectoral lending limits, non availability of coal, non passage of land acquisition bill by the Parliament and so on. It is preparing to address the limited number of active contract finalisation expected in the forthcoming year.

Thermax SPX Energy Technologies Limited

During the year, this joint venture won orders for air cooled condensers for thermal power plants and successfully completed their design, engineering, manufacturing, installation and commissioning.

The company earned an income of Rs. 16.4 crore against Rs. 4.32 crore in the previous year. It incurred a net loss of Rs. 2.43 crore compared to Rs. 4.15 crore in the previous year.

The company plans to extend its presence to international markets with support from SPX Cooling Technologies and Balcke Duerr GmbH, the subsidiaries

of the JV partner, SPX Corporation. However, the year ahead will remain a challenging one.

Health, Safety and Environment Measures

Thermax continued to focus on its safety practices, steadfast in its belief that all injuries are preventable. On a quarterly basis, the Board reviews the safety performance of the company and the Managing Director reviews each division's safety performance. In each division a safety council has been formed under the chairmanship of the SBU Head for review every month. At projects, Site safety committees have been formed for review and effective monitoring.

Emergency management plans have been developed to deal with any emergency at all manufacturing and project locations. Training on fire prevention and control and mock drills on emergency evacuation are regularly conducted at all Thermax plants and offices.

Internal and external safety audits and inspections are carried out regularly and the compliance of the audit action points is monitored. A total of 690 internal audits and 54 external audits have been conducted in 2012-13. The overall audit compliance level is 92% whereas the same is 98% for 'A' category Water and Waste Solutions (WWS) division was certified by Bureau Veritas with Safety Management Systems as per the requirements of BS OHSAS 18001: 2007 standards.

A surveillance audit of Power division and TECC, the construction arm of Boiler & Heaters division was also successfully conducted for BS OHSAS 18001: 2007.

The Mundra Assembly unit was certified by DNV with integrated Safety and Environment Management System as per the requirements of OHSAS 18001 and ISO 14001. A surveillance audit of Chinchwad and Savli facilities (by DNV) and Paudh plant (by Bureau Veritas) was also conducted successfully for OHSAS: 18001 and ISO: 14001 International Standards.

The company continued to focus on safety training for all levels of employees, contractors, and vendors. Training programmes in all regions were conducted during the year for site- in- charge and site engineers. At project site locations safety training for contractor workers is being imparted in the local language and also through safety videos.

Method statements for all safety critical activities have been developed in all divisions and job hazard analysis for all these activities has been carried out.

Reporting of unsafe conditions, acts and near- miss incidents has been encouraged and is investigated for the same is done. The ratio of near misses to accidents has improved considerably over the last year.

Maintaining its track record of a healthy work force, no occupational health disease has been reported from any manufacturing locations. Your company continued its practice of conducting periodic medical

The new plant for manufacturing bi-drum boilers at Thermax's facility in Savli, Gujarat. The plant will cater to the increasing demand for these boilers extensively used, among others, by paper, distillery, food, edible oil, textile and pharmaceutical units.



checkups for workmen at all factories and project sites and programmes on preventing lifestyle diseases.

As part of your company's commitment to conserve the environment, a solar cooker has been installed, and a new industrial effluent, plant was commissioned at Chinchwad factory.

Human Resources

Thermax has a process in place to identify key talent for succession in critical roles. The Thermax Leadership Development Program aims to develop leaders through structured interventions. Last year, about 200 executives participated in this program.

The company continues to infuse fresh talent through its Graduate Engineer Trainee, and Diploma Engineer Trainee and the Thermax Graduate Programmes.

Human Resource Information System has been implemented across Thermax to cover entire employee life cycle processes. The online system provides easy access to employees on key HR processes and its inbuilt systems for analysis provides facts for better decision making.

Last year, an Employee Experience Survey was conducted in partnership with Accenture. The survey results were shared with all employees across the business divisions. Action plans have been created for the respective businesses and implementation is being rigorously pursued to ensure the desired changes.

The annual Open forum was conducted in Pune and across all regions to provide a platform for employees to interact with senior leaders in the organisation to understand challenges and priorities before the company and to voice their concerns. Suggestions raised during the session are diligently taken up for necessary decisions and action.

Industrial Relations at all manufacturing locations were cordial during the year.

Risk Management

In the ongoing slowdown of the global economy, India was no exception. The country's economy could not achieve its targeted growth rate consecutively for the second year. Nearly every economy has experienced either a decline in growth rate or negative growth.

Besides this global risk factor, rise in inflation, interest and foreign exchange rates, and de-growth of infrastructure sectors are additional factors, likely to have its adverse impact on various businesses.

The company operates in the energy and environment segments. Operating in the capital goods industry, it has a growing project business and a wide product range. While the project businesses cover power generation, waste heat recovery, air pollution control, water and waste solutions, the company's products support the utilities and waste management requirements of diverse industries.

Considering the diversity of products and projects, domestic and international locations, the company has prepared a broad Risk Framework pertaining to the core businesses viz. Heating, Cooling, Power generation, Water and waste solutions, Air pollution control and Performance chemicals.

The company had identified key risks pertaining to the core businesses and there is a mechanism to review key risks at regular intervals. The risks are reviewed by top management with the risk owners and mitigation measures are discussed at periodic intervals.

Some of the major risks identified and reviewed by the company on a continued basis:

- Concentration in business segment/ customer/ geography
- Cyclical businesses
- Competition
- Exchange rate fluctuations and interest rate
- Timely completion of projects
- Human Resources
- Energy price fluctuations
- International operations and compliance with the law of the land.

The adequacy of risk management across all business units and the findings are presented to the Audit Committee of the Board of Directors for their review.

The company will continue to further strengthen its Risk Framework and implement the same across all major subsidiary companies.



Thermax's technology demonstration project to provide cold storage facilities in rural areas. It integrates renewable energy – solar and biomass – to create refrigeration for agricultural products and generate incidental power. The project was jointly done with the Ministry of New and Renewable Energy (MNRE) and The Energy and Resources Institute (TERI).

Internal Controls

The company operates in multiple geographies under its energy and environment business. In the ever changing economic scenario, the businesses continue to evolve. This poses challenges of ensuring adequate safeguards and consistent systems and processes, continuously, while conducting large and varied business transactions

The company has an adequate internal control mechanism to facilitate formulation and revision of policies and procedures to address the evolving nature of businesses and the changing economic landscape. These procedures facilitate efficient use and protection of the company's financial and non financial resources.

Internal controls are reviewed by Internal Audit on a periodical basis. All significant and material observations emerging out of internal audit are regularly reported to the Audit Committee of the Board and follow-up measures are taken.

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 may differ materially from those either expressed or implied.



GLIMPSES FROM 2012-13



Participants from 48 client companies at a training programme conducted by Thermax in Delhi on the operation and maintenance of water treatment systems.



At one of the summer camps that Thermax organises every year, employees' children have a great time with paper crafts.



Lively employee participation at one of the various exciting contests that mark the run up to the Technology Day Celebrations in Thermax.



At project sites across the country, employees have been sharpening their safety practices. The 42nd National Safety Week was another occasion to reaffirm their commitment to safe work places.



Thermax teams have been enthusiastically taking part in various marathons to promote socially relevant causes and to raise financial support for Akanksha Foundation, the company's NGO partner.

CORPORATE GOVERNANCE REPORT



Corporate governance is about commitment towards sustaining values and ethical business conduct. It is a set of processes, customs, policies and laws by which corporations are directed and controlled in the larger interests of all stakeholders.

Good corporate governance is not merely about transparency and accountability. Underlying the concept is integrity which means doing the right things to discharge the entrusted responsibilities in an efficient, effective and judicious manner.

It is the constant endeavor of the company to substantially follow the key principles of established governance of protecting shareholder wealth, enhancing it through proper utilisation of resources, maintaining the wealth created and safeguarding the interests of all stakeholders. Maintenance of the internal controls for effective management is of paramount significance to the Board for safeguarding the interest of all its stakeholders.

COMPANY PHILOSOPHY

Thermax Limited continues to be committed to high standards of corporate governance. In all its operations and processes, the company adheres to stringent governance norms so that its stakeholders can expect superior and sustained 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 continue 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 key management officials to implement policies and guidelines related to the key elements of corporate governance – transparency, disclosure, supervision and internal controls, risk management, internal and external communications, high standards of safety, accounting fidelity, product and service quality. It also has in place comprehensive business review processes.

COMPLIANCE OF CORPORATE GOVERNANCE

I) BOARD OF DIRECTORS AND PROCEDURES

Currently, the Board of your company comprises nine directors – three non-executive promoter directors, five independent directors and the managing director.

A. Composition of the Board

The table gives the composition of the Board and inter alia the outside directorships held by each of the directors of the company during the FY 2012-13.

Name of the director	Pecuniary or business relationship with the company	Relationship with other directors	Number of other directorships [@]	Committee position [@]		Number of shares held in the company
				Chairperson	Member	
NON-EXECUTIVE PROMOTER						
Anu Aga	None except**	Yes	—	1	—	68,88,305 [#]
Meher Pudumjee	None except**	Yes	1	1	2	22,75,500 [§]
Pheroz Pudumjee	None except**	Yes	1	2	4	3,57,000
INDEPENDENT						
Dr. Raghunath A. Mashelkar	None	No	5	—	6	—
Dr. Valentin A. H. von Massow	None	No	1	1	—	—
Tapan Mitra	None	No	1	1	4	—
Dr. Jairam Varadaraj	None	No	8	—	6	—
Nawshir Mirza	None	No	3	2	1	—
EXECUTIVE						
M. S. Unnikrishnan	N.A.	No	3	—	6	—

[@] Excludes private, foreign & Section 25 companies.

[§] In addition to the shares held by Meher Pudumjee in her personal capacity, she is also a joint Trustee of the 36,35,190 shares held by the various Thermax Employees Welfare Trusts.

[#] In addition to the shares held by Anu Aga in her personal capacity, she is also a joint Trustee of the 29,06,250 shares held by the Thermax ESOP Trust.

^{**} During the year, the company has paid Rs. 6,74,000/- to Mrs. Aga and Rs. 1,20,000/- 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. The company has also paid Rs. 23,85,600/- to Pheroz Pudumjee, being rent for premises taken on lease and Rs. 18,00,000/- as security deposit.

Non-executive directors are entitled to reimbursement of expenses incurred in performance of the duties as directors, members of committees appointed by the Board.

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

- apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;
- is not related to promoters or persons occupying management positions at the board level or at one level below the board;
- has not been an executive of the company in the immediately preceding three financial years;
- is not a partner or an executive or was not a partner or an executive during the preceding three years, of any of the following:
 - the statutory audit firm or the internal audit firm that is associated with the company, and
 - the legal firm(s) and consulting firm(s) that have a material association with the company;
- is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director;
- is not a substantial shareholder of the company, i.e. owning two percent or more of the block of voting shares; and
- is not less than 21 years age.

As per the disclosures received from the directors, none of the directors 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 five times during the financial year 2012-13 on the following dates: May 11, 2012, July 26, 2012, October 30, 2012, January 31, 2013 and February 25, 2013. The maximum time gap between any two sequential meetings was not more than four calendar months.

B. Details of remuneration:

• Non-executive directors

Today's complex business environment demands constant guidance from the non-executive directors to ensure adherence to corporate governance policies and practices. Recognising their contribution, the company remunerates them by payment of commission. As per the revised guideline adopted by the board, based on the regulatory provisions, the non-executive directors are entitled to individually receive an amount of Rs. 6 lakh as fixed commission for each financial year.

Additionally, chairpersons of select Board committees will receive further remuneration by way of commission for each financial year to acknowledge their time and involvement to strengthen systems and processes and also for their contributions in offering strategic direction. Accordingly, for FY 2012-13, the Board has approved payment of Rs. 10 lakh to the chairperson of the Audit committee and Rs. 5 lakh each to the chairpersons of the International Investment and Human Resources committees. Considering the geographic base of

Dr. Valentin A. H. von Massow and his involvement in providing guidance as the chairperson of the Strategic Business Development committee, the Board has approved a consolidated amount of €30,000/- as commission for the financial year. Further, taking into account the contribution of Dr. Raghunath A. Mashelkar in chairing and guiding the company's Innovation Council, the Board has approved payment of Rs. 5 lakh as commission for the financial year. Based on the guideline, the chairperson of the Board also receives a fixed commission of Rs. 20 lakh for the financial year. This apart, the non-executive directors are also entitled to sitting fees of Rs. 20,000 for attending each meeting of the Board and committees.

• Managing Director

The company's Board at present comprises one Executive Director, namely, M. S. Unnikrishnan, Managing Director & CEO. The remuneration of the managing director is governed by the agreement dated May 29, 2012, between the company and Mr. Unnikrishnan, which has been approved by the Board of directors and the shareholders. The remuneration broadly comprises fixed and variable components. The increment and commission of the managing director is determined on the basis of the company's performance and the individual contribution. The managing director is not entitled to sitting fees for attending meetings of the Board and committees.

C. Attendance and remuneration of each Director on the Board during the financial year 2012-13

Name of the director	Total Attendance at Board meetings	Attendance at the AGM held on July 26, 2012	Sitting fees *	Salary and perquisites	Commission†	Total remuneration
Meher Pudumjee	5	Yes	1,80,000	NA	20,00,000	21,80,000
Anu Aga	4	Yes	1,20,000	NA	11,00,000	12,20,000
Dr. Raghunath A. Mashelkar	5	Yes	1,00,000	NA	11,00,000	12,00,000
Dr. Valentin A. H. von Massow	5	Yes	1,40,000	NA	20,83,200@	22,23,200@
Tapan Mitra	5	Yes	2,40,000	NA	16,00,000	18,40,000
Pheroz Pudumjee	5	Yes	3,20,000	NA	11,00,000	14,20,000
Dr. Jairam Varadaraj	5	Yes	2,20,000	NA	6,00,000	8,20,000
Nawshir Mirza	5	Yes	1,80,000	NA	6,00,000	7,80,000
M. S. Unnikrishnan	5	Yes	NA	1,99,62,833	57,00,000	2,56,62,833

NA = Not applicable

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

† The commission proposed for the year ended March 31, 2013 will be paid, subject to deduction of tax and as per the provisions of the Companies Act, 1956.

@ 30,000 Euro (Rate as on March 31, 2013 was Rs. 69.44 per Euro)

D. Board Agenda

Agenda papers including draft minutes are circulated well in advance of Board meetings to the members. They contain vital and adequate information facilitating deliberations at the meeting. Draft minutes are approved at the next meeting after incorporating changes, if any, which are affirmed by the chairperson.

As a process of governance, the agenda also includes a review of the action taken/ pending on the decisions of the Board of previous meeting(s).

Information placed before the Board of Directors

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

1. Annual Business Plan which includes capital expenditure and manpower budget. The capital expenditure proposals sanctioned and actual amounts incurred are reported on a quarterly basis. Reasons for variance between the budget and sanctioned are also explained.
2. Information on recruitment of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and 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. This report comprises the investment portfolio, details of foreign exchange exposures and steps taken to mitigate risks of adverse exchange movements, if material.
5. Report on statutory compliance, show cause notices, penalties, suits filed by/ against the company and shareholder's grievances, etc.
6. Quarterly financial results for the company and for the group companies with analysis of performance.
7. Minutes of the meetings of Board appointed committees.
8. Significant labour problems and their proposed solutions, wage agreements, etc.

9. Safety issues - fatal or serious accidents in the plants, dangerous occurrences, any material 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 judgment 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.

ii) BOARD COMMITTEES

The Board at present has six committees:

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

A. Audit Committee

The committee presently comprises four members, all non-executive directors. The chairman of the committee, Tapan Mitra, is a Fellow of The Institute of Chartered Accountants of India. Pheroz Pudumjee, Dr. Jairam Varadaraj and Nawshir Mirza are the other members of the committee.

The committee met four times during the financial year 2012-13 on May 10, 2012, July 25, 2012, October 29, 2012 and January 30, 2013. Details of meetings attended by the members are as follows:

Committee members	Category	Number of meetings attended
Tapan Mitra	Independent	4
Pheroz Pudumjee	Non-executive Promoter	4
Dr. Jairam Varadaraj	Independent	4
Nawshir Mirza	Independent	4

The chairman of the committee was present at the 31st Annual General Meeting of the company held on July 26, 2012.

The constitution of the committee meets with the requirements of Section 292A of the Companies Act, 1956.

The committee reviews various aspects of internal controls, internal auditors' reports and risk management process on a regular basis. The requirements enumerated under Clause 49 of the Listing Agreement and as amended from time to time are also reviewed by the committee.

The internal auditor presents to the committee, observations and recommendations of the auditors and also on issues having an impact on control system and compliance. The Chief Financial Officer, Chief Internal Auditor and the representatives of Statutory Auditors are permanent invitees and attend all the meetings of the committee. The Company Secretary is the Secretary to the Committee.

The terms of reference of the committee broadly include:

- ◆ Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ◆ Reviewing with management and external auditors the financial statements before submitting to the Board, focusing primarily on:
 - any changes in accounting policies and practices,
 - major accounting entries based on exercise of judgment by management,
 - any 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 the adequacy of internal control systems including management information system with

management, external and internal auditors.

- ◆ Reviewing the company's financial and risk management policies.
- ◆ Looking into the reasons for substantial defaults, if any in payments to the depositors, shareholders and creditors.
- ◆ Recommending the appointment and removal of statutory auditor, determine audit fee and also approve payment for any other services as the case may be.
- ◆ Discussing with statutory auditors, before the audit commences, the nature and scope of audit. Also conduct post-audit discussion to ascertain any area of concern.
- ◆ Reviewing the scope and adequacy of internal audit function, including the system, its quality and coverage and effectiveness in terms of follow-up, the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. Outsourcing to firms specialised in carrying out internal audit services, detailing their scope of work and deciding their professional charges.
- ◆ 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 action initiated.
- ◆ 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.

B. Human Resources Committee

The committee presently comprises four members, all non-executive directors. The chairperson of the committee is Anu Aga. Tapan Mitra, Pheroze Pudumjee and Dr. Jairam Varadaraj are the other members of the committee.

The committee has met twice during the financial year 2012-13 on May 10, 2012 and January 30, 2013 where all members were present.

The broad terms of reference of the committee:

1. Specify guidelines for the remuneration package and other benefits of the Executive Council and senior management employees and benchmarking with other companies, if necessary.
2. Review compensation trends across the sector.
3. Review the human resource policies and processes for continuous improvement in tune with the company's values, ethics, growth plans and market advancement for improved performance management system.
4. Advise on formulation of policies to enhance employee engagement.
5. Review the identified job talent and their career/retention strategies.
6. Succession planning of senior management employees within the company.
7. Review all aspects of diversity including the ratio of women employees in the company and advise on the methodology to increase the percentage.
8. Any other matter that may be referred by the Board from time to time or as may be necessary for compliance with the Listing Agreement.

The company presently does not have an ESOP scheme.

C. Share Transfer and Shareholders' Grievance Committee

The investors' grievance committee under the nomenclature Share Transfer and Shareholders' Grievance Committee comprise three members, Pheroze Pudumjee (chairman), Meher Pudumjee and M. S. Unnikrishnan. The Company Secretary is the Compliance Officer.

The committee reviews the performance of Karvy Computershare Private Limited, the company's Registrar and Transfer Agent (RTA) and also recommends measures for overall improvement for better investor services. The committee specifically looks into complaints of shareholders and investors

pertaining to transfer/ transmission of shares, non-receipt of share certificates, non-receipt of dividend, etc.

Procedure of share transfer

The Board has empowered the committee to, *inter alia*, approve share transfers to reduce the lead-time for processing transfer of shares lodged. The committee has delegated powers to the RTA to approve share transfer, transmission and transposition. The committee usually meets once a month to review the activities of the RTA. The committee met nine times during the year to *inter alia* resolve complaints to the satisfaction of the investors.

As per the certificate issued by the RTA, 29 complaints were received from shareholders/ investors during the financial year ended March 31, 2013.

Summary of complaints during 2012-13:

Nature	Opening balance	Received	Resolved	Closing balance
Non-receipt of dividend	Nil	25	25	Nil
Letters from Statutory Authorities	Nil	4	4	Nil

All complaints were resolved to the satisfaction of the shareholders and no complaints remained unattended/ pending for more than 30 days as on March 31, 2013.

