THERMAX

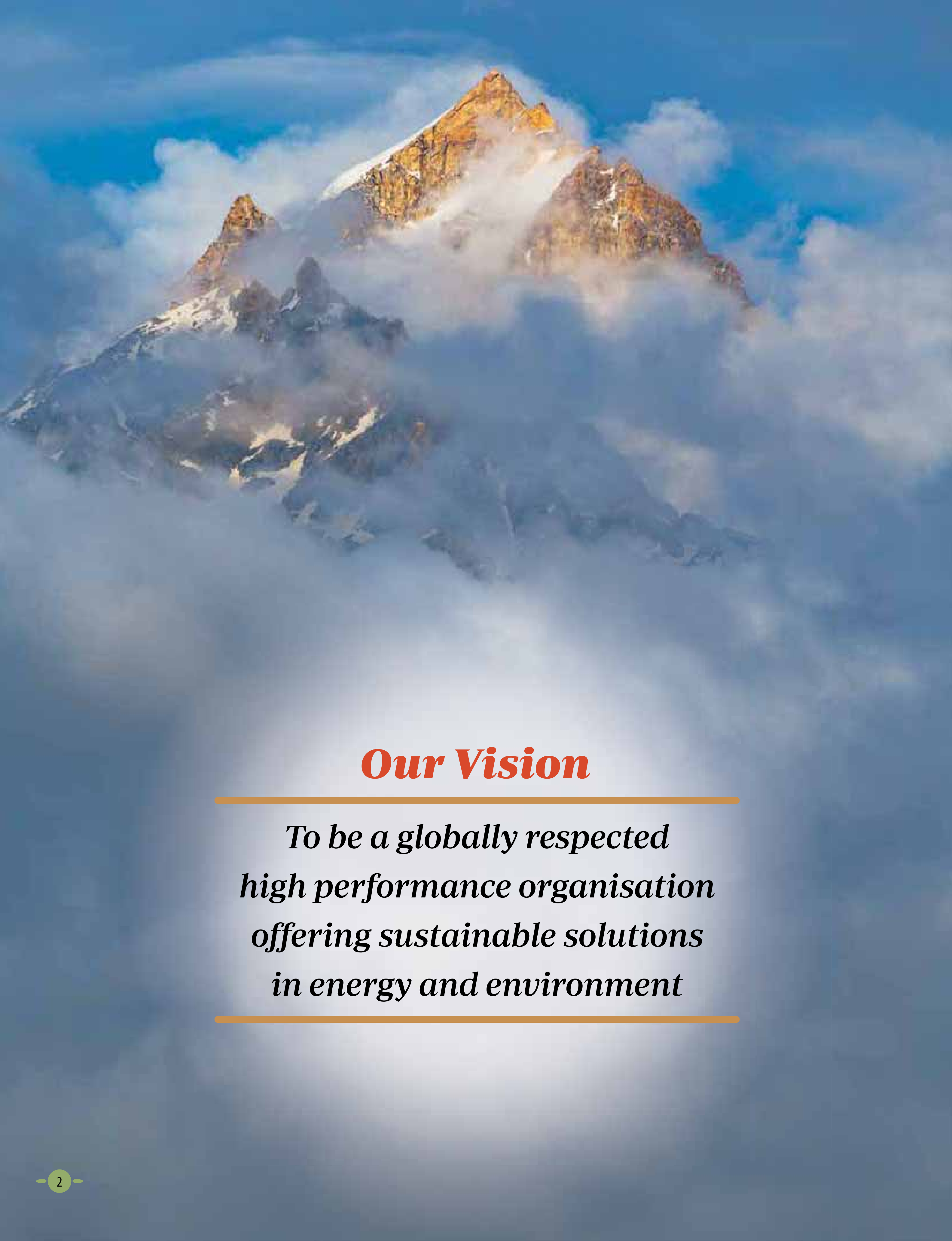
36th ANNUAL REPORT 2016-17

About the cover

Lighthouses have had their day – they are no longer the cautioning, welcoming structures so critical to earlier generations of sailors. But their essential function is far from over.

Today's organisations navigating unchartered waters could do well to integrate these lighthouses into their journeys – points of light radiating those vital signals of "promise and warning". On uncertain seas, articulated and lived-in values can be beacons to steer them to safe harbours.

Contents



Our Vision

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

Corporate Information

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

Pheroz Pudumjee

Dr. Jairam Varadaraj

Harsh Mariwala

Ravi Pandit

Executive Council

Ravinder Advani

Sharad Gangal

Pravin Karve

B.C. Mahesh

Hemant Mohgaonkar

Amitabha Mukhopadhyay

Rajan Nair

Dr. R.R. Sonde

M.S. Unnikrishnan

Key Managerial Personnel

M.S. Unnikrishnan
Managing Director & CEO

Amitabha Mukhopadhyay
Group CFO & Member Executive Council

Registered Office

D-13, M.I.D.C, Industrial Area,
R.D. Aga Road, Chinchwad,
Pune – 411019
Ph.:020-66122100 / 66155000
Fax: 020-66122142

Corporate Identity No -
L29299PN1980PLC022787

Corporate Office

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

Website: www.thermaxglobal.com

Registrar & Share Transfer Agent

Karvy Computershare Pvt. Ltd.
Karvy Selenium Tower B,
Plot No. 31 & 32,
Gachibowli, Financial District,
Nanakramguda,Serilingampally,
Hyderabad – 500 032
Tel:+91 040-67161500 / 33211000
Fax: 040-23001153 / 23420814
Toll free: 1800 345 4001
E-mail: einward.ris@karvy.com
Website: www.karvy.com

Bankers

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

Auditors

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

SRBC & CO LLP
Chartered Accountants
C-401, Panchshil Tech Park,
Yerwada, Pune – 411 006

Subsidiaries

Domestic

1. Thermax Engineering Construction Company Limited
2. Thermax Instrumentation Limited
3. Thermax Onsite Energy Solutions Limited
4. Thermax Sustainable Energy Solutions Limited
5. First Energy Private 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 (Zhejiang) Cooling & Heating Engineering Co. Limited, China
6. Thermax Netherlands B.V
7. Thermax Denmark ApS
8. Danstoker A/S, Denmark
9. Ejendomsanpartsselskabet Industrivej Nord 13, Denmark
10. Rifox – Hans Richter GmbH Spezialarmaturen, Germany
11. Thermax Sdn. Bhd., Malaysia
12. Boilerworks A/S, Denmark
13. Boilerworks Properties ApS, Denmark
14. Thermax Engineering Singapore Pte. Limited
15. Thermax Senegal S.A.R.L, Senegal
16. PT Thermax International, Indonesia
17. Thermax Nigeria Limited, Nigeria
18. Thermax Energy & Environment Philippines Corporation

Joint Ventures

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

Thermax Portfolio

Our Core Business

ENERGY SEGMENT

Heating
- Large boilers & Fired heaters
  - Solid fuel, agro waste, biomass fired boilers upto 1000 TPH
  - Waste to Energy boilers up to 500 TPH
  - Oil & gas fired boilers upto 500 TPH
- Steam boilers
- Thermal oil heaters & vapourisers
- Hot water generators
- Hot air generators
- High pressure boilers
- Heat recovery systems
- Energy plants
- Solar thermal systems

Cooling
- Vapour absorption chillers (steam/hot water/ direct/multi energy fired)
- Heat pumps
- Hybrid chillers
- Chiller heater
- Solar chiller

Power generation
- Turnkey power plants of single unit up to 300 MW
- Complete BOP for power plants up to 1200 MW
- Turnkey solutions for gas fired power plants
- Waste heat recovery based power in cement, iron & steel industries
- Integrated sustainable solutions for green power

Renewable energy
- Solar thermal hybrid systems for cooling and heating
- Solar concentrators
- Solar photovoltaic systems





ENVIRONMENT SEGMENT

Air pollution control
- Electrostatic precipitators
- Bagfilters
- Particulate scrubbers
- Gaseous scrubbers
- Combofilter
- Thermax modular gas cooler

Water and waste water treatment
- Water treatment solutions
- Wastewater treatment solutions
- Standard plants/ products



CHEMICAL SEGMENT

- Ion Exchange resins
- Water & fuel treatment chemicals
- Oil field chemicals
- Paper & pulp chemicals
- Construction chemicals

Reliable Support for Industry


Automobile


Cement


Chemicals


Distilleries


Edible Oil


EPC Majors and Consultants


Food


Hotels & Commercial complexes

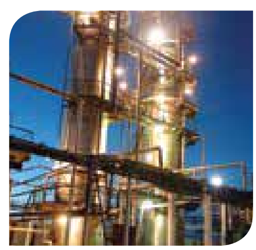

Oil & Gas


Paint


Paper & Pulp


Pharmaceuticals


Power Generation


Refineries & Petrochemicals


Rubber


Sugar


Space Heating


Steel


Tank Farm Heating


Textile

Board of Directors

Meher Pudumjee

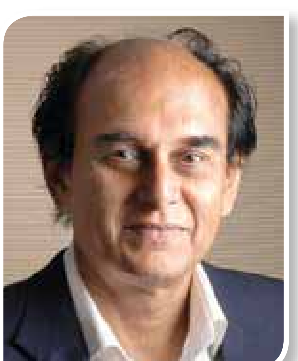
M.S. Unnikrishnan

Dr. Raghunath Mashelkar

Pheroz Pudumjee

Nawshir Mirza

Anu Aga



Harsh Mariwala

Dr. Valentin A.H.
von Massow

Dr. Jairam Varadaraj

Ravi Pandit

Thermax Limited – Financials at a Glance

Rs. Crore

PARTICULARS	2016-17	2015-16#	2015-16^	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Domestic Sales (excluding excise duty)	2501	2828	2841	3452	3067	3581	3977	3598	2432	2299	2479
Export (Including Deemed Export)	1176	1446	1446	1092	1101	984	1143	1066	656	912	678
% to Total Sales	*32%*	*34%*	*34%*	*24%*	*26%*	*22%*	*22%*	*23%*	*21%*	*28%*	*21%*
Total Sales	3677	4274	4287	4544	4168	4565	5119	4664	3088	3211	3157
% Growth	*(14%)*	*(6%)*	*(6%)*	*9%*	*(9%)*	*(11%)*	*10%*	*51%*	*(4%)*	*2%*	*48%*
Other Income	189	179	175	175	127	132	131	147	147	92	89
Total Income	3866	4453	4462	4719	4295	4697	5250	4811	3235	3303	3246
Total Expenses	3390	3964	3963	4138	3821	4116	4596	4193	2801	2850	2795
Profit before Depreciation, Interest, Extra Ordinary Items and Tax	477	489	499	581	474	581	655	618	434	453	451
(% to Total Income)	*12%*	*11%*	*11%*	*12%*	*11%*	*12%*	*12%*	*13%*	*13%*	*14%*	*14%*
Depreciation	65	61	61	64	58	55	47	43	40	32	22
Interest	4	5	1	20	9	10	7	2	2	3	1
Extra-ordinary Items of Expenses	0	0	0	0	0	0	0	0	115	(1)	(2)
Exceptional Items of Expenses	133	0	0	0	0	0	0	0	0	0	0
Profit before Tax	275	423	437	497	407	516	601	573	277	419	430
(% to Total Income)	*7%*	*9%*	*10%*	*11%*	*9%*	*11%*	*11%*	*12%*	*9%*	*13%*	*13%*
Tax	130	126	131	161	154	166	194	191	136	132	149
Profit after Tax	145	297	306	336	253	350	407	382	141	287	281
(% to Total Income)	*4%*	*7%*	*7%*	*7%*	*6%*	*7%*	*8%*	*8%*	*4%*	*9%*	*9%*
Other comprehensive income for the year (Net of tax)	9	(2)	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total comprehensive income for the year (net of tax)	154	295	NA	NA	NA	NA	NA	NA	NA	NA	NA
Gross Block	1090	1059	1061	1039	1008	873	805	717	688	603	419
Net Block	684	643	645	648	664	645	574	516	505	458	326
Investments	1404	1378	1506	1257	1096	804	553	404	378	176	580
Current Assets	2860	3134	3312	3566	3496	2886	2990	2778	1664	1287	1009
Current Liabilities	2117	2283	2406	2693	2689	2229	2410	2366	2044	1270	1164
Net Current Assets	743	851	906	873	807	657	580	412	(380)	17	(155)
Capital Employed	2410	2343	2488	2268	2026	1869	1601	1293	1051	962	736
Equity Share Capital	24	24	24	24	24	24	24	24	24	24	24
Reserves and Surplus	2386	2318	2463	2243	2001	1845	1577	1269	1027	938	712
Networth	2410	2342	2487	2267	2025	1869	1601	1293	1051	962	736
Loan Funds	0	1	1	1	1	0	0	0	0	0	0
Fixed Asset Turnover Ratio	5.38	6.65	6.65	7.01	6.28	7.07	8.93	9.03	6.12	7.02	9.68
Debt-Equity Ratio	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current Ratio	1.35	1.37	1.38	1.32	1.30	1.29	1.24	1.17	0.81	1.01	0.87
Return on Capital Employed	12%	18%	18%	23%	21%	28%	38%	44%	37%	44%	58%
Return on Net Worth	6%	13%	12%	15%	12%	19%	25%	30%	13%	30%	38%
Cash Earnings per Share (Rs.)	17.65	30.08	30.75	33.57	26.08	33.97	38.09	35.73	24.90	26.81	25.39
Earnings per Share	12.15	24.97	25.64	28.19	21.23	29.37	34.15	32.09	21.51	24.11	23.56
Dividend(%)	300%	300%	300%	350%	300%	350%	350%	450%	250%	250%	400%
Book Value per Share (Rs.)	202	197	209	190	170	157	134	108	88	81	62

Figures have been reclassified as per new Accounting Standards (Ind AS).

^ Figures as per old accounting standards.

Note: The Working Capital figures for FY 10-11 to FY 15-16 are based on revised Schedule VI classification and hence are not strictly comparable with previous years' figures.

Thermax Group – Financials at a Glance

Rs. Crore

PARTICULARS	2016-17	2015-16#	2015-16^	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Domestic Sales (excluding excise duty)	2813	3210	3220	3618	3199	3898	4333	3873	2556	2445	2718
International Sales	1573	1859	2205	1624	1758	1468	1574	1250	720	959	715
% to Total Sales	*36%*	*37%*	*41%*	*31%*	*35%*	*27%*	*27%*	*24%*	*22%*	*28%*	*21%*
Total Sales	4386	5069	5425	5242	4957	5366	5907	5123	3276	3404	3433
% Growth	*(13%)*	*(3%)*	*3%*	*6%*	*(8%)*	*(9%)*	*15%*	*56%*	*(4%)*	*(1%)*	*50%*
Other Income	211	198	211	185	143	143	144	148	146	97	93
Total Income	4597	5267	5636	5427	5100	5509	6051	5271	3422	3501	3526
Total Expenses	4049	4717	5054	4843	4592	4934	5377	4640	2975	3038	3055
Profit before Depreciation, Interest, Extra Ordinary Items and Tax	548	551	582	584	508	575	674	631	447	463	471
(% to Total Income)	*12%*	*10%*	*10%*	*11%*	*10%*	*10%*	*11%*	*12%*	*13%*	*13%*	*13%*
Depreciation	82	72	130	134	92	77	66	54	44	35	23
Interest	10	12	63	82	27	17	12	4	2	4	2
Extra-ordinary Items of Expenses	0	0	0	0	0	0	0	0	115	(1)	(2)
Exceptional Items of Expenses	18	0	0	49	0	0	0	0	0	0	0
Profit before Tax	438	467	389	319	389	481	596	573	286	425	448
(% to Total Income)	*10%*	*9%*	*7%*	*6%*	*8%*	*9%*	*10%*	*11%*	*8%*	*12%*	*13%*
Tax	156	144	146	171	169	177	204	196	142	136	157
Profit after Tax before Non controlling interest/Minority and share in loss of associate and joint venture	282	323	243	148	220	304	392	377	144	289	291
Minority Interest and share in joint venture/associates profit/loss	(59)	(41)	32	(62)	(26)	(16)	(12)	(5)	(0)	0	0
Profit after Tax after Minority/share in an associate's loss	223	282	275	210	246	320	404	382	144	289	291
(% to Total Income)	*5%*	*5%*	*5%*	*4%*	*5%*	*6%*	*7%*	*7%*	*4%*	*8%*	*8%*
Other comprehensive income	(19)	22	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total comprehensive income attributable to:	197	304	NA	NA	NA	NA	NA	NA	NA	NA	NA
Equity holders of the parent	204	304	NA	NA	NA	NA	NA	NA	NA	NA	NA
Non controlling interest	(7)	0	NA	NA	NA	NA	NA	NA	NA	NA	NA
Gross Block	1515	1438	2162	2051	2044	1296	1193	1068	742	661	433
Net Block	952	887	1479	1474	1580	1390	1091	821	548	509	349
Investments	1083	1050	979	822	708	443	240	230	370	143	560
Current Assets	3297	3610	4208	4185	4125	3287	3406	3065	1832	1402	1119
Current Liabilities	2365	2615	3641	3274	2999	2509	2758	2563	2239	1372	1259
Net Current Assets	932	995	567	911	1126	778	648	502	(407)	30	(140)
Deffered Revenue Expenses	0	0	0	0	0	0	0	0	0	0	4
Capital Employed	2585	2450	2488	2719	2695	2362	1829	1452	1095	995	756
Equity Share Capital	23	23	24	24	24	24	24	24	24	24	24
Reserves and Surplus	2515	2393	2331	2123	2014	1845	1605	1291	1054	967	736
Networth	2538	2416	2355	2147	2038	1869	1629	1315	1078	991	756
Minority Interest	1	0	100	78	140	110	112	52	9	0	0
Loan Funds (long term)	46	34	34	494	517	383	88	85	8	4	0
Fixed Asset Turnover Ratio	4.61	5.71	3.67	3.56	3.14	3.86	5.42	6.24	5.98	6.69	9.85
Working Capital Turnover Ratio	4.71	5.10	9.57	5.75	4.40	6.90	9.11	10.21	0.00	113.89	0.00
Debt-Equity Ratio	0.02	0.01	0.01	0.23	0.25	0.21	0.05	0.06	0.01	0.00	0.00
Current Ratio	1.39	1.38	1.16	1.28	1.38	1.31	1.24	1.20	0.82	1.02	0.89
Return on Capital Employed	15%	20%	18%	15%	15%	21%	33%	40%	37%	43%	59%
Return on Net Worth	9%	12%	12%	10%	12%	17%	25%	29%	13%	29%	38%
Cash Earnings per Share (Rs.)	27.08	31.48	34.01	28.86	28.38	33.33	39.42	36.57	15.82	27.20	26.34
Earnings per Share (Rs.)	19.80	25.07	23.11	17.61	20.64	26.87	33.86	32.03	12.11	24.25	24.40
Dividend(%)	300%	300%	300%	350%	300%	350%	350%	450%	250%	250%	400%
Book Value per Share (Rs.)	225	215	198	180	171	157	137	110	90	83	63

Figures have been reclassified as per new Accounting Standards (Ind AS).

^ Figures as per old accounting standards.

Note: The net current assets (Working Capital) figures for FY 10-11 to FY 15-16 are based on revised Schedule VI classification and hence are not strictly comparable with previous years' figures.

Highlights of the year 2016-17

- Thermax Limited posted a total income of Rs. 3,973 crore and a profit after tax Rs. 145 crore.

- Thermax commissioned the largest plant in India that generates power from cement waste heat. This 18 MW plant is for a Rajasthan based 2X8500 TPD state- of- the-art cement plant.

- Won the 'Most innovative energy saving product' award at the 17th National awards organised by the Confederation of Indian Industry (CII) at Hyderabad. The prize-winning vapour driven chiller reduces carbon emissions and helps clients to save water.

- Thermax is executing an integrated solar thermal power plant at NTPC Dadri in Uttar Pradesh. This project, under a technological collaboration with Frenell, a German concentrated solar power company involves integrating a concentrated solar field with Dadri's coal fired power station.

- Enerbloc, a new thermic fluid heater addresses new generation industrial users with its compact size and automated ash removal system. Available in the range of 1.5 to 3 MKcal / hour and 280 to 300 °C temperature, besides fuel flexibility, it offers customers remote monitoring facility with safety alerts.

- Anu Aga received the Leadership award from Frost & Sullivan at its Growth, Innovation and Leadership Summit. The award cited her contribution to the social sector, commitment towards philanthropy and for bringing in strategic transformation at Thermax.

- Thermax successfully commissioned its 5th power plant project in the Philippines. The plant produces 15 MW of power using variety of biomass like rice husk, coco husk, bamboo chips, etc. as fuel.

- Thermax has bagged a significant order to supply low pressure chillers for process cooling in an upcoming petrochemical complex in South East Asia. Competing with global companies, the order was won from a Korean EPC major.

- Thermax teamed up with FlowVision A/S, Denmark, to provide to Indian markets technology that can reduce nitrogen oxide (NOx) emissions. It will help Indian industry reduce NOx emissions to permissible levels (100 mg/Nm^3 for the power and 500 mg/Nm^3 for the cement industry).

THERMAX Vibrant Years

Thermax at 50 (1966-2016)

Celebrating its Golden Jubilee, Thermax evoked the various strands that constitute its legacy: growing from a small scale unit supplying baby boilers to a profitable multi-divisional engineering company; supporting global clients to meet their requirements in the critical areas of energy and environment; adapting to the seismic shifts in the external environment and staying relevant; creating friendly and productive work places; and as an organisation responsible to the larger society and environment, nurturing a sustaining network of stakeholders.

Chairperson's Message

Dear shareholder,

It is my privilege to present the 36th Annual Report of your company. In another difficult year (FY 2016-17), characterised by sluggish recovery of the global economy and subdued investments, Thermax Group posted revenues of Rs. 4,704 crore, down 12.7% from the previous year's Rs. 5,388 crore. Profit after tax and minority interest for the year was Rs. 223 crore (Rs. 282 crore). The deceleration in global growth, China's slowdown due to over-capacity and an overall reduced investment in core sectors the world over, have taken a toll on the capital goods industry.

The international business of your company, compared to the domestic situation, performed better. Even then, it was lower than the previous year by 15.4% at Rs. 1,573 crore (Rs. 1,859 crore).

Consolidated order booking for FY 2016-17 was up marginally at Rs. 4,394 crore (Rs. 4,352 crore).

Though we have been through tough business cycles, this phase is proving to be longer than any that we have experienced (I will take up this theme, a little later).

On behalf of our Board, let me thank our Managing Director & CEO, M. S. Unnikrishnan and his team, as also all our employees for their commendable efforts. Our Board members, as always, have been a source of continued guidance and support. My sincere thanks and gratitude to all of them. I'm glad to announce that Harsh Mariwala (Chairman, Marico Industries) and Ravi Pandit (Chairman & Group CEO, KPIT Technologies Limited) have joined our Board. We welcome them and we are sure they will add a lot of value.

India remained the fastest growing major economy in the world (estimated at 7.1%). The Indian economy performed marginally better in 2016-17, compared to the previous year. While the first eight months of the financial year saw a revival in the economy in consumption-led industries, demonetisation had a dampening effect on aggregate demand. As we move forward, GST, although a more efficient and transparent system, will also cause some short-term disruption in 2017-18.

Investments in the country's core sectors continue to lag behind, as many private sector companies are handicapped by debts, and large non- performing assets (NPAs) continue to be a source of worry for the banks. This has, and will impact your company's key sectors such as power and steel. The cement sector continues to struggle with low capacity utilisation, though this might change in the next fiscal. Consumer-led industries, which saw capacity expansion, were the saving grace.

Globally, the energy sector is witnessing a major churn – with economies moving to technologies that support low carbon growth. Ironically, the advantage for biomass based projects was adversely affected as oil and gas prices remained low. Renewable energy prospects have improved significantly with the crash in solar PV prices. While this augurs well for the company's long-term commitment to clean energy projects, it is bound to have a negative impact on investments in coal based power plants. The Indian

Government's position, as reflected in the new electricity policy, discourages any coal based power plants being set up in the near future.

However, as a company that has survived earlier business cycles and disruptions, and prospered, we are confident of a shift in economic fortunes. There are indeed signs of a slow recovery as also of new applications, which give us reason for cautious optimism as we begin FY 2017-18. Within the country, your company's environment business can expect to benefit from the government's new environmental norms (for emission control and to combat water pollution) together with the focus on clean habitats – areas where Thermax has the necessary technologies and experience.

Your company is already executing a first- of- a- kind project in Asia for an existing government owned coal based power plant in Northern India. Thermax is setting up and integrating a concentrated solar field with the thermal power stream, thereby reducing the load on fossil fuels. Moreover, Thermax's water business has come up with a compact sewage treatment plant, *Biocask* that can conveniently fit into the basements of commercial buildings and housing societies. This product, a decentralised system with low space requirements, has found many customers in cities that are facing the challenge of waste management.

Refinery modernisation and expansion plans for the fertiliser sector are also likely to bring in new business. The priority that the government accords infrastructure over the next few years, is expected to boost investments in sectors that use our products and services.