Necessary action is normally taken within ten days from the date of receipt of the communication.

During the year the RTA processed 7 physical transfers comprising 3,000 equity shares.

D. Borrowing and Investments Committee

The committee comprises three members, Meher Pudumjee (chairperson), Pheroze Pudumjee and M. S. Unnikrishnan.

The mandate of this committee is to review the treasury operations, lay down fund deployment policy and monitor that investments are made in accordance with the policy. Terms of Reference (TOR) of the committee has been modified during the year. The modified TOR empowers the committee to execute and issue Deeds of Joint Undertaking, Parent Company Guarantees etc. with respect to participation in various bids, contracts by joint venture subsidiaries of the company.

During the financial year 2012-13, the committee met on October 10, 2012 where all members were present, and reviewed existing investment allocation of treasury portfolio.

E. Strategic Business Development Committee

The primary objective of this committee of the Board is to review and guide the strategic initiatives of the company.

The committee comprises five members, Dr. Valentin A. H. von Massow (chairman), Meher Pudumjee, Pheroze Pudumjee, Dr. Jairam Varadaraj and M. S. Unnikrishnan.

Dr. Varadaraj was inducted as a member of the committee w.e.f. February 26, 2013.

The committee met twice during the financial year 2012-13 on May 12, 2012 and October 31, 2012 where all members were present.

F. International Investment Committee

The committee comprises three members, Pheroze Pudumjee (chairman), Tapan Mitra and M. S. Unnikrishnan.

The purpose and powers of the committee are to:

- ◆ ensure corporate governance in the operations of the overseas wholly owned subsidiaries.
- ◆ seek information and reports, including financial statements from the management and investigate any activity within its responsibility.

The key terms of reference of this committee, assigned by the Board encompass:

1. Overseeing the subsidiaries' financial reporting process and the disclosure of its financial information to ensure integrity and credibility. Half-yearly review of the financial statements with the management.
2. Reviewing with the management the adequacy of internal control systems including management information system.
3. Advising WOS on matters that create charge/ expense of a permanent or long-term nature, including product and service liabilities.

4. Reviewing compliance with laws of the state/ country of the WOS including laws on labour, safety and environment.
5. Reviewing human resources development and staffing.
6. Reviewing of business operations & strategy implementation of new ventures/ businesses.

The committee met once during the financial year on July 25, 2012 where all the members were present. The committee also reviewed systems, processes, governance and internal audit approach to monitor operations of overseas subsidiaries.

iii) OTHER DISCLOSURES RECOMMENDED BY SEBI

A. Subsidiary Companies

The company has six non-listed Indian subsidiaries. In terms of Clause 49 (III) of the Listing Agreement, none of these subsidiaries is a 'material non-listed Indian subsidiary', whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries, in the immediately preceding accounting year.

The Audit Committee reviews the financial statements, and in particular, the investments made by the unlisted subsidiary companies. The summary of minutes of Board meetings of the subsidiary companies are circulated to the Board of Thermax Limited along with agenda papers and the minutes are tabled at the Board meeting.

B. Disclosure regarding appointment or reappointment of a director

In terms of Clause 49 (IV) of the Listing Agreement, information of directors who are being appointed or reappointed at the ensuing Annual General Meeting is given below:

Dr. Jairam Varadaraj

Dr. Jairam Varadaraj, 52, is a Director of the Company since January 31, 2003. He holds a Masters degree in Business Administration from George Washington University, USA and has done his Ph.D. in International Business from the University of Michigan, USA. He has varied experience in the Indian industrial

sector covering textiles, polymers, mechanical machines and consumer appliances.

Dr. Varadaraj has spent about four years in teaching and research in the United States, studying computerised marketing simulation as well as researching on Euro-bond markets. He has also conducted detailed research studies on international financial markets, joint ventures, corporate strategy and technology transfers in the United States. He was the Chairman of the Tamil Nadu State Committee of CII.

As an independent director on the Company's Board, he also serves as a member on three Board appointed committees viz. Audit Committee, Human Resources Committee and Strategic Business Development Committee.

Dr. Varadaraj holds directorship and is also a Chairman/ Member of committees of the following companies:

Directorships	Chairmanship(s) and Membership(s) of committees
Elgi Equipments Ltd.- Managing Director	Share Transfer Committee- Member
Elgi Ultra Industries Ltd.	Share Transfer Committee- Member
Elgi Rubber Company Limited	—
Adisons Precision Instruments Manufacturing Co. Ltd.	—
Precot Meridian Ltd.	Audit Committee- Member Remuneration Committee - Member
Magna Electro Castings Ltd.	—
ATS Elgi Limited - Chairman	—
Elgi Sauer Compressors Ltd.	—
Treadsdirect Limited, Kenya	—
Treadsdirect Limited, Mauritius	—
Treadsdirect Limited, Bangladesh	—
Treadsdirect Limited, Sri Lanka	—
Belair S.A, France	—
Rotair S p a	—
Elgi Compressors Italy S r l	—
Elgi Compressors USA Inc.	—
Patton's Inc.	—

Dr. Varadaraj does not hold any shares of the company.

Pheroz Pudumjee

Pheroz Pudumjee, 51, is a Director of the Company since January 15, 2001. He facilitates and coordinates the company's international initiatives including the incubation and development of new business and relevant organisational changes.

Mr. Pudumjee was the Chairman of Confederation of Indian Industries (CII), Pune. He was also a member of CII's National Committee on Exports and a member of its Western Regional Council. He served as a member of the Maharashtra Chamber of Commerce's International Panel.

Mr. Pudumjee has a Masters degree in Business Administration and a Diploma in Automotive Technology from Stanford University, USA.

Mr. Pudumjee is a Chairman/ Member of the following Board appointed committees of the company:

Committee	Chairmanship/ Membership
Audit Committee	Member
Borrowing & Investments Committee	Member
Human Resources Committee	Member
International Investment Committee	Chairman
Share Transfer & Shareholders' Grievance Committee	Chairman
Strategic Business Development Committee	Member

Pheroz Pudumjee holds directorship and is also Chairman/ Member of committees of the following companies:

Directorships	Chairmanship(s) and membership(s) of committees
RDA Holdings Pvt. Ltd.	Audit Committee - Chairman
Thermax SPX Energy Technologies Ltd. — Chairman	—
Pune City Connect Development Foundation	—
Thermax International Ltd., Mauritius	—
Thermax Hong Kong Ltd., Hong Kong	—

Mr. Pudumjee holds 3,57,000 equity shares of the company.

C. Annual General Meeting

The last three Annual General Meetings (AGMs) of the company were held at

Financial Year	Date	Venue	Time
2009-2010: 29 th AGM	July 21, 2010	Yashwantrao Chavan Academy of Development Administration, MDC (Auditorium) Building, Raj Bhavan Complex, Baner Road, Pune – 411007	11.30 AM
2010-2011: 30 th AGM	July 22, 2011		
2011-2012: 31 st AGM	July 26, 2012	Symbiosis' Viman Nagar Campus (Auditorium), Survery No. 231/3A, New Airport Road, Vimannagar, Pune – 411 014	11.30 AM

Postal Ballot

No special resolution was passed during the last year that required approval through postal ballot. Similarly, there is no proposal to pass any special resolution through postal ballot for the ensuing AGM.

D. 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 transactions.
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 reporting period of last three years.
4. 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 the senior management employees. This Code is also posted on the company's website.

All Board members and senior management employees have affirmed adherence to the Code for the financial year ended March 31, 2013. The declaration of the Managing Director is given as an annexure.

E. Means of Communication

1. As the company publishes the quarterly and half-yearly financial results in prominent English and regional language newspapers and also displays the same on its website, individual communication of half yearly results is not being sent to the shareholders. The company also sends a soft copy of its annual financial results to the shareholders of the company at their email IDs available with the company.
2. The company's corporate website www.thermaxindia.com provides comprehensive information of the company's business portfolio, including social initiative comprising CSR activities. Quarterly and half yearly financial results are available in downloadable formats for investor's convenience. The Annual Report of the Company is also available on the website in a user-friendly and downloadable form.
3. Management Discussion and Analysis forms part of the annual report.
4. Transcripts of teleconferences with analysts are also available on the website of the company.
5. Reminders for unpaid/ unclaimed dividend are sent to the shareholders every year.
6. Latest press releases and presentation of the chairperson's speech at the AGM submitted to the stock exchanges are also available on the company's website for the benefit of public at large.
7. The company has designated igkcp@karvy.com and cservices@thermaxindia.com as e-mail IDs for investors' service.
8. NSE Electronic Application Processing System (NEAPS) is a web based application designed by NSE

for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, etc. are filed electronically on NEAPS.

9. The investor complaints are processed in a centralised web based complaints redress system i.e. SEBI Complaints Redress System (SCORES). The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by the concerned companies and online viewing by investors of actions taken on the complaint and its current status.

F. Code for Prevention of Insider Trading

Pursuant to the SEBI (Prohibition of Insider Trading) Regulations 1992, the company has adopted a Code for Prevention of Insider Trading. The objective of the code is to restrict an insider from dealing in the shares of the company either directly or indirectly when in possession of unpublished price sensitive information. The code is applicable to the directors and designated employees/ persons associated with the company. The code enumerates the procedure to be followed for dealing in the shares of the company and periodic disclosures to be made. It also restricts the insiders from dealing in the company's shares during the period when the 'Trading Window' is announced closed. The Company Secretary has been designated as the Compliance Officer.

iv) SHAREHOLDER INFORMATION

A. 32nd Annual General Meeting

Date and Time : July 25, 2013 at 11.30 AM

Venue : Yashwantrao Chavan Academy of Development Administration, MDC (Auditorium) Building, Raj Bhavan Complex, Baner Road, Pune – 411007.

B. Financial Calendar

The financial results for the FY 2012-13 were announced on:

Financial Results	As Indicated	Actual Date
Quarter ended June 2012	July 26, 2012	July 26, 2012
Quarter ended September 2012	October 30, 2012	October 30, 2012
Quarter ended December 2012	January 31, 2013	January 31, 2013
Year ended March 2013	May 22, 2013	May 22, 2013

For the year 2013-14 the indicative announcement dates are:

Results for the quarter ended June 2013	July 25, 2013
Results for the quarter ended September 2013	November 6, 2013
Results for the quarter ended December 2013	January 31, 2014
Results for the year ended March 2014	May 27, 2014

C. Book Closure Date

The company's Share Transfer Books and Register of Members of equity shares shall remain closed from July 15, 2013 to July 25, 2013 (both days inclusive), to determine the shareholders entitled to receive dividend for the year ended March 31, 2013.

D. Listing

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

The company has paid listing fees to both the Stock Exchanges for the year 2013-14.

The company has paid custodial fees for the year 2013-14 to National Securities Depository Limited (NSDL) and Central Depositories Services (India) Limited (CDSL) on the basis number of beneficial accounts maintained by them, as on March 31, 2013.

E. Compliance Officer

Gajanan P. Kulkarni, Vice President Legal & Company Secretary is the Compliance Officer for complying with the requirements of the Securities Laws and the Listing Agreements with the Stock Exchanges.

F. Stock Codes

Trading symbol at	National Stock Exchange of India Ltd.	Thermax EQ
	BSE Ltd.	500411
International Security Identification No. (ISIN) in NSDL and CDSL	Equity Shares	INE 152A01029
Reuters RIC	For price on NSE For price on BSE	THMX.NS THMX.BO
Corporate Identification No. (CIN)	L29299PN1980PLC0022787	

G. Stock Data

(Rs.)

Month	MKT QUOTE - NSE		MKT QUOTE - BSE	
	High	Low	High	Low
April 2012	488.90	425.10	487.00	425.60
May 2012	452.90	406.00	454.95	401.60
June 2012	486.90	425.00	485.00	426.05
July 2012	528.00	470.20	525.85	463.15
August 2012	534.85	477.95	512.70	478.50
September 2012	572.80	474.60	570.45	475.00
October 2012	603.00	554.00	601.45	551.00
November 2012	602.25	543.40	602.95	555.60
December 2012	691.00	585.00	639.90	586.00
January 2013	635.00	560.00	633.75	558.00
February 2013	605.00	564.80	684.00	563.50
March 2013	600.90	536.00	600.00	536.00

H. Registrar and Share Transfer Agent

Karvy Computershare Private Limited
 Plot No. 17 to 24, Vittalrao Nagar,
 Madhapur, Hyderabad – 500 081
 Telephone: 040 - 23420818 / 828
 Fax: 040 - 23420814
 E-mail ID for redressal of grievances of shareholders/
 investors: igkcpl@karvy.com

I. Share Transfer System

The company's shares are traded on the stock exchanges only in electronic mode. Shares received for transfer by the company or its Registrar and Transfer Agent in physical mode are processed and all valid transfers are approved. The share certificate(s) is/ are duly transferred and dispatched within a period of 15 to 20 days from the date of receipt.

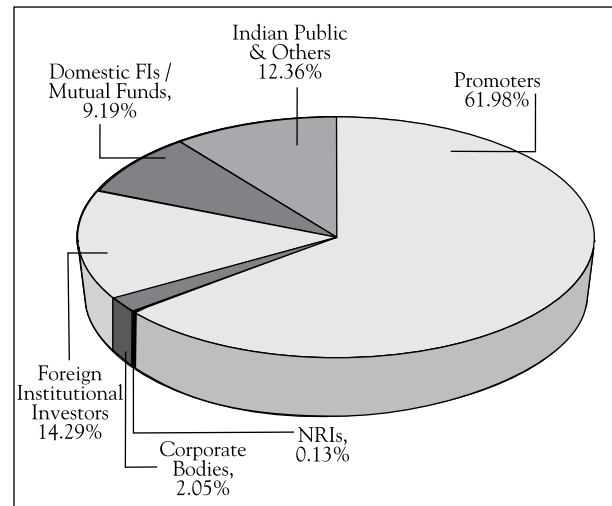
J. Shareholding pattern

Distribution of equity shareholding as on March 31, 2013					
Sr. No	Number of shares	No. of share holders	%	No. of shares held	% of share holding
1	1 - 500	31,142	93.81	32,60,358	2.74
2	501 - 1000	971	2.93	7,80,214	0.65
3	1001 - 2000	466	1.40	7,01,731	0.59
4	2001 - 3000	129	0.39	3,24,942	0.27
5	3001 - 4000	64	0.19	2,28,429	0.19
6	4001 - 5000	52	0.16	2,43,845	0.20
7	5001 - 10000	95	0.29	6,68,302	0.56
8	10001 And Above	277	0.83	11,29,48,479	94.79
	Total	33,196	100.00	11,91,56,300	100.00

Category of equity shareholders as on March 31, 2013

Category	No. of shares held	% of shareholding
(A) Promoters holding		
1. Individuals	95,26,805	7.99
2. Corporate bodies	6,43,28,500	53.99
Total shareholding of promoters	7,38,55,305	61.98
(B) Non-Promoters holding		
1 Mutual Funds, banks, financial institutions, insurance companies, etc.	1,09,50,680	9.19
2 Foreign institutional investors	1,70,23,833	14.29
3 Corporate bodies	24,43,734	2.05
4 Non-resident individuals	1,56,327	0.13
5 Indian public & others	1,47,26,421	12.36
Total shareholding of public	4,53,00,995	38.02
Total (A) + (B)	11,91,56,300	100.00

Shareholding Pattern as on March 31, 2013



K. Details of Dematerialisation

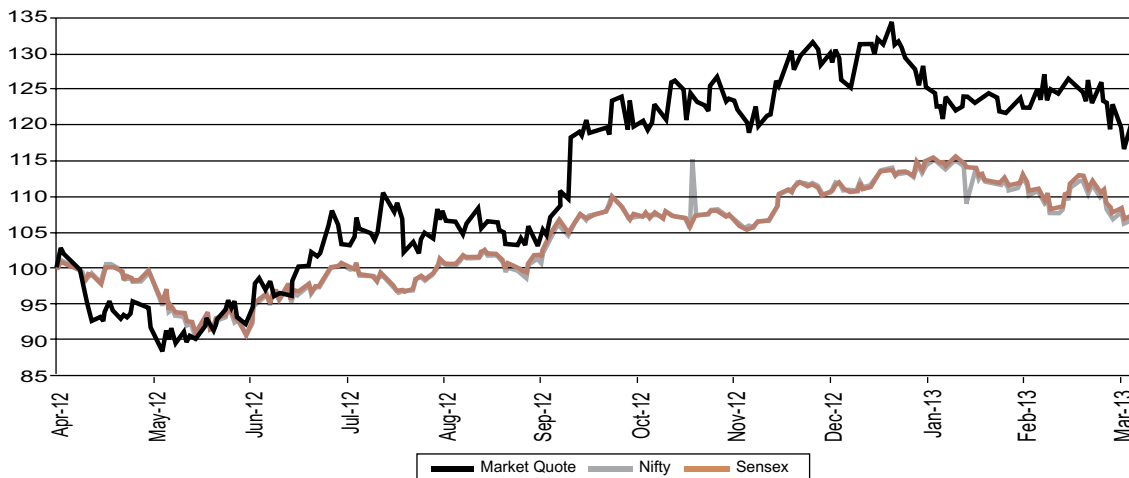
The company's equity shares are under compulsory demat trading for all categories of investors. 11,17,18,564 shares have been dematerialised as on March 31, 2013 which account for 93.76% of the total equity.

Top ten shareholders under non-promoter category as on March 31, 2013 are as under:

Name of shareholder	Number of shares held	% of share holding
Matthews Pacific Tiger Fund	35,24,110	2.96
Life Insurance Corporation of India	28,00,656	2.35
Matthews India Fund	13,78,128	1.16
Morgan Stanley Mauritius Company Limited	11,23,779	0.94
Reliance Capital Trustee Co. Ltd. A/c Reliance Div.	11,00,222	0.92
Amansa Capital Pte Limited A/c Amansa Holdings Pri	10,87,947	0.91
SBI Magnum Taxgain Scheme - 1993	9,50,000	0.80
Morgan Stanley Asia (Singapore) Pte.	9,05,304	0.76
LIC of India Market Plus 1 Growth Fund	7,50,727	0.63
Pinebridge Investments Asia Limited A/c Pinebridge	7,48,213	0.63

L. Stock Performance

Thermax share price vs NSE Nifty & BSE Sensex



NOTE: The company's share price and indices have been indexed to 100 as on the first working day of the financial year 2012-13 i.e. April 1, 2012.

M. Plant Locations

Pune, Maharashtra

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

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

Solapur, Maharashtra

Plot no T-1 MIDC, Chincholi, Taluka Mohol,
Dist. Solapur - 413 255

Paudh, Maharashtra

At Paudh, Post Mazgaon, Taluka Khalapur,
Dist. Raigad - 410206

Khed, Maharashtra

Gat No.125, Crusher Road, At post Rohakal,
Taluka - Khed, Dist. Pune - 410501

Savli, Gujarat

Plot no. 21/1-2-3, GIDC Manjusar,
Taluka - Savli, Dist. Vadodara - 391775

Mundra SEZ, Gujarat

Survey no-169, Village Dhrub,
Taluka Mundra, Dist. Kutch - 370 421

Jhagadia, Gujarat

Plot No 903/1, GIDC, Jhagadia Industrial Estate,
Jhagadia, Dist Bharuch- 393110,

N. Address for correspondence

Investors should address their correspondence to the company's Registrar and Transfer Agent, Karvy Computershare Private Limited, whose address has been provided at (H) 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,
14, Mumbai-Pune Road, Wakdewadi, Pune - 411 003.
Email: cservice@thermaxindia.com

V) NON-MANDATORY REQUIREMENTS

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

The chairperson's office is maintained at the company's expense, which is equipped with all required facilities.

The chairperson is also allowed reimbursement of expenses incurred in performance of her duties.

A. Shareholder Rights

Quarterly & half yearly statements are being published in newspapers.

B. Audit Qualification

It is always the company's endeavor to present unqualified financial statements. There is no audit qualification in the company's financial statements for the year ended March 31, 2013.

C. Training of Board Members

All Board members have enough experience in the company as well as in other companies. They are aware and are also updated as and when required, of their role, responsibilities & liabilities. They comprehend basic financial statements.