Growing internationally in select countries has been and will continue to be an effective strategy for the company. As commodity prices stabilise, South East Asia, one of the important markets for our products, is positioned well for growth. Braving Brexit, industrial performance continues to improve in the Eurozone. Your company's products in the cooling, chemical and heating businesses are expected to do well here. In the US, the new government's plan for increasing investment in infrastructure is encouraging, as the country's growth is expected to pick up momentum.

We had also strategised to strengthen our product portfolio, to derisk the company from the vagaries of business cycles and the resultant paucity of project orders. Towards this, we invested in three additional manufacturing facilities. I am happy to share with you that the facility in Indonesia, planned as the company's manufacturing hub for the ASEAN region, will be inaugurated in July 2017 and commercial production will commence. During the year, the upcoming plant for specialty resins in Gujarat (at Dahej) will also be ready for commercial production. Work has already started at the land acquired in Sri City (Andhra Pradesh) for setting up a manufacturing plant for vapour absorption chillers.

Moving on to Thermax Foundation, the CSR arm of the company has just completed 10 years of operation. Its focus on improving the quality of education in public schools in partnership with the Pune Municipal Corporation, NGO Akanksha Foundation and the Pune City Connect is reaping benefits.

The Foundation continues to strengthen the public education system in Pune city through the LIFT (Leadership Institute for Teachers) programme. In collaboration with Teach For India (TFI) and India School Leadership Institute (ISLI), LIFT aims to institutionalise sound educational practices with positive spin-offs for 145 teachers and nearly 6000 students in seven schools.

The Aakar Project for which Thermax Foundation signed a three-year partnership with the Ministry of Women and Child Development is a state level curriculum to strengthen non-formal education in 51 Aanganwadis in Pune, by empowering a cadre of Integrated Child Development Services (ICDS) supervisors.

It gives me great pride and pleasure in mentioning that 2016-17 was the Golden Jubilee year for Thermax. Though the recent years have been harsh, we had a modest celebration marking our journey from a baby boiler maker to a multi - divisional engineering company with global operations. At this historic occasion, we reaffirm our commitment to all our stake holders and the promise of supporting our customers with energy efficient and eco-friendly solutions.

In conclusion, on behalf of the Board, let me thank all our employees, customers, supplier partners, our shareholders and well-wishers for their support and faith in Thermax.

With best wishes,

Meher Pudumjee

Letter from the Managing Director

Dear shareholder,

Beginning the financial year with a lower order book and expecting a revival of the investment cycle that could improve performance, turned out to be a difficult proposition for our company. Despite the best efforts put in by the government, both at central and state levels, demand could not be stimulated in the core sectors. This has led to lower capacity utilisation in the country's manufacturing facilities in areas like cement, steel, non-ferrous metal, oil and gas, power and fertiliser. The only silver lining was the continued investment in consumption oriented sectors like food processing, textiles, beverages, alcohol, pharma, light engineering and automobiles. This has helped grow the product businesses of the company – though at a rate lower than expected.

Our efforts to expand the company's presence in the global market bore fruit by notching up almost 49% of the order intake at the group level from international customers. However, in overseas markets too, we are encountering fresh challenges. The appreciation of the Indian Rupee by almost 7% is negating the pricing advantage we have enjoyed against Chinese, Korean, Japanese and European competition.

The first half of the year had sufficient indications of a pick-up in demand, but these were thwarted in the second half by the impact of demonetisation. While demonetisation is certainly going to have a positive impact on both the economy and the governance of the country in the medium to long-term, it derailed a predominantly cash based system that has prevailed in the last mile of transactions in our economy. This has resulted in a substantial reduction of capacity utilisation even in those segments of the industry that thrived on supporting consumption. Customers across segments took a pause, slowing down the speed of project executions both in green field as well as brown field capacity additions. Though part of this could be recovered in the last two months of the financial year, overall it has had a negative impact on our order intake as well as revenue recognition.

Reflecting the government's position to avoid setting up coal-fired thermal power plants, our plans of growing the super critical boiler business of the TBWES joint venture could not gain traction during the year. With a global slowdown in the financial closures of thermal power plants, even our partners were unable to support the joint venture with fresh orders. Exercising abundant caution, your company has decided to impair our investment in this venture by Rs.112 crore.

In a market that was troubled by headwinds, we continued to rationalise and optimise expenses, both in manpower as well as operations. This had a positive impact in sustaining and even improving margins in a very competitive market with lower demand. Concerted efforts with a clear focus on operational excellence has brought down the net working capital from Rs.174 crore to Rs.11 crore.

During the year, the Water and Waste Solutions business of the company, which suffered losses in the previous three financial years, turned the corner and became profitable. Fresh order intake in this business during the year will support it to remain profitable in the ensuing year too. Your company also successfully commissioned 9 X 500 tons per hour Circulating Fluidized Bed Combustion (CFBC) boilers at a major refinery in India. This will be the largest industrial co-generation plant working on CFBC technology and will open avenues for growth when there is a revival in global economic activity.

In the current year we expect stability in global business and economy – though it may not be accompanied by political stability. In the domestic market, the oil and gas sector has already initiated investments towards quality improvement of petroleum products to conform to Bharat VI standards. The government has announced two more refineries for which ordering is expected to commence towards the end of the current year. An improvement in global demand coupled with the domestic policy of minimum import price regime can enhance capacity utilisation in the steel industry. Capacity addition in sectors like food processing, textiles, chemicals, beverages, pharma, automobile and light engineering is expected to continue in the current year too.

As a part of localisation of operations for the product businesses of the company, we have opened subsidiaries in Indonesia, Malaysia, the Philippines and Thailand. These offices are manned by trained sales and service personnel, and will also be supported by the new manufacturing facility in Indonesia which is slated to go live by July 2017. Our heating and cooling products, skid-mounted water treatment plants and air pollution control equipment already enjoy market acceptance in these geographies. The current initiative should help us in capturing a market share closer to double digits in the next five-year period.

Range-bound oil price stability witnessed in the market during the past few quarters is expected to support selective investment in the refinery sector in the Middle East. Increased availability of natural gas at prices below US$8/Mm BTU should also open avenues for power generation, deploying combined cycle technology.

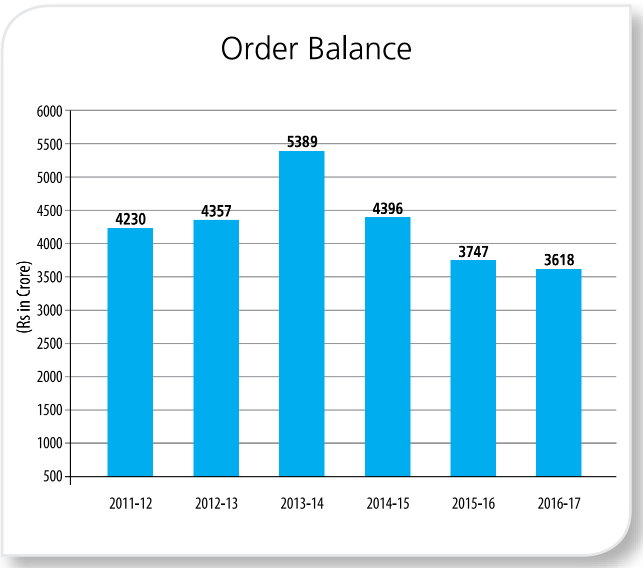
These expected developments should support our efforts to enhance order booking for the current year. While the market has turned passive, we are continuing on our path of product innovations both in energy and environment segments that will enable us to lead the market when capacity addition takes a positive trajectory.

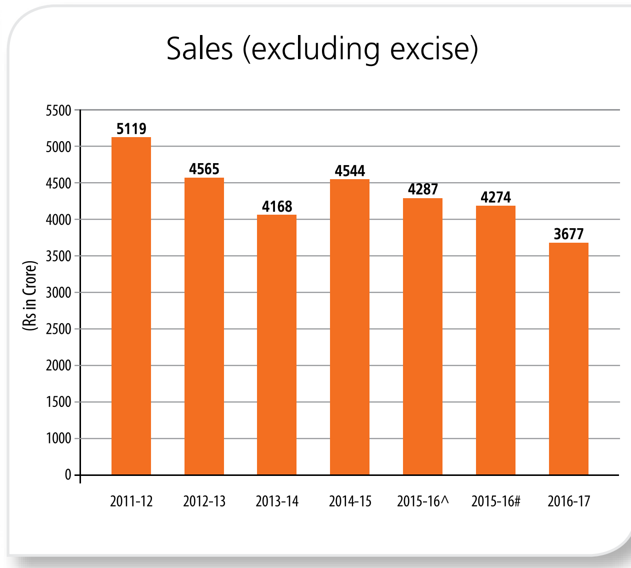
Our management team has succeeded in improving the strength of the balance sheet of your company in these challenging times too and will strive to navigate through the uncertain market conditions prevailing across the globe.

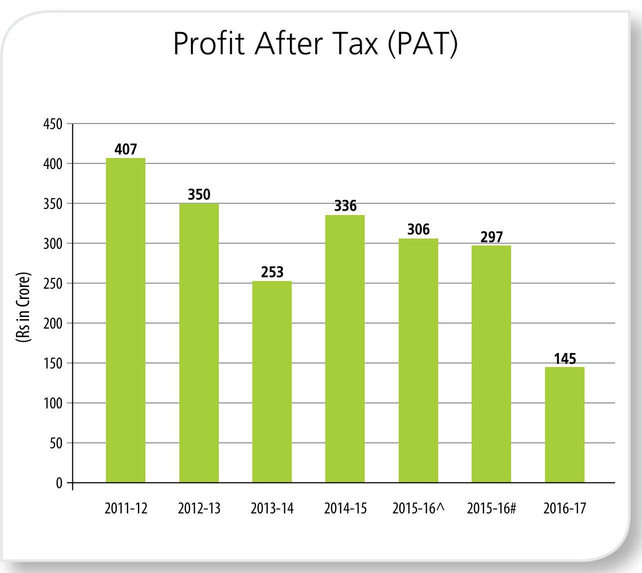
With best regards,

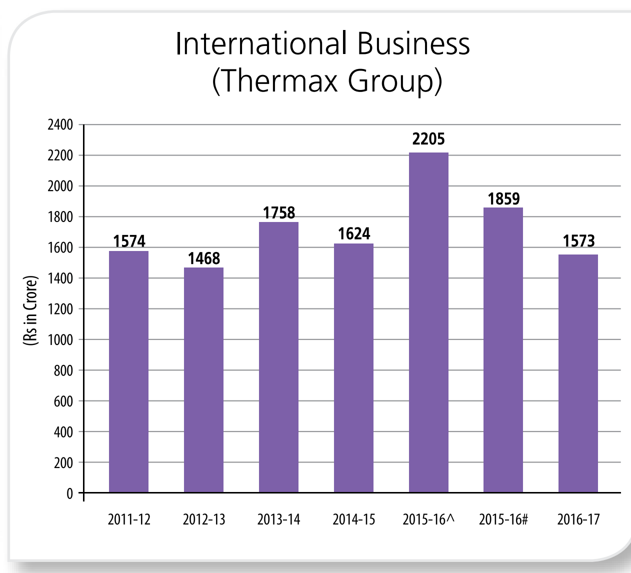
M. S. Unnikrishnan

Key Financial Indices
Thermax Limited

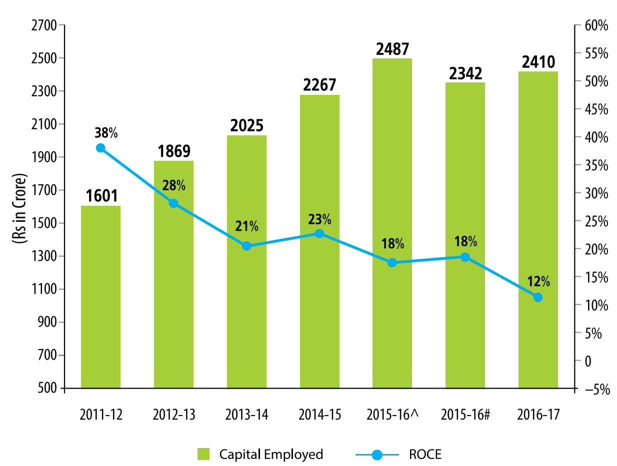




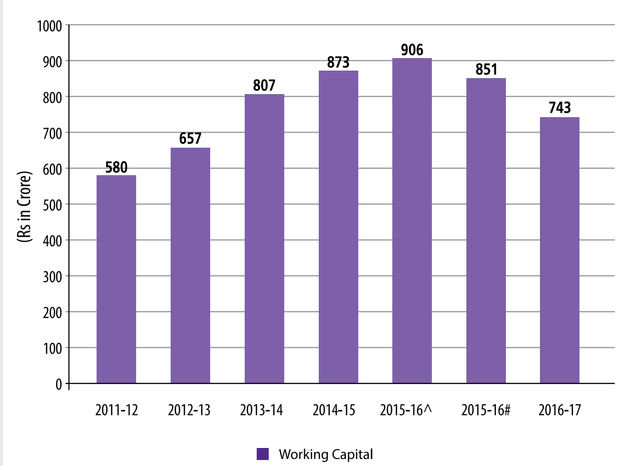




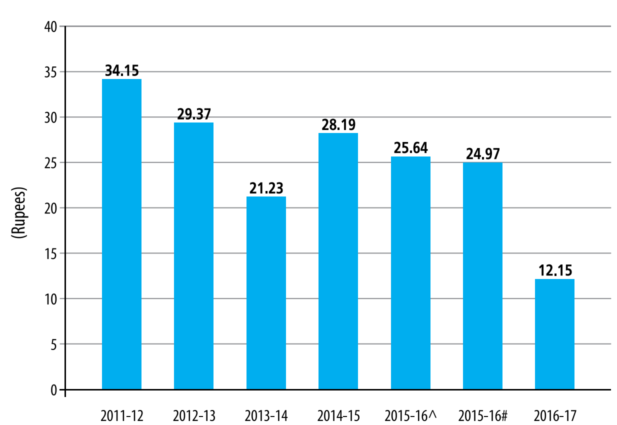
Return on Capital Employed



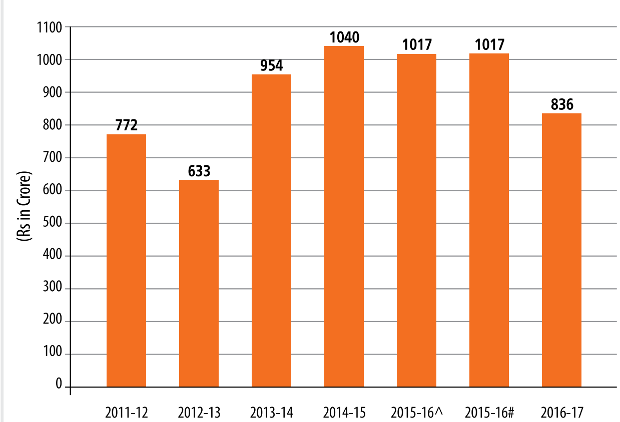
Net Current Assets



Earnings Per Share



Cash & Cash Equivalents



^ Figures as per old accounting standards.

Figures have been reclassified as per the new accounting standards (Ind AS).

Directors' Report

Dear shareholder,

Your directors have pleasure in presenting the Thirty-Sixth Annual Report, together with the audited financial statements of your company for the year ended March 31, 2017.

Financial Results

(Rupees in Crore)

Particulars	Standalone		Consolidated	
	2016-17	**2015-16**	**2016-17**	**2015-16**
Total revenue	**3972.94**	4572.94	**4703.77**	5388.01
Profit before finance cost, depreciation and tax	**476.44**	488.18	**547.04**	551.53
Finance cost & depreciation	**69.02**	65.49	**91.61**	84.43
Profit before tax & Exceptional Items	**407.42**	422.69	**455.43**	467.10
Exceptional Items	**(132.84)**	–	**(17.84)**	–
Profit before tax but after Exceptional Items	**274.58**	422.69	**437.59**	467.10
Provision for taxation (incl. deferred tax)	**129.75**	125.20	**155.99**	143.94
Profit after tax	**144.83**	297.49	**281.60**	323.16
Share of loss on joint venture	**NA**	NA	**65.46**	40.89
Other Comprehensive Income	**8.82**	(2.10)	**(19.15)**	22.08
Total Comprehensive Income	**153.65**	295.39	**196.99**	304.35
Total equity	**2409.76**	2342.15	**2539.01**	2416.16
Earning Per Share (EPS) Face Value Per Share Rs. 2	**12.15**	24.97	**19.80**	25.07

The Financial Statement for the year 2015-16 has been recasted in accordance with the new accounting standards (Ind AS).

Annual Performance

Your company posted a total revenue of Rs. 3,973 crore for the financial year 2016-17, against last year's Rs. 4,573 crore, a decrease of 13.1%. The shortfall in revenue was largely due to lower carried forward order balance at the beginning of the year, challenging market conditions and the absence of big-sized orders predominantly from the domestic market. On a consolidated level, the group revenue at Rs. 4,704 crore was 12.7% down (Rs. 5,388 crore).

Thermax's Energy segment contributed 79% of the Group's operating revenue (Net) while the Environment segment accounted for 13.9%. The Chemical segment contributed 7.1% of the revenue.

During the year, revenue from exports, including deemed exports, was Rs. 1,176 crore against Rs. 1,446 crore in the previous year. The drop was owing to lower carry forward of orders at the beginning of the year.

Profit before tax and exceptional items at Rs. 407 crore was 10.2% of the total revenue, compared to Rs. 423 crore, at 9.2% in the previous year.

The exceptional item of expenditure Rs. 133 crore, amongst other items, mainly represents impairment of investment in joint venture, Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. (TBWESL). In view of the global shift to non-fossil fuels and renewable energy, viability of coal based power plants has been adversely affected. Therefore, the management has thought it prudent to impair the investment in TBWESL to a more realistic level. Profit after tax and exceptional items stood at Rs. 145 crore compared to Rs. 297 crore in the previous year. Earnings per share (EPS) were at Rs. 12.15 (Rs. 24.97 in FY 2015-16).

In a difficult year, some of the positive indicators for the company's performance came from business opportunities created by refinery upgradation due to Bharat VI requirements, capacity expansion in the fertiliser sector, the opportunities offered by the crash in solar PV prices, and the revival of capex cycle in certain sectors due to the government's focus on infrastructure.

Order booking for the year was Rs. 3,831 crore against Rs. 3,701 crore last year, registering a marginal increase of 3.5%. Your company completed the year with an order backlog of Rs. 3,618 crore as against Rs. 3,747 crore in the previous year.

Dividend

The directors have recommended a dividend of Rs. 6/- (300%) per equity share of the face value Rs. 2/- each. The dividend, if approved by the shareholders, will translate in a pay out of Rs. 86.04 crore, including dividend distribution tax of Rs. 14.55 crore.

Share Capital

The paid-up equity share capital of the company was Rs. 23.83 crore as on March 31, 2017. There was no public, rights, preferential or bonus issue during the year. The company has neither issued any shares with differential voting rights, sweat equity shares, nor has it granted any stock options.

Subsidiaries

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

The company does not have any `material subsidiary' whose net worth exceeds 20% of the consolidated net worth of the holding company in the immediately preceding financial year or has generated 20% of the consolidated revenue during the previous financial year.

The report on performance of subsidiary companies is included in the Management Discussion and Analysis section of this Report.

Lighting the lamp during Thermax's Golden Jubilee celebrations in Pune on November 12, 2016. Employees and their families, current and former directors and special invitees enthusiastically participated in the event. There were similar celebrations in the company's work centres in other locations.

Information on newly incorporated subsidiaries and acquisition during the year

In keeping with the strategy of select internationalisation the company has set up a step-down subsidiary company in the Philippines (through a Singapore based wholly owned subsidiary), named 'Thermax Energy & Environment Philippines Corporation' which was incorporated on August 19, 2016. This subsidiary will mainly engage in sales activities, negotiate and finalise orders with customers, support them in installation and commissioning of equipment, handle operation & maintenance, sell spare parts and provide after-sales service in the Philippines.

During the year, the company has increased its stake from 33% to 68.64% (including preference shares) in First Energy Private Limited (FE), Pune, an alternative energy solutions company. This is pursuant to an agreement entered into in July 2015 envisaging stage-wise acquisition of FE.

The company has entered into a definitive agreement in March 2017 with Weiss SP. Z.O.O., Poland (Weiss), to acquire certain assets and production activities related to boiler manufacturing of Weiss. This transaction, concluded in May 2017, was undertaken through a European subsidiary of the company.

Management Discussion and Analysis

The Management Discussion and Analysis section, highlighting the performance and prospects of the company's energy and environment segments, including details of subsidiaries, information on company's health, safety and environment measures, human resources, risk management and internal controls systems, is attached as *Annexure – 1* on page no. 28.

Corporate Governance Report

A detailed Corporate Governance Report in terms of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 which also includes disclosures required as per Sections 134 and 177 of the Companies Act, 2013, is attached as *Annexure – 3* on page no. 50.

A certificate from the statutory auditors of the company regarding compliance with the conditions of corporate governance as required under Schedule V of the Listing Regulations is a part of this report.

Business Responsibility Report

In terms of the listing regulations, Business Responsibility Report describing the initiatives taken by the company from environmental, social and governance perspectives, is enclosed at *Annexure – 4* on page no. 65.

Vigil Mechanism / Whistle Blower Policy

The company has a vigil mechanism named 'Whistle Blower Policy' to deal with instances of fraud and mismanagement, if any. The details of the policy are provided in the Corporate Governance Report and also posted on the website of the company.

Employee Strength

The total number of permanent employees on the rolls of the company as on March 31, 2017 were 3,488 compared to 3,872 employees in the previous year.

Wage Agreements

During the year, an amicable wage settlement was signed with Thermax Kamgar Sanghatana (representing workmen at Chinchwad works). Negotiation on wage settlement with Bharatiya Kamgar Karmachari Mahasangh (representing workmen at Paudh works) is at an advanced stage.

Particulars of Employees

The information required pursuant to Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, duly amended, in respect of employees of the company, will be provided upon request. In terms of Section 136 of the Act, the Annual Report excluding the aforesaid information is being sent to all the members and others entitled thereto. Any shareholder interested in obtaining such particulars may write to the Secretarial Department at the corporate office of the company. The information is also available for inspection at the corporate office during working hours up to the date of the Annual General Meeting.

Details of Trusts for the Benefit of Employees

a) ESOP and Welfare Trust

The company had set up Thermax Employee Stock Option Plan (ESOP) Trust in the year 2002 and it holds 29,06,250 equity shares of Rs. 2/- each of Thermax. The Trust has been rechristened as Thermax Employees ESOP and Welfare Trust (ESOP and Welfare Trust), pursuant to the approval of the shareholders at the 35th Annual General Meeting (AGM) in accordance with the provisions of the SEBI (Share Based Employee Benefits) Regulations, 2014. At the AGM, the shareholders empowered the Nomination & Remuneration Committee (NRC) to frame suitable schemes/policies and procedures, implement and administer the operations of the ESOP and Welfare Scheme under the Trust.

The Trust has not made any buying or selling transactions in the secondary market.

The company, at present, does not have any scheme under the ESOP and Welfare Trust.

b) Employee Welfare Trusts

The company has various Employee Welfare Trusts primarily for providing medical and educational aid and other welfare objects to its employees and their families. These trusts presently hold 36,35,190 equity shares of Rs. 2/- each of the company. None of the trusts had any dealings in the secondary market.

At the 35th AGM, the shareholders had given their consent to continue extending the benefits to the employees of the company and empower the NRC to amend the terms and conditions of the schemes under these Welfare Trusts in line with the provisions of SEBI (Share Based Employee Benefits) Regulations, 2014. Accordingly, the NRC at its meeting held on May 29, 2017 has approved medical scheme and educational grant policy/scheme for imparting the benefits to the employees.

The relevant disclosures as required under the SEBI (Share Based Employee Benefits) Regulations, 2014 on Employee Welfare Trusts will be made available on the company's website: www.thermaxglobal.com.

Disclosure: Anti-Sexual Harassment Policy

The company has in place, an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment.

The following is a summary of sexual harassment complaints received and disposed of by it during the year 2016-17:

- Number of complaints received – Nil
- Number of complaints disposed of - NA

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3) (m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014, is annexed as *Annexure – 5* on page no. 82.

Corporate Social Responsibility Initiatives

As a part of its initiatives under 'Corporate Social Responsibility' (CSR), the company has undertaken projects mainly in the area of education. The projects are largely in accordance with Schedule VII of the Companies Act, 2013. Since 2007, the CSR initiatives have been undertaken through Thermax Foundation (earlier known as Thermax Social Initiative Foundation). The detailed report on CSR is provided as *Annexure – 2* on page no. 44.

The details of the CSR committee and CSR policy are available on the company's website.

The Annual Report on CSR activities & CSR policy is provided as *Annexure – 6* on page no. 84.

Directors

All independent directors of the company have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 (the Act) and the Listing Regulations.

The company has formulated a policy on 'Familiarisation programme for independent directors' which is available on the company's website (www.thermaxglobal.com)

In accordance with the provisions of the Companies Act, 2013 and the company's Articles of Association, Anu Aga retires by rotation at the ensuing AGM and being eligible, offers herself for re-appointment as a Director.

Harsh Mariwala has been inducted on the Board of your company as an Additional Director on November 10, 2016 in the category of Non-Executive Independent Director to hold office up to the ensuing 36th AGM in accordance with the provisions of Section 161 of the Act. In terms of Section 149 and other applicable provisions of the Act, Harsh Mariwala is proposed to be appointed as an Independent Director of the Company for five consecutive years, for a term upto November 9, 2021.The requisite notice, with necessary deposit has been received pursuant to Section 160 of the Act, proposing him as a director of the company. A resolution appointing him as director has been set out in the notice of ensuing AGM for the approval of the shareholders.

S. B. (Ravi) Pandit has been inducted on the Board of your company as an Additional Director on May 30, 2017 in the category of Non-Executive Independent Director to hold office up to the ensuing 36th AGM in accordance with the provisions of Section 161 of the Act. In terms of Section 149

Thermax extended its industrial desulphurisation expertise to Maaden Phosphate Project in Saudi Arabia. It successfully commissioned a dry flue gas desulphurisation (FGD) unit on an auxiliary boiler of sulphuric acid plants. The outlet emission is designed for 441 mg/Nm^3 against guaranteed emission of 480 mg/Nm^3.

and other applicable provisions of the Act, S. B. (Ravi) Pandit is proposed to be appointed as an Independent Director of the company for five consecutive years, for a term upto May 29, 2022. The requisite notice, with necessary deposit has been received pursuant to Section 160 of the Act, proposing him as a director of the company. A resolution appointing him as director has been set out in the notice of ensuing AGM for the approval of the shareholders.

M.S. Unnikrishnan has been reappointed as the Managing Director and Chief Executive Officer of the company for a period of three years commencing from July 1, 2017. His reappointment requires approval of the shareholders at the ensuing AGM.

Meetings

A calendar of meetings is prepared and circulated in advance to the directors.

During the year, five Board meetings were convened and held, the details of which are given in the Corporate Governance Report.

Remuneration Policy

The Remuneration Policy in brief for selection, appointment and remuneration of directors and senior management is given in the Corporate Governance Report.

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, the Board has carried out an annual evaluation of its own performance. The details of Board evaluation are given in the Corporate Governance Report.

Directors' Responsibility Statement

In terms of Section 134 (3)(c) of the Companies Act, 2013, your Directors, to the best of their knowledge and belief and according to the information and explanations obtained by them in the normal course of their work, state that, in all material respects;

a) In the preparation of the annual financial statements for the year ended March 31, 2017, the applicable accounting standards have been followed;

b) Appropriate accounting policies have been selected, applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2017 and of the profit of the company for the year ended on that date;

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

d) The annual financial statements have been prepared on a going concern basis;

e) Proper internal financial controls were in place and the financial controls were adequate and operating effectively; and

f) Proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

Change in Key Managerial Personnel (KMP)

Amit Atre, who had been appointed as the Company Secretary as well as KMP as per the provisions of Section 203 of the Companies Act, 2013 and who had also been designated as the Compliance Officer of the company in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 resigned on January 12, 2017.

Following Mr. Atre's resignation, Devang Trivedi, Deputy Company Secretary was appointed as Compliance Officer in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, who has resigned effective May 30, 2017 and in place of him Sudhir Lale, Sr. Manager is appointed as Compliance Officer effective from May 30, 2017.

Related Party Transactions

All related party transactions entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions made by the company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the company at large.

All related party transactions are placed before the Audit Committee for approval. Prior omnibus approval of the Audit Committee is obtained on a quarterly basis for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted and a statement giving details of all related party transactions are placed before the Audit Committee for their approval on a quarterly basis. The company has developed a Related Party Transactions Manual and Standard Operating Procedures for purpose of identification and monitoring of such transactions.

The policy on Related Party Transactions as approved by the Board is available on the company's website.

None of the directors have any pecuniary relationships or transactions vis-à-vis the company except as disclosed under Sr. No. 2 A of the Corporate Governance Report.

Standalone and Consolidated Financial Statements

The financial statements for the year ended March 31, 2017 have been prepared as per Schedule III to the Companies Act, 2013. The consolidated financial statements of the group are prepared in compliance with the Accounting Standards and Listing Regulations as prescribed by SEBI. The cash flow for the year 2016-17

Anu Aga receiving the Leadership award at the Growth, Innovation and Leadership Summit of Frost & Sullivan in Mumbai. The award cited her contribution to the social sector, commitment towards philanthropy and for bringing in strategic transformation at Thermax.

is attached to the balance sheet. A separate statement containing the salient features of subsidiaries/ associate companies and joint ventures in the prescribed Form (AOC-1) is also attached.

Significant and Material Orders Passed by the Regulators or Courts

During the year, the Commissioner of Central Excise, has passed an additional order raising demand of excise duty on bought out items [Refer contingent liabilities note no. 32A (a) to the Financial Statements] and based on independent legal advice, the company is confident that the issue will be ultimately decided in its favour.

There are no significant material orders passed by the regulators / courts which would impact the going concern status of the company.

Public Deposits

The company had no unpaid/ unclaimed deposit(s) as on March 31, 2017. The company has not accepted any fixed deposits during the year.

Particulars of Loans, Guarantees or Investments

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the financial statements.

Material Changes and Commitments

There have been no material changes and commitments, affecting the financial position of the company, which have occurred between the end of the financial year and the date of this Report.

Committees of the Board

The details of all committees and their terms of reference are set out in the Corporate Governance Report.

Auditors

Statutory Auditors

M/s. B.K. Khare & Co., Chartered Accountants retire as statutory auditors at the ensuing AGM and are not eligible for re-appointment since their term expires as per Section 139 (2) read with the Companies (Audit and Auditors) Rules, 2014.

The appointment of M/s. SRBC & Co. LLP, Chartered Accountants, as Joint Auditors for a period of five years commencing from 34th AGM until the conclusion of 39th AGM will require ratification by the shareholders at the ensuing AGM. A resolution for such ratification is proposed to be passed at the ensuing AGM.Consequent upon the expiry of the term of M/s. B. K. Khare & Co., Chartered Accountants, M/s. SRBC & Co. LLP, Chartered Accountants, shall be the statutory auditors of the Company.

As required under the Listing Regulations, M/s. SRBC & Co. LLP, the auditors have confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

Cost Auditors

In terms of Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, M/s. Dhananjay V. Joshi & Associates, Cost Accountants, Pune have been appointed as the Cost Auditors of the company for FY 2017-18.

Secretarial Audit

In accordance with the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the company has appointed M/s. SVD & Associates, Company Secretaries, Pune, to undertake the Secretarial Audit of the company for FY 2017-18. The Secretarial Audit Report for FY 2016-17 is annexed as *Annexure – 7* on page no. 87.

The observations of the secretarial auditors in their report are self-explanatory and therefore, the directors do not have any further comments to offer on the same.

Extract of Annual Return

The details forming part of the extract of the annual return in Form No. MGT-9 is annexed herewith as *Annexure – 8* on page no. 90.

Awards and Recognition

Your company has received the following awards during the year:

- Anu Aga received the Leadership award from Frost & Sullivan at its Growth, Innovation and Leadership Summit in Mumbai. The award cited her contribution to the social sector, commitment towards philanthropy and for bringing in strategic transformation at Thermax.

- Thermax won the 'Most innovative energy saving product' award at the 17th National awards organised by the Confederation of Indian Industry (CII) at Hyderabad. The prize winning vapour driven chiller helps in reducing carbon emissions and helps clients to save on water use.

- Thermax's chiller- heater won first prize in the 'Energy saving' category at ACREX 2016. This is the second consecutive year that Thermax has bagged the award. The high efficiency equipment simultaneously provides 1°C chilled water and 90°C hot water, with an overall energy saving of 23%.

Acknowledgements

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

Your directors would also like to thank all the shareholders for continuing to repose faith in the company and its future.

For and on behalf of the Board

Meher Pudumjee
Chairperson
(DIN: 00019581)
Pune: May 30, 2017

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Management Discussion and Analysis

Economic Outlook and Prospects

2016-17 marked another difficult year for the world economy, with growth lowering to 2.3% (from 2.7%). The year was characterised by stagnant global trade, subdued investment and heightened policy uncertainty.

In the year gone by, there was deceleration of growth in advanced economies (1.6%, down from 2.1%, the previous year) and in the emerging and developing economies. Economic growth in both the US and Europe was at a lower level, compared to the previous year. China's growth continued to be slow, close to 7%, far below its earlier annual growth rates. Investments slowed down there due to overcapacity in nearly all sectors, resulting in sluggish industrial production. Weak investments and sluggish productivity affected many emerging markets and advanced economies, resulting in muted growth.

India, buoyed by low oil prices, remained the fastest growing major economy in the world (growth estimated at 7.1%). For the Indian economy, 2016-17 was marginally better than the previous year. The first eight months of the fiscal saw momentum picking up on the growth front. However, as demonetisation lowered aggregate demand, gross value added growth, earlier estimated to touch 7.6%, was revised to 7.1% for 2016-17.

Capex in core sectors continued to be low as many private sector companies have excessive borrowings on their balance sheets and the banking sector is saddled with large NPAs. This has affected both steel and power sectors. Low capacity utilisation in the cement sector and surplus power generation delayed new capex in these sectors. However, capex in consumer oriented industries registered faster growth, with both foreign entities and domestic companies initiating the setting up of new capacities.

The energy sector, the world over including India, is in a state of flux with several factors contributing to the disruption of familiar patterns. Oil and gas prices remained low, eroding the arbitrage for biomass based projects. Solar PV prices have crashed, both in terms of project cost and per kWh costs, providing stimulus for a shift to renewable energy. This development has also dampened the prospects of investments in coal based power plants. Further, the recently announced National Electricity Policy doesn't envisage any new ordering of coal based power plants during the period, 2017-22. These will have far-reaching significance for the company's business segments.

The government's new environmental norms – for emission control related to the reduction of Sulphur Oxides (SOx) and Nitrogen Oxides (NOx), and for combating water pollution through recycle and zero liquid discharge technologies – together with the agenda for clean cities are expected to provide opportunities for the company's environment segment.

Thanks to Bharat VI requirements, refineries have initiated upgradation of their facilities and this augurs well for your company's business. The fertiliser sector also is set for capacity expansion. Government focus on infrastructure is likely to trigger capex cycle in certain sectors. The marginal reduction of interest rates is also bound to have a positive impact on the economy.

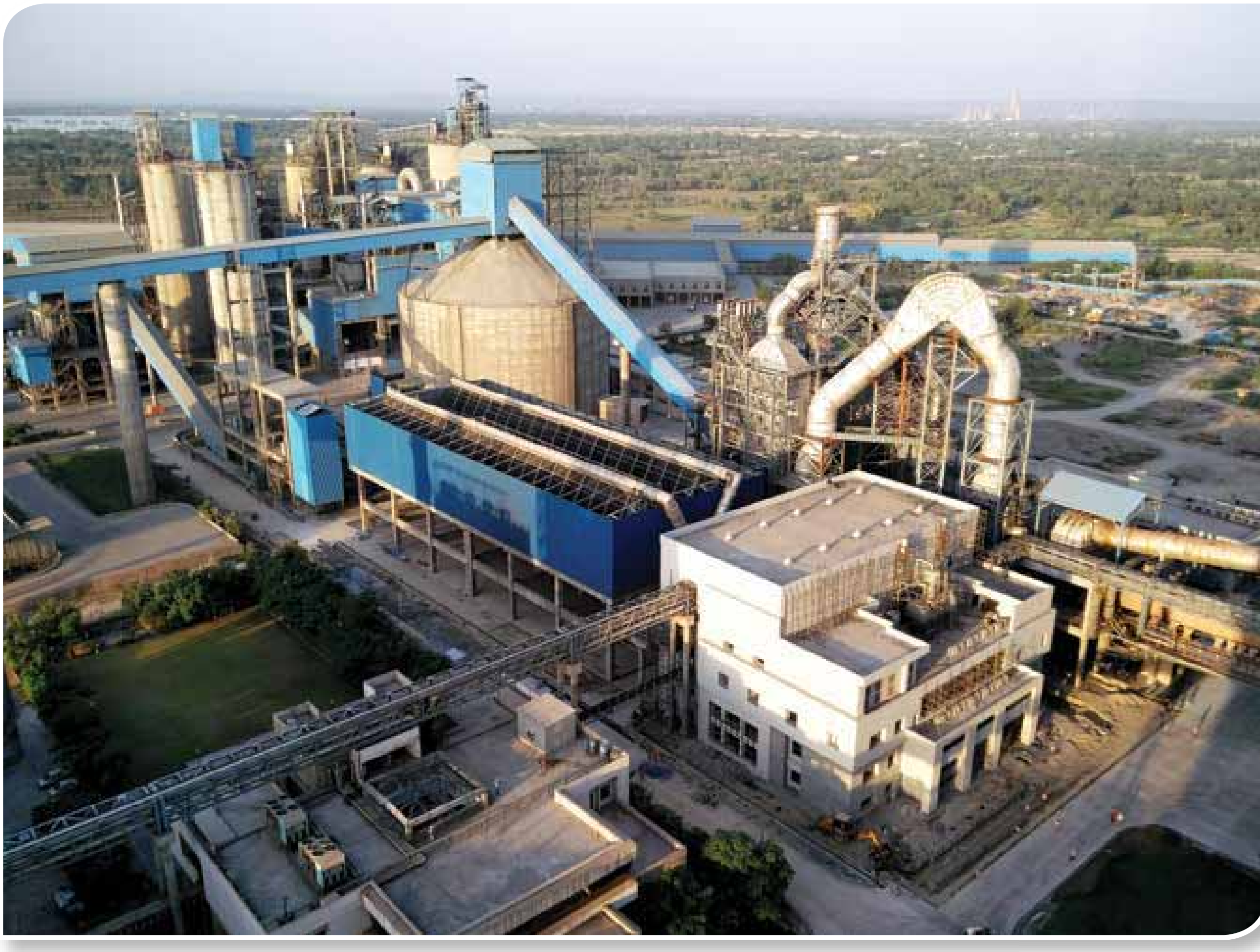
Among international markets, South East Asia, especially Indonesia, the Philippines and Thailand are performing well on industrial and overall growth fronts. Accelerated growth is expected to continue as commodity prices stabilise. The upcoming manufacturing facility of your company in Indonesia is expected to gain from the improved economic activity of the ASEAN region.

Within the European Union, despite the Brexit vote in June'16 challenging the region's integration, industry confidence continues to improve. Investments are happening though at a slower pace. In the Eurozone, as economic conditions improve, your company's products such as vapour absorption chillers, ion exchange resins and boilers using both biomass and oil-gas can expect to gain new customers.

In the US, the new administration has expressed its intention to increase infrastructure spend, with a positive impact on growth. Industrial production in the US grew by 1.5% in the first quarter, signalling economic revival in the short to medium-term.

As growth slowly picks up after the recent years of economic stagnation, there are also areas of concern. Emerging protectionist tendencies in several advanced nations could threaten the economic prospects of emerging markets and developing economies, which now account for more than 75 percent of global growth

Biocask, Thermax's sewage treatment and recycle product at a road show held in seven cities across India. The cost-effective, plug-and-play product is designed for India's cities facing the twin challenges of water scarcity and untreated sewage. IT parks, housing societies, commercial complexes, hotels and small industrial units troubled by space constraints find the product useful as it can fit in 3.5 metre high basements.



Thermax has the expertise to utilise waste heat from cement kiln, sponge iron, sulphur recovery, blast furnace and open cycle gas power plants to generate power. The company has commissioned the largest plant in India that generates power from cement waste heat. This 18 MW plant is for a 2x8500 TPD state- of- the- art cement plant in Rajasthan.

in output and consumption. As it spreads its wings in international markets, your company too could face the backlash as many countries demand local value addition and employment generation.

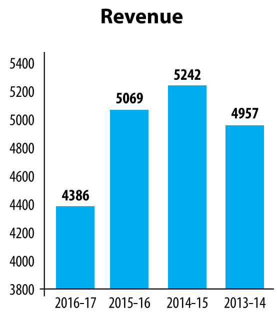
Across major emerging and developing economies, manufacturing industry is currently seeing a significant shift to adopt industry 4.0 standards. Global collaborations initiated by the government with industry participation have paved the way for exchange of best practices between nations. As economies get digitised, organisations including your company are making IoT (Internet of Things) enabled smart equipment and smart machines. Such moves aimed at aligning products and manufacturing to be industry 4.0 compliant are expected to prepare companies for the next level of growth.

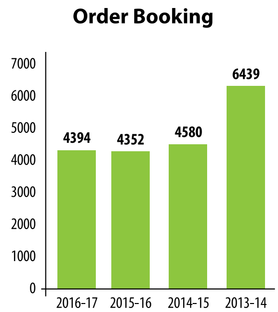
Overall, based on the stabilising factors of the global economy, and the hopeful signs of recovery in the Indian market, the outlook for fiscal 2017-18 is one of cautious optimism.

Thermax Operational Performance

In FY 2016-17, Thermax Group posted revenues of Rs. 4,704 crore, down 12.7% from the previous year's Rs. 5,388 crore. At the standalone level, the revenue was at Rs. 3,973 crore, declining by 13.1% from Rs. 4,573 crore in FY 2015-16. The shortfall was due to the lower carry forward of orders from the previous year and the challenging situation prevailing in the core sectors of the Indian economy.

Even as international business, compared to domestic performance, did well, it was lower by 15% at Rs. 1,573 crore (Rs. 1,859 crore). On a standalone basis, exports declined by 19% to Rs. 1,176 crore (Rs. 1,446 crore). This was due to the lower orders carried forward from the previous year.





Consolidated order booking for FY 2016-17 went up marginally to Rs. 4,394 crore (Rs. 4,352 crore) for the Thermax Group, with standalone order booking at Rs. 3,831 crore, an increase of 3.5% over the previous year (Rs. 3,701 crore). Order booking from international markets at Rs. 2,182 crore accounted for over 49% of the consolidated figure.

Business Segments of the company

Energy Segment

The energy segment contributed 79% of the group's operating revenues in FY 2016-17. The segment comprises the following businesses: 1) Heating 2) Cooling 3) Boilers for power generation 4) Power EPC 5) Solar 6) Service arms for the businesses including Power O&M services.

The heating segment supplies boilers for a very wide range of applications. The Cooling business provides industrial and commercial cooling making use of vapour absorption chillers. The Power business offers turnkey power plants and the solar business deals in photovoltaic and solar thermal solutions.

This segment's performance was muted, lower than the previous year.

Environment Segment

The environment segment, accounting for 13.9% of the group's operating revenues, consists of air pollution control and water and waste solutions.

The air pollution control business caters to a wide range of industries – cement, steel and ferrous metals, petrochemicals, fertilisers, etc. The business offers products and solutions for both particulate and gaseous emissions. The water and waste solutions business supports industry and commercial establishments to treat water for their process requirements, and clean sewage and effluent.

This segment's performance remained flat during the year.

Chemical Segment

As your company realigned to meet the requirements of the new accounting standards, we decided to present chemical business as a seperate segment.

The Chemical segment accounts for 7.1% of the group's operating revenues. In FY 2016-17, this segment had revenues of Rs. 325 crore (Rs. 324 crore). It comprises the following business segments – boiler and water chemicals, resins, performance chemicals, construction chemicals, paper chemicals and oil field chemicals.

Besides the domestic market, this segment has customers in several international markets such as the Middle East, Japan, Europe and the USA.

This segment is supported by two manufacturing facilities – Paudh (Maharashtra) and Jhagadia (Gujarat) – and an upcoming one at Dahej, Gujarat.

The three segments – Energy, Environment and Chemical – span a wide range of products and services, which can be grouped into three categories:

1) Products, both standard and custom-designed. Larger units are generally custom-designed and built.
2) Projects and EPC contracts, especially for the larger non-standard products.
3) Life-cycle and O&M services to operate plants and other services that the company provides to customers.

Operating Structure

The risks, economics and business organisation are different for each segment. Most of the product and service businesses are with the parent company. Subsidiaries abroad are predominantly sales/ service oriented, trading in products made in India or in the group's international factories. The group has 11 manufacturing facilities across the world, seven in India, two in Denmark, and one each in China and Germany, making different products to meet the requirements of diverse markets.

The EPC business includes designing, engineering and integrating other machines in order to deliver a composite plant to a customer. For example, Thermax supplies complete power plants that integrate boilers, chillers and various utilities such as water & waste treatment and air pollution control equipment made by it, along with turbines, generators and the rest of balance-of-plants procured from other manufacturers.

The construction portion of some of the EPC businesses are held by the domestic subsidiaries.

The service business also includes revamping and retrofitting of existing plants to improve efficiencies and operating life of plant and equipment. Moreover, businesses like chemicals predominantly impact the revenue side of the balance sheets of customers.

Energy Segment Analysis

The Energy segment posted a lower operating revenue (Net) at the group level for FY 2016-17 at Rs. 3,624 crore (Rs. 4,307 crore), lower by 15.9%. This is on account of subdued performance of core sectors in the domestic market and lower orders booked in the previous year from both domestic and international markets. Order booking for current year for the Energy segmant stood at Rs. 3,426 crore (Rs. 3,510 crore).

Heating Business

The standard products of the Heating business – small packaged boilers, heaters and other equipment catering to varied industries – showed an upward trend in revenues and order booking. The improved performance was evident in both the domestic market and in exports. Among the overseas markets, South East Asia brought in significant business. Consumption-led sectors such as food and food processing, rubber, pharma, distilleries and breweries, paint, etc. were the major contributors.

Product revamp and technology upgrades of several products contributed to the improved business.

The fall in oil prices and the resultant disadvantage for biomass fuels have affected the business prospects of TOESL, the domestic subsidiary that contributes to the heating business by its exclusive focus on green energy. However, TOESL maintained its performance during the year with a new order from a snacks-and-sweets manufacturer.

Though Brexit cast its shadows, Eurozone showed signs of economic revival. Danstoker, the European subsidiary of the company supporting this business segment performed better after a troubled previous year.

Business for the larger boiler subset (B&H) was challenging due to the lack of orders carried forward from the previous year. However, during FY 2016-17, your company successfully commissioned nine CFBC boilers in a refinery in Western India, one of the largest projects it had undertaken.

Among its products, heat recovery steam generators (HRSGs) picked up some good orders including installations in the Middle East and in an Indian fertiliser plant. Business in the domestic market also saw orders for spent wash boilers in distilleries and, under Bharat VI requirements of refineries, for waste heat recovery boilers and heaters. In South East Asia, cogen boilers fetched revenues.

With ongoing refinery expansions under Bharat VI, opportunities for waste heat recovery in cement, and planned fertiliser expansion, the company expects improved orders for its large boiler business in the next fiscal.

For Heating business, packaged boilers as well as for larger boilers, international markets – South East Asia, Africa and to a limited extent, Latin America – are expected to provide new orders in FY 2017-18. The Bharat VI requirements of refineries and fertiliser expansion in India will also generate additional business. The company's new manufacturing facility in Indonesia is poised to commence commercial production. The plant will give a fillip to the Thermax's growth plans in South East Asia.

Cooling Business

In FY 2016-17, Cooling business maintained its revenues with a marginal growth in global markets. Sectors that brought in business included petrochemical, fertiliser and also beverages. Among the new orders bagged, there was a significant one from a petrochemical complex in Saudi Arabia.

The company has completed the process of purchasing land for a new manufacturing plant for the Cooling business in Sri City (Andhra Pradesh).

Among the international subsidiaries supporting this business, Thermax Europe performed better, improving its business. Thermax Inc., the US subsidiary also did better compared to the previous year.

The business conditions in China continued to be sluggish and this is likely to impact future cash flows. The company has made a provision for diminution in the value of its investments in the Chinese subsidiary.

Thermax has commissioned nine 500 TPH boilers for one of the largest petrochemical projects in two locations in Western India. The Circulating Fluidised Bed Combustion (CFBC) boilers, by substituting cheaper fuels like Indian coal, Indonesian coal and petcoke, will hike up energy efficiency and reduce production costs of the project. The project had a total tonnage of 90,000 metric tonnes, an insulation area of 108,000 m^2 and a peak combined manpower of over 8,000. In the photograph, five of the boilers at one of the locations.

Thermax has built and successfully commissioned Isabela Biomass Energy Corporation (IBEC) power project in the Philippines. Rice husk is used as fuel to generate 20 MW of power at this independent power plant (IPP), generating electricity for utilities and end users. Besides the boiler, the scope of supply included air pollution control equipment and a water treatment plant. Thermax has also bagged a two-year operation and maintenance contract of the plant.

Thermax's focus on international markets is expected to provide positive outcomes.

Services (Heating & Cooling) Business

For the Service SBU supporting both cooling and heating businesses, growth remained flat. Rifox, the international subsidiary supporting this business, had a challenging year owing to the downturn in the oil-gas sector.