Presentations are made regularly to the Board and Audit Committees, where the directors get an opportunity to interact with senior managers. Presentations, inter alia, cover business strategies, management structure, HR policies, quarterly and annual financial results, budgets, treasury and forex management, review of internal audit reports, risk management framework, operations of subsidiary companies, etc.

Independent directors interact with the company's senior management employees i.e. Business Unit (BU) and Strategic Business Unit (SBU) Heads and such interactions happen during Board and committee meetings and even during the Board Retreat which usually takes place once a year.

D. Whistle Blower Policy

The Board has adopted a Whistle Blower Policy to promote reporting of any unethical or improper practice or violation of the company's Code of Conduct or complaints regarding accounting, auditing, internal controls or disclosure practices of the company. It gives a platform to the whistle blower to report any unethical or improper practice (not necessarily violation of law) and to define processes

for receiving and investigating complaints. The company has assigned the e-mail ID - *tlgovernance@gmail.com* on which an employee can report or send a written complaint to the Chairperson or the Managing Director. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

VI) RECONCILIATION OF SHARE CAPITAL AUDIT

As stipulated by SEBI, a qualified practicing company secretary carries out share capital audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and report thereon is submitted to the Stock Exchanges. The audit confirms that:

1. The total of the shares held in NSDL, CDSL and in the physical form tally with the issued / paid-up capital.
2. The Register of Members is updated.
3. The dematerialisation requests have been confirmed within 21 days and there has been no delay beyond the stipulated time-frame.
4. There has been no change in the share capital of the company.

The company's RTA has the adequate software to monitor the compliance system.

VII) OBSERVANCE OF THE SECRETARIAL STANDARDS ISSUED BY THE INSTITUTE OF COMPANY SECRETARIES OF INDIA

The Institute of Company Secretaries of India, one of the premier professional bodies in India, has issued Secretarial Standards on important aspects like board meetings, general meetings, payment of dividend, maintenance of registers and records, minutes of meetings, transmission of shares and debentures, passing of resolutions by circulation, affixing of common seal, forfeiture of shares and Board's report. Although these standards are recommendatory in nature, the company substantially adheres to these standards voluntarily.

VIII) CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

The Ministry of Corporate Affairs, Government of India, has issued the Corporate Governance Voluntary Guidelines 2009, keeping in view the objective of encouraging the use of better practices through voluntary adoption, which not only serve as a benchmark for the corporate sector but also help them in achieving the highest standard of corporate governance. The company's practices embrace the elements of the Guidelines substantially. The management is taking efforts to review its corporate governance parameters from time to time in the context of the other recommendations under the Guidelines for appropriate adoption.

IX) SHAREHOLDER REFERENCE

A. Unclaimed Dividend

Unclaimed dividend for the years prior to and including the financial year 2004-05 has been transferred to the General Revenue Account / the Investor Education & Protection Fund (IEPF), established by the Central Government, as applicable. Shareholders who have not encashed their dividend warrants relating to financial year(s) up to and including 1994-95 may claim such dividend, which has been transferred to the General Revenue Account, from the Registrar of Companies, 3rd Floor, PMT Building, Deccan Gymkhana, Pune – 411 004, in the prescribed form. This form can be downloaded from the company's website www.thermaxindia.com under the section 'Investor Relations'.

Dividend for the years noted above, if remains unclaimed for seven years, will be transferred by the company to the IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956. Please note that the unclaimed dividend for the financial year 2005-06 is due for transfer to IEPF later this year as detailed above. Letters have been sent by the company to the shareholders concerned advising them to lodge their claim with respect to such unclaimed dividend.

Once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof.

B. 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 and should include the following particulars namely, Bank Name, Branch Name, Account Type, Account Number and MICR Code (9 digit).

C. Permanent Account Number

SEBI has made it mandatory for every participant in the securities/ capital market to furnish Permanent Account Number (PAN) issued by the Income Tax Department. Accordingly, all shareholders are required to submit

Financial year	Dividend	Date of declaration	Total dividend amount (Rs. crore)	Unclaimed dividend as on March 31, 2013		Due for transfer to IEPF on
				(Rs.)	%	
2005-06	Final	20.07.2006	40.51	5,35,281	0.13	30.08.2013
2006-07	Interim	13.03.2007	40.51	4,97,238	0.12	18.04.2014
2006-07	Final	25.07.2007	30.98	3,84,575	0.12	30.08.2014
2007-08	Final	22.07.2008	95.33	11,19,608	0.12	27.08.2015
2008-09	Final	21.07.2009	59.57	7,89,815	0.13	27.08.2016
2009-10	Final	21.07.2010	59.57	8,29,115	0.14	26.08.2017
2010-11	Final	22.07.2011	107.24	13,31,676	0.12	27.08.2018
2011-12	Final	26.07.2012	83.40	12,70,983	0.15	31.08.2019

their PAN along with a photocopy of both sides of the PAN card, duly attested.

Shareholders holding shares in *physical form* are requested to send a copy of the PAN card of all holders (including joint holders) duly attested by Notary Public/ Gazetted Officer/ Bank Manager under their official seal and stating their full name and address, folio no. to the company or its Registrar and Share Transfer Agent.

Shareholders holding shares in *electronic form* are required to furnish their PAN details to their Depository Participant with whom they maintain their account along with the documents as required by them.

D. 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.

E. 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 so as to reach before commencement of the book closure date i.e. July 15, 2013.

- Members holding shares 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.

F. Register e-mail address and mobile number

To support the 'Green Initiative' in the Corporate Governance taken by the Ministry of Corporate Affairs, to contribute towards greener environment and to receive all documents, notices, Annual Reports and other communications including intimation of corporate actions of the Company, investors should register their

- e-mail address and
- mobile number including changes, if any

with the Company/ its Registrar and Transfer Agent, if shares are held in physical form or with their Depository Participant in case the shareholding is in electronic form.

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.

Pune: May 22, 2013

M. S. Unnikrishnan
Managing Director & CEO



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 environment friendly and protective 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' CERTIFICATE ON CORPORATE GOVERNANCE



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, 2013, 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
Firm Regn. No : 105102W

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

Pune : May 22, 2013



REPORT ON CORPORATE SOCIAL RESPONSIBILITY



Thermax is allocating up to 3% of its net profit on CSR initiatives – a decision taken by its Board in FY 2011-12, before the Company Bill 2012 specified that certain companies spend 2% of their past three years average profit on CSR.

Thermax believes that educating the underprivileged sections of our public will help in ensuring a long term balanced and inclusive growth. The company's CSR arm, Thermax Social Initiative Foundation (TSIF) has been partnering with the Pune Municipal Corporation (PMC) to run and manage four municipal schools in Pune.

EDUCATIONAL INITIATIVES

As TSIF's partner, Akanksha Foundation helps in recruitment, teacher training and setting the curriculum for the following municipal schools:

K.C. Thackeray Vidya Niketan English Medium School

This school was started in 2007 with 3rd, 4th and 5th standards and its students are the first batch from a PMC English Medium School to appear for the 10th Standard Board Examination in 2013. It has reached its maximum strength of 480 students.



Savitribai Phule English Medium School

This school began with junior and senior KG in 2008. It reached the 5th standard in the academic year 2013-14 and has 420 students.

Matoshri English Medium School

Started in 2009 with junior and senior KG, the school has 450 children from economically disadvantaged backgrounds. It has reached the 4th standard in 2013-14.

Late Anantrao Pawar Memorial English Medium School

TSIF has taken this school into its fold from 2013-14. It currently has 300 students from junior KG to the 3rd standard.

TSIF has extended its support to Pimpri Chinchwad Municipal Corporation (PCMC) to set up a replicable model which could be adopted not only for CSR programmes of industries but also municipal corporations. Beginning with junior KG from June in the academic year 2013-14, TSIF will manage two more municipal schools. Chhatrapati Shahuji Maharaj English Medium School, Kasarwadi and Smt. Anusyabai Waghare English Medium School, Pimpri, will begin with junior KG and scale up to the 10th standard.

All the schools are for underprivileged children who are not charged any fees.

TSIF has undertaken other initiatives to improve the quality of education. It continues to support two Akanksha after-school learning centres, where municipal school students are helped to enhance their academic performance, personality and confidence through a fun learning way. Apart from the financial support, several Thermax employees also mentor these students.

Support to Teach for India (TFI)

The TFI programme which began in 2009 aims to reduce India's educational inequity by placing outstanding college graduates and young professionals

for two years as full time teachers in municipal and low-income schools. As the platinum sponsor for TFI, Thermax not only supports the programme financially but also encourages its employees to take up the two year fellowship of TFI. It takes care of the full salary of employees selected to TFI. One employee from the Boiler & Heater division has completed his fellowship and rejoined Thermax. This year, a Research & Technology Innovation Centre employee has been selected and will join the programme in May 2013.

TSIF-PMC Teacher Training Programme

To improve the quality in English medium municipal schools, TSIF has tied up with the PMC School Board to train their teachers. The training programme will be launched in June 2013.

AFFIRMATIVE ACTION

As a signatory to the CII Code of Conduct on Affirmative Action, Thermax has put in place a company policy on this socially relevant initiative. Some of the activities conducted under affirmative action are:

Supplier Diversity: Thermax sponsored the Dalit Indian Chamber of Commerce and Industries exposition of dalit entrepreneurs DEEP Expo 2010-11 in Pune and 2011-12 in Mumbai. Thermax's sourcing team made a presentation at the Expo's buyer and seller meet in Mumbai.

CII Symbiosis Finishing School: Thermax along with other industries and Symbiosis ELTIS has designed a course for SC/ ST students pursuing their graduation. The 60 hour module will impart soft-skills that industries generally need. Thermax has sponsored two batches and has recruited five candidates from the finishing school's earlier batches.

CII-Yi ITI Finishing School: Similar to the Symbiosis model above, Thermax along with CII and other industries has designed a 30 hour module for ITI candidates. Thermax's in house resource person conducts regular sessions for these students.

E-Learning Module of ITI Finishing School: Thermax has sponsored the development of e-learning for ITI Finishing School, so that the module can be easily replicated in other ITIs and also can train the trainers.

EMPLOYEE INVOLVEMENT

Thermax encourages its employees to not only contribute monetarily towards the betterment of the



society but also participate in the process. It offers various avenues such as:

Payroll Giving: Since Thermax launched the payroll giving programme in 2007, 1568 employees have contributed around Rs. 57 lakhs towards various causes of their choice.

Mentoring: Six employees mentor adolescents through the Akanksha programme.

Participation in Marathons for promoting causes: Thermax employees participated in the Pune International Marathon, in support of saving the girl child.

At the Standard Chartered Mumbai Marathon, where Thermax has been participating since 2007, this year chairperson Meher Pudumjee was awarded the highest pledge raiser. Thermax raised Rs. 4.43 lakh for Akanksha, which takes the total figure to nearly Rs. 40 lakh since 2007.

This year, employees also participated in the Runathon of Hope organised by Rotary Club of Nigdi to raise funds for its initiatives.

Blood Donation Drive: Conducted across all locations including Savli, the annual drive commemorates the death anniversary of Rohinton Aga, the founding CMD.

Joy of Giving Week: Thermax organised various activities like the wish tree for employees and visitors, cloth donation drive with Goonj and an interaction of students with senior employees. Thermax raised over Rs. 7 lakh for Akanksha in the India Giving Challenge and was awarded multiple prizes.



Auditors' Report

To the Members of Thermax Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Thermax Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by 'the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company 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 Order.
2. As required by section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

- f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For B. K. Khare & Co.
Chartered Accountants
Firm's Registration Number: 105102W

H.P.Mahajani
Partner

Place: Pune
Date: May 22, 2013

Membership Number: 030168

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

- (i) (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 & 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.
- (ii) (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.
- (iii) The Company has not taken or granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, provisions of the clause 4 (iii) (b), (c), (d), (f) and (g) of the Companies (Auditor's Report) Order, 2003 are not applicable and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems 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 we have been informed of any instance of continuing failure to correct major weakness in the aforesaid internal control procedures.
- (v) (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.

- (vi) The Company has not accepted any deposits within the meaning of section 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Company's present internal audit system is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records 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.
- (ix) (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) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) As at 31st March 2013, 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, Custom 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 dues not yet deposited	Period to which amount related	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	0.03	1992-93	Appellate Authority -upto Commissioner's level
		0.00	2000-01	--"
		0.01	2001-02	--"
		0.02	2003-04	--"
		0.16	2003-04	High court
		0.01	2006-07	Appellate Authority -up to Commissioner's level
		0.23	2008-09	--"
		1.28	2003-04	--"
		3.80	2003-04	--"
		2.46	2004-05	--"
		0.03	2008-09	Appellate Authority -up to Commissioner's level
		0.09	2009-10	--"
		3.97	2004-05	Appellate Authority -up to Commissioner's level
		0.00	2001-02	Tribunal
		1.14	2006-07	--"
		0.05	2000-01	High Court
		0.04	2001-02	--"
0.37	2001-02	--"		
0.18	2002-03	--"		
0.34	2004-05	--"		
The Central Excise Act. 1944	Excise duty including interest and penalty, as applicable	0.21	2001-02	Appellate Authority -up to Commissioner's level
		0.36	2003-04	CESTAT
		0.86	2005-06	--"
		0.07	2006-07	--"
		3.84	2006-07	Supreme court
		0.22	2008-09	CESTAT
		0.00	2009-10	--"
		0.17	2007-08	--"
		0.00	2001-02	--"
		9.35	2012-13	--"
1.60	1997-98	Supreme court		
Custom Act. 1962	Custom duty including interest and penalty, as applicable	2005-06		

Name of the Statute	Nature of Dues	Amount under dues not yet deposited	Period to which amount related	forum where the dispute is pending
Service Tax (Finance Act,1994)	Service tax including interest and penalty.as applicable	2.48	2005-06	CESTAT
		0.13	2012-13	--"--
		39.60	2012-13	--"--
ESI Act , 1948	Dues , interest and penalty as applicable	0.07	1989-91	ESI Court
Income Tax Act ,1961	Income Tax including interest and penalty as applicable	13.54	2009-10	Commissioner (Appeal)
		4.86	2007-08	Commissioner (Appeal)
Maharashtra Mathadi,Hamal,& other Manual Workers Act 1969	Work of Mahadi nature carried out by registered workers w.r.t applicability of the mahadi Act.	0.24	2008-09	High court

- (x) The Company has neither accumulated losses as at 31st March 2013, nor has it incurred any cash loss either during the financial year ended on that date or in the immediately preceding financial year.
- (xi) Based on our audit procedures and according to 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.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion and according to the information & explanation given to us the Company is not a dealer or trader in, securities, debentures and other investments. However, in respect of transactions relating to investment in certain securities, the company has maintained proper records of transactions & contracts during the year and timely entries have been made there in. Further, such securities have been held by the company in its own name.
- (xv) Based on the information and explanations given to us, in our opinion, the terms and condition 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.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) 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 investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xvix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) 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 significant instant 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 & Co.
Chartered Accountants
Firm registration number: 105102W

H. P. Mahajani
Partner
Membership No.: 030168

Place: Pune
Date: May 22, 2013

Balance Sheet as at March 31, 2013

(Rs. Crore)

Particulars	Note No	As at	
		March 31, 2013	March 31, 2012
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
a. Share Capital	1	23.83	23.83
b. Reserves and Surplus	2	1845.44	1577.35
		<u>1869.27</u>	<u>1601.18</u>
2. Non-current Liabilities			
a. Long-term Borrowings	3	0.43	0.08
b. Deferred tax Liabilities (Net)	4	24.72	22.98
c. Other Long-term Liabilities	5	41.89	21.96
		<u>67.04</u>	<u>45.02</u>
3. Current Liabilities			
a. Short-term Borrowings	6	11.91	166.36
b. Trade Payables	7	888.05	895.44
c. Other Current Liabilities	8	1012.13	1016.00
d. Short-term Provisions	9	255.74	245.73
		<u>2167.83</u>	<u>2323.53</u>
TOTAL		<u><u>4104.14</u></u>	<u><u>3969.73</u></u>
II ASSETS			
1. Non-current Assets			
a. Fixed Assets	10		
i Tangible Assets		527.55	498.80
ii Intangible Assets		27.06	32.82
iii Capital Work-in-progress		90.90	41.97
b. Non-current Investments	11	393.69	350.97
c. Long-term Loans and Advances	12	26.17	30.15
d. Other Non-current Assets	13	198.30	102.00
		<u>1263.67</u>	<u>1056.71</u>
2. Current Assets			
a. Current Investments	14	410.29	201.72
b. Inventories	15	210.33	279.22
c. Trade Receivables	16	1423.89	1245.63
d. Cash and Cash Equivalents	17	222.62	569.75
e. Short-term Loans and Advances	18	125.05	158.12
f. Other Current Assets	19	448.29	458.58
		<u>2840.47</u>	<u>2913.02</u>
TOTAL		<u><u>4104.14</u></u>	<u><u>3969.73</u></u>

The notes are an integral part of these financial statements.

As per our report of even date
For B. K. Khare & Co.
 Chartered Accountants
 Firm Reg No.105102W

For and on behalf of the Board
Meher Pudumjee
 Chairperson

M. S. Unnikrishnan
 Managing Director

H. P. Mahajani
 Partner
 Membership No. 030168
 Pune, May 22, 2013

Gopal Mahadevan
 Executive Vice President
 & Chief Financial Officer

G. P. Kulkarni
 Vice President - Legal &
 Company Secretary
 Pune, May 22, 2013

Statement of Profit and Loss for the year ended March 31, 2013

Particulars	Note No	(Rs. Crore)	
		2012-13	2011-12
I Revenues from Operations (Gross)	20	4823.38	5442.59
Less : Excise Duty		132.51	138.53
Revenues from Operations (Net)		4690.87	5304.06
II Other Income	21	73.01	70.49
III Total Revenue (I+II)		4763.88	5374.55
IV Expenses :			
Cost of Materials Consumed	22	3058.46	3528.36
Purchases of Stock-in-Trade	31.d	117.89	155.88
Changes in Inventories	23	(2.63)	(3.38)
Employee Benefits	24	401.57	387.43
Finance Costs	25	9.65	6.55
Depreciation and Amortisation	10	54.86	46.95
Other Expenses	26	608.45	651.86
Total Expenses		4248.25	4773.65
V Profit before exceptional and extraordinary items and tax (III - IV)		515.63	600.90
VI Exceptional items		--	--
VII Profit before extraordinary items and tax (V - VI)		515.63	600.90
VIII Extraordinary Items		--	--
IX Profit before tax (VII - VIII)		515.63	600.90
X Tax Expense:			
1. Current tax		163.93	191.19
2. Deferred tax	4	1.74	2.85
XI Profit for the year from continuing operations (IX - X)		349.96	406.86
XII Earnings per equity share of Rs. 2/- each Basic and Diluted (Rs.)	44	29.37	34.15

The notes are an integral part of these financial statements.

As per our report of even date
For B. K. Khare & Co.
Chartered Accountants
 Firm Reg No.105102W

For and on behalf of the Board
Meher Pudumjee
Chairperson

M. S. Unnikrishnan
Managing Director

H. P. Mahajani
Partner
 Membership No. 030168
 Pune, May 22, 2013

Gopal Mahadevan
*Executive Vice President
 & Chief Financial Officer*

G. P. Kulkarni
*Vice President - Legal &
 Company Secretary*
 Pune, May 22, 2013

Cash Flow Statement

(Rs. Crore)

	2012-13	2011-12
A Cash flow from Operating Activities		
Net profit before tax	515.63	600.90
Add Adjustments for		
Depreciation	54.86	46.95
Net Provision for Doubtful Debts	13.38	14.98
Interest (expense)	9.65	6.55
Lease rentals Paid	0.02	0.04
Leave Encashment Provision	2.32	4.21
Less Adjustments for		
Interest / Dividend / Brokerage Income	(54.84)	(62.99)
(Profit) / Loss on sale of Investment	(12.12)	(6.01)
(Profit) / Loss on sale of assets	0.52	1.58
Provision for Long Term Investments written back	(0.99)	(1.50)
Operating profit before working capital changes	528.43	604.72
Adjustments for		
Trade and other receivables	(280.40)	(425.81)
Inventories	68.89	3.09
Trade payables	20.03	48.64
Contract in Progress	72.77	112.21
Cash generated from operations	409.71	342.85
Direct taxes paid	(202.58)	(168.31)
Net cash from operating activities	207.13	174.54
B Cash flow from Investing activities		
Purchase of Fixed Assets (Net)	(127.30)	(105.79)
Advance for Capital Expenditure	4.66	(2.33)
Investments in Subsidiaries / Group Companies	(42.72)	(88.58)
Purchase of other Investments	(1202.82)	(1054.50)
Proceeds from sale of Investments	1007.37	1002.26
Advance to Subsidiaries	(0.15)	(0.15)
Interest / Dividend / Brokerage received	68.35	60.58
Net cash from Investing activities	(292.61)	(188.49)

Cash Flow Statement (Contd.)