With multiple customer sites to its credit, the O&M business of this service entity is growing.

Power EPC Business

Revenues and order intake for the Power business were both lower in fiscal 2016-17 as there weren't any major order finalisations. Business came from small-sized captive power plant orders for the pharma, chemicals, sugar and distillery sectors.

Among the orders received last year there was a repeat order from the Philippines for a turnkey power plant based on biomass.

For FY 2017-18, in the domestic market, this group expects new business on account of waste heat recovery projects in cement and captive power projects to support fertiliser expansion. Opportunities could also emerge for smaller captive power orders from chemical, sugar, distillery and pharma sectors. The business is continuing with its efforts to prospect for middle range captive power plants in South East Asia and Africa. However, the large power orders have decreased substantially.

Business for Power O&M services remained challenging during FY 2016-17. Due to cashflow challenges faced by customers, your company closed a few accounts. The business is focusing on upgrading its services.

Outlook for Power business remains subdued.

Solar Business

This nascent business of your company performed better than the previous year, the major share of business coming from rooftop solar PV installations. Among the orders it received in the solar PV segment was one from a public sector hydrocarbon company for a 5.5 MW installation.

In the solar thermal segment, the company is executing a project at NTPC Dadri, where thermal power is being hybridised with concentrated solar generated steam. A first-time project in India, solar thermal energy would reduce the load on fossil fuels. However, with the substantial drop in PV prices, solar thermal business could be focusing on niche applications.

As prices drop, it's a challenging situation for roof top solar PVs. The company is selectively bidding on emerging orders with a focus on profitability.

Environment Segment Analysis

Operating revenues (Net) for the Environment segment in FY 2016-17 is at Rs. 640 crore (Rs. 634 crore).

Order booking for the Environment segment for FY 2016-17 was at Rs. 663 crore (Rs. 554 crore).

Air Pollution Control Business (Enviro)

FY 2016-17 was challenging for this business, due to the paucity of big orders carried over from the previous year. However, there was an improvement in the order intake.

Implementation of norms for particulate and gaseous emissions issued by the Ministry of Environment is yet to happen. The exclusive tie up with a technology company for reduction of Nitrogen Oxides (NOx) is expected to generate business in the current fiscal.

The business has also lined up new products to help with service revenues.

This year, owing to recovery signals from some of the sectors, the air pollution control business of the company is expected to perform better.

Water Business

After its past few years of troubled performance, the water business turned positive in FY 2016-17. It was a year of consolidation where the company focused on selective orders with an emphasis on short cycle deliveries and profitability. Sectors that contributed to the stabilisation of this business include food, pharma, chemicals and fertilisers.

During the year, order intake for this business improved marginally. To expand the business, the company has plans to prospect SAARC, South East Asian and the Middle Eastern markets.

Outlook for this business for FY 2017-18 is positive.

Enerbloc, the new thermic fluid heater, introduced by Thermax. Its compact size and automated ash removal are plus points for the new generation industrial users. Besides fuel flexibility – biomass pellets, rice husk or coal – the new product offers customers remote monitoring with diagnostic reporting, and safety alerts.

Chemical Segment Analysis

In FY 2016-17, the Chemical business segment posted an operating revenue of Rs. 325 crore (Rs. 324 crore). Order booking for the segment in FY 2016-17 stood at Rs. 305 crore (Rs. 288 crore).

Once the upcoming manufacturing facility for specialty chemicals at Dahej, Gujarat begins commercial production in Q2 of FY 2017-18, it will help augment capacities of the Chemical business.

Thermax Inc., the US subsidiary performed well. From Europe too, new business could be generated for resins.

Association with global companies specialising in hydrocarbon operations is expected to provide more opportunities for the oil field chemicals business.

Construction chemicals introduced new products and they have already gained several Indian industries as customers.

Thermax's Capacity Expansion: New Manufacturing Facilities

To support its product businesses, the group has invested in three additional manufacturing facilities, two in India and the one in Indonesia.

The facility in Indonesia, planned as the group's manufacturing hub for the ASEAN region will be inaugurated in July 2017 and commercial production will commence.

The chemical plant for specialty resins in Gujarat's Dahej will be ready for commercial production by the 2nd quarter of fiscal 2017-18.

After obtaining all relevant government permits, work has begun at the land acquired in Sri City (Andhra Pradesh) for setting up a manufacturing plant for vapour absorption chillers. This facility will be ready by the first quarter of FY 2018-19.

Opportunities

1) Renewable energy, be it the ambitious agenda of the government for advancing solar energy, or the imperatives of business organisations to go in for resource productivity through energy efficiency and water conservation routes, offers possibilities and opportunities for the businesses of the company.

2) Upcoming cities planned across India need systems and solutions that integrate green technologies and products. From compact sewage treatment and water recycling systems to absorption chillers that work in tandem with other clean energy equipment, Thermax can offer a range of solutions.

Concerns

1) The issues related to contraction in capacity utilisation in the core sector continue to persist along with the sluggishness in private investments.

2) The burden of non-performing assets continues to weigh down on banking operations and the resultant stalled projects.

3) While GST implementation will be the most decisive economic reform of modern India, it is bound to create short-term disruption in its implementation. There are legitimate anxieties about the unknowns related to the provisions of the law as applicable to the company and its customer organisations.

The current decision of including capital goods sector in the 18% GST group will increase project pricing by 3.5% for inter-state sales.

Risk Management

Your company perceives the diminished status of coal as a risk factor. The improved efficiency and falling price of solar technology, coupled with the government push for renewable energy, particularly solar, are going against future investments in thermal power. Globally too, in the wake of public awareness and policy initiatives triggered by concerns about climate change, the last two years have

Thermax's solar installation for a major auto ancillary in Maharashtra. It has a capacity of 850 KW with an estimated generation of 1.2 million kWh/annum and will help reduce 983 tons of carbon every year. The installation has net metering to feed excess power to the Maharashtra state electricity grid.

seen over 50% addition to power plant capacity coming from renewables.

This situation poses a risk for the company's business to the extent it relates to new power projects and its joint venture, Thermax Babcock & Wilcox Energy Solutions Private Limited (TBWES).

Considering the market conditions, your company has made a provision for diminution of value of investments in TBWES.

To combat the risk, Thermax is ramping up its portfolio in renewable energy. It is enhancing its non-coal portfolio including waste heat recovery based systems.

The company actively keeps track of currency and interest rate movements, impact of geopolitical developments on its international business and the changes in fuel price. These risks are closely monitored as they also point to emerging business opportunities.

The Audit Committee of the Board oversees risk management strategies and practices. The Risk Management Council, comprising senior management officials periodically reviews the risks facing the company.

Internal Controls

Internal controls of the company are reviewed by Internal Audit on a periodic 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.

The new manufacturing facility of Thermax in Indonesia is ready for the first phase of production. At this plant, situated in the industrial area of Krakatau,120 kms from Jakarta, the standard product range of the company – packaged boilers, heaters, chillers, water & waste water treatment plant along with pollution control equipment – will be manufactured for the ASEAN markets. The facility will be formally inaugurated by the end of July 2017.

Among the internal control mechanisms that the company has put in place, during the year, for adequate safeguards include increasing use of information technology and automation of certain critical controls.

IT systems are key enablers of Thermax's internal controls. The company has upgraded its ERP system to help meet the challenges of its various business divisions in global markets, and assisting specific controls vital for their operations.

Financial Performance

In FY 2016-17, your company registered a total revenue of Rs. 3,973 crore, lower by 13.1% as compared to previous year's Rs. 4,573 crore. The shortfall was due to lower opening order carry forward. The Group revenue of Rs. 4,704 crore was down by 12.7% (Rs. 5,388 crore).

In spite of lower revenue, Thermax was able to maintain profit before tax and exceptional items at Rs. 407 crore which is close to last year's Rs. 423 crore. This was possible mainly on account of lower cost of material consumption at 53.2% as compared to last year's 57.6%. The lower material consumption was due to change in product mix.

After accounting for an exceptional item of expenses of Rs. 133 crore and income tax expense of Rs. 130 crore, the profit after tax stood at Rs. 145 crore as compared to Rs. 297 crore last year. The exceptional item of expenses relate to the impairment of the company's investments in joint venture and subsidiaries as follows:

1. Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. – Rs. 112 crore
2. Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. – Rs. 5 crore
3. First Energy Pvt. Ltd. – Rs. 16 crore

The impairment, indicated above, has been done in view of the present market conditions and also based on the principle of prudence.

On a consolidated basis, profit before tax and exceptional items was Rs. 455 crore (Rs. 467 crore). The exceptional item of Rs. 16 crore represents impairment of certain intangible assets in First Energy Pvt. Ltd. The net profit after exceptional item, tax expense and share of loss of jointly controlled entities was Rs. 216 crore as compared to Rs. 282 crore last year.

The net cash flow from operations showed remarkable improvement at Rs. 345 crore (Rs. 288 crore) mainly due to better working capital management. At the consolidated level, the net cash flow from operating activities stood at Rs. 335 crore (Rs. 253 crore).

The company's other assets include unbilled revenue of Rs. 579 crore (Rs. 509 crore, previous year).

The company invested Rs. 36 crore in purchasing land for a new manufacturing facility for its Cooling business in Sri City (Andhra Pradesh). This is included in other non-current assets.

During the year, there were practically no additions to the property, plant and equipment. However, the capital work in progress of Rs. 126 crore at the year-end represents mainly the work related to the company's upcoming chemical manufacturing facility at Dahej, Gujarat.

Your company infused additional funds of Rs. 227 crore in joint ventures and subsidiaries - mainly in Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. (Rs. 180 crore) for loan repayment and in Thermax Engineering Singapore Pte. Ltd. (Rs. 40 crore) as investment for our ASEAN expansion plans.

Thermax's cash and bank balances and investments, other than investments in joint ventures and subsidiaries, stood at Rs. 918 crore in comparison to Rs. 1,088 crore last year.

Major items impacting accounts under the new accounting standards (Ind As)

The new accounting standards came into effect from 1st April, 2016. It recasts previous year's (FY 2015-16) accounts as well as the opening balance sheet as at 1st April, 2015.

The new standards called for several adjustments to be made to the accounts. However, the following two adjustments had major impact on the company's accounts:

- Impairment allowance has been determined based on Expected Credit Loss (ECL) model. This model considers the delay risk (i.e. delayed receipts of payments) and the default risk (i.e. non receipt of payments) for calculating the impairment loss on financial assets. The total ECL provision amounting to Rs. 135.65 crore as on the transition date of April 1, 2015 has been adjusted against the retained earnings. The impact of Rs. 20.68 crore for the year ended March 31, 2016 and Rs. 5.56 crore in the current year has been charged to the Statement of profit and loss.

- Out of the total investments made in subsidiaries, joint ventures and associates, the company has chosen to carry cost of investment as per Previous GAAP as the deemed cost except for Thermax (Zhejiang) Cooling & Heating Engineering Company Limited and Thermax Babcock & Wilcox Energy Solutions Private Limited wherein the company has considered their fair value as the deemed cost which is in compliance with the options provided for by the new accounting standards. Consequently, a total fair value adjustment amounting to Rs. 130 crore has been considered as on the transition date thereby leading to a decrease in retained earnings as on that date.

Segmental Performance

At the group level, Energy segment revenues were down by 15.9% at Rs. 3,624 crore while Environment and Chemical segment revenues were almost flat at Rs. 640 crore and Rs. 325 crore respectively.

The segment profits for Energy was at Rs. 323 crore (Rs. 377 crore), Environment at Rs. 38 crore (Rs. 18 crore) and Chemical at Rs. 59 crore (Rs. 52 crore). The main contribution to the improved profitability of the Environment segment came from the turnaround performance of Water and Waste Solutions business.

Performance of Subsidiaries:

Thermax Engineering & Construction Company (TECC)

This wholly owned subsidiary is the construction arm of the larger boiler & heater business of the company. The net revenue from the operations of the company for the year ended March 31, 2017 was Rs. 236. 41 crore as compared to Rs. 336.27 crore during the previous year, lower by 30%. Lower carry forward orders and the completion of the big refinery order it had been executing, make FY 2017-18 a challenging fiscal for TECC.

Thermax Instrumentation Limited (TIL)

TIL, a wholly owned subsidiary is engaged in construction and commissioning of captive power plants. The net revenue from the operation for the year ended March 31, 2017 was Rs. 122.41 crore as compared to Rs. 131.86 crore during the previous year (7% lower).

With lower carry forward orders, this subsidiary is expected to have a subdued performance, in FY 2017-18.

Thermax Onsite Energy Solutions Limited (TOESL)

TOESL, a wholly owned subsidiary, is engaged in the build-own-operate business of providing sustainable solutions by supplying utilities like steam and heat to its customers. The net revenue from the operations for the year ended March 31, 2017 was Rs. 57.97 crore, as compared to Rs. 47.08 crore during the previous year (23% higher).

After focusing on the domestic market, this subsidiary is prospecting in select international markets. Outlook remains promising.

Thermax Sustainable Energy Solutions Limited (TSES)

The prospects of this wholly owned subsidiary, engaged in the business of providing sustainable solutions to the industry through the Clean Development Mechanism, continues to be unfavourable. Due to the unavailability of Certified Emission Reductions (CERs) in the global market, the company did not witness any operations during the year.

Thermax Inc. (USA)

Thermax Inc., a step-down subsidiary and the sales and service arm of the company consists of two segments in the USA – energy (sales of absorption chillers) and chemical (sale of ion exchange resins). The net revenue from operations for the year ended March 31, 2017 was USD 15.50 million (Rs. 100.52 crore) as compared to USD 13.24 million (Rs. 87.73 crore) during the previous year (17% higher in USD).

With both Chemical and Cooling businesses doing well, and with signs of economic recovery in the US market, prospects for Thermax Inc. are encouraging.

Thermax Senegal S.A.R.L (Senegal)

Thermax Senegal S.A.R.L, a step-down subsidiary of the company, is engaged in the business of plant management services. The net revenue from operations for the year ended March 31, 2017 was XOF 1,374 million (Rs. 14.53 crore) as compared to XOF 1,466 million (Rs. 16.71 crore) during the previous year (6% lower in XOF). Revenues of this subsidiary are expected to be flat, next year.

Thermax (Zhejiang) Cooling & Heating Engineering Co. Limited (China)

Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd., a wholly owned subsidiary of the company is engaged in the manufacture, sales and service of vapour absorption systems. The net revenue from operations for the year ended March 31, 2017 was RMB 63.66 million (Rs. 59.97 crore) as compared to RMB 62.79 million (Rs. 64.49 crore) during the previous year (1% higher in RMB). Performance of this subsidiary in FY 2017-18 is expected to be flat.

Thermax Europe Limited (UK)

Thermax Europe, a wholly owned subsidiary, is engaged in the sales and service of vapour absorption chillers. This subsidiary had a profitable year, as its net revenue from the operations for the year ended March 31, 2017 was £ 8.25 million (Rs. 67.15 crore) as compared to £ 6.15 million (Rs. 58.51 crore) during the previous year (34% higher in £).

Rifox-Hans Richter GmbH Spezialarmaturen, Bremen (Germany)

Rifox, a wholly owned subsidiary, is engaged in the business of manufacturing a wide range of standard products within the four most applicable steam trap systems. The company reported losses for the year. The net revenue from operations for the year ended March 31, 2017 was EUR 2.98 million (Rs. 20.59 crore) as compared to EUR 3.73 million (Rs. 28.13 crore) during the previous year (20% lower in Euro).

Danstoker A/S (Denmark)

Danstoker A/S, a step-down subsidiary is engaged in the business of design, production and sale of boilers and relevant equipment to the energy market, including rebuilding and servicing of boilers. The net revenue from operations for the year ended March 31, 2017 was DKK 185.41 million (Rs. 172.22 crore) as compared to DKK 170.86 million (Rs. 172.86 crore) during the previous year (9% higher in DKK). Though investment situation hasn't changed drastically in Europe, with signs of an economic rebound, and continued focus on biomass

Thermax assisted NTPC meet revised particulate emission norms of 50 mg/nm3 at its power plant in Rihand (UP). Teaming up with Hitachi, the company's air pollution control group retrofitted two 500 MW electrostatic precipitators (ESPs) of 1988 vintage. The project was commissioned in September 2016.

Thermax focuses on the process cooling requirements of industrial firms: two closed circuit cooling towers supplied to a polyfilm manufacturing company in Madhya Pradesh. The equipment helps the client save over 60% in power.

based renewable energy projects, outlook for Danstoker is positive.

Boilerworks A/S (Denmark)

Boilerworks A/S, a stepdown subsidiary of the company, is engaged in the business of design, production and supply of high pressure components to power plants, waste and biomass combustion plants, industrial and petrochemical plants.

The net revenue from operations of Boilerworks A/S, for the year ended March 31, 2017 was DKK 117.43 million (Rs. 109.08 crore) as compared to DKK 94.88 million (Rs. 95.99 crore) during the previous year (24% higher).

Outlook for Boilerworks continues to be positive.

Joint Ventures

Thermax Babcock & Wilcox Energy Solutions Private Limited (TBWES)

For FY 2016-17, TBWES registered revenues of Rs. 306 crore (Rs. 334 crore, the previous year), executing orders received from B&W, the US partner of the JV.

In the absence of orders in the domestic market, the JV had been containing its losses by executing projects offloaded by its US partner. Globally, there has been a drastic reduction in investments in thermal power plants. Within India too, the emergence of solar as a viable renewable energy option and the government's focus on renewables with emphasis on solar, has adversely affected the prospects of thermal power projects. The National Electricity Policy, announced recently, has limited space for new coal based power plants during the 2017-22 period.

In view of the challenging market conditions which impact the future cash flows of the JV, it was decided to opt for a diminution of Thermax's investment in TBWES. Based on the principle of prudence, your company also set aside an amount of Rs. 112 crore for impairment of its investments in TBWES.

Thermax SPX Energy Technologies Limited (Thermax SPX)

Thermax SPX reported revenues Rs. 28 crore for FY 2016-17, compared to Rs. 46 crore in the previous year.

The JV partner, SPX sold off its shares and business of electrostatic precipitators and regenerative preheaters to a Germany based publicly traded industrial holding company. In view of the changed context, your company is exploring various options for sustaining and growing this business.

Human Resources

With the objective of early identification of talent, your company launched the Thermax Internship Programme to involve young engineers to work on projects. Though the intake of candidates was modest, the success rate of selection through pre-placement offers was quite high. The internship initiative follows Thermax's Graduate Engineering Trainee programme that has established the tradition of creating a talent pipeline.

During the year, Thermax celebrated its Golden Jubilee. Employees and their families across the company at various locations participated in the celebration. Over 4000 people participated in the main programme held at Pune on 12th November 2016. Seeking employee participation in newer ways of learning, the company launched the 'Learning Fest' inviting employees to showcase their business ideas in an innovative manner through art and music. More than 500 employees participated in the weeklong learning festival conducted across locations.

Apart from other learning programmes, sessions on creating awareness around the company's Code of Business Ethics and Conduct (COBEC) and GST were facilitated by HR during the year.

Thermax signed a three-year agreement with the Union at Chinchwad factory in an amicable manner.

Health, Safety and Environment

The safety performance of the company is reviewed every quarter by the Board, and the managing director. The process is supported by safety committees at business and project site levels.

TOESL, the domestic subsidiary focusing on green energy solutions for client companies, was certified as per OHSAS 18001:2007 by DNV.

During FY 2016-17, the Power division of the company was recertified for OHSAS 18001:2007 by Bureau Veritas; Chinchwad, Savli and Mundra works by DNV; Paudh and Jhagadia plants for OHSAS 18001: 2007 and ISO 14001:2004 by Bureau Veritas.

Surveillance audits for OHSAS 18001:2007 were conducted by DNV for Enviro Project and Heating EPC by Bureau Veritas for the subsidiary, TECC and Water & Waste Solutions business division.

1,283 internal audits and 46 external safety audits and inspections were carried out in FY16-17. Special safety audits for fire prevention were carried out at office locations and manufacturing plants in Pune.

All manufacturing and project locations have developed emergency management plans. Training on fire prevention and control, mock drills on emergency evacuation have been conducted at the plants and offices. Regular safety training covers employees at various levels and regions, contractors, vendors and suppliers.

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.

Report on Corporate Social Responsibility

Thermax's CSR policy is based on the conviction that business cannot succeed in a society that fails. It believes that educating the economically underprivileged sections of our public will help in ensuring a long-term, balanced and inclusive growth for the society. Therefore, your company tries to build bridges with the larger community through a variety of projects. Its main effort, though, is in strengthening the public education system.

Thermax Foundation (TF), the not-for-profit CSR arm of Thermax, is involved in the following projects:

1. The School Project
2. The Teacher Training Project (LIFT)
3. Support to pioneering educational NGOs
4. Employee Involvement

1. The School Project

Since its inception in March 2007, the Thermax Foundation has been implementing its CSR programme of facilitating quality education to children from marginalised communities. TF works with the NGO, Akanksha Foundation and the Pune Municipal Corporation (PMC). This three-way partnership over the last ten years has resulted in TF funding five English medium municipal schools. (These five are out of the 20 run by Akanksha in Pune and Mumbai.)

Over the past four years, 384 students from the two secondary schools, K.C. Thackeray Vidya Niketan (KCTVN) and Acharya Vinoba Bhave Secondary School (AVBS) have passed the SSC exams. The results below, is testimony to their stellar performance since 2014:

Grade 7 students at the K.C. Thackeray School have been learning robotics. A Robotics Club, run in partnership with John Deere, trains children to build, assemble and programme robots.

Details	2013-14		2014-15		2015-16		2016-17	
	KCTVN	AVBS	KCTVN	AVBS	KCTVN	AVBS	KCTVN	AVBS
Schools	KCTVN	AVBS	KCTVN	AVBS	KCTVN	AVBS	KCTVN	AVBS
No. of students appeared	61	–	59	62	61	37	57	49
Pass percentage	100%	–	100%	98%	100%	97%	100%	100%
Distinction&above (=>75%)	34%	–	58%	19%	77%	30%	58%	11%

Children from these schools have been admitted to prestigious colleges. Eight students won full scholarships to United World Colleges in Armenia, Singapore, Pune and Bangalore, and nine won full scholarships to Azim Premji University, Bangalore. Two have been admitted to Fergusson College, Pune, and nine to SP College, Pune.

At a Science Research Idea Competition in March 2016 organised by National Chemical Laboratory (NCL) and Indian Institutes of Science and Research (IISER), two of the three winners from schools across Pune were from **K.C. Thackeray Vidya Niketan English Medium PMC School**. As a reward, the grade 8 students were invited to spend a month in the IISER labs, interning under research scholars. They later made a presentation on the nanotechnology project they had chosen.

In June 2016, KCTVN was selected from eight schools for the Ashoka Innovation Fund for transformative projects. This was for its unique approach to education which involved empathy, team work, leadership and creative skills to help them transform their community.

As part of the mentorship programme in **Acharya Vinoba Bhave English Medium PMC School**, students took up an entrepreneurship project. They pooled the entire profit of Rs. 8,000 from the project to procure and distribute 80 blankets to homeless children and the elderly.

Namrata Khanvilkar from the school bagged a scholarship to complete grade 11 and 12 from United World College in Armenia. She has now received a full scholarship to pursue a degree in Biochemistry from St. Olaf College, Minnesota.

Grade 6 & 7 students from **Late Anantrao Pawar English Medium PMC School** worked on green projects to nurture environment stewards who will continue to educate students, parents and the community about conservation. They ran a campaign to reduce paper wastage, grew and sold leafy vegetables, and involved their parents and the local ward office in cleaning the garden, getting seeds and purchasing saplings.

Grade 6 students and teachers from **Matoshri English Medium PMC School** were awarded for their Design for Change project at Ahmedabad in December 2016. Theirs was one of the top 100 projects. Design for Change is the largest global movement of children driving change in their own communities.

'Read and write English' was a 6-month community development project started by teachers in **Savitri Bai Phule English Medium PMC School** for parents to understand the importance of education and their role in their children's future. 60 parents were taught English with the aid of videos, art, games, worksheets and group activities.

An art exhibition was organised and every student from Grade 1 to 8 got an opportunity to showcase their artwork which included Warli paintings, glass murals, paper sculptures and thread art work.

TF has also established an **Alumni Support Programme** with Akanksha to prevent former students dropping out of college and supporting them after their 10^{th} standard till they secure a stable livelihood. Your company hopes that once out of poverty, the students would return to contribute to their communities as a long-term sustainable project.

Thermax Foundation's LIFT team works with several municipal schools under the 'LIFT school projects initiative'. At the school melas organised in schools, teachers presented their innovative practices. Teachers, Assistant Education Officers and corporators participated in the events.

2. The Teacher Training Project (LIFT)

Thermax Foundation continues to strengthen the public education system in Pune through the Leadership Institute for Teachers (LIFT) programme that was established in 2013.