	(Rs. Crore)	
	2012-13	2011-12
C Cash flow from Financing Activities		
Proceeds from Borrowings	-	118.32
Repayment of Borrowings	(154.11)	-
Lease rentals paid	(0.02)	(0.04)
Interest paid	(10.58)	(5.71)
Dividend paid and Tax thereon	(96.94)	(124.55)
Net cash from Financing activities	(261.65)	(11.99)
Net (decrease)/increase in cash & cash equivalents	(347.13)	(25.94)
Opening cash & bank balances	569.75	595.69
Closing cash & bank balances	222.62	569.75

The notes are an integral part of these financial statements.

As per our report of even date
For B. K. Khare & Co.
Chartered Accountants
Firm Reg No.105102W

H. P. Mahajani
Partner
Membership No. 030168
Pune, May 22, 2013

For and on behalf of the Board
Meher Pudumjee
Chairperson

Gopal Mahadevan
*Executive Vice President
& Chief Financial Officer*

M. S. Unnikrishnan
Managing Director

G. P. Kulkarni
*Vice President - Legal &
Company Secretary*
Pune, May 22, 2013

Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	(Rs. Crore)	
		As at March 31, 2013	As at March 31, 2012
Note 1			
Share Capital			
Equity Share Capital			
Authorised :			
37,50,00,000 Equity Shares of Rs 2/- each		75.00	75.00
<i>(Previous year 37,50,00,000 equity Shares of Rs 2/- each)</i>		75.00	75.00
Issued, subscribed and fully paid :			
11,91,56,300 Equity Shares of Rs. 2/- each		23.83	23.83
<i>(Previous year 11,91,56,300 equity Shares of Rs 2/- each)</i>		23.83	23.83

(a) Reconciliation of number of equity shares	As at March 31, 2013		As at March 31, 2012	
	Number of Shares	Rs. Crore	Number of Shares	Rs. Crore
Shares outstanding at the beginning of period	11,91,56,300	23.83	11,91,56,300	23.83
Shares outstanding at the end of period	11,91,56,300	23.83	11,91,56,300	23.83

(b) Rights, preferences and restrictions attached to shares

Equity Shares: The company has one class of equity shares having a par value of Rs.2/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Equity Shares held by holding company

6,43,28,500 shares are held by holding company, RDA Holding & Trading Pvt. Ltd.

(Previous year 6,43,28,500 shares)

(d) Details of Equity shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of Shareholder	As at March 31, 2013		As at March 31, 2012	
	%	No of Shares held	%	No of Shares held
RDA Holding & Trading Pvt. Ltd.	53.99	6,43,28,500	53.99	6,43,28,500
Mrs. Anu Aga	5.78	68,88,305	5.78	68,88,305

Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	(Rs. Crore)	
		As at March 31, 2013	As at March 31, 2012
Note 2			
Reserves and Surplus			
Capital Redemption Reserve			
Per Last Balance Sheet		50.34	50.34
Share Premium Reserve			
Per Last Balance Sheet		61.13	61.13
Capital Reserve			
Per Last Balance Sheet		1.92	1.92
Hedging Reserve			
Per Last Balance Sheet		2.50	3.58
Adjusted to Statement of Profit and Loss		15.72	(1.08)
		<u>18.22</u>	<u>2.50</u>
General Reserve			
Per Last Balance Sheet		370.00	328.00
Transferred from Surplus		35.00	42.00
		<u>405.00</u>	<u>370.00</u>
Surplus			
Per Last Balance Sheet		1091.46	823.54
Profit for the year		349.96	406.86
Proposed Equity Dividend	45	(83.41)	(83.41)
Tax on Dividend		(14.18)	(13.53)
Transfer to General Reserve		(35.00)	(42.00)
		<u>1308.83</u>	<u>1091.46</u>
		<u>1845.44</u>	<u>1577.35</u>
Note 3			
Long-Term Borrowings			
Secured Long Term Borrowings :			
Term loans			
From other than banks	33	0.13	0.08
Unsecured Long Term Borrowings :			
Term loans			
From other than banks	34	0.30	--
		<u>0.43</u>	<u>0.08</u>
Note 4			
Deferred tax Liabilities (Net)			
A. Deferred Tax Assets			
Provision for Doubtful Debts		25.76	16.39
Others		11.52	16.47
Total (A)		<u>37.28</u>	<u>32.86</u>
B. Deferred Tax Liabilities			
Depreciation on Fixed Assets		61.93	55.74
Others		0.07	0.10
Total (B)		<u>62.00</u>	<u>55.84</u>
Net Deferred Tax Liability (B-A)		<u>24.72</u>	<u>22.98</u>

Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	(Rs. Crore)	
		As at March 31, 2013	As at March 31, 2012
Note 5			
Other Long-term Liabilities			
Trade Payables	29	4.75	2.05
Customer Advances		35.37	17.14
Trade Deposits		1.77	0.87
Other Liabilities		--	1.90
		<u>41.89</u>	<u>21.96</u>
Note 6			
Short-term Borrowings			
Secured :			
From Banks	33	11.91	3.56
Unsecured :			
From Banks	34	--	1 62.80
		<u>11.91</u>	<u>1 66.36</u>
Note 7			
Trade Payables			
Trade Payables	29	827.67	783.01
Acceptances		60.38	112.43
		<u>888.05</u>	<u>895.44</u>
Note 8			
Other Current Liabilities			
Contracts in Progress	32	254.34	207.23
Interest accrued but not due on loans		0.01	0.95
Customer Advances		651.88	703.75
Foreign Currency Forward Contract		(22.49)	(0.67)
Trade Deposits		0.44	1.28
Unpaid Dividends	35	0.68	0.67
Sales Tax Payable		--	7.41
Other Liabilities		117.10	85.67
Other Payables		10.17	9.71
		<u>1012.13</u>	<u>1016.00</u>
Note 9			
Short-term Provisions			
Short Term Employee Benefits		85.95	89.80
Proposed Equity Dividend		83.41	83.41
Provision for Tax on Dividend		14.18	13.53
Provision for Warranty	47	72.20	58.99
		<u>255.74</u>	<u>245.73</u>

Notes attached to and forming part of the Financial Statements

Note 10

Fixed Assets

(Rs. Crore)

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 01.04.2012	Additions / Adjustment During the year	Deductions/ Adjustment During the year	Total Cost as at 31.03.2013	Upto 31.03.2012	Deductions/ Adjustment During the year	Provisions During the year	Total as at 31.03.2013	As at 31.03.2013	As at 31.03.2012
A. TANGIBLE :										
Land - Freehold	7.36	--	--	7.36	--	--	--	--	7.36	7.36
Land - Leasehold	27.00	0.22	--	27.22	--	--	0.36	0.36	26.86	27.00
Building	216.49	17.96	0.03	234.42	29.36	0.01	6.08	35.42	199.00	187.13
Plant & Machinery	326.50	43.16	1.76	367.90	134.33	0.92	20.78	154.19	213.72	192.17
Electrical Installation	37.12	3.06	0.70	39.48	10.58	0.84	2.12	11.87	27.61	26.53
Office Equipment & Computer	68.83	6.49	3.05	72.27	43.08	2.47	7.93	48.55	23.72	25.75
Furniture & Fixtures	31.27	0.46	2.28	29.44	14.00	2.41	1.60	13.18	16.26	17.27
R & D Equipments	3.45	0.02	0.08	3.39	1.62	0.03	0.22	1.81	1.58	1.83
Vehicles	21.18	1.63	3.43	19.37	7.42	2.28	2.79	7.93	11.44	13.76
Total Tangible Assets (A)	739.20	73.00	11.70	800.85	240.39	8.95	41.88	273.31	527.55	498.80
B. INTANGIBLE :										
Software	33.50	5.10	0.01	38.60	23.46	--	6.06	29.52	9.08	10.04
Technical Knowhow	31.90	2.13	--	34.03	9.12	--	6.93	16.05	17.98	22.78
Total Intangible Assets (B)	65.40	7.23	0.01	72.63	32.59	--	12.98	45.57	27.06	32.82
TOTAL FIXED ASSETS (A+B)	804.60	80.23	11.71	873.48	273.00	8.95	54.86	318.88	554.60	531.60
Previous Year	717.13	94.42	6.95	804.60	230.52	4.11	46.95	272.98	531.62	486.61
Capital WIP									90.90	41.97

(Rs. Crore)

Particulars

As at
March 31, 2013

As at
March 31, 2012

Note 11

Non-current Investments (Refer Note No. 27.6)

Non Trade :

A. Investments in Equity Instruments :

Quoted Equity Shares (fully paid up)

1	25 (Previous Year 25) Equity Shares of Rs.10/- each in Metroglobal Boards Ltd.	0.00	0.00
2	16,453 (Previous Year 16,453) Equity Shares of Rs. 2/- each in Sanghvi Movers Ltd.	0.03	0.03

Quoted Equity Shares (partly paid up)

3	1,25,000 (Previous Year 1,25,000) Equity Shares of Rs.10/- each Rs.2.50 paid up in Parasrampuriah Synthetics Ltd.	0.06	0.06
---	---	------	------

Unquoted Equity Shares (fully paid up)

4	1,375 (Previous Year 1,375) Equity Shares of Rs .20/-each in Cosmos Co-operative Bank Ltd.	0.00	0.00
5	17,539 (Previous Year 17,539) Equity Shares of Rs. 10/- each of GSL (India) Ltd	0.00	0.00
6	10,000 (Previous Year 10,000) Equity Shares of Rs.10/- each of Sicom Ltd.	0.07	0.07

Equity Shares in Subsidiary Companies (fully paid up)

7	47,50,000 (Previous Year 47,50,000) Equity Shares of Rs.10/- each in Thermax Sustainable Energy Solutions Ltd.	4.45	4.45
8	45,00,000 (Previous Year 45,00,000) Equity Shares of Rs.10/- each in Thermax Engineering Construction Company Ltd.	4.50	4.50
9	90,00,000 (Previous Year 90,00,000) Equity Shares of Rs.10/- each in Thermax Instrumentation Ltd.	4.59	4.59

Notes attached to and forming part of the Financial Statements

Particulars	(Rs. Crore)	
	As at March 31, 2013	As at March 31, 2012
10 2,00,000 (Previous Year 2,00,000) Ordinary Shares of GBP 1 each in Thermax Europe Ltd.	1.17	1.17
11 Nil (Previous Year 9,88,776) Equity Shares of Rs.10/- each in Thermax Energy Performance Services Ltd.*	-	0.99
12 14,95,000 (Previous Year 14,95,000) Equity Shares of USD 1 each in Thermax International Ltd., Mauritius	6.98	6.98
13 10,87,130 (Previous Year 10,87,130) Equity Shares of Brazilian Real 1 each in Thermax do Brasil - Energia e Equipamentos Ltda.	1.88	1.88
14 59,83,333 (Previous Year 59,83,333) Equity Shares of Hongkong Dollar 1 each in Thermax Hongkong Ltd.	3.52	3.52
15 USD 1,34,70,000 (Previous Year USD 1,34,70,000) Equity Shares in Thermax (Zhejiang) Cooling and Heating Engineering Co Ltd.	58.17	58.17
16 81,50,000 (Previous Year 36,50,000) Equity Shares of Rs.10/- each in Thermax Onsite Energy Solutions Ltd.	8.15	3.65
17 2,05,00,000 (Previous Year 2,05,00,000) Equity Shares of Euro 1 each in Thermax Netherlands B.V	134.82	134.82
18 Equity Shares of Euro 3,83,469 (Previous Year Nil) in Rifox-Hans Richter GmBH Spezialarmaturen	9.64	--
19 5,00,002 (Previous Year Nil) Equity Shares of RM 1 each in Thermax SDN. BHD	0.87	--
Equity Share in Joint Venture Subsidiary Companies (fully paid up)		
20 1,02,00,000 (Previous Year 1,02,00,000) Equity Shares of Rs.10/- each in Thermax SPX Energy Technologies Ltd.	10.20	10.20
21 13,84,56,465 (Previous Year 12,31,56,465) Equity Shares of Rs.10/- each in Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	138.46	123.16
Application Money		
Towards Shares	2.40	4.00
Total	(A) 389.96	362.23
* The process of voluntary winding up of this company has been completed during the year.		
B. Investment in Preference Shares :		
Unquoted Preference Shares (fully paid up)		
22 21,800 (Previous Year 21,800) 18% Redeemable Cumulative Preference Shares of Rs.10/- each in Indian Food Fermentation Ltd.	0.02	0.02
Preference Shares in Subsidiary Companies (fully paid up)		
23 17,47,300 (Previous Year 17,47,300) 6% Redeemable Preference Shares of USD 1 with conversion option in Thermax International Ltd., Mauritius	7.81	7.81
24 40,00,000 (Previous Year Nil) 6% Cumulative Redeemable Preference Shares of Rs 10/- each in Thermax Sustainable Energy Solutions Ltd	4.00	--
25 1,00,00,000 (Previous Year Nil) 1% Non Cumulative Redeemable Preference Shares of Rs 10/- each in Thermax Instrumentation Ltd	10.00	--
Total	(B) 21.83	7.83
Total Non Current Non Trade Investments	(A+B) 411.79	370.06
Provision for diminution in value of investments	18.10	19.09
Total Non Current Investments	393.69	350.97

Notes attached to and forming part of the Financial Statements

Particulars	As at Mar 31, 2013		(Rs. Crore) As at March 31, 2012	
	*Cost	Market Value	*Cost	Market Value
Aggregate amount of quoted investments	0.09	0.11	0.09	0.18
Aggregate amount of unquoted investments	411.70	-	369.97	-
Aggregate provision for diminution in value of investments	18.10	-	19.09	-

*Cost is before provision for diminution in the value of investment

Particulars	Reference to note no	(Rs. Crore)	
		As at March 31, 2013	As at March 31, 2012
Note 12			
Long-term Loans and Advances			
Unsecured, considered good			
Capital Advances		2.39	7.05
Security Deposits		9.64	12.97
Housing Deposit to Key Managerial Personnel		0.58	0.58
Loans given to Subsidiary Company		3.09	2.95
Advances recoverable in cash or kind		7.32	3.90
Advances to Staff and Workers		3.15	2.70
		<u>26.17</u>	<u>30.15</u>
Note 13			
Other Non-current Assets			
Long Term Trade Receivables			
Unsecured Considered good		59.03	4.48
Considered doubtful		--	--
Less : Provided for		--	--
Advance Income Tax (Net of Provisions)		79.47	47.36
Sales Tax Recoverable		59.80	50.16
		<u>198.30</u>	<u>102.00</u>

Note 14		27.6	
Current Investments			
Investments in Mutual Funds :			
Current Portion of Long term Investment			
Units - Listed but not Quoted			
1	Nil (Previous Year 2,50,00,000) units of Birla Sunlife Fixed Term Plan Series EF - Growth of Birla Sunlife Mutual Fund	-	25.00
2	1,00,00,000 (Previous Year Nil) units of Birla Sunlife Fixed Term Plan - Series GJ- Growth of Birla Sunlife Mutual Fund	10.00	-
3	1,00,00,000 (Previous Year Nil) units of Birla Sunlife Fixed Term Plan - Series GM- Growth of Birla Sunlife Mutual Fund	10.00	-
4	Nil (Previous Year 87,90,320) units of DSP Fixed Maturity Plan 12 months Series 32 - Growth of DSP Blackrock Mutual Fund	-	8.79
5	96,74,890 (Previous Year Nil) units of DSP Blackrock FMP-Series 84-Growth of DSP Blackrock Mutual Fund	9.68	-
6	50,00,000 (Previous Year Nil) units of DSP Blackrock FMP-Series 87-Growth of DSP Blackrock Mutual Fund	5.00	-

Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	(Rs. Crore)	
		As at March 31, 2013	As at March 31, 2012
7 80,00,000 (Previous Year Nil) units of HDFC FMP 371D November 2012(1)- Growth of HDFC Mutual Fund		8.00	-
8 50,00,000 (Previous Year Nil) units of HDFC FMP 371D December 2012(1)- Growth of HDFC Mutual Fund		5.00	-
9 50,00,000 (Previous Year Nil) units of HDFC FMP 372D January 2013 (2)- Growth of HDFC Mutual Fund		5.00	-
10 50,00,000 (Previous Year Nil) units of HDFC FMP 372D January 2013 (3)-Growth of HDFC Mutual Fund		5.00	-
11 50,00,000 (Previous Year Nil) units of HDFC FMP 371D February 2013 (1)- Growth of HDFC Mutual Fund		5.00	-
12 1,50,00,000 (Previous Year Nil) units of HDFC FMP 372D February 2013 (1)- Growth of HDFC Mutual Fund		15.00	-
13 Nil (Previous Year 2,50,00,000) units of ICICI Prudential FMP Series 54 - 1 Year Plan C- Growth of ICICI Prudential Mutual Fund		-	25.00
14 Nil (Previous Year 2,50,00,000) units of ICICI Prudential FMP Series 61 - 1 Year Plan C- Growth of ICICI Prudential Mutual Fund		-	25.00
15 1,50,00,000 (Previous Year Nil) units of ICICI Prudential FMP Series 65 Plan B-Growth of ICICI Prudential Mutual Fund		15.00	-
16 50,00,000 (Previous Year Nil) units of ICICI Prudential FMP Series 65 Plan H-Growth of ICICI Prudential Mutual Fund		5.00	-
17 50,00,000 (Previous Year Nil) units of ICICI Prudential FMP Series 65 Plan I-Growth of ICICI Prudential Mutual Fund		5.00	-
18 1,50,00,000 (Previous Year Nil) units of ICICI Prudential FMP Series 66 Plan B-Growth of ICICI Prudential Mutual Fund		15.00	-
19 50,00,000 (Previous Year Nil) units of ICICI Prudential FMP Series 66 Plan H-Growth of ICICI Prudential Mutual Fund		5.00	-
20 Nil (Previous Year 2,00,00,000) units of IDFC FMP Series 66 - Growth of IDFC Mutual Fund		-	20.00
21 50,00,000 (Previous Year Nil) units of IDFC Fixed Term Plan Series 7-Growth of IDFC Mutual Fund		5.00	-
22 Nil (Previous Year 2,75,50,795) units of Kotak Fixed Maturity Plan Series 75 - Growth of Kotak Mahindra Mutual Fund		-	27.55
23 1,50,00,000 (Previous Year Nil) units of Kotak FMP Series 94-Growth of Kotak Mahindra Mutual Fund		15.00	-
24 50,00,000 (Previous Year Nil) units of SDFS 366 Days 18 - Growth of SBI Mutual Fund		5.00	-
25 50,00,000 (Previous Year Nil) units of SDFS 366 Days 21-Growth of SBI Mutual Fund		5.00	-
26 1,00,00,000 (Previous Year Nil) units of Tata FMP Series 42 Scheme A -Growth of Tata Mutual Fund		10.00	-
27 10,00,000 (Previous Year Nil) units of UTI Fixed Term Income Fund Series XIII - 1-Growth of UTI Mutual Fund		1.00	-
28 1,00,00,000 (Previous Year Nil) units of UTI Fixed Term Income Fund Series XIV-II Growth of UTI Mutual Fund		10.00	-

Notes attached to and forming part of the Financial Statements

(Rs. Crore)