Between 2013 and 2016, LIFT has trained 220 public school teachers through a rigorous 17-day programme over the course of one year,working on teachers' attitudes and mindsets. This has resulted in teachers gaining more confidence and skills in leading classrooms, appreciation from government stakeholders, and improved outcomes in the reading fluency and comprehension of students in English across LIFT classrooms.

In the academic year 2016-17, LIFT undertook two significant projects with the government.

a. It forayed into early childhood education through the **Aakar Pune Project**. By partnering with Integrated Child Development Scheme (ICDS) of the Ministry of Women & Child Development, LIFT will directly train 51 ICDS supervisors to effectively implement the Aakar curriculum which will benefit 1413 Aanganwadi teachers and 50,000 children in Pune urban district.

b. In partnership with the PMC School Board, TF is focusing on the school as a unit of change through its **PMC LIFT School Project**. The objective is to institutionalise sound educational practices to impact 145 teachers and close to 6000 students across 7 schools. This is in collaboration with Teach For India (TFI) and India School Leadership Institute (ISLI). This project has been selected as one of the 50 best practices in education by MSCERT. Thermax Foundation's LIFT team presented the concept of this project at a state level exhibition in Pune, Nagpur and Aurangabad.

3. Support to Pioneering Educational NGOs

Thermax Foundation is encouraging NGOs doing exemplary work in the field of education by supporting them financially.

Teach for India (TFI)

Since 2009, TF has supported Teach For India (TFI), a nation-wide movement of outstanding college graduates and young professionals who teach for two years in under-resourced schools. In 2016-17 Thermax sponsored 45 fellows who worked in 19 schools and impacted 1800 students. TFI periodically assesses the qualitative impact of the fellowship on students and fellows.

In the second year of their fellowship TFI fellows undertake a 'Be the Change Project' in areas they feel concerned about. Some of the projects, this year, included helping women in communities to earn extra income by making and selling hand-made products; helping parents of students gain financial literacy and teaching about savings and investments.

Pune City Connect

After creating sustainable proof of school excellence (The School Project with Akanksha and TFI) and teacher development (through LIFT), Thermax Foundation wanted to do more for regional language schools that impact the largest number of children in the city. Under Pune City Connect (PCC), an initiative for collective action, Thermax has partnered with PMC, other corporates and NGOs to improve the quality of education in Marathi and Urdu medium schools.

PCC helped build the Shikshak Sahyogi Dal project with 50 dedicated teacher-mentors to create excellent teaching learning practices which would be replicated across all 200+ schools. In 2016-17, the Sahyogi Dal team has conducted more than 12,000 classroom observations for about 1600 teachers; and 8 monthly training sessions with 90% attendance. The team of Sahyogis received 89% satisfaction on the annual teacher survey. The number of classrooms with effective learning methods have also increased to 1011 in the last one year.

Parivaar, Kolkata

Parivaar is the largest residential programme for children from the impoverished strata in West Bengal who are vulnerable to exploitation, victimisation and trafficking. It has 1410 resident children. Thermax has been funding the project since2012-13, and financial year 2016-17 was Thermax's last year of support to Parivaar.

Jagriti School for Blind Girls, Pune

Thermax Foundation has supported the Jagriti School for Blind Girls functioning under the National Federation of the Blind, Maharashtra (NFBM). TF partly funded the construction of its Model School Complex. The first phase of its 'Career Oriented Education Centre and the Skill Development Centre' has been completed and in 2016-17, 110 students attended classes there.

Thermax employees across the company's various locations donate blood to hospitals and to authorised blood banks. The blood donation is organised annually on 16th February to commemorate the death anniversary of founder-Chairman, Rohinton Aga.

Thermax Foundation team along with the staff of aanganwadis kickstart the Aakar project, for which the foundation signed a three-year partnership with the Ministry of Women and Child Development. By empowering a cadre of Integrated Child Development Services supervisors, this collaborative project aims to strengthen non-formal education in aanganwadis.

4. Employee Involvement

Thermax encourages its employees and their family members to contribute to social causes. During the year, they participated in various events:

- **Clothes donation Drive:** Thermax Foundation ties up with various organisations for donating usable garments to poor children, women and men. This year the employees donated clothes, blankets, bed sheets and towels to Swachh, an organisation working for the rag pickers.

- **Running for a cause:** As in earlier years, Thermax employees participated in the Standard Chartered Mumbai Marathon held in January 2017. Thermax raised funds for NGO partner, Akanksha Foundation. 65 employees also participated in 'Runathon of Hope' held in January.

- **Blood Donation:** Every year on 16th February, to commemorate the death anniversary of its Founder Chairman, Rohinton Aga, Thermax organises blood donation camps across its various locations. In 2016- 17, employees came forward in large numbers across offices to donate blood to Sassoon Hospital, Ruby Hospital, Poona Hospital and Jehangir Hospital at Pune and to authorised blood banks outside Pune.

- **Payroll Giving Programme:** This initiative was launched in 2007 in partnership with Give India to enable employees to contribute any amount as per their ability on a monthly basis, towards a cause / charity of their choice.

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Annexure – 3 to the Directors' Report

Corporate Governance Report

1. Company's Philosophy on Corporate Governance

Thermax is committed to exemplary corporate governance practices in order to maximise value for all its stakeholders – customers, shareholders, employees, vendor partners and business associates, larger community, governments in countries where we operate. It believes that adherence to high standards of corporate governance is essential for corporate growth and financial performance on a sustained basis.

Your company considers ethical business conduct, integrity and commitment to values, transparency and accountability as integral to enhance and retain the trust of stakeholders – hallmark of effective corporate governance.

The company endeavours to uphold impeccable standards of integrity to safeguard the interests of all stakeholders.

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 communication, high standards of safety, accounting fidelity, product and service quality. It also has in place comprehensive business review processes.

2. Board of Directors

The Board of your company comprises nine directors – three non-executive promoter directors, five independent directors and the Managing Director & CEO.

A. Composition of the Board

The table below gives the composition of the Board and inter alia the outside directorships held by each of the directors of the company during the financial year 2016-17.

Name of the Director	Pecuniary or business relationship with the company	Number of other Director-ships@	Committee position@		Number of shares held in the company
			Chairperson	Member	
NON-EXECUTIVE PROMOTER					
Anu Aga	None except**	2	–	–	# 29,06,250
Meher Pudumjee	None except**	1	–	1	–
Pheroz Pudumjee	None except**	–	1	1	6,000
INDEPENDENT					
Dr. Raghunath A. Mashelkar	None	5	–	4	–
Dr. Valentin A. H. von Massow	None	1	–	1	–
Dr. Jairam Varadaraj	None	8	1	3	–
Nawshir Mirza	None	5	3	3	–
Harsh Mariwala	None	6	–	1	–
EXECUTIVE					
M. S. Unnikrishnan	N.A.	3	–	1	–

@ Excludes private, foreign & Section 8 companies and other committees including Nomination & Remuneration Committee, Corporate Social Responsibility Committee, Strategic Business Development Committee and International Investment Committee.

Anu Aga is a joint Trustee of the 29,06,250 shares held by the Thermax ESOP Trust.

** During the year, the company has paid Rs. 15,00,000/- to Anu Aga and Rs. 11,92,800/- to Meher Pudumjee as rent for premises taken on lease. The company has given security deposit of Rs. 35,00,000/- to Anu Aga for the premises taken on lease. The company has also paid Rs. 11,92,800/- to Pheroz Pudumjee, being rent for premises taken on lease and maintained Rs. 18,00,000/- as security deposit.

B. Attendance and Remuneration of each Director during the Financial Year 2016-17

Name of the Director	Total Attendance at Board meetings	Sitting fees*	Salary and perquisite	Commission†	Total remuneration
					Amount in Rs.
Meher Pudumjee	5	6,00,000	NA	35,00,000	41,00,000
Anu Aga	5	4,50,000	NA	14,00,000	18,50,000
Dr. Raghunath A. Mashelkar	4	2,50,000	NA	13,00,000	15,50,000
Dr. Valentin A. H. von Massow	5	8,50,000	NA	24,19,200@	32,69,200@
Pheroz Pudumjee	4	7,50,000	NA	15,00,000	22,50,000
Dr. Jairam Varadaraj	4	6,50,000	NA	17,00,000	23,50,000
Nawshir Mirza	5	6,00,000	NA	30,00,000	36,00,000
Harsh Mariwala	3	1,50,000	NA	4,00,000	5,50,000
M. S. Unnikrishnan	5	NA	3,27,26,429	80,00,000	4,07,26,429

NA = Not applicable

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

† The commission proposed for the year ended March 31, 2017 will be paid, subject to deduction of tax and as per the provision of the Companies Act, 2013.

@ Euro 35,000 (Rate as on March 31, 2017 Rs. 69.12 per EURO)

The Non-executive Directors are entitled to reimbursement of expenses incurred in performance of the duties as directors.

At the 35th Annual General Meeting of the Company all Directors were present.

C. Number of meetings of the Board held during the Year and the dates of Meetings

The Board met five times during the financial year 2016-17 on the following dates: May 25, 2016, August 10, 2016, November 10, 2016, February 8, 2017 and March 10, 2017. The maximum time gap between any two sequential meetings was not more than 120 days.

D. Disclosure of relationship between Directors inter-se

Anu Aga, Meher Pudumjee and Pheroz Pudumjee are related to each other.

E. Familarization programs imparted to Independent Directors

The Independent Directors have been appraised about the company, their role, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc., as a part of the Familiarization Programme.

Through the familiarization programme, the Company intends to achieve the following objectives:

- To apprise the Directors about the business model, corporate strategy, nature of industry, business plans and operations of the Company.
- To familiarize them with the Company's financial performance, annual budgets, internal control processes and statutory compliances.
- To apprise them about their roles and responsibilities in the Company.
- To familiarize them with company's vision, values, ethics and Corporate Governance practices.

The Independent Directors at the Board and committee meetings are provided with the business model, annual budgets, significant developments, 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.

The details of the familiarization programme for Independent Directors are disclosed on the Company's Website i.e. www.thermaxglobal.com

F. Independent Directors meeting

During the year under review, the independent directors met once on March 9, 2017 inter alia to review performance of the Board, Chairperson and non-independent Directors of the Company. They also reviewed the quality, quantity, timelines and flow of information between the management and the Board.

Nawshir Mirza, Dr. R. A. Mashelkar, Dr. Valentine A. H. von Massow and Harsh Mariwala were present at the meeting.

G. Board Evaluation

As a part of annual Board evaluation, a detailed Board/ Committee, self-assessment and peer assessment questionnaires were circulated to all the Directors. The Chairpersons of the Board and the Nomination Remuneration Committee reviewed Board performance evaluation covering individual performance, peer evaluation, performance of the Board and its Committees. The Chairperson of the Board shared the outcome of the evaluation process. The Board had a detailed deliberation on the same at its meeting held on March 10, 2017 and also discussed performance of the Chairperson of the Board.

3. Board Committees

The members of the committees are co-opted by the Board. The Board constitutes the committees and defines their terms of reference. The Board at present has six committees as under:

Mandatory committees	Non-mandatory committees
Audit Committee	Strategic Business Development Committee
Nomination & Remuneration Committee	International Investment Committee
Stakeholders Relationship Committee	
Corporate Social Responsibility Committee	

A. Audit Committee

The Audit committee presently comprises four members, all non-executive Directors. The chairman of the committee, Nawshir Mirza is a Fellow Member of The Institute of Chartered Accountants of India. Pheroz Pudumjee, Dr. Jairam Varadaraj and Dr. Valentin A. H. von Massow are the other members of the committee.

The committee met five times during the financial year 2016-17 on May 24, 2016, August 9, 2016, November 9, 2016, December 17, 2016 and February 7, 2017. Details of meetings attended by the members are as follows:

Committee members	Category	Number of meetings attended
Nawshir Mirza	Independent	5
Pheroz Pudumjee	Non-executive Promoter	5
Dr. Jairam Varadaraj	Independent	5
Dr. Valentin A. H. von Massow	Independent	5

The constitution of the committee meets with the requirements of section 177 of the Companies Act, 2013.

The committee reviews various aspects of internal controls, internal auditors' reports on a regular basis. The committee also reviews information as per Regulation 18 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

The internal auditor presents to the committee, observations and recommendations arising out of internal audits 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 acts as the Secretary to the Committee.

The Board has approved the charter of the Audit Committee defining its role, responsibilities, powers and processes. The Charter is available on the Company's website i.e. www.thermaxglobal.com

The terms of the charter broadly include:

- Overseeing the processes that ensure the integrity of financial statements.
- Overseeing the processes for compliance with laws and regulations to ensure their effectiveness.
- Approving transactions with related parties.
- Enquiring into reasons for any default by the company in honouring its obligations to its creditors and members.
- Overseeing the quality of internal accounting and other controls.
- Overseeing the quality of financial reporting process, including the selection of accounting policies.
- Ensuring the independence of the auditor.
- Recommending to the board the appointment and the remuneration of the auditors.
- Scrutinising inter-corporate loans and investments.
- Monitoring the end use of funds raised through public offers, if any.
- Conducting the valuation of any undertaking or asset of the company.
- Structure the internal audit function and to approve the appointment of the Chief Internal Auditor.
- Bringing to the notice of the board any lacunae in the code of conduct.
- Reviewing with the CEO and the CFO of the company the underlying process followed by them in their annual certification to the Board.
- Approving the appointment of the CFO.
- Recommending to the board the appointment and remuneration of the secretarial and cost auditors.

Risk Management Council

The Board at its meeting held on May 25, 2016 dissolved the Risk Management Committee, constituted earlier. The Audit Committee however, will periodically review the risk identification and mitigation framework of the company.

The management has constituted a Risk Management Council which comprises the business segment and corporate function heads. The Council is chaired by the Chief Financial Officer. It meets once a quarter to assess the risks facing the businesses and the mitigation measures taken. In particular, it is responsible for identifying developments in the environment or in internal operating processes that could materially affect the profile of risks.

B. Nomination & Remuneration Committee

The committee presently comprises five members, all non-executive directors. Dr. Jairam Varadaraj (Chairman), Anu Aga, Dr. Valentin A. H. von Massow, Meher Pudumjee and Harsh Mariwala (w.e.f. November 10, 2016) are the other members of the committee.

The committee met twice during the financial year 2016-17 on May 24, 2016 and November 9, 2016. Details of meetings attended by the members are as follows:

Committee members	Category	Number of meetings attended
Dr. Jairam Varadaraj	Independent	2
Anu Aga	Non-executive Promoter	2
Dr. Valentin A. H. von Massow	Independent	2
Meher Pudumjee	Non-executive Promoter	2

The broad terms of reference of the committee are:

- Evaluate the performance including extension of contract of Executive Directors (EDs). The NRC would set the performance measures of EDs and evaluate their performance annually.

- Recommend the remuneration for the EDs based on evaluation.
- Evaluate the performance including extension of their employment, of senior management (one level below the EDs).
- Recommend the remuneration of the senior management based on the evaluation.
- Evaluate the need for EDs and recommend their appointment.
- Identify all critical positions in the company among the EDs and senior management and review progress of succession plans.
- Recommend to the Board the Policy relating to the remuneration of Directors and Key Management Personnel.
- Lay down criteria for selecting new Non-Executive Directors (NEDs) based on the requirements of the organisation.
- Carry out evaluation of the performance of the NEDs and defining the system for linking remuneration of NEDs to evaluation.
- Review succession plan for those NED positions that are likely to be vacant during the year.
- Recommend to the Board the appointment and removal of Directors.
- Review and approve annual compensation of the organization, including benchmarking with other Companies.
- Ensure periodic meeting of the senior management with the Directors.
- Initiate and review employee engagement surveys.
- Review and approve the code of conduct for the company.
- Review and approve the disclosures of the committee in the Annual Report
- Devising a policy relating to Human Resources, including diversity.

Details of remuneration:

• Non-Executive Directors

In recognition of the contribution by the Non-Executive Directors, especially in adherence to the Corporate Governance policies & practices, the Board had adopted guidelines to remunerate the directors by way of commission.

The Nomination & Remuneration Committee (NRC) of the Board has framed a policy on selection & appointment of Directors and their remuneration. Based on the recommendation of the NRC, the Board has approved the Policy. The remuneration of Directors for the year 2016-17, is based on the said Policy. The Policy broadly consists of:

- Criteria for selection & appointment of Directors and their remuneration
- Criteria for selection of Managing Director & CEO and remuneration
- Remuneration Policy for the Senior Management
- Method of Performance Evaluation

As per the said Policy, the Non-Executive Directors, apart from receiving sitting fees for attending Board/Committee meetings, will be entitled to receive a commission on the net profits of the company.

The NRC may recommend payment of commission on uniform basis or may recommend higher commission to directors who are the Chairman of the Board or other committees, taking into consideration the higher responsibilities taken by them.

Furthermore, as per the Policy, the NRC while determining the quantum of commission may consider membership of the directors on the committees and their attendance at various meetings.

Based on the above and on the recommendation of NRC, the Board has approved payment of remuneration of directors.

• Managing Director & CEO

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 i. e Salary, Allowances, perquisites and other benefits. The variable components comprises performance bonus. The Nomination and Remuneration Committee has recommended a remuneration policy for Appointment of Directors and their remuneration which has been approved by the Board. As per the said policy while determining remuneration payable to the Managing Director & CEO following factors are considered:

a. the relationship of remuneration and performance benchmarks is clear;

b. balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;

c. responsibility required to be shouldered by the Managing Director &, CEO the industry benchmarks and the current trends;

d. the Company's performance vis-à-vis the annual budget achievement and individual performance vis-à-vis the KRAs / KPIs.

C. Stakeholders Relationship Committee

The Committee comprises three members, Pheroz Pudumjee (Chairman), Meher Pudumjee and M. S. Unnikrishnan.

The committee met four times during the financial year 2016-17 on May 6, 2016, August 4, 2016, October 13, 2016, and January 23, 2017 where all members were present.

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 Stakeholder Relationship 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 broad terms of reference of the committee:

- To approve and register transfer and/ or transmission of shares.
- To approve dematerialisation and rematerialisation of Company's shares.
- To affix or authorise affixing of the Common Seal of the Company on the Share Certificates of the Company.
- To look into the shareholders'/ investors'/debenture holders'/security holders' grievances and redress them.
- To do all such acts, things or deeds as may be necessary or incidental to the exercise of the above powers.
- A total of 25 complaints were received from shareholders / investors / statutory authorities and same were resolved during the financial year ended March 31, 2017.

Summary of Complaints During 2016-17

Nature	Opening balance	Received	Resolved	Closing Balance
Non-receipt of dividend	Nil	24	24	Nil
Letters from Statutory Authorities	Nil	1	1	Nil
Total	Nil	25	25	Nil

All complaints were resolved to the satisfaction of the shareholders and no complaint remained unattended / pending for more than 30 days as on March 31, 2017.

During the year 1 physical share transfers comprising 500 number of equity shares were processed.

Compliance Officer

Mr. Sudhir Lale, Senior Manager is the Compliance Officer (w.e.f. May 30, 2017) for complying with the requirements of the Securities Laws and the Listing Agreements with the Stock Exchanges.

D. Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility committee comprises four members, Anu Aga (Chairperson), Meher Pudumjee, Dr. Raghunath Mashelkar and Nawshir Mirza.

The committee met twice during the financial year 2016-17 on August 9, 2016 and February 7, 2017.

Details of meetings attended by the members are as follows:

Committee members	Category	Number of meetings attended
Anu Aga	Non-executive Promoter	2
Meher Pudumjee	Non-executive Promoter	2
Dr. Raghunath Mashelkar	Independent	1
Nawshir Mirza	Independent	2

The broad terms of reference of this committee, are:

- To formulate and recommend to the Board a CSR Policy which shall indicate the activities to be undertaken by the company as specified under Schedule VII of the Companies Act, 2013.
- To recommend the amount of expenditure to be incurred on the CSR activities.
- To monitor the CSR Policy of the company from time to time.
- Any other matter that may be referred by the Board from time to time or as may be necessary for compliance with the Companies Act, 2013 or Rules made thereunder or any other statutory laws of India.

E. Strategic Business Development Committee

The primary objective of Strategic Business Development 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, Pheroz Pudumjee, M. S. Unnikrishnan and Dr. Jairam Varadaraj.

The committee met twice during the financial year 2016-17 on May 25, 2016 and February 7, 2017 where all members were present.

The broad terms of reference of the Committee are:

- Review and recommend corporate strategy, including corporate brand and M&A.
- Review and direct SBU, subsidiary and JV level strategies as well as selective SBU plans and business initiatives.
- Initiate and impart guidance on best practices across the board e.g. manufacturing, new markets, branding, etc.
- Ensure review of the key strategic performance indicators and milestones established by the Company.

F. International Investment Committee

The International Investment committee comprises three members, Pheroz Pudumjee (Chairman), Dr. Valentin A. H. von Massow and M. S. Unnikrishnan.

The committee met three times during the financial year 2016-17 on May 24, 2016, November 9, 2016 and February 7, 2017 where all members were present.

The broad terms of reference of the committee are

- Monitor and review the performance with respect to the purpose and intent of business objectives.
- Review Human Resources development and requirements.
- Review of business operations & strategy implementation of new ventures / businesses.
- Approval of appointment of Board Members.
- Formulation of strategy with respect to overseas initiatives (including setting up of a company/ offices and for acquisition/ takeover/ amalgamation).
- Review annual performance of international operations.
- Annual review of the strategic business plan.

4. Annual General Meeting

A. The Details of Last Three Annual General Meetings (AGMs) of the Company are as Follows

Financial Year	Date	Venue	Time
2013-2014 33rd AGM	July 22, 2014	Yashwantrao Chavan Academy of Development Administration, MDC (Auditorium) Building, Raj Bhavan Complex, Baner Road, Pune – 411007	11.30 a.m.
2014-2015 34th AGM	July 28, 2015		11.30 a.m.
2015-2016 35th AGM	August 10, 2016		11.30 a.m.

B. Postal Ballot

No resolution was passed during the last year that required approval through postal ballot. There is no proposal to pass any resolution through postal ballot at the ensuing AGM.

C. Special resolution(s) passed

The details of special resolution/s passed during last 3 Annual General Meetings are as under:

Date of Annual General Meeting	Details of special resolution
July 28, 2015	Adoption of new set of Articles of Association pursuant to section 14 of the Companies Act, 2013.

5. Means of Communication

a) The company publishes the quarterly and half-yearly financial results in prominent English and regional language newspapers. The same are also displayed on website of the Company.

b) The company's corporate website www.thermaxglobal.com provides comprehensive information regarding the company's business portfolio, including social initiative comprising CSR activities. The quarterly and half yearly financial results are available in downloadable format for investors' convenience on the Company's website. The Annual Report of the Company is also available on the website in a user-friendly and downloadable form.

c) Transcripts of teleconferences with analysts are available on the website of the company.

d) The official news releases of the Company are displayed on the Company's website.

6. Shareholder Information

A. 36th Annual General Meeting for the financial year 2016-17

Date and time	August 8, 2017 at 4.00 p.m.
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 Financial Year 2016-17 were announced on:

Financial Results	As Indicated	Actual Date
Quarter ended June 2016	August 10, 2016	August 10, 2016
Quarter ended September 2016	November 10, 2016	November 10, 2016
Quarter ended December 2016	February 8, 2017	February 8, 2017
Year ended March 2017	May 26, 2017	May 30, 2017

For the year 2017-18 the indicative announcement dates are:

Results for the quarter ended June 2017	August 8, 2017
Results for the quarter ended September 2017	November 8, 2017
Results for the quarter ended December 2017	February 6, 2018
Results for the year ended March 2018	May, 2018

Record date for payment of dividend subject to approval of shareholders	July 29, 2017
Dividend payment date	August 18, 2017
Listing on stock exchanges	**Stock Code**
National Stock Exchange of India Ltd. (NSE)	THERMAX EQ
BSE Ltd. (BSE)	Physical – 411 Demat – 500411
International Security Identification No. for Equity shares (ISIN) in NSDL and CDSL	INE 152A01029
Corporate Identity No. (CIN)	L29299PN1980PLC022787

The company has paid listing fees to BSE and NSE and custodial fees to Central Depositories Services (India) Limited and National Securities Depository Limited for financial year 2017-18 on the basis of number of beneficial accounts maintained by them as on March 31, 2017.