Particulars	Reference to note no	As at	
		March 31, 2013	March 31, 2012
29 50,00,000 (Previous Year Nil) units of UTI Fixed Term Income Fund Series XIV-V Growth of UTI Mutual Fund		5.00	-
30 50,00,000 (Previous Year Nil) units of UTI Fixed Term Income Fund Series XIV-VI Growth of UTI Mutual Fund		5.00	-
Total	(A)	183.68	131.34
Current Investments			
Units - Quoted but not Listed			
Short term funds			
31 23,527,965 (Previous Year Nil) units of Birla Sunlife Dynamic Bond Fund- Growth		45.04	-
32 15,988,087 (Previous Year Nil) units of HDFC Short Term Plan- Growth		35.00	-
Liquid and Liquid Plus			
33 49,84,633 (Previous Year 30,16,346) units of Birla Sunlife Ultra Short Term Fund		49.87	30.18
34 9,65,710 (Previous Year Nil) units of SBI Ultra Short Term Debt Fund		96.70	-
35 Nil (Previous Year 3,60,652) units of Tata Liquid Fund Super High Investment Plan		-	40.20
Total	(B)	226.61	70.38
Total Current Investments	(A+B)	410.29	201.72

Particulars	As at Mar 31, 2013		As at March 31, 2012	
	Cost	Market Value	Cost	Market Value
Aggregate amount of quoted investments	226.61	229.38	70.38	70.38
Aggregate amount of unquoted investments	183.68	186.41	131.34	134.68

Note 15

Inventories

Raw materials [Including Rs. 2.61 Crore Goods in Transit (Previous year Rs. 2.27 Crore)]	31.e	159.26	226.13
Work-in-progress	31.f	23.44	23.35
Finished goods	31.g	8.87	6.41
Stores and spares		1.99	6.70
Stock of Trading Purchases	31.h	16.77	16.63
		210.33	279.22

Note 16

Trade Receivables

Unsecured

Outstanding for a period exceeding 6 months from the date they are due for payment :

Considered good		142.85	77.34
Considered doubtful		107.51	94.13
Less : Provided for		107.51	94.13
Others		1281.04	1168.29
		1423.89	1245.63

Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	(Rs. Crore)	
		As at March 31, 2013	As at March 31, 2012
Note 17			
Cash and Cash Equivalents			
Cash on hand		0.62	0.25
Balances with banks :			
In Current accounts		--	1.71
In Deposit accounts		203.53	555.83
In Unpaid dividend accounts		0.68	0.77
Cheques, drafts on hand		17.79	11.19
		<u>222.62</u>	<u>569.75</u>
Note 18			
Short-term Loans and Advances			
Unsecured, considered good			
Advances recoverable in cash or kind		110.80	148.33
Security Deposits		9.78	4.50
Advances to Staff and Workers		4.47	5.29
		<u>125.05</u>	<u>158.12</u>
Note 19			
Other Current Assets			
Contracts in Progress	32	325.09	350.74
Prepaid Long Term Employee Benefits (Gratuity)	43	10.79	1.21
Balance in Central Excise & Customs Accounts		28.84	32.73
Advance Income Tax (Net of provisions)		19.06	12.52
Other Current Assets		64.51	61.38
		<u>448.29</u>	<u>458.58</u>

Notes attached to and forming part of the Financial Statements

(Rs. Crore)
2011-12

Particulars	Reference to note no	2012-13	2011-12
Note 20			
Revenue from Operations			
A. Sale (Product and Project)			
(i) Domestic		3622.94	4082.66
Add : Closing Contracts in Progress		(61.81)	99.07
Less : Opening Contracts in Progress		99.07	192.12
Total (i)		3462.06	3989.61
(ii) Exports		839.73	1152.89
Add : Closing Contracts in Progress		132.56	44.44
Less : Opening Contracts in Progress		44.44	63.59
[Including Deemed Exports of Rs 100.77 Crore (Previous Year Rs. 108.87 Crore)]			
Total (ii)		927.85	1133.74
Total (A)	31.a	4389.91	5123.35
B. Sale of Services			
(i) Domestic		318.39	250.04
(ii) Exports		56.06	8.99
Total (B)	31.b	374.45	259.03
C. Other Operating Revenues			
Claims and Refunds		5.07	0.55
Balances earlier Written Off now Recovered		0.31	2.09
Commission		5.57	4.82
Sale of Scrap		13.07	16.97
Miscellaneous Income		35.00	35.78
Total (C)		59.02	60.21
D. Less: Excise duty		132.51	138.53
Revenue from Operations (Net)(A + B + C - D)		4690.87	5304.06
Note 21			
Other Income			
Interest Income		44.15	56.74
Dividend Income			
Long-term Investment		0.01	0.00
Current Investment		10.69	6.25
Net gain/loss on sale of investments			
Long-term Investment		12.12	6.00
Current Investment		--	0.00
Provision for Diminution in value of Investments Written Back		0.99	1.50
Exchange Fluctuation Income		5.05	--
		73.01	70.49

Notes attached to and forming part of the Financial Statements

Particulars	Reference to note no	(Rs. Crore)	
		2012-13	2011-12
Note 22			
Cost of Material Consumed			
Consumption of raw materials and components			
Opening Stocks		230.56	234.85
Add: Purchases		2986.59	3524.07
		3217.15	3758.92
Less: Closing Stocks		158.69	230.56
		3058.46	3528.36
Note 23			
Changes in Inventories			
Opening Stocks:			
Work-in-Progress		23.35	23.42
Finished Goods		6.41	8.21
Stock of Trading Purchases		16.63	11.38
		46.39	43.01
Less: Closing Stocks :			
Work-in-Progress		23.41	23.35
Finished Goods		8.87	6.41
Stock of Trading Purchases		16.74	16.63
		49.02	46.39
		(2.63)	(3.38)
Note 24			
Employee Benefits Expense			
Salaries and wages		351.50	328.22
Contribution to provident and other funds		32.06	41.98
Staff welfare expenses		18.01	17.23
		401.57	387.43
Note 25			
Finance Costs			
Interest expense		2.90	2.99
Applicable net gain/loss on foreign currency transactions and translation		6.75	3.56
		9.65	6.55

Notes attached to and forming part of the Financial Statements

(Rs. Crore)
2011-12

Particulars	Reference to note no	2012-13	2011-12
Note 26			
Other Expenses			
Consumption of stores and spare parts		18.59	22.28
Power and Fuel		26.65	24.86
Drawing, Design and Technical Service Charges		42.26	55.20
Site Expenses and Contract Labour Charges		124.37	100.37
Freight Outward		52.62	101.39
Commission on Sales		25.60	25.50
Other Selling and Distribution Expenses		31.20	34.44
Free of Cost Supplies and Modifications		47.88	44.80
Bad Debts		9.20	3.31
Provision for Doubtful Debts		25.22	11.16
Liquidated Damages		12.59	25.03
Rent and Service Charges		14.26	12.20
Rates and taxes, excluding taxes on income.		3.18	4.48
Insurance		6.15	5.32
Repairs to buildings		2.57	4.73
Repairs to machinery		8.48	5.44
Repairs - others		10.67	11.41
Communication		7.19	7.79
Traveling and Conveyance		49.97	48.11
Advertising and Exhibition Expenses		0.64	0.85
Legal & Professional Charges		36.13	31.72
Printing and Stationery		3.34	3.74
Bank Charges		8.66	8.75
Additional Sales Tax and Turnover Tax		1.97	4.10
Net loss on foreign currency transaction and translation		--	19.47
Loss on Assets sold/discarded (net)		0.53	1.58
Loss on sale of Current Investment		0.24	--
Donations		10.20	5.98
Miscellaneous Expenses		28.09	27.85
		608.45	651.86

Notes attached to and forming part of the Financial Statements

Note 27

Significant Accounting Policies

27.1 Basis for Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention on an accrual basis and comply with notified accounting standards as referred to in Section 211(3C) and other relevant provisions of the Companies Act, 1956.

27.2 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 outcome and estimates are recognised in the period in which the outcome is known or materialises.

27.3 Fixed Assets – Tangible and Intangible Assets

- a. 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.
- b. Borrowing costs attributable to fixed assets are capitalised.
- c. Machinery specific spares (other than those required for regular maintenance) are capitalised as a part of the related fixed asset.
- d. Expenditure incurred on acquisition or, as the case may be, on development of goodwill, technical know-how, software, patents, on research and development and other intangibles is recognised as an Intangible Asset, if it is expected that such asset will generate future economic benefits not less than their carrying cost.

27.4 Depreciation

- a. Cost incurred on Leasehold land is amortised over the period of lease.
- b. Depreciation on all tangible fixed assets is provided on the straight line method in the

manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956, except for the following:

- in case of data processing equipments and computers, which are depreciated at a higher rates of 33.33% as compared to 16.21% provided in Schedule XIV.
 - certain vehicles related to employee perquisites are depreciated at higher rates of 15% and 13.45% as compared to 9.50% provided in Schedule XIV.
- c. Depreciation of capitalised 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.
 - d. Intangible assets are amortised on the straight line method over the estimated useful life of such assets. An asset's useful life is estimated based on an evaluation of the future economic benefits expected of such assets.
 - e. Depreciation on the entire plant and machinery of chemical division is charged considering the chemical plant as a "Continuous Process Plant".

27.5 Asset Impairment

Provision for impairment loss, if any, is recognized to the extent to 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.

27.6 Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are

Notes attached to and forming part of the Financial Statements

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.

27.7 Inventories

- a. Inventories are valued at lower of cost and estimated net realisable value.
- b. Cost of raw materials, components, consumables, tools, stores & spares is arrived at on the basis of weighted average cost.
- c. Cost of finished goods and 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 upto their present location and condition.
- d. Inventory obsolescence is provided for on the basis of standard norms.

27.8 Employee Benefits

- a. Provident Fund
Liability on account of the company's obligation under the employee's provident fund, a defined contribution plan, is charged to the statement of profit and loss on the basis of the statutory liability to contribute.
- b. Superannuation Fund
Liability on account of the company's obligation under the employees' superannuation fund, a defined contribution plan, is charged to the statement of profit and loss on the basis of the plan's liability to contribute.
- c. Gratuity
 - i. Liability on account of company's obligation under the employee gratuity plan, a defined benefit plan, is provided on the basis of actuarial valuation.
 - ii. Fair value of plan assets, being the fund balance on the balance sheet date with Life Insurance Corporation under group gratuity-cum-life assurance policy, is recognised as an asset.
 - iii. Current service cost, interest cost and actuarial gains and losses are charged to the statement of profit and loss.

- iv. Past service cost/effect of any curtailment or settlement is charged/credited to the statement of profit and loss, as applicable.

- d. Compensated Absences

Liability on account of the company's obligation under the employee's leave policy is charged to the statement of profit and loss at the undiscounted amount of such liability calculated with reference to leave earned but not availed as at the balance sheet date.

- e. Medical and Leave Travel Assistance benefits

Liability on account of the company's obligation under the employee's medical reimbursement scheme and leave travel assistance is charged to the statement of profit and loss at the undiscounted amount of such liability.

- f. Bonus & Employee Short-Term Incentive Plan

Liabilities on account of the company's obligations under statutory regulations, agreement with trade unions and employees' short term incentive plan, as applicable, are charged to the statement of profit and loss at the undiscounted amount of such liability.

27.9 Provisions and Contingent Liabilities

- a. Provisions in respect of present obligations arising out of past events are made when reliable estimates can be made of them.
- b. The company provides for warranty obligations on substantial completion of contracts based on technical evaluation and past experience.
- c. Contingent liabilities are disclosed by way of notes to the financial statements, after careful evaluation by the management of the facts and legal aspects of each matter involved.

27.10 Revenue Recognition

- a. Revenue in respect of products is recognised on dispatch of goods to customers or when they are unconditionally appropriated to the concerned contracts.

Notes attached to and forming part of the Financial Statements

- b. Revenue in respect of projects for construction of plants and systems, involving designing, engineering, fabrication, supply, erection (or supervision thereof), commissioning, guaranteeing performance thereof etc., execution of which is spread over different accounting periods is recognized on the basis of percentage of completion method.
- c. Stage of completion of each contract is determined by the proportion that aggregate contract costs incurred for work done till the balance sheet date bear to the estimated total contract cost.
- d. The difference between costs incurred plus recognised profits / less recognised losses and the amount of invoiced sales is disclosed as contracts in progress.
- e. Determination of revenues under the percentage of completion method necessarily involves making estimates by the management (some of which are of a technical nature) of the costs to completion, the expected revenues from each contract (adjusted for probable liquidated damages, if any) and the foreseeable losses to completion.
- f. Supply of spare parts and services are accounted for on 'as billed' basis.
- g. Revenue in respect of long-term service contracts and maintenance contracts is recognised on the basis of stage of completion or time proportion as the case may be.
- h. Dividend from investments is recognized when the company's right to receive is established.
- i. Government Grants
 - * A Government grant is accounted for when there is reasonable certainty of compliance with its conditions and of its ultimate collection.
 - * Revenue expenses (net of government grants, if any) incurred during research and development phase of internal projects are recognised as and when incurred.
 - * Any Intangible asset (net of government grants, if any) arising from

the development phase of such projects is recognised to the extent there is reasonable certainty of generating sufficient future economic benefits through commercial exploitation of such asset.

27.11 Borrowing Costs

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

27.12 Foreign Currency Transactions

- a. Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.
- b. Exchange differences on settlement of transactions in foreign currencies are recognised in the statement of profit and loss.
- c. Foreign currency monetary item balances in the balance sheet are translated at the closing exchange rates and the resulting exchange difference is recognised in the statement of profit and loss.
- d. 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.
- e. Revenue items of any foreign branches are translated at the relevant currency's average rate for the year.

27.13 Hedge Accounting

The company uses foreign currency forward contracts to hedge its risk associated with foreign currency fluctuations. In terms of the risk management strategy, the company does not use forward cover contracts for trading or speculative purposes.

Notes attached to and forming part of the Financial Statements

Foreign currency forward contracts are initially measured at fair value and are re-measured at subsequent reporting dates. Changes in the fair value of such contracts, which are designated and effective, are recorded in the Hedging Reserve account.

The accumulated changes in fair value recorded in the hedging reserve account are transferred to the statement of profit and loss in the same period during which the underlying transactions affect the statement of profit and loss and / or the foreign currency forward contract expires or is exercised, terminated or no longer qualifies for hedge accounting.

27.14 Taxes on Income

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

27.15 Others

- a. A liability for liquidated damages is recognised when it is deducted or claimed by the customer or when a reasonable estimate of the likely obligation can be made.
- b. 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.

- c. Annual fees payable under a License Agreement for acquisition of a right to use Licensed Marks is recognised and charged to the statement of profit and loss on payment.

Note 28

Contingent Liability

- a. Disputed demands in respect of Excise, Customs Duty and Service Tax Rs. 13.91 Crore (*Previous Year Rs. 14.82 Crore*), Sales Tax Rs. 14.69 Crore (*Previous Year Rs. 17.40 Crore*) and other Statutes Rs. 0.14 Crore (*Previous Year Rs. 0.10 Crore*).
- b. Income Tax
 - i. Demands disputed in appellate proceedings Rs. 82.21 Crore (*Previous Year Rs. 73.01 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. 25.49 Crore (*Previous Year Rs. 19.44 Crore*).
- c. Counter Guarantees given by the company to the banks on behalf of group companies : Rs. 76.14 Crore on behalf of Thermax Instrumentation Ltd. (*Previous Year Rs. 56.84 Crore*), Rs. 0.60 Crore on behalf of Thermax Onsite Energy Solutions Ltd. (*Previous Year Rs. NIL*) and Rs. 0.09 Crore on behalf of Thermax Sustainable Energy Solutions Ltd. (*Previous Year Rs. NIL*)
- d. Indemnity Bonds and Corporate Guarantees given by the Company on behalf of group companies : Thermax Engineering Construction Company Ltd. Rs. NIL (*Previous Year Rs. 14 Crore*).
- e. Liability for unexpired export obligations Rs. 2.50 Crore (*Previous Year Rs. 7.97 Crore*).
- f. Claims against the company not acknowledged as debts Rs. 9.43 Crore (*Previous Year Rs. 8.64 Crore*).
- g. Bills Discounted with banks Rs. 45.32 Crore (*Previous Year Rs. 38.21 Crore*).
- h. Liability in respect of partly paid shares in Parasrampuria Synthetics Ltd. Rs. 0.19 Crore (*Previous Year Rs. 0.19 Crore*).

Notes attached to and forming part of the Financial Statements

Note 29 Micro & Small Enterprises

Micro & Small enterprises as defined under the Micro, Small and Medium Enterprises Development Act 2006 (MSMED) have been identified to the extent of information available with the company. This has been relied upon by the auditors.

Sundry Creditors include following amount due to MSMED parties :

Sr. No.	Particulars	2012-13			2011-12		
		Principal	Interest	Total	Principal	Interest	Total
a)	Total Outstandings to micro and small enterprises	97.53	0.00	97.53	31.23	0.03	31.25
b)	Amount of Interest paid in terms of Section 16 of MSMED Act alongwith the principal amount of the payment made to supplier beyond appointed day	14.76	0.02	14.78	4.34	0.05	4.39
c)	Outstanding Interest (where principal amount has been paid off to the supplier but interest amount is outstanding as on March 31)	NA	0.00	0.00	NA	0.03	0.03

Note 30 Auditors' Remuneration & Directors fees :

Other expenses include:

	2012 - 13	Rs. Crore 2011 - 12
a) Auditors' Remuneration (excluding service tax)		
i) As Auditors	0.62	0.56
ii) For Taxation matters (including Tax Audits)	0.30	0.46
iii) Certification fees	0.10	0.12
iv) Reimbursement of expenses	0.02	0.02
b) Directors Sitting fees	0.15	0.16

Note 31 Additional Information under Part II of Revised Schedule VI to the Companies Act, 1956 :

a. Turnover of goods manufactured & traded (net of excise)

Particulars	2012-13	Rs. Crore 2011-12
Boilers, Heaters & Chillers	2276.97	2390.32
Power Plants	865.20	1385.72
Air Pollution Control, Water & Waste Treatment Plants & Systems	721.64	859.28
Ion Exchange Resins & Chemicals	213.28	195.03
Goods Traded In, Accessories, Spares etc.	180.31	154.47
Total	4257.40	4984.82

b. Service Revenue under broad heads

Particulars	2012-13	Rs. Crore 2011-12
Operation & Maintenance	175.65	133.27
Erection & Commissioning	182.14	108.79
Other Services	11.99	16.97
Total	374.45	259.03

Notes attached to and forming part of the Financial Statements

(Rs. Crore)

c. Consumption of raw materials & components etc. and cost of traded goods

Particulars	2012-13	2011-12
Ferrous Sheets, Plates	90.96	77.88
Ferrous Tubes	122.76	181.10
Fabricated Items	610.99	611.65
Chemicals	129.75	121.46
Bought out items and other materials	2219.26	2688.77
Total	3173.72	3680.86

d. Trading Purchases under broad heads

Particulars	2012-13	2011-12
Steel and other metals	66.55	101.09
Spare Parts	48.41	47.56
Chemicals	2.89	4.19
Other Purchases	0.04	3.04
Total	117.89	155.88

e. Raw Material Stock under broad heads

Particulars	2012-13	2011-12
Ferrous Sheets, Plates	15.16	24.74
Ferrous Tubes	12.59	42.39
Fabricated Items	45.38	49.92
Chemicals	19.86	6.89
Others	66.27	102.18
Total	159.26	226.13

f. WIP Stock under broad heads

Particulars	2012-13	2011-12
Boilers, Heaters & Chillers	19.56	18.79
Air Pollution Control, Water and Waste Treatment Plants & Systems	1.27	1.31
Ion Exchange Resins & Chemicals	2.61	3.25
Total	23.44	23.35

g. Finished Goods Stock under broad heads

Particulars	2012-13	2011-12
Boilers, Heaters & Chillers	1.22	1.28
Ion Exchange Resins & Chemicals	7.65	5.13
Total	8.87	6.41

h. Stock of Traded Goods under broad heads

Particulars	2012-13	2011-12
Steel and other metals	3.16	4.64
Spare Parts	13.24	11.43
Chemicals	0.34	0.41
Others	0.04	0.14
Total	16.77	16.63

Notes attached to and forming part of the Financial Statements

(Rs. Crore)

i. Value of imported & indigenous Raw Materials, Components & Spare Parts consumed

Particulars	%	2012-13	%	2011-12
Imported	7	224.15	16	578.71
Indigenous	93	2949.57	84	3102.15
Total	100	3173.72	100	3680.86

j. CIF Value of Imports

Particulars	2012-13	2011-12
Raw Materials	131.19	464.97
Components & Spares	70.80	116.78
Consumables	5.12	6.32
Capital Goods	14.62	3.17
Total	221.74	591.24

k. Earnings in Foreign Currency (on accrual basis)

Particulars	2012-13	2011-12
Export of goods on FOB	656.72	725.73
Others	14.00	6.14
Total	670.72	731.87

l. Expenditure in Foreign Currency (on accrual basis)

Particulars	2012-13	2011-12
Technical Fees	3.61	3.76
Expenses in Foreign Offices	13.51	10.67
Royalty	15.57	18.66
Travelling, Commission, Legal & Professional Charges and Others	34.98	62.93
Total	67.67	96.02

32. Contracts in Progress (CIP)

Sr. No.	Particulars	2012-13	2011-12
a)	Aggregate amount recognised as Contract Revenue (RR) for the Year	3398.87	4438.43
b)	In respect of contracts in progress as on 31 st March :		
	1. Aggregate amount of costs incurred and recognised profits (less recognised losses) (including amounts carried forward from previous years)	11408.84	9743.40
	2. Amount of Customer Advances received	611.05	613.95
	3. Amount of Retentions	518.24	416.50
c)	Gross amount due from customers for contract work	325.09	350.74
d)	Gross amount due to customers for contract work	254.34	207.23

Notes attached to and forming part of the Financial Statements

Note 33 Secured Loan

Secured loans represent following categories of borrowings :

- i) Working Capital Loans (Cash Credits & Overdrafts) taken from consortium of banks. These are secured by hypothecation of present and future stock of raw materials, stock in process, semi finished & finished goods, stores and spares not relating to plant & machinery, consumables & book debts. These are repayable on demand. Working Capital loans outstanding as on March 31, 2013 are Rs. 4.76 Crore (*Previous Year Rs. NIL*).
- ii) Post Shipment Credit of Rs. 7.12 Crore (*Previous Year Rs. 3.56 Crore*) due for repayment on various dates between April 1, 2013 to July 19, 2013. These loans are secured by hypothecation of present and future stock of raw materials, stock in process, semi finished & finished goods, stores and spares not relating to plant & machinery, consumables & book debts.
- iii) Loan from Department of Bio Technology Rs. 0.15 Crore (*Previous Year Rs.0.08 Crore*) due for repayment in ten half yearly instalments starting from December 31, 2013 and carrying interest rate of 2% p.a. Loan is secured by hypothecation of R&D equipments purchased out of these funds.