C. Stock Data

(Amount in Rs. per share)

Month	MKT QUOTE - NSE		MKT QUOTE - BSE	
	High	Low	High	Low
April 2016	798.00	740.00	795.00	737.80
May 2016	775.05	690.00	772.00	691.00
June 2016	835.20	734.05	835.00	737.00
July 2016	926.00	817.70	945.00	819.50
August 2016	928.15	821.00	925.10	817.20
September 2016	912.45	812.00	910.00	811.00
October 2016	949.00	839.00	927.00	835.20
November 2016	895.00	812.00	890.00	815.00
December 2016	848.05	740.00	845.00	743.00
January 2017	852.00	731.15	860.00	737.50
February 2017	890.00	797.10	883.00	800.65
March 2017	1004.80	847.05	1004.45	847.00

D. Registrar and Share Transfer Agent

Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot No 31 & 32
Gachibowli, Financial District,
Nanakramguda, Serilingampally
Hyderabad – 500 032
Telephone: +91 040 67161510 / 512
Fax: 040 – 23420814
E-mail ID for redressal of grievances of shareholders / investors: einward.ris@karvy.com
Website: www.karvy.com

E. 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 days from the date of receipt.

F. Shareholding Pattern

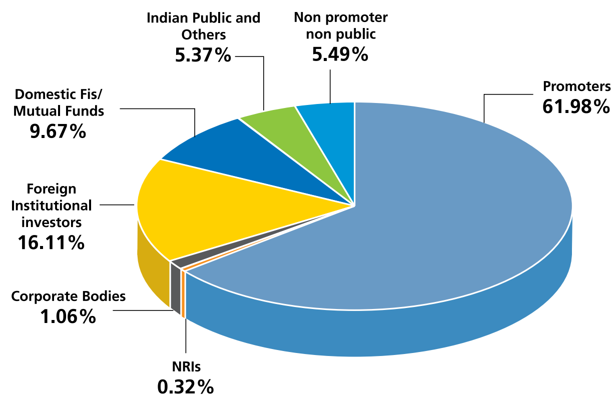
Distribution of Shareholding as on 31/03/2017

Sr. no	Category (Shares)	No. of Holders	% To Holders	No. of Shares	% To Equity
1	1 – 500	26495	94.14	2712006	2.28
2	501 – 1000	752	2.67	602715	0.51
3	1001 – 2000	353	1.25	529367	0.44
4	2001 – 3000	117	0.42	299858	0.25
5	3001 – 4000	50	0.18	178590	0.15
6	4001 – 5000	43	0.15	199765	0.17
7	5001 – 10000	92	0.33	666995	0.56
8	10001 and above	242	0.86	113967004	95.64
	TOTAL	28144	100.00	119156300	100.00

Category of equity shareholders as on March 31, 2017

Category		No. of shares held	% of shareholding
(A) Promoters holding			
1.	Individuals	6,000	–
2.	Corporate Bodies	7,38,49,305	61.98
(A) Total shareholding of promoters		**7,38,55,305**	**61.98**
(B) Non-Promoters holding			
1	Mutual Funds, banks, financial institutions, insurance companies, etc.	115,19,967	9.67
2	Foreign Institutional Investors	1,91,95,745	16.11
3	Corporate Bodies	12,65,330	1.06
4	Non-resident individuals	3,79,619	0.32
5	Indian public & others	63,98,894	5.37
(B) Total public shareholding		**3,87,59,555**	**32.53**
(C) Non promoter non public		**65,41,440**	**5.49**
Total (A)+(B)+(C)		**11,91,56,300**	**100.00**

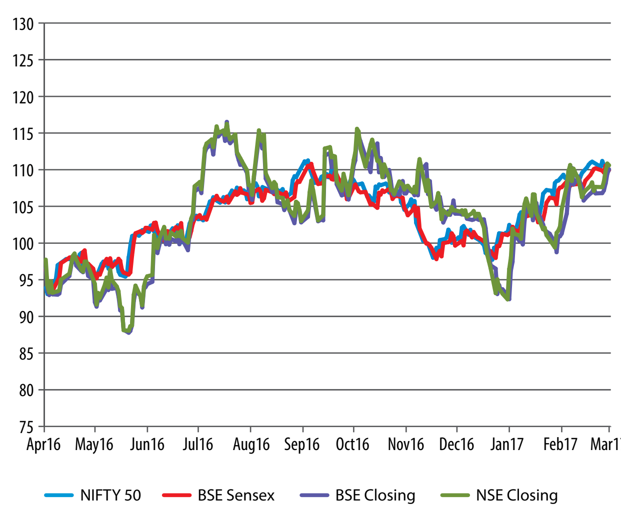
Shareholding pattern as on March 31, 2017



G. Details of Dematerialization

The Company's equity shares are under compulsory demat trading for all categories of investors. A total of 11, 49,43,380 shares have been dematerialized as on March 31, 2017 representing 96.47% of the total equity capital.

Stock Performance



NOTE: The company's share price and indices have been indexed to 100 as on the first working day of the financial year 2016-17 i.e. April 1, 2016.

H. Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion date and Likely Impact on Equity

The Company has not issued GDRs/ADRs/Warrants or any Convertible Instruments.

I. Foreign exchange risk and hedging activities:

To mitigate the risk, the Company has well defined policy of hedging which is founded on the principle of prudence.

J. Plant Locations

Pune

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

98-99, Bhosari MIDC Industrial Area, Bhosari,
Pune - 411 026, Maharashtra.

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

Solapur

Plot No T-1 MIDC, Chincholi, Taluka Mohol,
Dist. Solapur – 413 255, Maharashtra.

Paudh

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

Khed

Gat No.125, Crusher Road, At post Rohakal,
Taluka - Khed, District – Pune - 410501, Maharashtra.

Savli

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

Mundra SEZ

Survey no-169, Village Dhrub, Taluka Mundra,
Mundra - 370421, District Kutch, Gujarat.

Jhagadia

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

K. 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 (D) 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 Compliance Officer,
Thermax Limited,
Thermax House, 14, Mumbai-Pune Road, Wakdewadi,
Pune - 411 003.
Email: cservice@thermaxglobal.com

7. Other Disclosures

a) Related Party Transactions

Related party transactions during the year have been disclosed as part of financial statements as required under Ind AS 24 issued by The Institute of Chartered Accountants of India. The Audit Committee reviews these transactions. The Related Party Transactions policy has been uploaded on the website of the Company i.e. www.thermaxglobal.com

b) Details of any Non-compliance w.r.t. Capital Markets During the Year

During the previous three years 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.

c) Whistle Blower Policy / vigil mechanism

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 e-mail IDs - tlgovernance@gmail.com or nhm@nawshirmirza.com for reporting or sending a written complaint to the Chairperson, the Managing Director & CEO or the Chairman of the Audit Committee respectively. The Whistle Blower Policy is available on the website of the Company. The confidentiality of such reporting is maintained and the whistle blower is protected from any discriminatory action.

d) Policy for determining material subsidiaries is disclosed on the website of the Company i.e. www.thermaxglobal.com

e) The Company has complied with the Corporate Governance requirements as per the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

8. Non-mandatory Requirements

The company has adopted the following discretionary practices as specified under Regulation 27(1) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

A. The Board

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.

B. Separate post of Chairman and CEO

The Company has separate position of Non- Executive Chairperson and Managing Director & CEO.

C. Reporting of Internal Auditor

The Chief Internal Auditor of the Company reports directly to the Audit Committee.

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.

M. S. Unnikrishnan
Managing Director & CEO

Pune: May 30, 2017

Auditors' Certificate

Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Members of Thermax Limited
Thermax Limited
D-13, MIDC Industrial Area
R.D. Aga Road
Chinchwad, Pune-411019

1. The Corporate Governance Report prepared by **Thermax Limited** (hereinafter the "Company"), contains details as required by the provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations")("Applicable criteria") with respect to Corporate Governance for the year ended March 31, 2017 ("the reporting period").This report is required by the Company for annual submission to the Stock exchange and to be sent to the Shareholders of the Company.

Management's Responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.

3. The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion whether the Company has complied with the specific requirements i.e. clause 17 to 27 and clause 46 (2) (b) (i) of Chapter IV of the Listing Regulations.

5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

7. The procedures selected depend on the auditor's judgment, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of key procedures performed include:

   i. Reading and understanding of the information prepared by the Company and included in its Corporate Governance Report;

ii. Obtained and verified that the composition of the Board of Directors w.r.t executive and non-executive directors has been met throughout the reporting period;

iii. Obtained and read the Directors Register as on March 31, 2017 and verified that at least one women director was on the Board throughout the reporting period;

iv. Obtained and read the minutes of the following committee meetings held during the reporting period:

(a) Board of Directors meeting;

(b) Audit committee;

(c) Nomination and remuneration committee;

(d) Stakeholders Relationship committee;

(e) Corporate Social Responsibility committee;

v. Obtained necessary representations and declarations from directors of the Company including the independent directors; and

vi. Performed necessary inquiries with the management and also obtained necessary specific representations from management.

The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

8. Based on the procedures performed by us as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable as at March 31, 2017, referred to in paragraph 4 above.

Other matters and Restriction on Use

9. This report 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.

10. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to Corporate Governance Report accompanied with a report thereon from the statutory auditors and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per **Tridevlal Khandelwal**
Partner
Membership No.: 501160
Place: Pune

Date: May 30, 2017

Annexure – 4 to the Directors' Report

Business Responsibility Report

Contents

Message from the Director's Desk

As an engineering company specialising in energy-environment solutions, Thermax has been supporting business establishments to improve their efficiencies and adopt environment-friendly systems and practices. This Business Responsibility Report (BRR), a first for Thermax, reflects decades of the company's initiatives in the area of sustainability.

In line with the Paris agreement on Climate Change which came into effect on 4th November 2016, the economic activities of nations are shifting decisively towards a lower carbon regime so that the rise in global temperature can be contained to below 2°C within a specific time frame. The Agreement clearly charts a directional change for the world economy in the immediate decades to follow – towards cleaner energy systems and fuel sources.

A key result area for India will be in the form of the reduction of emission intensity targets – the volume of emissions per unit of gross domestic product (GDP). It calls for the country to diversify its power generation sources and move them to renewable energy platforms to reduce the intensity and quantum of emissions. By 2022, India will need a 175 gigawatt-power production capacity from renewable energy sources as against the current level of 60 gigawatt.

As a company, Thermax is continuously developing sustainable products by incorporating environmental and social concerns into its design philosophy. Documenting and reporting its sustainability measures on an annual basis through BRR will provide the right impetus to fine tune and improve the company's systems and processes.

M. S. Unnikrishnan
BRR Director

Section A: General Information about the Company

1	Corporate Identity Number (CIN)	L29299PN1980PLC022787
2	Name of the Company	Thermax Limited
3	Registered address	D-13, MIDC, Industrial Area, R D Aga Road, Chinchwad, Pune 411019
4	Website	www.thermaxglobal.com
5	E-mail id	cservice@thermaxglobal.com
6	Financial Year reported	FY 2016-17
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	25131: Boilers and heaters, absorption chillers / heat pumps, power plants, solar equipment, related services 37003: Air pollution control equipment/systems, water and waste recycle plant, related services 20119: ion exchange resins and performance chemicals
8	List three key products/services that the Company manufactures/provides (as in balance sheet)	1. Energy Segment - 76%, Boilers & Heaters, Absorption chillers / Heat pumps, Power plants, Solar equipment, related services. 2. Environment Segment - 16%, Air pollution control equipment / systems, water & waste recycle plant, related services. 3. Chemical segment - 8%, Ion exchange resins & performance chemicals, related services.
9	Total number of locations where business activity is undertaken by the Company	Thermax operates in - International - 4 manufacturing locations National - 7 manufacturing locations
	Number of International Locations (Provide details of major 5)	Thermax Group has manufacturing facilities in China, Germany, Denmark (2 plants) and an upcoming facility at Indonesia.
	Number of National Locations	Pune, Shirwal, Solapur, Savli, Paudh, Jhagadia, Mundra SEZ
10	Markets served by the Company – Local/State/National/International	Thermax presence spans 85 countries across Asia Pacific, Africa and the Middle East, CIS countries, Europe, USA and South America.

Section B: Financial Details of the Company

1	Paid up Capital (INR)	23.83 crore
2	Total Turnover (INR)	3784 crore
3	Total profit after taxes (INR)	144.83 crore
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2% i.e. Rs. 8.52 crore (Ref. page no. 85)
5	List of activities in which expenditure in 4 above has been incurred	Thermax created a formal structure named "Thermax Foundation" to conceive and implement its CSR programme. The company has been focusing predominantly in the area of education of economically underprivileged children. Apart from education, Thermax addresses social discrimination through affirmative action, skill development and employability initiatives. The major areas in which the expenditure has been incurred include - 1. Adoption and running of municipal schools 2. Leadership Institute for Teachers (LIFT) 3. Teach for India (TFI) programme 4. Residential school for orphans, street children, extremely impoverished tribal children 5. Model residential school for blind girls 6. Educational Programme of Akanksha Foundation, through United Way of Mumbai 7. Pune City Connect

Section C: Other Details

1	Does the Company have any Subsidiary Company/ Companies?	Yes, Thermax has 25 subsidiary companies in India and abroad as on March 31, 2017.
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Yes, Domestic subsidiaries (05) - Thermax Engineering Construction Company Limited, Thermax Instrumentation Limited, Thermax Onsite Energy Solutions Limited and First Energy Pvt. Ltd., included. Thermax Sustainable Energy Solutions Limited excluded, Joint Ventures (02) - Thermax SPX Energy Technologies Limited and Thermax Babcock & Wilcox Energy Solutions Private Limited. International subsidiaries (08)- Thermax Europe Ltd, Thermax Inc., Thermax (Zhejiang) Cooling & Heating Engineering Company Ltd, Danstoker A/S, Boilerworks A/S, Rifox-Hans Richter GmbH, PT Thermax International Indonesia, Thermax do Brasil Energia e Equipamentos Ltda. included, The following Investment subsidiaries are being excluded from the BR reporting (10) - Thermax International Ltd. Mauritius, Thermax Netherlands BV, Thermax Denmark ApS., Ejendomsanpartsselskabet Industrivej Nord 13, Denmark, Thermax SDN.BHD Malaysia, Boilerworks properties ApS Denmark, Thermax Engineering Singapore Pte. Ltd, Thermax Senegal SARL, Thermax Nigeria Ltd. Nigeria, Thermax Energy - Environment Philippines.
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	Nil

Section D: BR Information

1. Details of Director/Directors responsible for BR

(a) Details of the Director/Directors responsible for implementation of the BR policy/policies

1	DIN Number	01460245
2	Name	M. S. Unnikrishnan
3	Designation	Managing Director & CEO

(b) Details of the BR head

No.	Particulars	Details
1	DIN Number (if applicable)	07068529
2	Name	Sharad Gangal
3	Designation	Executive Vice President, HR, IR, Administration
4	Telephone number	020 - 66051200
5	E-mail id	sharad.gangal@thermaxglobal.com

1. Principle-wise (as per NVGs) BR Policy/policies										

a. Details of compliance (Reply in Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/ policies for....	Yes, the policies are available for all the nine principles								
2	Has the policy being formulated in consultation with the relevant stakeholders?	Yes, policies are formulated in consultation with the relevant stakeholders for all the nine principles.								
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	All the policies are compliant with respective principles of National Voluntary Guidelines. Many of them conform to international standards like ISO 9001, ISO 14001, OHSAS 18000 and International Labour Organization (ILO).								
4	Has the policy being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Yes, the policies have been approved by the Board. The policies have been signed by appropriate authorities.								
5	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	The Board has appointed - BR director to oversee policy implementation. Thermax has a well-established internal governance structure to ensure the implementation of various policies, internal regulations and procedures. The company has internally mapped all policies, internal regulations and procedures to business functions responsible for implementation.								
6	Indicate the link for the policy to be viewed online?	Copies will be made available on www.thermaxglobal.com								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes. All the policies are communicated to relevant internal and external stakeholders.								
8	Does the company have in-house structure to implement the policy/ policies?	Yes.								
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Yes.								
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Yes. All policies and procedures are continuously evaluated by internal auditors.								

2 Governance related to BR		
a	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year	Annually by the Board Quarterly by the CEO
b	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	This is the first year of publication, and the company is committed to publish annually hereafter. The hyperlink for viewing BRR is available on the Thermax website, www.thermaxglobal.com

Section E: Principle-wise Performance

Principle 1 – Ethics, Transparency and Accountability

Company's philosophy on Corporate Governance:

Thermax is committed to high standards of corporate governance with the aim of maximising value for all its stakeholders. Your company's Board has empowered key management officials to implement policies and guidelines related to the key precepts and practice of corporate governance

[Detailed Corporate Governance report provided from pages 50 to 64 of this Annual Report]

Whistle Blower Policy / Vigil Mechanism

The Board has adopted a Whistle Blower policy to facilitate 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.

[Details of assigned email ids for reporting complaints access to the policy document on the company's website given on page 62 of the Corporate Governance report.]

Shareholder complaints redressal mechanism:

There is a structured mechanism to capture and resolve

Transparent two-way communication: At the annual Open Forum, employees conduct an open dialogue with the company's top management on the challenges and future plans of the company, and voice their areas of concern.

complaints from shareholders related to compliance and governance deficiencies.

The company has received 25 complaints from shareholders and all were resolved as on March 31, 2017.

During the year, there are no cases filed against the company by shareholders, nor are any cases pending regarding unfair trade practices, irresponsible advertising and / or anti-competitive behaviour.

Additionally, the company makes use of other fora to promote better business practices:

Open Forum

Open Forum conducted at multiple locations of the company, provides a platform for transparent two- way communication between company management and all employees. In this annual forum, the chairperson and the managing director of the company share the current business scenario, challenges and the way forward. This is followed by a comprehensive question-answer session, where employees ask for information and clarifications regarding work practices, business challenges and future plans of the company.

Strategic Business Development Committee (SBDC)

The primary objective of this Board committee is to review and guide the corporate strategic initiatives related to best practices across the company at SBU, subsidiary and JV levels. It also recommends strategy related to the corporate brand and M&A.

Board Retreat

Once in a year, the Board members and the company's Executive Council members meet for a retreat. The venue is chosen so as to facilitate open discussions in an informal setting. The group assesses the alignment of individual businesses with the vision statement.

It reflects on the group's performance with an outside-in perspective and decides on strategies to navigate the organisation through market challenges and evolving opportunities.

Principle 2 – Product Life Cycle Sustainability

Thermax endeavours constantly to innovate and manufacture products in line with its vision of offering sustainable solutions in energy and environment. The products are updated periodically for better safety and performance adhering to efficiency and environment friendliness. Some such current products include triple effect absorption chiller, Combloc, the packaged boiler that offers fuel flexibility, BioCask- the compact sewage treatment system for industrial-commercial establishments and housing projects and spent wash boilers to generate energy from distillery waste.

Triple Effect Absorption Chiller

A major breakthrough in the field of refrigeration and air-conditioning, Thermax's triple effect absorption chillers have a Coefficient of Performance (COP) of 1.8, which is nearly 30% higher than conventional double effect systems. This helps customers to significantly reduce the energy required for cooling. The chillers utilise 92% less electricity, thereby reducing carbon dioxide (CO_2) emission by over 90%. The refrigerant used here is water, with zero impact on ozone depletion and global warming.

Absorption chillers are driven by heat, recovered from waste heat or at times generated through natural gas firing or supplied through medium pressure steam. 42% of the 1,62,500 TR cooling that Thermax systems produced last year came through waste heat recovery.

Combloc

Thermax's multi fuel fired steam boiler, Combloc, offers a viable option for customers exploring energy efficient yet cost effective alternatives in the context of depleting resources and rising cost of fossil fuels.

Combloc combines the advantages of conventional integral furnace boilers and hybrid boilers to deliver maximum savings at lower costs. Its unique furnace design with multi-pass construction and high furnace volumes guarantees higher efficiency with lower emissions. As it is a factory assembled skid mounted and pre insulated boiler, installation activities are reduced by 80%. The modular and compact design of Combloc makes it nearly 50% smaller, compared to conventional boilers.

BioCask

This efficient sewage treatment system from Thermax is ideal for urban waste management. Designed compactly, it can be installed in the basement of buildings. Biocask uses a unidirectional fluidisation pattern that makes efficient use of oxygen required for biological degradation of organic impurities, achieving less than 5 BOD at outlet without ultra-filtration. The novel design of the aeration system in the BioCask reduces the overall weight of the equipment by 13%.

Spent Wash Boilers – technology for converting waste to energy

Based on extensive in house R&D, pilot trials and site installations, Thermax has developed a system to treat the highly polluting distillery waste, spent wash (or vinasse). Generated during molasses based distillation process, this waste is harmful to soil and water bodies but has high calorific value.

Spent wash boilers that facilitate zero liquid discharge (ZLD) has proved to be a boon for distillery sector in India as well as international markets. Besides protecting the environment, they also meet the steam and power requirements of the distillery sector, making their business more viable.

Sustainable Product Innovation

Thermax has been working with new ideas and holistic solutions that help industry to strike a balance between ecological preservation and growth – to meet society's growing demands of energy and minimise pollution of air, water and soil.

Some of the solutions that demonstrate Thermax's efforts to provide sustainable product development:

- Integrated solar thermal technology
- Coal gasification
- Zero Liquid Discharge

Integrated Solar Thermal Technology

As a leader in providing industrial heating solutions, Thermax has been a leader in meeting the heating requirements of the industry by providing innovative solutions. While the company continues to provide solutions based on fossil fuels, it also helps customers

Clean energy systems to replace fossil fuels: At 36 industrial sites across India, Thermax offers solar thermal systems for various industrial applications – paint shops of auto manufacturers, pasteurisation in dairies, etc.

Products that offer sustainable solutions: Thermax has developed specialised boilers that use spent wash, the polluting distillery waste, as fuel to generate steam and power – generating energy from waste.

reduce their dependence on them and move towards clean energy systems.

Concentrated solar thermal energy offers one of the solutions to generate steam for heating and cooling applications. Thermax has 36 solar thermal heating installations in the industrial segment, the highest in the country. It has an extensive range of offerings in various industrial applications extending from paint shops of automobile industry to pasteurisation in the dairy industry. It also has heating and cooling solutions for agriculture and for bulk cooking requirements of institutions.

As solar thermal applications are dependent largely on the availability of solar radiation, for continuous supply Thermax integrates solar products that use thermal energy to maximise steam generation.

Thermax has invested in the development of solar thermal technology through one of its centres of excellence which focuses on maximising its efficiency through optical and tracking mechanisms. The company has developed and patented the medium parabolic trough. One of the applications is the integration of solar thermal technology with existing thermal power plants to obtain advantages of efficiencies.

Zero Liquid Discharge (ZLD)

Thermax established its credibility and technological prowess in treating raw water through its filters, softeners, demineralisation and reverse osmosis (RO) technologies. It also gained expertise to provide solutions for industrial applications in wastewater management, helping customers meet regulatory and pollution control norms through fluidised aerobic bioreactor (FAB), up flow aerobic sludge blanket (UASB), moving bed bio reactor (MBBR) technologies.

The company today has updated capabilities to offer ZLD systems as an alternative to the conventional practice of treating effluent, recycling some of it and releasing the bulk of it into the environment, which causes water and soil pollution. ZLD is a creative response to the twin challenges of depleting fresh water supply and the environmental impact of industrial wastewater discharge.

ZLD system involves a range of advanced wastewater treatment technologies to recycle, recover and re-use the 'treated' wastewater. Thermax is currently utilising its strength in thermal sciences, engineering, and material sciences to build state of the art technology thermal processes for ZLD systems.

Clean Coal Gasification Technology

Thermax has developed fluidised bed gasification technology which can effectively gasify high ash Indian coal. Gasification of coal is a process to transfer the calorific value from solid state to gaseous state. This Synthesis gas (syngas) is the building block for liquid, aromatic and aliphatic fuels. This gas gives us tremendous flexibility in serving a variety of applications as compared to coal.

Coal is the most abundant fuel resource in India with a cumulative total reserve of nearly 307 billion tonnes, and in view of the limited reserves of petroleum and natural gas in the country, it has the potential to be a major energy resource. However, low calorific value (GCV about 3600), high levels of inorganic impurities (35-45%) and unavailability of suitable technology to process high ash content restrict its use in place of imported crude oil and LNG. Coal gasification is one of the best solutions to convert coal into syngas and overcome these challenges.

Gasified coal can provide improved efficiency (42%) over existing sub-critical (32%) and supercritical (38%) plants. Water requirement can reduce by 35% as compared to a supercritical plant; CO_2 emission can be reduced up to 10% and substantial reduction in Nitrogen and Sulphur oxides (NOx and SOx) is possible.

Thermax's product for urban waste management: Biocask is a sewage treatment and recycle product that can fit into basements of 3.5 m height in housing societies and commercial complexes. Treated sewage can be used for certain industrial applications, gardening, flushing, cleaning, etc.

Thermax has installed three coal gasification pilot scale plants and one biomass gasification based demonstration plant.

Sustainable Sourcing

Thermax believes that sourcing material sustainably with consideration of social and environmental issues, not only minimises negative impact, but also helps raise standards in key areas like working conditions, health and safety. It also lowers the risk and costs for everyone involved along the supply chain.

The company strives to integrate sustainability in the procurement process for its products and services. The policy on 'Sustainable Sourcing' encourages adoption of sustainable business practices throughout the supply chain.

Currently over 16% of Thermax's supply chain is fully compliant with sustainability requirements and plans to expand the coverage to 35% in the next five years.

Localisation

The company currently procures 88% of goods and services from local and small producers, including communities in the vicinity of its work place. Further, there are mechanisms in place to improve capacity and capability of local and small vendors.