Note 34 Unsecured Loan

- i) Buyers Credit availed from bank. The loan amount outstanding on March 31, 2013 is Rs. NIL (*Previous Year Rs. 162.80 Crore*).
- ii) Unsecured loan from Indo-German Science & Technology Centre Rs. 0.30 Crore (*Previous year NIL*) due for repayment in 10 half yearly instalments starting from November 2015 and carrying interest rate of 3% p.a.

Note 35 Unpaid Dividend

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

	(Rs. Crore)
	As at March 31, 2013 As at March 31, 2012
a. Unclaimed Dividend on Equity	0.68 0.66
b. Unclaimed Dividend on Redeemable Preference Share (RPS)	0.00 0.01

Note 36

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 accounts.

Note 37 Foreign Exchange Transactions

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

Particulars	Amount in Rs. Crore	Amount in Foreign Currency	
Export of Goods	12.26	USD	2,257,572
Export of Goods	3.00	EURO	432,131
Export of Goods	0.58	GBP	70,622
Import of Goods	(0.86)	YEN	(14,826,655)

Notes attached to and forming part of the Financial Statements

Note 38 Capital and other Commitments

- a. Capital Commitments : Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 15.51 Crore (*Previous year Rs. 54.31 Crore*).
- b. Other Commitments : Current Year Rs. NIL (*Previous Year Rs. 13.39 Crore for Share Purchase Agreement*).

Note 39 Capitalisation of expenses

Raw materials, labour and overheads capitalised in respect of Plant & Machinery Rs. 0.21 Crore (*Previous Year Rs. 1.16 Crore*).

Note 40 Previous year's expenses / income included under various heads of account:

	(Rs. Crore)	
	2012-13	2011-12
Commission on Sales	0.09	0.85
Other Miscellaneous Expenses	0.10	0.52

Note 41 Segment Reporting

- a. 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 Equipment / Systems, Water & Waste Recycle Plants, Ion Exchange Resins & Performance Chemicals.

- b. 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 a 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.

- c. Secondary segments have been identified with reference to geographical location of external customers. Composition of secondary segments is as follows:
 - i. India
 - ii. Outside India
- d. Inter-segment transfer price is arrived at on the basis of cost plus a reasonable mark-up.

Notes attached to and forming part of the Financial Statements

(Rs. Crore)

I) Information about Primary Business Segments :

Particulars	2012-13			2011-12		
	Energy	Environment	Total	Energy	Environment	Total
Revenue :						
Gross Revenue	3638.25	1130.98	4769.23	4150.93	1285.10	5436.03
Less : Intersegment Revenue	1.04	77.32	78.36	0.82	131.15	131.97
Net Revenue	3637.21	1053.66	4690.87	4150.11	1153.95	5304.06
Result :						
Segment Result	379.75	118.81	498.56	442.63	159.64	602.27
Unallocated expenses net of unallocated income			(26.72)			(5.18)
Operating Profit			525.28			607.45
Interest expenses			9.65			6.55
Taxation for the year			165.67			194.04
Profit after taxation and before exceptional items			349.96			406.86
Extra-ordinary items of expenses / (Income)			-			-
Net Profit			349.96			406.86
Other Information :						
Segment Assets	1944.36	614.80	2559.15	1723.48	584.83	2308.31
Unallocated Corporate Assets			1215.13			1260.53
Total Assets			3774.28			3568.84
Segment Liabilities	1410.60	335.85	1746.44	1305.14	379.86	1685.00
Unallocated Corporate Liabilities			158.56			282.66
Total Liabilities			1905.01			1967.66
Capital Expenditure	88.95	37.82	126.77	40.69	63.51	104.20
Depreciation	42.85	12.01	54.86	36.86	10.10	46.95
Non-cash expenses other than depreciation	-	-	-	-	-	-

II) Information about Secondary Segments:

Particulars	Year Ended March 31,2013	Year Ended March 31,2012
Revenue		
India	3807.73	4270.20
Outside India	883.14	1033.85
Total Revenue	4690.87	5304.06
Carrying Amount of Segment Assets :		
India	2403.77	2153.15
Outside India	155.38	155.15
Addition to Fixed Assets :		
India	126.77	104.29
Outside India	0.01	-0.08

Notes attached to and forming part of the Financial Statements

Note 42 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. Holding Company
RDA Holding & Trading Pvt. Ltd.
- B. Enterprises controlled by the Company :
Subsidiary Companies:
- i. Domestic:**
- | | |
|--|--------------------------------------|
| Thermax Sustainable Energy Solutions Ltd. | Thermax Instrumentation Ltd. |
| Thermax Engineering Construction Co. Ltd. | Thermax Onsite Energy Solutions Ltd. |
| Thermax SPX Energy Technologies Ltd. (Joint venture with SPX Netherlands BV) | |
| Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. (Joint venture with Babcock & Wilcox India Holdings Inc) | |
- ii. Overseas:**
- | | |
|--|--|
| Thermax Europe Ltd., U.K. | Thermax do Brasil Energia-e Equipamentos Ltda., Brazil |
| Thermax International Ltd., Mauritius | Thermax Inc., USA |
| Thermax Hong Kong Ltd., Hong Kong | |
| Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd., China | |
| Thermax Netherlands BV. | Thermax Denmark ApS, Denmark |
| Danstoker A/S, Denmark | |
| Ejendomsanpartsselskabet Industrivej Nord 13 (EIN), Denmark | |
| Omnicel Kessel & Apparatebau GmbH, Germany | |
| Thermax SDN. BHD. | |
| Rifox-Hans Richter GmbH Spezialarmaturen | |
- C. 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. Pheroze Pudumjee – Director
- D. Enterprise, over which control is exercised by individuals listed in 'C' above
Thermax Social Initiative Foundation
- E. Key Management Personnel:
Mr. M S Unnikrishnan – Managing Director
- The following transactions were carried out during the year with related parties in the ordinary course of business.

Details of Transactions with enterprises referred to in "B" and "D" above

Particulars	(Rs. Crore)	
	2012-13	2011-12
I Sales, Service, Other income		
Sale of Goods		
i Thermax Europe Ltd.	27.36	14.00
ii Thermax Inc.	30.25	39.00
iii Thermax Onsite Energy Solutions Ltd.	4.41	-
iv Others	2.39	2.95
Total	64.42	55.95

Notes attached to and forming part of the Financial Statements

Particulars	(Rs. Crore)	
	2012-13	2011-12
Rendering of Services	1.20	0.25
Interest Income	0.16	0.16
Reimbursement of Expenses / Cost of material / Stores		
i Thermax Babcock Wilcox Energy Solutions Pvt. Ltd.	0.20	-
ii Thermax Engineering Construction Co Ltd.	2.39	3.66
iii Thermax SPX Energy Technologies Ltd.	0.90	1.00
iv Others	0.37	0.42
Total	<u>3.86</u>	<u>5.07</u>
II Purchase of Materials / Services		
i Thermax Engineering Construction Co Ltd.	69.66	50.17
ii Thermax Instrumentation Ltd.	19.57	21.72
iii Thermax SPX Energy Technologies Ltd.	15.33	3.04
iv Thermax (Zhejiang) Cooling & Heating Eng. Co. Ltd.	6.93	2.59
v Others	0.00	0.02
Total	<u>111.50</u>	<u>77.54</u>
III Expenses		
Receiving of Services	1.17	0.40
Reimbursement of Expenses	11.05	12.04
Deputation of employees	0.95	0.98
Donation to Thermax Social Initiative Foundation	10.15	5.87
IV Finance (Including Loan / Equity/ Preference Contribution & Share Application Money)		
Equity / Preference Contribution		
i Thermax Sustainable Energy Solutions Ltd.	-	4.00
ii Thermax (Zhejiang) Cooling & Heating Eng. Co. Ltd.	-	10.56
iii Thermax Babcock Wilcox Energy Solutions Pvt. Ltd.	15.30	73.95
iv Thermax Instrumentation Ltd.	10.00	-
v Thermax Onsite Energy Solutions Ltd.	4.50	-
vi Thermax Inc.	-	0.08
vii Rifax-Hans Richter GmbH Spezialarmaturen	2.40	-
viii Thermax SDN.BHD	0.87	-
Total	<u>33.08</u>	<u>88.58</u>
V Guarantee / Bond / Collateral Given on behalf of subsidiaries and outstanding as on 31st March		
i Thermax Instrumentation Ltd.	76.14	56.84
ii Thermax Engineering Construction Co Ltd.	-	14.00
iii Others	0.69	0.00
Total	<u>76.83</u>	<u>70.84</u>
VI Amount Outstanding - Loan / Advances, Receivable		
Loan / Advances Outstanding		
i Thermax Sustainable Energy Solutions Ltd.	3.09	2.95
Account Receivable		
i Thermax Inc.	12.40	11.50
ii Thermax Europe Ltd.	6.67	1.45
iii Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	1.95	6.74
iv Others	2.96	2.07
Total	<u>23.97</u>	<u>21.77</u>

Notes attached to and forming part of the Financial Statements

Particulars	(Rs. Crore)	
	2012-13	2011-12
Trade Advances		
i Thermax Engineering Construction Co Ltd.	4.64	0.15
ii Thermax Instrumentation Ltd.	15.60	0.36
iii Thermax SPX Energy Technologies Ltd.	1.54	0.09
Total	<u>21.77</u>	<u>0.60</u>

VII Amount Outstanding - Payable

Accounts Payable		
i Thermax Engineering Construction Co Ltd.	7.78	8.27
ii Thermax Instrumentation Ltd.	9.67	5.34
iii Thermax (Zhejiang) Cooling & Heating Eng. Co. Ltd.	0.03	1.42
iv Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	0.12	0.89
v Thermax SPX Energy Technologies Ltd.	1.32	1.89
vi Others	3.17	0.57
Total	<u>22.09</u>	<u>18.38</u>

Details of Transactions relating to the Persons referred to in "C" and "E" above

Managerial Remuneration	2.56	2.20
Sitting Fees	0.06	0.07
Rent Paid	0.32	0.30
Commission paid	0.42	0.42
Loans, Advance / Deposit outstanding at the end of the year	0.58	0.58

Note 43 Defined Benefit Plans for Employees (AS 15)

As per Actuarial valuation as on March 31, 2013 and recognised in financial statements in respect of Gratuity schemes:

Particulars	2012-13	2011-12
i Components of Employer expense		
a Current service cost	2.82	2.40
b Interest Cost	4.73	3.83
c Expected Return on Plan Assets	(5.63)	(4.64)
d Actuarial (Gain) / Loss	1.87	10.36
e Total Expense recognised in the Profit and Loss Account	3.79	11.95
ii Net Assets / (Liability) recognised in Balance Sheet as at 31st March		
a Present Value of Obligation	65.69	63.08
b Fair Value of Plan Assets	76.48	64.29
c (Asset)/Liability recognised in the Balance Sheet	(10.79)	(1.21)
iii Change in Gratuity Obligation during the year		
a Present Value of Obligation as at 1st April	63.08	49.87
b Current Service Cost	2.82	2.38
c Interest Cost	4.73	3.83
d Actuarial (Gain)/ Loss	2.89	11.04
e Benefit Paid	7.83	4.06
f Present Value of Obligation as at 31st March	65.69	63.08

Notes attached to and forming part of the Financial Statements

(Rs. Crore)

Particulars	2012-13	2011-12
iv Changes in the Fair Value of Plan Assets		
a Present Value of Plan Assets as at 1st April	64.29	51.65
b Expected Return on Plan Assets	5.63	4.64
c Actual Company Contribution	5.75	7.37
d Benefits Paid	(0.22)	(0.05)
e Actuarial Gain / (Loss)	1.02	0.68
f Present Value of Plan Assets as at 31st March	76.48	64.29
v Actuarial Assumptions		
a Discount Rate	8% p.a.	8% p.a.
b Expected Rate of Return	8% p.a.	8% p.a.
vi Amounts recognised in current year and previous four years		

Particulars	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009
Gratuity					
Defined Benefit Obligation	65.69	63.08	49.87	32.94	25.34
Plan Asset	76.48	64.29	51.65	40.80	31.67
(Surplus) / Deficit	(10.79)	(1.21)	(1.78)	(7.86)	(6.34)
Experience adjustments in plan assets / liabilities	2.42	-	-	-	-
Classified as Non-Current	54.64	59.13	2.06	N.A.	N.A.
Classified as Current	11.05	3.95	47.81	N.A.	N.A.
Total	65.69	63.08	49.87	32.94	25.34

vii The major categories of plan assets as a percentage of the fair value of total plan assets are as follows :

Particulars	2012-13	2011-12
Gratuity		
Investments with Insurer (LIC of India)	100%	100%

viii Defined Contribution Plans amount recognised in the Statement of Profit and Loss

Particulars	2012-13	2011-12
Provident Fund	28.62	30.02

ix The Company expects to contribute Rs. 0.50 Crore to gratuity in FY 2013-14.

Note 44 Earnings Per Share (EPS)

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

Particulars	2012 - 13	2011 - 12
Profit After Tax but before Extra-ordinary items (Rs. Crore)	349.96	406.86
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.)	29.37	34.15
Profit After Tax and after Extra-ordinary items (Rs. Crore)	349.96	406.86
Basic & Diluted EPS after Extra-ordinary items (Rs.)	29.37	34.15

Notes attached to and forming part of the Financial Statements

Note 45 Proposed Dividend

The dividend proposed for the year is as follows :

[On Equity Share of Rs. 2/- each]

Particulars	2012-13	2011-12
Amount of dividend (Rs. Crore)	83.41	83.41
Dividend per equity share (Rs.)	7.00	7.00

Note 46 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.

Note 47 Disclosure as required by AS - 29 (Contingent Liabilities and Provisions):

(Rs Crore)

Particulars	Warranty Provision	
	2012-13	2011-12
Opening Balance (as on 1st April)	58.99	37.45
Additions during the year	38.24	43.03
Utilisation during the year	9.33	6.33
Reversals during the year	15.69	15.15
Closing Balance (as on 31st March)	72.20	58.99

Note 48 Disclosure in relation to in-house Research & Development (R&D) expenses and fixed assets.

A) Details of R&D Revenue Expenses incurred during the year :

(Rs. Crore)

Particulars	2012-13			2011-12		
	DSIR*	Others	Total	DSIR*	Others	Total
Material Cost	6.43	0.11	6.54	6.44	0.10	6.54
Employee Cost	8.49	1.94	10.43	7.78	0.93	8.71
Consumables & Maintenance Cost	0.52	0.07	0.59	0.57	0.07	0.64
Drawing Design, licence fees & Professional fees	2.13	0.20	2.33	1.26	0.12	1.38
Labour Charges	0.70	0.04	0.74	1.21	0.06	1.27
Travelling Expenses	0.87	0.09	0.96	0.73	0.08	0.81
Other Costs	1.28	0.02	1.30	1.35	0.08	1.43
Depreciation	1.69	0.02	1.71	1.30	0.02	1.32
Less: Government Grants	(5.86)	-	(5.86)	(6.81)	-	(6.81)
Grand Total	16.25	2.49	18.74	13.83	1.46	15.29

* Expenses of sites/in house facilities approved by Department of Scientific and Industrial Research (DSIR).

Notes attached to and forming part of the Financial Statements

B) Fixed Asset schedule of R&D Assets :

Fixed Assets included in respective category of Note 10, used for the purpose of in-house Research and Development activity.

Rs. Crore

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1.4.2012	Additions/ Adjustments during the year	Deductions during the year	Total Cost as at 31.03.2013	Upto 31.03.2012	Deductions/ Adjustments during the year	Provisions during the year	Total as at 31.03.2013	As at 31.03.2013	As at 31.03.2012
TANGIBLE										
Building	0.64	-	-	0.64	0.30	-	0.01	0.31	0.33	0.34
Plant & Machinery	4.07	1.51	0.01	5.57	0.45	0.00	0.36	0.81	4.76	3.62
Electrical Installation	0.21	-	-	0.21	0.02	-	0.01	0.03	0.18	0.19
Furniture, Fixtures, Office Equipment & Computer	1.34	0.03	-	1.37	0.39	-	0.23	0.62	0.75	0.95
R&D Equipments(in house)	3.13	-	0.08	3.05	1.58	0.03	0.21	1.76	1.29	1.55
R&D Equipments(others)	0.31	0.02	-	0.33	0.04	-	0.02	0.06	0.28	0.27
Vehicles	0.09	-	-	0.09	0.02	-	0.01	0.03	0.07	0.07
INTANGIBLE										
Software	1.87	0.07	-	1.94	1.24	-	0.34	1.58	0.36	0.63
Development Costs (R&D)	-	2.18	-	2.18	-	0.02	0.43	0.45	1.73	-
Total	11.66	3.81	0.09	15.38	4.04	0.06	1.62	5.64	9.74	7.62
Previous Year	7.76	3.90	-	11.66	2.81	0	1.23	4.04	7.62	4.95
Capital CWIP									11.76	10.06

Note 49 The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfilment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption.

Note 50 Previous year's figures have been regrouped wherever necessary to conform to current year's classification.

As per our report of even date
For B. K. Khare & Co.
 Chartered Accountants
 Firm Reg No.105102W

For and on behalf of the Board
Meher Pudumjee
 Chairperson

M. S. Unnikrishnan
 Managing Director

H. P. Mahajani
 Partner
 Membership No. 030168
 Pune, May 22, 2013

Gopal Mahadevan
 Executive Vice President
 & Chief Financial Officer

G. P. Kulkarni
 Vice President - Legal &
 Company Secretary
 Pune, May 22, 2013

Independent Auditors' Report

To the Members of Thermax Ltd.

We have audited the accompanying consolidated financial statements (the "Consolidated Financial Statements") of Thermax Limited ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We did not audit the financial statements of the twelve foreign subsidiaries, whose financial statements reflect total assets of Rs.623.09 Crore as at 31st March 2013 and total revenues of Rs.561.07 Crore for the year then ended and cash flows amounting to Rs. 9.16 Crore for the year then ended and the Profit After tax of Rs.1.12 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 auditor.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For B. K. Khare & Co.
Chartered Accountants
Firm's Registration Number 105102W

H. P. Mahajani
Partner
Membership Number: 030168

Pune, 22nd May 2013

Consolidated Financial Statements

Balance Sheet as at March 31, 2013

(Rs. Crore)

Particulars	Note No	As at	
		March 31, 2013	March 31, 2012
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
a. Share capital	1	23.83	23.83
b. Reserves and surplus	2	1844.85	1605.53
		1868.68	1629.36
2. Minority Interest		110.27	111.64
3. Non-current liabilities			
a. Long-term borrowings	3	383.22	87.60
b. Deferred tax liabilities (Net)	4	38.30	37.77
c. Other Long-term liabilities	5	54.12	48.48
d. Long-term provisions	6	1.30	0.18
		476.94	174.03
4. Current liabilities			
a. Short-term borrowings	7	37.73	182.79
b. Trade payables	8	972.30	968.96
c. Other current liabilities	9	1219.18	1334.21
d. Short-term provisions	10	279.94	271.93
		2509.15	2757.89
TOTAL		4965.04	4672.92
II. ASSETS			
1. Non-current assets			
a. Fixed assets	11		
i. Tangible assets		697.80	662.22
ii. Intangible assets		174.89	181.87
iii. Capital work-in-progress		517.45	246.57
b. Non-current investments	12	0.03	0.03
c. Long-term loans and advances	13	38.08	62.76
d. Other non-current assets	14	250.05	113.13
		1678.30	1266.58
2. Current assets			
a. Current investments	15	442.96	239.50
b. Inventories	16	323.95	366.61
c. Trade receivables	17	1546.74	1370.68
d. Cash and cash equivalents	18	321.12	698.25
e. Short-term loans and advances	19	124.39	180.09
f. Other current assets	20	527.58	551.21
		3286.74	3406.34
TOTAL		4965.04	4672.92

The notes are an integral part of these financial statements.

As per our report of even date
For B. K. Khare & Co.
Chartered Accountants
 Firm Reg No.105102W

For and on behalf of the Board
Meher Pudumjee
Chairperson

M. S. Unnikrishnan
Managing Director

H. P. Mahajani
Partner
 Membership No. 030168
 Pune, May 22, 2013

Gopal Mahadevan
*Executive Vice President
 & Chief Financial Officer*

G. P. Kulkarni
*Vice President - Legal &
 Company Secretary*
 Pune, May 22, 2013

Consolidated Financial Statements

Statement of Profit and Loss for the year ended March 31, 2013

(Rs. Crore)

Particulars	Note No	2012-13	2011-12
I Revenues from operations (Gross)	21	5624.21	6229.74
Less : Excise Duty		132.51	138.53
Revenues from operations (Net)		5491.70	6091.21
II Other income	22	84.85	82.95
III Total Revenue (I+II)		5576.55	6174.16
IV Expenses :			
Cost of materials consumed	23	3131.91	3618.59
Purchases of Stock-in-Trade		204.04	227.74
Changes in inventories	24	(20.22)	(2.83)
Employee benefits	25	612.18	557.80
Finance costs	26	16.54	12.17
Depreciation and amortisation	11	77.07	66.25
Other expenses	27	1073.63	1097.97
Total Expenses		5095.15	5577.69
V Profit before exceptional and extraordinary items and tax (III-IV)		481.40	596.47
VI Exceptional items		--	--
VII. Profit before extraordinary items and tax (V - VI)		481.40	596.47
VIII Extraordinary Items		--	--
IX Profit before tax (VII- VIII)		481.40	596.47
X Tax expense:			
1. Current tax		177.18	198.22
2. Deferred tax		0.16	6.11
Profit after tax (IX- X)		304.06	392.14
XI Less : Minority Interest		(16.07)	(11.38)
XII Profit for the period (IX - X - XI)		320.13	403.52
XIII Earnings per equity share of Rs. 2/- each Basic and Diluted (Rs.)	36	26.87	33.86

The notes are an integral part of these financial statements.

As per our report of even date
For B. K. Khare & Co.
Chartered Accountants
 Firm Reg No.105102W

For and on behalf of the Board
Meher Pudumjee
Chairperson

M. S. Unnikrishnan
Managing Director

H. P. Mahajani
Partner
 Membership No. 030168
 Pune, May 22, 2013

Gopal Mahadevan
*Executive Vice President
 & Chief Financial Officer*

G. P. Kulkarni
*Vice President - Legal &
 Company Secretary*
 Pune, May 22, 2013

Consolidated Cash Flow Statement

	2012-13	(Rs. Crore) 2011-12
A Cash flow from Operating activities		
Net profit before tax before Extra-ordinary items	481.40	596.47
Add Adjustments for		
Depreciation	77.07	66.25
Provision for Doubtful Debts	21.68	15.59
Interest paid	16.54	12.17
Lease rentals Paid	2.54	3.27
Less Adjustments for		
Interest / Dividend / Brokerage (Income received)	(31.28)	(47.92)
(Profit)/Loss on sale of Investment	(12.28)	(8.79)
(Profit)/Loss on sale of assets	0.57	1.61
Provision for Long Term Investments-Written back	(0.99)	(1.50)
Operating profit before working capital changes	555.27	637.15
Adjustments for		
Trade and Other Receivables	(297.01)	(506.26)
Inventories	42.66	(0.94)
Trade Payables	6.48	309.81
Cash generated from Operations (Before tax)	307.41	439.76
Direct taxes paid	(220.64)	(178.37)
Net cash from operating activities (After tax)	86.78	261.39
B Cash flow from Investing Activities		
Purchase of Fixed Assets	(350.81)	(372.43)
Purchase of Investments	(1,197.60)	(1,000.29)
Proceeds from sale of Investments	1,007.37	1,002.26
Exchange Rate Fluctuation	(3.38)	20.35
Minority Interest Contribution	14.70	71.05
Interest / Dividend / Brokerage received	31.28	45.50
Net cash from Investing activities	(498.44)	(233.55)
C Cash flow from Financing activities		
Increase/(Decrease) in borrowings	150.56	122.37
Lease rentals paid	(2.54)	(3.27)
Interest paid	(16.54)	(12.17)
Dividend paid and Tax thereon	(96.94)	(124.55)
Net cash from Financing activities	34.54	(17.62)
Net (decrease)/increase in cash & cash equivalents	(377.13)	10.21
Opening cash & bank balances	698.25	688.04
Opening cash & bank balances of Acquired Subsidiaries	-	-
Closing cash & bank balances	321.12	698.25

The notes are an integral part of these financial statement.

As per our report of even date
For B. K. Khare & Co.
Chartered Accountants
 Firm Reg No.105102W

For and on behalf of the Board
Meher Pudumjee
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 Pune, May 22, 2013

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 & Chief Financial Officer*

G. P. Kulkarni
*Vice President - Legal &
 Company Secretary*
 Pune, May 22, 2013

Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	(Rs. Crore)	
		As at March 31, 2013	As at March 31, 2012
Note 1			
Share capital			
Equity Share Capital			
Authorised :			
37,50,00,000 Equity Shares of Rs 2/- each		75.00	75.00
<i>(Previous year 37,50,00,000 equity Shares of Rs 2/- each)</i>		75.00	75.00
Issued, subscribed and fully paid :			
11,91,56,300 Equity Shares of Rs. 2/- each		23.83	23.83
<i>(Previous year 11,91,56,300 equity Shares of Rs 2/- each)</i>		23.83	23.83

(a) Reconciliation of number of equity shares	As at March 31, 2013		As at March 31, 2012	
	Number of Shares	Rs. Crore	Number of Shares	Rs. Crore
Shares outstanding at the beginning of period	11,91,56,300	23.83	11,91,56,300	23.83
Shares outstanding at the end of period	11,91,56,300	23.83	11,91,56,300	23.83

(b) Rights, preferences and restrictions attached to shares

Equity Shares: The company has one class of equity shares having a par value of Rs. 2/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Equity Shares held by holding company

6,43,28,500 shares are held by holding company, RDA Holding & Trading Pvt. Ltd. (Previous year 6,43,28,500 shares)

(d) Details of Equity shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of Shareholder	As at March 31, 2013		As at March 31, 2012	
	%	No of Shares held	%	No of Shares held
RDA Holding & Trading Pvt. Ltd.	53.99	6,43,28,500	53.99	6,43,28,500
Mrs. Anu Aga	5.78	68,88,305	5.78	68,88,305

Notes attached to and forming part of the Consolidated Financial Statements

(Rs. Crore)

Particulars	Reference to note no	As at March 31, 2013	As at March 31, 2012
Note 2			
Reserves and Surplus			
Capital Redemption Reserve			
Per Last Balance Sheet		50.34	50.34
Share Premium Reserve			
Per Last Balance Sheet		61.13	61.13
Capital Reserve			
Per Last Balance Sheet		13.10	13.10
Capital Reserve on Consolidation		4.71	4.71
Hedging Reserve			
Per Last Balance Sheet		2.23	4.44
Adjusted to Profit and loss statement		19.93	(2.20)
		<u>22.16</u>	<u>2.23</u>
General Reserve			
Per Last Balance Sheet		375.94	332.94
Transferred from Surplus		35.00	43.00
		<u>410.94</u>	<u>375.94</u>
Foreign Currency Translation Reserve		6.01	9.16
Surplus			
Per Last Balance Sheet		1088.92	825.34
Profit for the year		3 20.13	403.52
Proposed Equity Dividend		(83.41)	(83.41)
Tax on Dividend		(14.18)	(13.53)
Transfer to General Reserve		(35.00)	(43.00)
		<u>1276.46</u>	<u>1088.92</u>
		<u>1844.85</u>	<u>1605.53</u>
Note 3			
Long-Term Borrowings	32		
Secured Long Term Borrowings :			
Term loans			
From banks		379.48	87.52
From other parties		3.44	0.08
Unsecured Long Term Borrowings :			
Term loans			
From other parties		0.30	--
		<u>383.22</u>	<u>87.60</u>
Note 4			
Deferred tax liabilities (Net)			
A. Deferred Tax Assets			
Provision for Doubtful Debts		27.85	17.92
Others		11.07	17.58
Total (A)		<u>38.92</u>	<u>35.50</u>
B. Deferred Tax Liabilities			
Depreciation on Fixed Assets		63.59	57.92
Others		13.63	15.35
Total (B)		<u>77.22</u>	<u>73.27</u>
Net Deferred Tax Liability (B-A)		<u>38.30</u>	<u>37.77</u>

Notes attached to and forming part of the Consolidated Financial Statements

(Rs. Crore)

Particulars	Reference to note no	As at March 31, 2013	As at March 31, 2012
Note 5			
Other Long-term liabilities			
Trade payables		12.35	10.87
Customer Advances		35.36	19.17
Trade Deposits		6.40	0.87
Other liabilities		0.01	17.57
		<u>54.12</u>	<u>48.48</u>
Note 6			
Long-term provisions			
Long Term Employee Benefits		0.01	--
Provision for Warranty		0.85	--
Others		0.44	0.18
		<u>1.30</u>	<u>0.18</u>
Note 7			
Short-term borrowings			
	32		
Secured :			
From banks		25.28	19.72
From other parties		8.80	--
Unsecured :			
From banks		--	162.79
Deposits		3.65	--
Other loans and advances		--	0.28
		<u>37.73</u>	<u>182.79</u>
Note 8			
Trade payables			
Trade payables		911.92	856.53
Acceptances		60.38	112.43
		<u>972.30</u>	<u>968.96</u>
Note 9			
Other current liabilities			
Contracts in Progress		287.06	242.79
Current maturities of long-term debt		2.18	2.19
Interest accrued but not due on loans		1.68	0.95
Customer Advances		732.90	833.22
Foreign Currency Forward Contract		(22.49)	(0.67)
Trade Deposits		0.44	1.37
Unpaid dividends		0.68	0.67
Sales Tax payable		--	7.41
Other Liabilities		168.96	196.90
Other Payables		47.77	49.38
		<u>1219.18</u>	<u>1334.21</u>

Notes attached to and forming part of the Consolidated Financial Statements

(Rs. Crore)

Particulars	Reference to note no	As at	
		March 31, 2013	March 31, 2012
Note 10			
Short-term provisions			
Short Term Employee Benefits		97.30	98.11
Proposed Equity Dividend		83.41	83.41
Provision for Tax on Dividend		14.18	13.53
Provision for Warranty		76.30	67.15
Others		8.75	9.73
		279.94	271.93

NOTE 11 FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1.4.2012	Additions/ Adjustments During the Year	Deductions During the Year	Total Cost as at 31.3.2013	Upto 31.3.2012	Deductions/ Adjustments During the Year	Provisions During the Year	Total as at 31.3.2013	As at 31.3.2013	As at 31.3.2012
A. TANGIBLE :										
Land - Freehold	7.36	--	--	7.36	--	--	--	0.00	7.36	7.36
Land - Leasehold	77.66	0.64	0.12	78.18	0.66	--	0.83	1.49	76.69	77.01
Building	319.86	23.89	0.03	343.73	52.64	(1.89)	9.19	63.72	280.01	267.23
Plant & Machinery	378.67	61.48	4.87	435.28	160.67	(3.13)	25.57	189.36	245.91	218.00
Electrical Installation	37.52	3.06	0.70	39.87	10.96	0.84	2.12	12.24	27.63	26.56
Office Equipment & Computer	80.63	9.43	4.03	86.03	50.36	2.56	10.48	58.28	27.75	30.27
Furniture & Fixtures	33.77	1.55	2.28	33.04	15.46	1.72	1.92	15.66	17.38	18.31
R & D Equipments	3.45	0.02	0.08	3.39	1.62	0.03	0.22	1.81	1.58	1.83
Vehicles	24.18	2.25	3.66	22.77	8.52	2.46	3.22	9.28	13.49	15.66
Total Tangible Assets (A)	963.10	102.31	16.13	1049.64	300.89	2.59	53.55	351.85	697.80	662.22
B. INTANGIBLE :										
Goodwill	127.23	7.39	--	134.62	9.02	(0.17)	6.98	16.18	118.44	118.21
Software	35.25	5.41	0.03	40.63	24.75	(0.11)	6.28	31.15	9.48	10.50
Technical Know How	67.29	4.06	--	71.34	14.13	--	10.25	24.38	46.96	53.16
Total Intangible Assets (B)	229.77	16.85	0.03	246.59	47.91	(0.28)	23.51	71.70	174.89	181.87
TOTAL FIXED ASSETS (A+B)	1192.87	119.17	16.16	1296.23	348.79	2.31	77.07	423.55	872.69	844.09
Previous Year	1067.79	132.89	7.80	1192.87	282.46	0.46	66.25	348.79	844.09	785.33
Capital W.I.P									517.45	246.57

Note 12

Non-current investments

Non trade :

Investments in Equity Instruments :

Quoted Equity Shares (fully paid up)	0.03	0.03
Quoted Equity Shares (partly paid up)	0.06	0.06
Unquoted Equity Shares (fully paid up)	0.07	0.07
Equity Shares in Subsidiary (fully paid up)	3.52	4.51

Investments in Preference shares :

Unquoted Preference Shares (fully paid up)	0.02	0.02
Preference shares in Subsidiary (fully paid up)	(0.00)	(0.00)

Investments in Mutual Funds

	--	--
	3.70	4.70

Provision for Diminution in value of long-term investments

	3.67	4.67
	0.03	0.03

Notes attached to and forming part of the Consolidated Financial Statements

(Rs. Crore)

Particulars	Reference to note no	As at March 31, 2013	As at March 31, 2012
Note 13			
Long-term loans and advances			
Unsecured, considered good			
Capital Advances		13.10	39.41
Security Deposits		11.54	14.57
Housing Deposit to Key Managerial Personnel		0.58	0.58
Loans given to related parties		0.00	0.00
Advances recoverable in cash or kind		9.21	5.31
Advances to Staff and Workers		3.17	2.70
Other loans and advances		0.48	0.19
		<u>38.08</u>	<u>62.76</u>
Note 14			
Other non-current assets			
Long Term Trade Receivables			
Unsecured Considered good		65.06	9.78
Considered doubtful		--	--
Less : Provided for		--	--
Fixed Deposit with more than 12 month in maturity	18	11.65	1.95
Balance in Central Excise & Customs Accounts		8.11	
Interest accrued on Fixed Deposit		--	0.02
Advance Income Tax (Net of Provision)		99.90	47.36
Sales Tax Recoverable		64.24	50.16
Others		1.09	3.85
		<u>250.05</u>	<u>113.13</u>
Note 15			
Current Investments			
Non trade :			
Investments in Mutual Funds		442.96	239.50
		<u>442.96</u>	<u>239.50</u>
Note 16			
Inventories			
Raw materials		181.65	248.79
Work-in-progress		89.48	72.02
Finished goods		14.85	10.87
Stores and spares		2.32	6.76
Stock-in-trade		35.65	28.16
		<u>323.95</u>	<u>366.61</u>

Notes attached to and forming part of the Consolidated Financial Statements

(Rs. Crore)

Particulars	Reference to note no	As at March 31, 2013	As at March 31, 2012
Note 17			
Trade Receivables			
Unsecured:			
Outstanding for a period exceeding 6 months from the date they are due for payment :			
Considered good		228.21	137.03
Considered doubtful		120.73	99.08
Less : Provided for		120.73	99.05
Others		1318.53	1233.61
		<u>1546.74</u>	<u>1370.68</u>
Note 18			
Cash and cash equivalents			
Cash on hand		9.73	11.29
Balances in current accounts		23.19	47.20
Balances with banks			
Deposits with more than 12 months in maturity		11.65	1.95
Deposits others		257.42	627.80
Unpaid dividend account		0.68	0.77
Cheques, drafts on hand		24.52	11.19
Others		5.58	--
		<u>332.77</u>	<u>700.20</u>
Less : Deposits with more than 12 months in maturity disclosed under "Other non-current assets"	14	11.65	1.95
		<u>321.12</u>	<u>698.25</u>
Note 19			
Short-term loans and advances			
Unsecured, considered good			
Advances recoverable in cash or kind		108.12	167.80
Security Deposits		10.02	4.81
Advances to Staff and Workers		6.16	7.28
Others		0.09	0.20
		<u>124.39</u>	<u>180.09</u>
Note 20			
Other current assets			
Contracts in Progress		364.62	391.43
Prepaid Long Term Employee Benefits (Gratuity)		10.79	--
Balance in Central Excise & Customs Accounts		40.83	41.63
Advance Income Tax (Net of Provision)		33.78	42.24
Other current assets		77.56	75.91
		<u>527.58</u>	<u>551.21</u>

Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	(Rs. Crore)	
		2012-13	2011-12
Note 21			
Revenue from operations			
A. Sale			
(i) India		3538.34	4026.58
Add : Closing Contracts in Progress		(61.81)	99.07
Less : Opening Contracts in Progress		99.07	191.83
		3377.46	3933.82
(ii) Outside India		1270.75	1545.21
Add : Closing Contracts in Progress		132.56	44.44
Less : Opening Contracts in Progress		44.44	63.59
		1358.87	1526.06
Total	(A)	4736.33	5459.88
B. Sale of services			
(i) India		719.78	661.85
(ii) Outside India		109.45	48.14
Total	(B)	829.23	709.99
C. Other operating revenues			
Claims and Refunds		5.33	0.74
Balances earlier Written Off now Recovered		0.44	2.09
Commission		5.57	4.82
Sale of Scrap		17.61	20.79
Profit on sale of assets		0.17	0.00
Provision for Doubtful Debts Written-back		--	0.00
Interest Income		0.03	0.10
Miscellaneous Income		29.50	31.33
Total	(C)	58.65	59.88
D. Less: Excise duty		132.51	138.53
Revenue from Operations (Net) (A + B + C - D)		5491.70	6091.21

Note 22

Other income

Interest Income		47.43	60.14
Dividend Income			
Long-term Investment		0.01	0.69
Current Investment		11.84	8.96
Net gain/loss on sale of investments			
Long-term Investment		12.13	6.15
Current Investment		0.16	2.58
Provision for Diminution in value of Investments Written Back		0.99	1.50
Other non-operating income		4.31	2.93
Exchange Difference Income		7.98	--
		84.85	82.95

Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	2012-13	(Rs. Crore) 2011-12
Note 23			
Cost of Material consumed			
Consumption of raw materials and components			
Opening Stocks		253.22	252.92
Add: Purchases		3059.77	3618.89
		<u>3312.99</u>	<u>3871.81</u>
Less: Closing Stocks		181.08	253.22
		<u>3131.91</u>	<u>3618.59</u>
Note 24			
Changes in inventories			
Opening Stocks:			
Work-in-Progress		69.73	71.69
Finished Goods		10.69	12.93
Stock in Trade		30.70	23.67
Stock of Subsidiaries Acquired during the year		8.87	--
		<u>119.99</u>	<u>108.29</u>
Less: Closing Stocks :			
Work-in-Progress		89.46	69.73
Finished Goods		18.08	10.69
Stock in Trade		32.67	30.70
		<u>140.21</u>	<u>111.12</u>
		<u>(20.22)</u>	<u>(2.83)</u>
Note 25			
Employee Benefits Expense			
Salaries and wages		552.03	490.73
Contribution to provident and other funds		38.75	46.63
Staff welfare expenses		21.40	20.44
		<u>612.18</u>	<u>557.80</u>
Note 26			
Finance Costs			
Interest expense		9.40	8.92
Applicable net gain/loss on foreign currency transactions and translation		7.14	3.25
		<u>16.54</u>	<u>12.17</u>

Notes attached to and forming part of the Consolidated Financial Statements

Particulars	Reference to note no	(Rs. Crore)	
		2012-13	2011-12
Note 27			
Other Expenses			
Consumption of stores and spare parts		34.31	157.62
Power and Fuel		34.64	32.90
Drawing, Design and Technical Service Charges		46.77	59.66
Site Expenses and Contract Labour Charges		332.71	150.15
Erection, Fabrication Charges etc.		145.61	182.66
Freight Outward		58.14	106.53
Commission on Sales		27.72	27.89
Other Selling and Distribution Expenses		34.12	36.34
Free of Cost Supplies and Modifications		51.58	49.96
Bad Debts		9.98	3.44
Provision for Doubtful Debts		31.48	12.62
Liquidated Damages		18.52	27.39
Rent and Service Charges		18.92	15.11
Rates and taxes, excluding taxes on income.		4.46	5.33
Insurance		12.02	10.79
Repairs to buildings		3.88	6.46
Repairs to machinery		11.51	7.92
Repairs - others		11.74	12.67
Communication		10.80	11.01
Traveling and Conveyance		64.82	62.37
Advertising and Exhibition Expenses		1.96	1.95
Legal & Professional Charges		47.90	40.54
Printing and Stationery		3.82	4.26
Bank Charges		9.87	10.03
Additional Sales Tax and Turnover Tax		1.97	4.10
Net loss on foreign currency transactions and translation		(0.16)	18.49
Loss on Assets sold/discarded (net)		0.75	1.61
Loss on Sale of Investment		0.02	--
Premium on Forward Contracts (net)		1.77	--
Donations		10.20	5.98
Miscellaneous Expenses		31.80	32.19
		1073.63	1097.97

Notes attached to and forming part of the Consolidated Financial Statements

Note 28

The Consolidated Financial Statements (CFS) pertain to Thermax Ltd. and its eighteen subsidiaries of which twelve are overseas subsidiaries. In the CFS, the term "Parent" refers to Thermax Ltd. and "Group" refers to the Parent along with its subsidiaries.

Note 29

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, 2013
1	Thermax Sustainable Energy Solutions Limited	India	100
2	Thermax Engineering Construction Co. Ltd.	India	100
3	Thermax Instrumentation Limited	India	100
4	Thermax Onsite Energy Solutions Limited	India	100
5	Thermax SPX Energy Technologies Limited	India	51
6	Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	India	51
7	Thermax International Limited	Mauritius	100
8	Thermax Europe Limited	UK	100
9	Thermax Inc.	USA	100
10	Thermax do Brasil-Energia e Equipamentos Ltda.	Brazil	100
11	Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd.	China	100
12	Thermax Netherlands B.V.	Netherlands	100
13	Thermax Denmark ApS,	Denmark	100
14	Danstoker A/S	Denmark	100
15	Ejendomsanpartsselskabet Industrivej Nord 13 (EIN)	Denmark	100
16	Omnical Kessel & Apparatebau GmbH	Germany	100
17	Rifox-Hans Richter GmbH Spezialarmaturen*	Germany	100
18	Thermax SDN.BHD*	Malaysia	100

* Acquired during the year

Thermax Hong Kong Ltd. has not been considered for consolidation as the same has become 'Dormant' company during FY 2009-10.

Note 30

Significant Accounting Policies

30.1 Basis for Preparation of Financial Statements

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

30.2 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 outcome and estimates are recognised in the period in which the outcome is known or materialises.

30.3 Principles of Consolidation :

- The financial statements of the Parent and its Subsidiaries have been consolidated on a line-by-line basis by adding together the book value of like item of assets, liabilities, income and expenses, after eliminating intra group balance and unrealised profit / losses on intra group transaction, and are presented to the extent possible, in the same manner as the Parent's independent financial statements.
- 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.
- Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the date on which investment are made by the company in the subsidiary companies and further movement in their share in the equity, subsequent to the date of investment.

Notes attached to and forming part of the Consolidated Financial Statements

30.4 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.

30.5 Fixed Assets – Tangible and Intangible Assets & Depreciation

- a. 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.
- b. Borrowing costs, attributable to fixed assets, are capitalised.
- c. Expenditure incurred on acquisition or as the case may be, on development of goodwill, technical know how, software, patents, research and development and such other intangibles is recognised as an Intangible Asset if it is expected that such asset will generate future economic benefits not less than its carrying cost.
- d. Cost incurred on leasehold land is amortised over the period of lease.
- e. 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 / the economic useful life of the asset, to the extent relevant and applicable.
- f. 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.

30.6 Assets Impairment

Provision for impairment loss, if any, is recognized to the extent to 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.

30.7 Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. 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.

30.8 Inventories

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

30.9 Deferred Revenue Expenditure

Deferred 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.

30.10 Employee Benefits

- a. Provident Fund

Liability on account of obligation under the employee's provident fund, a defined contribution plan, is charged to the statement of profit and loss on the basis of the statutory liability to contribute.

Notes attached to and forming part of the Consolidated Financial Statements

- b. Superannuation Fund
Liability on account of the company's obligation under the employees' superannuation fund, a defined contribution plan, is charged to the statement of profit and loss on the basis of the plan's liability to contribute.
- c. Gratuity
 - i. Liability on account of obligation under the employee gratuity plan, a defined benefit plan, is provided on the basis of actuarial valuation.
 - ii. Fair value of plan assets, being the fund balance on the balance sheet date with Insurance Companies under group gratuity-cum-life assurance policy, is recognised as an asset.
 - iii. Current service cost, interest cost and actuarial gains and losses are charged to the statement of profit and loss.
 - iv. Past service cost/effect of any curtailment or settlement is charged/credited to the statement of profit and loss, as applicable.
- d. Compensated Absences
Liability on account of the company's obligation under the employee's leave policy is charged to the statement of profit and loss at the undiscounted amount of such liability calculated with reference to leave earned but not availed as at the balance sheet date.
- e. Medical and Leave Travel Assistance benefits
Liability on account of the company's obligation under the employee's medical reimbursement scheme and leave travel assistance is charged to the statement of profit and loss at the undiscounted amount of such liability.
- f. Bonus & Employee's Short Term Incentive Plan
Liabilities on account of the company's obligations under statutory regulations, agreement with trade unions and employees' short term incentive plan, as applicable, are charged to the statement of profit and loss at the undiscounted amount of such liability.

30.11 Provisions and Contingent Liabilities

- a. Provisions in respect of present obligations arising out of past events are made when reliable estimates can be made of them.
- b. Provisions for warranty obligations are made on substantial completion of contracts based on technical evaluation and past experience.
- c. Contingent liabilities are disclosed by way of notes to the financial statements, after careful evaluation by the management of the facts and legal aspects of each matter involved.

30.12 Revenue Recognition

- a. Revenue in respect of products is recognized on dispatch of goods to customers or when they are unconditionally appropriated to the concerned contracts.
- b. Revenue in respect of projects for construction of plants and systems, involving designing, engineering, fabrication, supply, erection (or supervision thereof), commissioning, guaranteeing performance thereof etc., execution of which is spread over different accounting periods is recognized on the basis of percentage of completion method.
- c. Stage of completion of each contract is determined by the proportion that aggregate contract costs incurred for work done till the balance sheet date bear to the estimated total contract cost.
- d. The difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sales is disclosed as contracts in progress.
- e. Determination of revenues under the percentage of completion method necessarily involves making estimates by the management (some of which are of a technical nature) of the costs to completion, the expected revenues from each contract (adjusted for probable liquidated damages, if any) and the foreseeable losses to completion.
- f. Supply of spare parts and services are accounted for on 'as billed' basis.
- g. Revenue in respect of long-term service contracts and maintenance contracts is recognized on the basis of stage of completion or time proportion as the case may be.

Notes attached to and forming part of the Consolidated Financial Statements

- h. Dividend from investments is recognized when the right to receive the dividend is established.
- i. Government Grants
 - * A Government grant is accounted for when there is reasonable certainty of compliance with of its conditions and its ultimate collection.
 - * Revenue expenses (net of government grants, if any) incurred during research and development phase of internal projects are recognised as and when incurred.
 - * Any Intangible asset (net of government grants, if any) arising from the development phase of such projects is recognised to the extent there is reasonable certainty of generating sufficient future economic benefits through commercial exploitation of such asset.

30.13 Borrowing Costs

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

30.14 Foreign Currency Transactions

- a. Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.
- b. Exchange differences on settlement of transactions in foreign currencies are recognized in the statement of profit and loss.
- c. 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.
- d. Revenue items of any foreign branch are translated at the relevant currency's average rate for the year.

30.15 Hedge Accounting

The Group uses foreign currency forward contracts to hedge its risk associated with foreign currency fluctuations. In terms of the risk management strategy, the Group does not use forward cover contracts for trading or speculative purposes.

Foreign currency forward contracts are initially measured at fair value and are re-measured at subsequent reporting dates. Changes in the fair value of such contracts, which are designated and effective are recorded in the Hedging Reserve account.

The accumulated changes in fair value recorded in the hedging reserve account are transferred to the statement of profit and loss in the same period during which the underlying transactions affect the statement of profit and loss and / or the foreign currency forward contract expires or is exercised, terminated or no longer qualifies for hedge accounting.

30.16 Taxes on Income

- a. Current tax is provided on the basis of estimated tax liability, computed as per applicable provisions of tax laws.
- b. 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 originates in one period and are capable of reversal in one or more subsequent periods.

30.17 Others

- a. A Liability for liquidated damages is recognised when it is deducted or claimed by the customer or when a reasonable estimate of the likely obligation can be made.
- b. 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.
- c. Annual fees payable under a License Agreement for acquisition of a right to use Licensed Marks is recognised and charged to the statement of profit and loss on payment.

Notes attached to and forming part of the Consolidated Financial Statements

Note 31

Contingent Liabilities not provided for

- a. Disputed demands in respect of Excise, Customs Duty & Service Tax Rs. 40.24 Crore (Previous year Rs. 14.82 Crore), Sales Tax Rs. 17.50 Crore (Previous year Rs. 18.51 Crore) and other Statutes Rs. 0.14 Crore (Previous year Rs. 0.10 Crore)
- b.
 - i) Income Tax demands disputed in appellate proceedings Rs. 85.45 Crore (Previous year Rs. 75.86 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. 26.87 Crore (Previous year Rs. 20.82 Crore)
- c. Liability for unexpired export obligations Rs. 2.50 Crore (Previous year Rs. 7.97 Crore)
- d. Claims against Group not acknowledged as debts Rs. 9.43 Crore (Previous year Rs. 8.64 Crore)
- e. Bills Discounted with banks Rs. 45.32 Crore (Previous year Rs. 38.21 Crore)
- f. Liability in respect of partly paid shares Rs. 0.19 Crore (Previous year Rs. 0.19 Crore)
- g. Future Lease obligations payable on non-cancelable operating leases Rs. 0.74 Crore (Previous year Rs. 1.73 Crore)

Note 32 Secured Loans

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 and book debts.

Note 33 Companies acquired during the year

During the year, the company acquired 100% stake in Rifox - Hans Richter GmbH, Germany and Thermax SDN.BHD, Malaysia.

Note 34 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.

- b) 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.

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

India

Outside India

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

Notes attached to and forming part of the Consolidated Financial Statements

I) Information about Primary Business Segments :

(Rs. Crore)

Particulars	2012-13				2011-12			
	Energy	Environment	Other	Total	Energy	Environment	Other	Total
Revenue :								
Gross Revenue	4401.50	1164.92	3.63	5570.05	4918.02	1305.02	0.16	6223.20
Less : Intersegment Revenue	1.04	77.31	0.00	78.35	0.82	131.17	0.00	131.99
Net Revenue	4400.46	1087.61	3.63	5491.70	4917.19	1173.84	0.16	6091.21
Result :								
Segment Result	345.43	116.03	(2.05)	459.41	441.43	156.08	(3.36)	594.15
Unallocated expenses net of unallocated income				(38.53)				(14.49)
Operating Profit				497.94				608.64
Interest expenses				16.54				12.17
Taxation for the year				177.34				204.33
Profit after taxation and before exceptional items				304.06				392.14
Extra-ordinary items of expenses / (Income)				-				-
Net Profit				304.06				392.14
Other Information :								
Segment Assets	3124.80	634.77	10.58	3770.15	2691.58	602.53	8.19	3302.30
Unallocated Corporate Assets				865.73				971.89
Total Assets				4635.88				4274.19
Segment Liabilities	1731.91	342.00	2.26	2076.17	1744.99	384.62	2.42	2132.03
Unallocated Corporate Liabilities				580.76				401.19
Total Liabilities				2656.93				2533.22
Capital Expenditure	335.00	37.82	-0.09	372.73	272.44	63.56	0.13	336.13
Depreciation	64.39	12.13	0.13	76.65	55.88	10.28	0.09	66.25
Non-cash expenses other than depreciation	-	-		-	-	-		-

II) Information about Secondary Segments :

Particulars	2012-13	2011-12
Revenue		
India	4120.91	4622.22
Outside India	1370.79	1468.99
Total	5491.70	6091.21
Carrying amount of Segment Assets :		
India	3149.35	2694.73
Outside India	620.80	607.57
Additions to Fixed assets :		
India	364.02	312.61
Outside India	12.52	23.52

Notes attached to and forming part of the Consolidated Financial Statements

Note 35

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. Holding Company : RDA Holding & Trading Pvt. Ltd.
- b. 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
- c. Enterprise, over which control is exercised by individuals listed in '(ii)' above
Thermax Social Initiative Foundation
- d. Key Management Personnel :
Mr. M S Unnikrishnan

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

Nature of Transactions	(Rs. Crore)	
	2012-13	2011-12
Rent Paid	0.32	0.30
Managerial Remuneration	2.56	2.20
Sitting Fees	0.06	0.07
Commission	0.42	0.42
Loan, Advance/ Deposits Outstanding at the end of the year	0.58	0.58
Donation paid to Thermax Social Initiative Foundation	10.15	5.87

Note 36

Earnings Per Share

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

Particulars	2012-13	2011-12
Net Profit after tax and minority interest but before extra-ordinary items (Rs. Crore)	320.13	403.52
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.)	26.87	33.86
Net Profit after tax, minority interest and extra-ordinary items (Rs. Crore)	320.13	403.52
Basic & Diluted EPS after Extra-ordinary items (Rs.)	26.87	33.86

Notes attached to and forming part of the Consolidated Financial Statements

Note 37

Capital & Other Commitments

- a. Capital Commitment: Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 180.50 crore (Previous year Rs. 208.20 crore)
- b. Other Commitments: Current Year Rs. 0.71 Crore for Future lease payments (Previous year Rs. 15.67 Crore – for Share Purchase Agreement Rs. 13.39 Crore and for Future lease payments Rs. 2.28 Crore)

Note 38

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
Firm Reg No.105102W

For and on behalf of the Board
Meher Pudumjee
Chairperson

M. S. Unnikrishnan
Managing Director

H. P. Mahajani
Partner
Membership No. 030168
Pune, May 22, 2013

Gopal Mahadevan
*Executive Vice President
& Chief Financial Officer*

G. P. Kulkarni
*Vice President - Legal &
Company Secretary*
Pune, May 22, 2013

THIRTY SECOND ANNUAL REPORT 2012-2013

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

Sr. No.	Particulars	Rs Crore																		
		Thermax Sustainable Energy Solutions Ltd.	Thermax Engineering Construction Co. Ltd.	Thermax Instrumentation Ltd.	Thermax Energy Solutions Ltd.	Thermax SPX Energy Technologies Ltd.	Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	Thermax International Ltd. (Mauritius)	Thermax Europe Ltd. (U.K.)	Thermax Inc. (U.S.A.)	Thermax Equipamentos Ltda. (Brazil)	Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. (China)	Thermax Denmark Aps.	Thermax Netherlands BV.	Danstoker A/S	Ejendomsanpartsselskabet Industivej Nord 13 (EIN)	Omnical Kessel & Apparatebau GmbH	Rifox-Hans Richter GmbH Spezialarmaturen	Thermax SDN.BHD	
		2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	2012-13	
1	Capital	8.75	4.50	19.00	8.15	20.00	271.48	17.60	1.65	2.71	2.92	83.90	68.44	139.15	9.13	0.18	1.70	4.86	0.88	
2	Reserves	(7.16)	27.51	(17.25)	2.94	(7.80)	(58.64)	(14.83)	23.54	9.84	(2.29)	(47.77)	76.44	(0.79)	64.10	5.93	30.22	1.42	-	
3	Total Assets	6.83	99.49	135.30	18.68	13.90	530.77	0.08	35.61	29.65	0.70	67.47	26.70	2.56	90.82	29.77	77.25	12.65	0.92	
4	Total Liabilities	5.23	88.61	133.74	7.59	5.89	345.10	0.02	10.42	17.10	0.07	31.35	73.02	0.10	49.57	23.66	45.33	6.37	0.04	
5	Investments																			
	A) Long Term (Non-Trade Investments)	-	-	-	-	-	-	2.71	-	-	-	-	191.21	135.90	31.98	-	-	-	-	-
	B) Current Investments																			
	a. Unquoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b. Quoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c. Units	-	1.12	0.19	-	4.19	27.17	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Current Investments	-	1.12	0.19	-	4.19	27.17	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Investments (A+B)	-	1.12	0.19	-	4.19	27.17	2.71	-	-	-	-	191.21	135.90	31.98	-	-	-	-	-
6	Turnover	3.63	190.88	210.24	10.67	15.08	-	-	43.51	66.30	0.29	70.74	-	-	205.19	3.71	151.37	21.16	1.76	
7	Profit Before Tax	(0.52)	6.70	(17.64)	2.35	(2.43)	(30.37)	(0.04)	5.21	1.37	0.17	(8.65)	(9.95)	(0.25)	20.91	1.71	(3.63)	(1.31)	0.03	
8	Provision for tax	-	(2.24)	(2.33)	(1.04)	-	-	-	(1.28)	(0.44)	(0.01)	-	0.90	-	(5.23)	(0.43)	0.60	-	-	
9	Profit After Tax	(0.52)	4.46	(19.97)	1.31	(2.43)	(30.37)	(0.04)	3.95	0.93	0.16	(8.65)	(9.05)	(0.25)	15.67	1.28	(3.04)	(1.31)	0.03	
10	Proposed Dividend (Excluding Tax on Dividend)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Original Currency	INR	INR	INR	INR	INR	INR	USD	GBP	USD	Brazilian Real	Yuan	DKK	EUR	DKK	DKK	EUR	EUR	Malaysian Ringgit	
12	Exchange rate as on March 31, 2013 in INR	-	-	-	-	-	-	54.28	82.38	54.28	26.83	8.83*	9.13	67.88	9.13	9.13	67.88	67.88	17.54	

Notes:

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

ii) Thermax Hong Kong Ltd. has been registered for dormancy as per laws of Hongkong hence not included in the above statement.

For the year ended December 31, 2012

* Exchange Rate as on December 31, 2012



THERMAX

**Sustainable Solutions
Energy & Environment**