Thermax has been expanding its operations and manufacturing facilities in different states. The company has been working to develop local and small vendors, and upgrade their capabilities to suit its requirements. It has developed a local vendor base at its Savli (Gujarat) and Solapur (Maharashtra) units. The objective is to create employment for the local community and an opportunity for the company to work in sync with them. Localisation also helps in minimising carbon footprint due to reduced upstream transportation.

As on date Thermax has developed around 16 suppliers for its Solapur facility and 60 suppliers for the Savli facility.

Some of the developmental initiatives are mentioned below:

Green Channel

Thermax follows a process of engaging with key suppliers to improve their operational efficiency by reducing waste and resources, and enabling them to supply goods and services of better quality on time.

Green Channel is a direct gateway where inspection is waived off and vendors supply items directly to a customer's shop or stores for ultimate use. It is a process of working with existing vendors closely to improve their performance to "self-certified" levels for the mutual benefit of both organisations. This concept is closely associated with 'strategic partnerships.'

During the year, Thermax has engaged with 121 key suppliers, resulting in an improvement in their performances.

Recycling Products and Waste

Thermax's plants (except the Solapur plant) are Environment Management System ISO 14001 certified. Through a management system approach, the company initiated various measures to reduce waste. At all plants, waste is segregated into hazardous and non-hazardous categories. Hazardous waste is disposed as per the legal requirements. E-waste is recycled through the Central Pollution Control Board Registered recycler. Other waste, wherever possible, is recycled or reused.

At Thermax's manufacturing facilities at Chinchwad, Solapur, Jhagadia, and Savli, 100% wastewater is treated and reused within the plants.

Thermax manufactures boilers, heaters, vapour absorption machines (VAM), water and wastewater treatment plants, air pollution control equipment etc. It is observed that 60-80% of product material can be recycled.

Principle 3 – Employee Well-being

Thermax drives employees to explore their full potential and prepares them for leadership roles. The company does not discriminate on the basis of religion, gender, caste or disabilities, and has a policy for equal opportunity for all.

Diversity in Employment

Total number of employee: 4,137 (Including subsidiaries)

Number of permanent women employees: 274 (Including subsidiaries)

Employee Association Recognised by Management

Thermax has workmen associations at factory locations and the percentage of permanent employee involvement in associations are 100% at Chinchwad, 80% at Paudh (both in Maharashtra) and 80% at Savli (Gujarat) locations.

There were no cases of child labour, forced labour, involuntary labour, sexual harassment and discriminatory employment practices reported during the year.

Learning and Development

Intellectual capital is a strategic resource that gives companies competitive advantage and helps improve financial performance. Employees are trained on skills and competencies required for their current role and for additional and higher responsibilities.

The primary focus of the Learning and Development (L&D) is to develop leadership, behavioural and functional competencies of employees. The L&D interventions are broadly classified as level based and skill based: level based like Young Leadership Development and skill based such as functional skill building, training, standardisation, etc.

Leadership Development Program (LDP)

Thermax runs a robust Leadership Development Programme to create a pool of leaders who can contribute towards the growth plan of each business unit. LDP runs at three levels across the organisation – Senior (LDP I), Middle (LDP II) and Junior (LDP III). Based on the Thermax Leadership Excellence Framework, the objective of LDP is to nurture talent pipeline at various levels of leadership for the organisation to achieve its business goals; foster desired growth and increase the size of business units.

The Leadership Development Programmes at various levels are as follows.

Leadership Development Programme I (LDP I) leverages self-directed learning through two interventions based on Saville Framework. It makes use of Saville Self-Assessment Psychometric Profiling- This self-assessment instrument is based on styles assessment which explores an individual's preferences and needs in critical work areas.

Saville 360 Degree Feedback - A powerful tool that provides insights about leadership facets and their impact.

Leadership Development Programme II (LDP II): It focuses on self - reflection and facilitation for identified candidates shifting from managing managers to managing functions (Middle Managers). The intervention aims to make participants aware about themselves and explore possible ways to enhance leadership capabilities for successful transition.

Leadership Development Programme III (LDP III), is a learning approach for the talent transitioning from managing self to managing others (Junior Managers). LDP III is a series of learning interventions providing participants the necessary tools and techniques that enable them to deal with ambiguous situations, challenges and issues.

Supervisory Development Programme (SDP)
Supervisory Development Programme is a customised and planned learning intervention for all supervisors, providing them an opportunity for all-round development in a phased manner. It focuses on enhancing behavioral and technical competencies around four major areas of exploring self and role, building interpersonal effectiveness, managing performance and team development.

The objectives of SDP:

1. Build the internal capability of the supervisors to effectively deal with the blue collar employees

2. Provide a platform for knowledge sharing

3. Groom them to delegate responsibility, develop new areas and take on higher challenges

4. Help supervisors understand their key influencing role for better business results and stakeholder management

SDP has been rolled out successfully at Thermax factories - Savli (Vadodara) and Chinchwad (Pune).

Skill Development:

Thermax conducts various technical and other skill development programmes at its Learning Academy. During the year, the following programs were conducted:

- Number of employees who attended skill upgradation training: 673
- Number of sessions of 'Teach a Class' programme: 29
- Number of sessions of 'Leader's Teach' series: 3
- Business specific training programmes conducted: 13

Apart from the above programmes, employees also participate in business related programmes outside the organisation.

Safety Training

Safety is of paramount importance to the company. All employees at Thermax are provided with safety training as part of the induction programme. The safety induction programme is also a critical requirement for contract workforce before they are inducted into the system. The company has a structured safety training agenda on an on-going basis to build a culture of safety across its workforce.

The company has institutionalised a continual learning model for skill upgradation, especially at the shop floor and site commissioning level.

Safety Training (man days / employee / year)

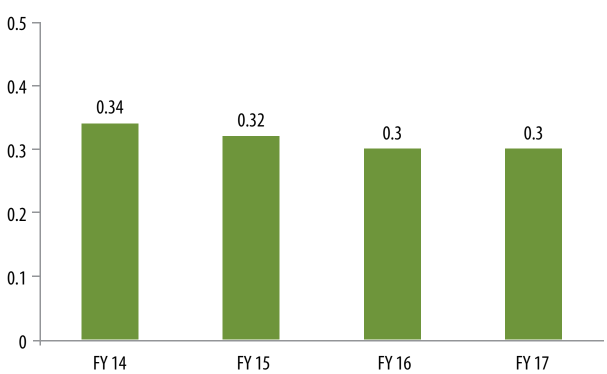
During FY 2016-17, approximately 2.36 man days of safety training is given to employee per year including associate

Sustaining a safety culture: Thermax has a continual learning model for safety training, especially at shop floors and project sites.

Developing intellectual capital as a strategic resource: Thermax runs a robust LDP programme to create a pool of leaders at various levels who can sustain the growth plans of the company.

employees in various internal safety standards to inculcate the best practices in safety. These trainings along with other proactive measures have resulted in reduction of Lost Time Injury Frequency Rate (LTIFR).

Lost Time Injury Frequency Rate



Principle 4 – Stakeholder Engagement

Thermax firmly believes that business sustainability is possible only by taking along all stakeholders, internal as well as external. The company has mapped its key internal and external stakeholders, and employs various mechanisms and practices to engage them in fruitful dialogue. Thermax seeks timely feedback and response through both formal and informal channels of communication to ensure that voices of the stakeholders are listened to.

The key stakeholders with their engagement mechanism are as below –

Key stakeholder	Method of engagement
Customer	Customer satisfaction survey, customer meet, customer site audits, website, house magazine of Thermax group, mailers, exhibitions, promotional campaign, brochures
Employee	Open forum, employee experience survey, leaders teach series, functional trainings, employee committees, Thermax organisation and people development, leadership development programme, voice of youth forum, communication blogs, learning festival, environment and safety week celebrations,
Vendors	Vendor meet, dealer conference, vendor selection process, site visits and personal communication, vendor visits
Owner and shareholders	Annual general meeting, quarterly results, annual report, investor meet, press releases.
Government Authorities	Engaging with government forums, policy advocacy, interactions with statutory bodies like SEBI, tax department, stock exchanges, pollution control boards, labour authorities. Government forums where MD is a member / participant
Community	Site visits, meetings with local communities/ NGOs, sustainability portal on our website www.thermaxglobal.com discussions with academic institutions, fellowships, sharing information through media relations, digital media.

Principle 5 – Human Rights

Thermax Code of Conduct demonstrates its commitment towards the preservation of human rights across the value chain. Thermax is an equal opportunity employer and does not discriminate based on gender, caste, race, sexual orientation or religion. The company has grievance redressal mechanisms in place to deal with issues related to discrimination, retaliation and harassment. The company has an Anti-Sexual Harassment Policy in line with the requirement of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013. All employees (permanent, contractual, temporary, trainees) are covered under this policy. An internal complaints committee (ICC) has been set up to redress complaints on sexual harassment. The complainants are assured of complete anonymity and confidentiality.

There have been no complaints received on violation of human rights during the year 2016-17.

Principle 6 – Environment

Thermax has a Health, Safety and Environmental (HSE) Policy which guides the company's efforts in this area and to continually improve its environmental performance. All manufacturing plants in India are certified for the ISO 14001 Environmental Management Systems (EMS) standard. As part of EMS implementation potential environmental risks are identified and appropriate mitigation strategies are planned.

Energy conservation measures implemented at the plants and offices of the company have resulted in a reduction of 1445 tons of CO_2 emissions in FY 2016-17. Treating and recycling of water at the manufacturing locations of Chinchwad, Solapur, Jhagadia and Savli resulted in saving 97634 m^3 of fresh water withdrawal from the main source

Details of measures adopted for conservation of energy and resources in *Annexure – 5* to the Directors' Report (page 82 of this Annual Report).

Initiatives on Clean Technology:

Thermax Onsite Energy Solutions Limited (TOESL), the company's subsidiary is exclusively committed to providing renewable solutions and green energy to its customers. The company operates a number of energy plants across India, generating and delivering steam and heat for industry applications by using agro-waste as fuel. This helps to replace fossil fuels like coal, furnace oil and HSD, enabling customers make their operations environmentally sustainable.

Thermax complies with prescribed permissible limits as per CPCB/SPCB for air emissions, effluent quality and discharge, solid and hazardous waste generation and disposal. There is no show cause /legal notice pending resolution by CPCB/SPCB.

Principle 7 – Policy Advocacy

Thermax is a member of various trade and chambers or associations, where senior management of the company engages in discussions on various topics of industry and national relevance. Some of these associations are:

- All India Management Association.
- Indo German Chamber of Commerce.
- CII's National Committee for Capital Goods & Engineering.
- CII National Committee on Industrial Relations.
- FICCI's BRICS Business Council of Skill Development.
- Member of the Development Council appointed by the Ministry of Heavy Industries and Public Undertaking, Government of India.
- Maratha Chamber of Commerce Industry and Agriculture.
- Member of FICCI Power Committee.
- Member of CII National Committee of Bioenergy.
- Member of DST's Water Technology Initiative (WTI).
- Member of Methanol Group, Niti Aayog.
- Fellow of National Academy of Engineering (FNAE).
- Invitee to Central Committee of CII –Industrial Relations.

Inclusive growth through education: Thermax Foundation implements the CSR programme of the company by focusing on the education of children from underprivileged and marginalised communities.

- Member of Governing Council for Capital Goods Committee for Skill Development.
- Bombay Management Association.

Principle 8 – Equitable Development

As a company, Thermax has functioned with the conviction that inclusive growth is a prerequisite for sustainable development. It has endeavored to create value and growth for all its stakeholders.

The company has already put in place its CSR policy as required by the Section 135 of Companies Act 2013 and an appropriate organisational structure with functional representatives to drive CSR effectively. The CSR initiatives of the company are implemented through Thermax Foundation and different NGO partners.

Thermax Foundation focuses on education of children from underprivileged and marginalised communities. Thermax has been voluntarily contributing to bridge the educational inequity even before the 2% of profits for CSR became mandatory.

A separate report on the company's CSR provided in this Report on pages 44 - 48.

Principle 9 – Customer Value

Thermax is committed to engage with its customers in a professional manner. The company never indulges in any unfair trading practices, irresponsible advertising or anti-competitive behaviour. There is no significant case filed and pending as on the end of FY 2016-17 against the company.

At Thermax there is a structured mechanism to capture and resolve customer complaints. During the year, 4061 complaints were received and after resolution 4.5% complaints are open. After thorough investigation of the complaints, it was found that there was no concern regarding the safety profile of any product.

Thermax conducts customer satisfaction surveys once in three years through a third party. The survey captures customer experiences on various areas like product quality, delivery, technical assistance, service support, customer orientation, relationship building, company personnel and customer loyalty.

During the FY 2016-17 there were no complaints relating to unfair trade practices, irresponsible advertising or anti-competitive behavior against the company.

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Energy Conservation, Technology Absorption and Foreign Exchange Earnings & Outgo

[Section 134(3)(m) of The Companies Act, 2013 read with Rule 8(3) of The Companies (Accounts) Rules, 2014]

A. Conservation of Energy

During the year,the following measures were taken for energy and resource conservation:

1. Electricity

The company continued its efforts to utilise energy optimally at its Chinchwad, Savli, Solapur, Jhagadia and Paudh manufacturing facilities in India. At these locations, energy conservation measures adopted across the company have made energy usage more efficient. Lighting systems have improved by changing over to light emitting diodes (LED), replacement of CFL by fewer LEDs for streetlights and continued use of auto on/off, and replacing higher watt HPSV lamps with lower watt lamps. The company has conducted energy audits at office buildings to prevent energy wastage, synchronised lifts for effective use, and availed of incentives in monthly energy bills.

The Paudh manufacturing facility reduced its electricity consumption by 31 kWh for every cubic meter of resin produced from 282 kWh/m^3 of equivalent resin in FY 2015-16 to 251 kWh/m^3 of equivalent resin. This was achieved by optimising utility power consumption and VAM operation.

2. Fuel

By reducing furnace oil consumption and optimising boiler operation, the Paudh manufacturing facility has reduced fuel by 4 kg for every cubic meter of resin produced (from 126 kg/m^3 to 122 kg/m^3).

At the Savli manufacturing facility, propane gas was saved by doing two jobs simultaneously in the stress relieving furnace.

The company continues its efforts to utilise alternate sources of energy at plant locations. These initiatives include increased utilisation of natural day light in one shop of Chinchwad plant to reduce electricity consumption, and the replacement of fossil fuel (high speed diesel) with natural gas for use in boilers at Jhagadia.

All these measures have resulted in an annual saving of Rs. 94 lakh.

3. Water

The company continued its efforts to conserve water resources by recycling a major portion of its waste water, reducing its water consumption as well as controlling water losses in all manufacturing locations of the company. These efforts at factory locations of Chinchwad, Savli, Paudh, Solapur and Jhagadia have resulted in saving 1,78,210 KL water during the year.

B. Technology Absorption

1. Efforts, in brief, made towards technology absorption

Biomass gasification technology for power generation and other applications is now ready for launch.

Phosphoric Acid Fuel Cell Technology has been transferred from DRDO to your company for power generation applications.

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

Biomass Gasification: Generating power from renewable energy such as biomass poses a big challenge in terms of efficiency and operational issues. The newly demonstrated biomass gasification technology enables generation of high quality gas and waterless gas clean up, for higher efficiency and trouble free operation while maintaining a clean environment.

Fuel Cell: Distributed power generation will be most prominent in the future. Fuel cell technology is a cleanest and efficient power generation device, suitable for distributed generation. Fuel Cells operate on hydrogen and produce no emission, while the hydrogen can be generated on-board.

3. Imported technology (imported during the last three years reckoned from the beginning of the financial year)

Technology imported	Year of import	If technology has been fully absorbed	If not fully absorbed, reasons and future plan of action
Wet & Dry Flue Gas Desulfurization (FGD)	2015	In the process of absorption	Your company is pursuing a few enquiries. Technology will be fully absorbed once orders are received, executed and commissioned, with assistance from the technology partner.

4. Expenditure on R&D

Particulars	Amount in Rs. crore	
	Current year	Previous year
a. Capital	0.05	2.7
b. Recurring	19.56	20.0
c. Total	19.61	22.7
d. Total R&D expenditure as a percentage of turnover	0.52	0.52

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. 631 crore as against a net inflow of Rs. 1,110 crore in the previous year.

For and on behalf of the Board

Meher Pudumjee
Chairperson
(DIN: 00019581)

Pune: May 30, 2017

Annual Report on CSR Activities & CSR Policy

1. A brief outline of the company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programme

The Board of Directors of Thermax Ltd., after taking into account the recommendations of the CSR committee, has approved the CSR Policy for the company. The highlights of the policy are given in this report and the complete policy is uploaded on the company's website www.thermaxglobal.com.

The company has been focusing predominantly in the area of education of economically underprivileged children. Apart from education, Thermax is also involved, in a small way, in addressing the issue of social discrimination, through affirmative action, skill development and employability initiatives.

Thermax created a formal structure named Thermax Social Initiative Foundation as a Section 25 company (under the erstwhile Companies Act, 1956) in 2007, to design and implement its CSR programme. In 2015-16, it was renamed `Thermax Foundation' (TF).

2. CSR Policy highlights

In a society characterised by widening inequalities of income and opportunity, Thermax believes that education is the single most powerful instrument of change that gives a child choices in life, hopefully leading a child out of the vicious cycle of poverty and thereby, transforming the life trajectory of a family. The following methodology is adopted for carrying out CSR activities:

- **Support to NGOs:** Support deserving and credible NGOs within India doing quality work, either as one-time in rare cases or for the long term, as the case may be. Evaluate and assess the need of projects and help in increasing their impact.

- **Project evaluation & monitoring:** Study and evaluate the projects for funding from the perspective of the corpus available, people involved, impact, need and time frame and that a third party where applicable will measure for social impact. Uphold accountability for the funds invested in the NGO's project through regular monitoring of the project's progress.

- **Hands-on support and guidance:** Besides funding support, TF may decide to provide mentoring and on-going strategic guidance to the projects funded.

- **People focus and belief in value based partnership:** TF ensures the credibility of the NGO and people involved before funding a project. It values transparent and honest communication with its partners and works collaboratively in decision making.

- **Employee involvement:** Thermax endeavours to engage its employees in implementing its CSR activities.

- The CSR Committee shall be responsible for monitoring implementation and evaluating the impact as also updating the policy from time to time.

- The CSR Committee shall ensure that the surplus (if any) arising out of CSR activities shall not form part of the business profit of the company.

- The CSR Committee will meet twice a year to monitor the process, progress and impact of the various projects undertaken. The CSR committee in turn would keep the Board informed.

3. Composition of the CSR Committee

In accordance with Section 135 of Companies Act, 2013 and the Rules pertaining thereto, a committee of the Board known as `Corporate Social Responsibility (CSR) Committee' comprising the following members has been constituted:

Chairperson	Anu Aga	Director
Member	Meher Pudumjee	Director
Member	Dr. R.A. Mashelkar	Independent Director
Member	Nawshir Mirza	Independent Director

4. Average net profit of the company for last three financial years, as per Section 198 of the Companies Act, 2013

The average net profit of the company for the last three financial years is Rs. 425.77 crore.

5. Prescribed CSR expenditure (two per cent of the amount as in item 4 above)

The company has contributed Rs. 8.52 crore to TF as CSR spend during the financial year 2016-17 against statutory requirement of Rs. 8.52 crore (2% of Rs. 425.77 crore).

6. Details of CSR spent during the financial year

a) Total amount to be spent for the financial year: Rs. 8.52 crore

b) Actual amount spent by the company for the financial year: Rs. 8.52 crore

c) Total amount spent by TF for the financial year: Rs. 10.62 crore

d) Amount underspent: Nil

e) Manner in which the amount spent during the financial year is detailed on the next page.

7. In case the company has failed to spend the two per cent, of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board Report

—— NA ——

8. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company

The CSR Committee confirms that the implementation and monitoring of the CSR Policy, is in compliance with the CSR objectives and policy of the company.

Managing Director & CEO	Chairperson CSR Committee

Reporting on the CSR Activities

For the year ended 31st March, 2017

1	2	3	4	5	6	7	8
Sr No.	**CSR Project or Activity Identified**	**Sector in which Project is covered**	**Projects Or Programmes (1) Local Area Or Others (2)Specify the state and District where projects or programmes were undertaken**	**Amount Outlay (Budget) project or programme**	**Amount spent on projects or programme (1)Direct Expenditure (2)Overhead**	**Cumulative Expenditure up to the reporting period**	**Amount spent directly by Thermax Foundation or through implementing agency**
				Rs. in lac			
1	Adoption and running of Municipal school	Education	Pune, PMC & PCMC	693.00	691.00	691.00	Through Akanksha Foundation
2	Leadership Institute for Teachers (Lift)	Education	Pune	99.00	85.61	85.61	Direct
3	Teach For India (TFI)	Education	Pune	134.00	134.00	134.00	Through Teach to Lead
4	Residential School for Orphans, Street Children, extremely impoverished	Education	West Bengal	100.00	100.00	100.00	Through Parivaar Education Society
5	Model residential school for blind girls	Education	Alandi Devachi, Pune	17.00	17.00	17.00	Through National Federation for the Blind, Maharashtra
6	Educational programme of Akanksha foundation through United way of Mumbai	Education	Akanksha Foundation, Pune	20.00	7.00	7.00	Through Educational Programme of Akanksha Foundation
7	Rural development project undertaken by Rotary Club of Nigdi	Rural Development	Nigdi, Pune	–	1.00	1.00	Through Rotary Club Of Nigdi Pune Charitable Trust
8	Pune City Connect Development Foundation	Education	Pune	25.00	26.50	26.50	Through Pune City Connect Development Foundation
	Total			**1,088.00**	**1,062.11**	**1,062.11**	

Annexure – 7 to the Directors' Report

FORM NO. MR - 3

Secretarial Audit Report

For the Financial Year Ended 31st March, 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule no.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Thermax Limited
D-13, MIDC Industrial Area,
R. D. Aga Road, Pune – 411019.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Thermax Limited** (herein after called" the company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listed here under and also that the company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31st March, 2017 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder
(in so far as they are made applicable);

(ii) The Securities Contracts (Regulation) Act,1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act,1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent applicable;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act');

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 **(not applicable to the company during the Audit Period);**

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(not applicable to the company during the Audit Period);**

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities)Regulations, 2008 **(not applicable to the company during the Audit Period);**

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations,1993 regarding the Companies Act and dealing with client to the extent of securities issued **(not applicable to the company during the Audit Period);**

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(not applicable to the company during the Audit Period)**; and

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(not applicable to the company during the Audit Period)**;

(vi) No Sector specific law is applicable to the company.

We have also examined compliance with the applicable clauses and regulations of the following:

(i) Secretarial Standards issued by 'The Institute of company Secretaries of India'; and

(ii) The Listing Agreement entered into by the company with Stock Exchange(s)pursuant to SEBI (Listing Obligations and Disclosure Requirements)Regulations, 2015.

During the period under review the company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc mentioned above subject to the following observation:

- Pursuant to clause 13(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Statement of Investor Complaints for the quarter ended 31st March, 2016 have been filed with the stock exchange beyond prescribed time.

We further report that

The Board of Directors of the company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings. Agenda and detailed notes on agenda were sent atleast seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, there are no specific events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

Place: Pune
Date: May 30, 2017

For SVD & Associates
Company Secretaries

Sridhar G. Mudaliar
Partner
FCS No: 6156
C P No: 2664

Note: This report is to be read with letter of even date by the Secretarial Auditors, which is annexed as Annexure A and forms an integral part of this report.

Annexure – A

To,
Members,
Thermax Limited
D-13, MIDC Industrial Area,
R.D. Aga Road, Pune – 411019

Our Secretarial Audit Report of even date is to be read along with this letter.

Management's Responsibility

1. It is the responsibility of the management of the company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Auditor's Responsibility

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the company with respect to secretarial compliances.

3. We believe that audit evidence and information obtained from the company's management is adequate and appropriate for us to provide a basis for our opinion.

4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events, etc.

Disclaimer

5. The Secretarial Audit Report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place: Pune
Date: May 30, 2017

For SVD & Associates
Company Secretaries

Sridhar G. Mudaliar
Partner
FCS No: 6156
C P No: 2664

Annexure – 8 to the Directors' Report

FORM NO. MGT - 9

Extract of Annual Return

As on the financial year ended on March 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and other Details:

I.	CIN	:	L29299PN1980PLC022787
II.	Registration Date	:	30/06/1980
III.	Name of the company	:	THERMAX LIMITED
IV.	Category / Sub-Category of the company	:	Public company / Limited by Shares
V.	Address of the Registered office and contact details	:	D-13, MIDC Industrial Area, R. D Aga Road, Chinchwad, Pune – 411019, Maharashtra. Contact details: Corporate office Tel: +91-020-66122100 Fax: +91-020-25541226
VI.	Whether listed company	:	Yes
VII.	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	1. **Name:** Karvy Computershare Pvt. Ltd. Unit: Thermax Limited 2. **Address:** Karvy Selenium, Tower B, Plot No. 31 & 32, Gachibowli Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032, India. 3. **Contact:** i. Phone No.: 040-67161500, 33211000 ii. Fax No.: 040-23420814, 23001153 iii. Toll free: 1800 3454 4001 iv. Email ID: einward.ris@karvy.com v. Website: www.karvy.com

II. Principal Business Activities of the company

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

Sl. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the company
1	Boilers and Heaters, Absorption Chillers/ Heat Pumps, Power Plants, Solar equipment, related services.	25131	76
2	Air Pollution Control Equipments/System, Water & Waste Recycle plant, related services.	37003	16

III. Particulars of Holding, Subsidiary and Associate Companies

Sl. No	Name and Address of the company	CIN/GLN	Holding /Subsidiary/ Associates	% of Shares held	Applicable Section
1	RDA Holdings Private Limited* 501, 5th Floor, Marvel Alaina, Koregaon Park, Pune 411001	U45001PN1982PTC026507	Holding	53.99	2(46)
2	Thermax Onsite Energy Solutions Ltd. Thermax House, 14- Mumbai-Pune Road, Wakdewadi, Pune 411003	U40109PN2009PLC134659	Subsidiary	100	2(87)(ii)
3	Thermax Instrumentation Ltd. Thermax House, 14- Mumbai-Pune Road, Wakdewadi, Pune 411003	U72200MH1996PTC099050	Subsidiary	100	2(87)(ii)
4	Thermax Engineering Construction Company Ltd. Thermax House, 14- Mumbai-Pune Road, Wakdewadi, Pune 411003	U29246MH1991PLC062959	Subsidiary	100	2(87)(ii)
5	Thermax Sustainable Energy Solutions Ltd. Thermax House, 14- Mumbai-Pune Road, Wakdewadi, Pune 411003	U29219PN1987PLC045658	Subsidiary	100	2(87)(ii)
6	Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. Dhanraj Mahal, 2nd Floor, Chhatrapati Shivaji Maharaj Marg, Near Regal Cinema, Colaba, Mumbai 400039	U29253MH2010PTC204890	Subsidiary	51	2(87)(ii)
7	Thermax SPX Energy Technologies Ltd. Thermax House, 14- Mumbai-Pune Road, Wakdewadi, Pune 411003	U29299PN2009PLC134761	Subsidiary	51	2(87)(ii)
8	First Energy Private Limited B-101, 'Signet Corner', Baner Road, Pune 411045	U40200PN2008FTC139032	Subsidiary	54.67	2(87)(ii)
9	Thermax International Ltd. 9th Floor, Ebene Tower, 52 Cybercity, Ebene, Republic of Mauritius	NA	Subsidiary	100	2(87)(ii)

* ARA Trusteeship Company Pvt. Ltd. (ARA) holds 7.99% shares of the company. ARA Trusteeship Company Pvt. Ltd. (ARA) also holds 99.99% equity share capital of RDA Holdings Private Limited (RDA). This shareholding of ARA in RDA is in a fiduciary capacity (i.e. holding shares in Trust) and hence it is not considered for the purpose of determining the 'Holding-Subsidiary' relationship between RDA and ARA in view of Ministry of Corporate Affairs circular no 20/2013 dated 27th December, 2013. In view of this, RDA is the holding company of Thermax Ltd.

Sl. No	Name and Address of the company	CIN/GLN	Holding /Subsidiary/ Associates	% of Shares held	Applicable Section
10	Thermax Europe Ltd. I Lumley Street, Mayfair, London W1K 6TT, UK	NA	Subsidiary	100	2(87)(ii)
11	Thermax Inc. 16200, Park Row, Suite 190, Houston, Texas 77084, USA	NA	Subsidiary	100	2(87)(ii)
12	Thermax do Brasil Energiae Equipamentos Ltda. Av. Paulista, 37-04, ander-edificio Pq, cultural Paulista, São Paulo, Brazil	NA	Subsidiary	100	2(87)(ii)
13	Thermax (Zhejiang) Cooling & Heating Engineering Company Ltd. No.645, Chayuan Road, Jiaxing Economic Development Zone, Jiaxing, Zhejiang, China PRC. Post: 314003	NA	Subsidiary	100	2(87)(ii)
14	Thermax Denmark ApS. Industrivej Nord 13, 7400 Herning, Denmark	NA	Subsidiary	100	2(87)(ii)
15	Thermax Netherlands BV. Herikerbergweg 238 Luna Arena, 1101 CM Amsterdam Zuidoost, The Netherlands	NA	Subsidiary	100	2(87)(ii)
16	Danstoker A/S Industrivej Nord 13 DK-7400, Herning, Denmark	NA	Subsidiary	100	2(87)(ii)
17	Ejendomsanp Artsselskabet Industrivej Nord 13 Industrivej Nord 13, DK-7400 Herning, Denmark	NA	Subsidiary	100	2(87)(ii)
18	Boilerworks A/S Papegøjevej 7, DK-6270, Tonder	NA	Subsidiary	100	2(87)(ii)
19	Boilerworks Properties ApS Industrivej Nord 13, 7400, Herning, Denmark	NA	Subsidiary	100	2(87)(ii)
20	Rifox-Hans Richter GmbH Spezialarmaturen Bertha-Von-Suttner- Str. 9, 28207 Bremen, Germany HRB3148	NA	Subsidiary	100	2(87)(ii)
21	Thermax SDN.BHD Suite 50-4-3A, 4th floor, Wisma UOA Damansara 50, Jalan Dungun 50490 Kuala Lumpur, Malaysia	NA	Subsidiary	100	2(87)(ii)
22	Thermax Engineering Singapore Pte. Ltd 100 Beach Road #30-00 Shaw Towers Singapore 189702	NA	Subsidiary	100	2(87)(ii)
23	PT Thermax International Indonesia Gedung Menara Palma Lontai 9, Unit 9-02, B/03, J1 HR, Rasuna Said Block X2 Kav 6, Jakarta 12950, Indonesia	NA	Subsidiary	100	2(87)(ii)
24	Thermax Senegal S.A.R.L, Dakar Senegal Domicilia 29 Avenue Pasteur, Senegal	NA	Subsidiary	100	2(87)(ii)
25	Thermax Nigeria Ltd Landmark Towers, Plot 5B, Water Corporation Road, Victoria Island, Lagos, Nigeria	NA	Subsidiary	100	2(87)(ii)
26	Thermax Energy & Environment Philippines Corporation 10/F 8 Rockwell Hidalgo – Plaza Drive Rockwell center Makati, Matro Manila, Philippines	NA	Subsidiary	100	2(87) (ii)

IV. Shareholding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Shareholding

Category of Shareholders	No.of Shares held at the beginning of the year (As on 01-04-2016)				No. of Shares held at the end of the year (As on 31-03-2017)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	0	0	0	0.00	6000	0	6000	0.01	0.00
b) Central Government	0	0	0	0.00	0	0	0	0	0.00
c) State Government (s)	0	0	0	0.00	0	0	0	0	0.00
d) Bodies Corp.	73849305	0	73849305	61.98	73849305	0	73849305	61.98	0.00
e) Banks/FI	0	0	0	0.00	0	0	0	0	0.00
f) Any Other (Relative of Director)	6000	0	6000	0.00	0	0	0	0	0.00
Sub-total (A)(1):	**73855305**	**0**	**73855305**	**61.98**	**73855305**	**0**	**73855305**	**61.98**	**0.00**
(2) Foreign	0	0	0	0	0	0	0	0	0.00
a) NRIs Individuals	0	0	0	0.00	0	0	0	0	0.00
b) Other – Individuals	0	0	0	0.00	0	0	0	0	0.00
c) Bodies Corp.	0	0	0	0.00	0	0	0	0	0.00
d) Banks/ FI	0	0	0	0.00	0	0	0	0	0.00
Sub-total (A) (2):	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**	**0.00**
Total share holding of Promoter (A)= (A)(1)+(A)(2)	**73855305**	**0**	**73855305**	**61.98**	**73855305**	**0**	**73855305**	**61.98**	**0.00**
B. Public Shareholding									
1. Institution									
a) Mutual Funds	9032529	0	9032529	7.58	9220501	0	9220501	7.74	0.16
b) Banks/FI	2004577	0	2004577	1.68	2253443	0	2253443	1.89	0.21
c) Central Govt	0	0	0	0.00	0	0	0	0	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0	0.00
f) Insurance Companies	0	0	0	0.00	0	0	0	0	0.00
g) FIIs	18861954	0	18861954	15.83	19195745	0	19195745	16.11	0.28

Category of Shareholders	No.of Shares held at the beginning of the year (As on 01-04-2016)				No. of Shares held at the end of the year (As on 31-03-2017)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0	0.00
i) Any other	0	0	0	0.00	0	0	0	0	0.00
Sub-total(B)(1):	**29899060**	**0**	**29899060**	**25.09**	**30669689**	**0**	**30669689**	**25.74**	**0.65**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	1746035	4000	1750035	1.47	1307353	4000	1311353	1.10	–0.37
ii) Overseas	0	0	0	0.00	0	0	0	0	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	5280741	1126995	6407736	5.38	4866305	1099115	5965420	5.01	–0.37
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh*	3818950	3107305	6926255	5.81	3768650	3107305	6875955	5.77	–0.04
c) Others (specify)									
– Directors Relative	0	0	0	0.00	0	0	0	0	0.00
– Trusts	130	0	130	0.00	20	0	20	0.00	0.00
– Foreign Bodies Corporate	0	0	0	0.00	0	0	0	0	0.00
– Foreign Bodies-DR	0	0	0	0.00	0	0	0	0	0.00
– Non Resident Indian	299876	2500	302376	0.25	131472	2500	133972	0.11	–0.14
– NRI Non Repatriation	0	0	0	0.00	245647	0	245647	0.21	0.21
– HUF	0	0	0	0	0	0	0	0	0.00
– Clearing Members	15403	0	15403	0.01	98939	0	98939	0.08	0.07
Sub-total(B)(2):	11161135	4240800	15401935	12.93	10418386	4212920	14631306	12.28	0.65
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**41060195**	**4240800**	**45300995**	**38.02**	**41088075**	**4212920**	**45300995**	**38.02**	**0.00**
Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0	0.00
Grand Total (A+B+C)	**114915500**	**4240800**	**119156300**	**100.00**	**114943380**	**4212920**	**119156300**	**100.00**	**0.00**

* This includes 65,41,440 equity shares (5.49%) held by employee benefit trust of the company which are being disclosed to the Stock Exchanges as 'Non promoter- Non public' category in the share holding pattern.

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 01-04-2016)			Shareholding at the end of the year (As on 31-03-2017)			
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	% change in shareholding during the year
1	RDA Holdings Private Limited	64328500	53.99	0.00	64328500	53.99	0	0.00
2	ARA Trusteeship Company Private Limited	9520805	7.99	0.00	9520805	7.99	0	0.00
3	Arnavaz Rohinton Aga				NIL			
4	Meher Pudumjee							
5	Pheroz Pudumjee*	0	0	0	6000	0.00	0	0.00
	Total	**73849305**	**61.98**	**0**	**73855305**	**61.98**	**0**	**0.00**

* During the year, 6000 shares were transmitted to Pheroz Pudumjee.

iii) Change in Promoter's Shareholding

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 01-04-2016)			Shareholding at the end of the year (As on 31-03-2017)			
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	% change in share holding during the year
1	RDA Holdings Pvt. Ltd.	64328500	53.99	0.00	64328500	53.99	0.00	0.00
2	ARA Trusteeship Company Pvt. Ltd.	9520805	7.99	0.00	9520805	7.99	0.00	0.00
3	Meher Pudumjee				NIL			
4	Pheroz Pudumjee*	0	0	0	6000	0.00	0.00	0.00
5	Arnavaz Rohinton Aga				NIL			
	Total	**73849305**	**61.98**	**0.00**	**73855305**	**61.98**	**0**	**0.00**

* During the year, 6000 shares were transmitted to Pheroz Pudumjee.

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Name of the Shareholder	Shareholding		Date	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at the beginning (01-04-2016)/ end of the year (31-03-2017)	% of total shares of the company				No. of shares	% of total shares of the company
1	Matthews Pacific Tiger Fund	5310034	4.46	31/03/2016	–	–	5310034	4.46
				31/03/2017	–	–	5310034	4.46
2	SBI Magnum Global Fund	624981	0.52	31/03/2016	–	–	624981	0.52
				08/04/2016	–55,000	Transfer	569981	0.48
				08/07/2016	1,15,558	Transfer	685539	0.58
				15/07/2016	3,88,000	Transfer	1073539	0.90
				22/07/2016	5,93,221	Transfer	1666760	1.40
				29/07/2016	50,000	Transfer	1716760	1.44
				05/08/2016	1,00,721	Transfer	1817481	1.53
				12/08/2016	7,59,581	Transfer	2577062	2.16
				19/08/2016	4,49,058	Transfer	3026120	2.54
				02/09/2016	1,000	Transfer	3027120	2.54
				16/09/2016	2,18,902	Transfer	3246022	2.72
				23/09/2016	16,236	Transfer	3262258	2.74
				30/09/2016	1,08,916	Transfer	3371174	2.83
				07/10/2016	1,000	Transfer	3372174	2.83
				03/02/2017	800	Transfer	3372974	2.83
				31/03/2017	–	–	3372974	2.83

Sl. No.	Name of the Shareholder	Shareholding		Date	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at the beginning (01-04-2016)/ end of the year (31-03-2017)	% of total shares of the company				No. of shares	% of total shares of the company
3	ICICI Prudential Long Term Equity Fund (Tax Saving)	2367775	1.99	31/03/2016	–	–	2367775	1.99
				22/04/2016	–91,057	Transfer	2276718	1.91
				13/05/2016	89,572	Transfer	2366290	1.99
				13/05/2016	–1,98,472	Transfer	2167818	1.82
				17/06/2016	14,234	Transfer	2182052	1.83
				24/06/2016	2,652	Transfer	2184704	1.83
				19/08/2016	–2,50,104	Transfer	1934600	1.62
				26/08/2016	–21,900	Transfer	1912700	1.61
				02/09/2016	–5,560	Transfer	1907140	1.60
				23/09/2016	–3,159	Transfer	1903981	1.60
				14/10/2016	–1,01,028	Transfer	1802953	1.51
				11/11/2016	–1,02,218	Transfer	1700735	1.43
				25/11/2016	–21,586	Transfer	1679149	1.41
				02/12/2016	–56,637	Transfer	1622512	1.36
				09/12/2016	–4,339	Transfer	1618173	1.36
				16/12/2016	–1,403	Transfer	1616770	1.36
				23/12/2016	–520	Transfer	1616250	1.36
				13/01/2017	–10,475	Transfer	1605775	1.35
				20/01/2017	–1,75,717	Transfer	1430058	1.20
				10/02/2017	–34,022	Transfer	1396036	1.17
				03/03/2017	–2,16,791	Transfer	1179245	0.99
				10/03/2017	–1,06,175	Transfer	1073070	0.90
				17/03/2017	–2,57,560	Transfer	815510	0.68
				24/03/2017	–86,604	Transfer	728906	0.61
				31/03/2017	–3,028	Transfer	725878	0.61
				31/03/2017	–	–	725878	0.61

Sl. No.	Name of the Shareholder	Shareholding		Date	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at the beginning (01-04-2016)/ end of the year (31-03-2017)	% of total shares of the company				No. of shares	% of total shares of the company
4	LIC Of India Child Fortune Plus Growth Fund	2000321	1.68	31/03/2016	–	–	2000321	1.68
				12/08/2016	–1,19,690	Transfer	1880631	1.58
				31/03/2017	–	–	1880631	1.58
5	Pinebridge Investments GF Mauritius Limited	1833081	1.54	31/03/2016	–	–	1833081	1.54
				27/05/2016	1,80,000	Transfer	2013081	1.69
				03/06/2016	34,407	Transfer	2047488	1.72
				12/08/2016	–5,00,000	Transfer	1547488	1.30
				03/02/2017	13,45,000	Transfer	2892488	2.43
				31/03/2017	–	–	2892488	2.43
6	Reliance Capital Trustee Co. Ltd A/C Reliance Equity	1747651	1.47	31/03/2016	–	–	1747651	1.47
				06/05/2016	–1,18,915	Transfer	1628736	1.37
				13/05/2016	–3,57,000	Transfer	1271736	1.07
				20/05/2016	–1,23,787	Transfer	1147949	0.96
				27/05/2016	–10,127	Transfer	1137822	0.95
				22/07/2016	–1,00,000	Transfer	1037822	0.87
				12/08/2016	–1,00,000	Transfer	937822	0.79
				09/09/2016	–2,00,000	Transfer	737822	0.62
				07/10/2016	–25,000	Transfer	712822	0.60
				31/03/2017	–	–	712822	0.60
7	Amansa Holdings Private Limited	1710021	1.44	31/03/2016	–	–	1710021	1.44
				03/06/2016	20,307	Transfer	1730328	1.45
				27/01/2017	–17,30,328	Transfer	0	0.00
				31/03/2017	–	–	0	0.00

Sl. No.	Name of the Shareholder	Shareholding		Date	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at the beginning (01-04-2016)/ end of the year (31-03-2017)	% of total shares of the company				No. of shares	% of total shares of the company
8	Goldman Sachs India Fund Limited	1574917	1.32	31/03/2016	–	–	1574917	1.32
				31/03/2017	3,361	Transfer	1578278	1.32
				31/03/2017	–	–	1578278	1.32
9	Matthews India Fund	1183128	0.99	31/03/2016	–	–	1183128	0.99
				31/03/2017	–	–	1183128	0.99
10	UTI-Mid Cap Fund	1013412	0.85	31/03/2016	–	–	1013412	0.85
				08/04/2016	17,069	Transfer	1030481	0.86
				15/04/2016	55,000	Transfer	1085481	0.91
				22/04/2016	2,754	Transfer	1088235	0.91
				29/04/2016	637	Transfer	1088872	0.91
				29/04/2016	–1,261	Transfer	1087611	0.91
				13/05/2016	2,522	Transfer	1090133	0.91
				13/05/2016	–506	Transfer	1089627	0.91
				10/06/2016	21,770	Transfer	1111397	0.93
				10/06/2016	–21,770	Transfer	1089627	0.91
				30/06/2016	58,616	Transfer	1148243	0.96
				30/06/2016	–327	Transfer	1147916	0.96
				15/07/2016	60,232	Transfer	1208148	1.01
				22/07/2016	12,743	Transfer	1220891	1.02
				05/08/2016	–18,504	Transfer	1202387	1.01
				16/09/2016	–45,000	Transfer	1157387	0.97
				28/10/2016	5,000	Transfer	1162387	0.98
				28/10/2016	–9,000	Transfer	1153387	0.97
				13/01/2017	1,49,241	Transfer	1302628	1.09
				03/03/2017	–644	Transfer	1301984	1.09

Sl. No.	Name of the Shareholder	Shareholding		Date	Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares at the beginning (01-04-2016)/ end of the year (31-03-2017)	% of total shares of the company				No. of shares	% of total shares of the company
				17/03/2017	17,232	Transfer	1319216	1.11
				17/03/2017	–17,500	Transfer	1301716	1.09
				24/03/2017	5,000	Transfer	1306716	1.10
				24/03/2017	–3,269	Transfer	1303447	1.09
				31/03/2017	–	–	1303447	1.09
11	HDFC Trustee Company Ltd - A/C HDFC Mid - Capoppor	884372	0.74	31/03/2016	–	–	884372	0.74
				31/03/2017	–	–	884372	0.74

Life Insurance Corporation of India and Morgan Stanley Asia (Singapore) Pte., have ceased to be in the list of top ten shareholders as on 31st March 2017

v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	Name	Shareholding		Date	Increase / Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-2016 to 31-03-2017)	
		No. of shares at the beginning (01-04-2016) / end of the year (31-03-2017)	% of total shares of the company				No. of shares	% of total shares of the company
1. Amitabha Mukhopadhyay (Group CFO)		450	0.00	01-04-2016	–	–	450	0.00
2. Pheroz Pudumjee*		6000	0.00	31-03-2017	6000	–	6000	0.00

* During the year, 6000 shares were transmitted to Pheroz Pudumjee.

The Following Directors/ Key Managerial Personnel (KMP) did not hold any shares during FY 2016-17:

Arnavaz Aga, Meher Pudumjee, Nawshir Mirza, Dr. Jairam Varadaraj, Dr. Raghunath A Mashelkar, Dr. Valentin A. H. von Massow and Harsh Mariwala - Directors
M. S. Unnikrishnan – Managing Director & Chief Executive Officer (KMP)
Amit Atre – Company Secretary (KMP), Resigned on 12.01.2017

vi) Indebtedness

Indebtedness of the company including interest outstanding /accrued but not due for payment

(Rs. Lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (01.04.2016)				
i) Principal Amount	9094	54	–	9148
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	1	4	–	5
Total (i+ii+iii)	**9095**	**58**	**–**	**9153**
Change in indebtedness during the financial year				
Addition	–	–	–	–
Reduction	2574	58	–	2632
Net Change	**2574**	**58**	**–**	**2632**
Indebtedness at the end of the financial year				
i) Principal Amount	6521	–	–	6521
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
Total (i+ii+iii)	**6521**	**–**	**–**	**6521**

vii) Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration of M S Unnikrishnan Managing Director & Chief Executive Officer	Total Amount (Rs. Lakh)
1	**Gross salary**	
	a. Salary as per provisions contained in section17(1) of the Income-tax Act, 1961	**301.20**
	b. Value of perquisites u/s 17(2) Income-tax Act,1961	**6.63**
	c. Profits in lieu of salary under section 17(3) Income-tax Act,1961	**0**
2	Stock Option	0
3	Sweat Equity	Nil
4	Commission - as % of profit – Others, specify.	80.00 (0.20%)
5	Others, please specify (Retiral Benefits)	19.43
	Total (A)	**407.26**
	Ceiling as per the Act	Rs. 2018.2 Lakh (Being 5% of the Net profit of the company as per Section 198 of the Companies Act 2013)

B. Remuneration to other Directors:

Sl. No.	Particulars of Remuneration	Name of Directors					Total (Rs. Lakh)
1	**Independent Directors**	**Dr. Jairam Varadaraj**	**Dr. R. A. Mashelkar**	**Dr. Valentine A. H. von Massow**	**Nawshir Mirza**	**Harsh Mariwala**	
	Fee for attending Board / committee meetings	6.50	2.50	8.50	6.00	1.50	25.00
	Commission	17.00	13.00	24.19	30.00	4.00	88.19
	Others, please specify	NA	NA	NA	NA	NA	NA
	Total (1)	**23.50**	**15.50**	**32.69**	**36.00**	**5.50**	**113.19**
2	**Other Non-Executive Directors**	**Meher Pudumjee**	**Pheroz Pudumjee**	**Arnavaz Aga**	–	–	–
	Fee for attending board / Committee meetings	6.00	7.50	4.50	–	–	18.00
	Commission	35.00	15.00	14.00	–	–	64.00
	Others, please specify	–	–	–	–	–	–
	Total (2)	**41.00**	**22.50**	**18.50**	**–**	**–**	**82.00**
	Total (B) = (1+2)	**64.50**	**38.00**	**51.19**	**36.00**	**5.50**	**195.19**
	Total remuneration to other Directors	–	–	–	–	–	–
	Overall ceiling as per the Act		Rs. 404 Lakh (Being 1% of Net profit of the company calculated as per section 198 of the Companies Act, 2013)				
	Total Managerial Remuneration	–	–	–	–	–	**602.45**

@ 35,000 Euro (Rate applicable as on March 31, 2016 Rs. 75.40 per Euro)

C. Remuneration to Key Managerial Personnel other than MD/Manager/Whole Time Director:

(Rs. in Lakh)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	**Chief Financial Officer**	
		Amit G. Atre*	**Amitabha Mukhopadhyay**	**Total**
1	**Gross salary**			
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act,1961	48.02	177.53	225.55
(b)	Value of perquisites u/s 17(2) Income-tax Act,1961	0.22	1.89	2.11
(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961	–	NIL	NIL
2	Stock Option	–	NIL	NIL
3	Sweat Equity	–	NIL	NIL
4	Commission- – as % of profit – Others, specify	–	NIL	NIL
5	Others, please specify (Retiral Benefits)	1.60	8.68	10.28
	Total	**49.84**	**188.1**	**237.94**

* Resigned on 12.01.2017

viii) Penalties / Punishment / Compounding of Offences

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD / NCLT / Court)	Appeal made, if any (give Details)
a) Company					
Penalty					
Punishment					
Compounding					
b) Directors					
Penalty					
Punishment			NIL		
Compounding					
c) Other Officers in Default					
Penalty					
Punishment					
Compounding					

INDEPENDENT AUDITOR'S REPORT

To the Members of Thermax Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying Standalone Ind AS financial statements of Thermax Limited ('the Company'), which comprise the Balance Sheet as at March 31,2017, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these Standalone Ind AS financial statements that give a true and fair view of the (financial position), (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS 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 Standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the Accounting and Auditing Standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. 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 Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Standalone Ind AS 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 the Company's Directors, as well as evaluating the overall presentation of the Standalone Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Standalone Ind AS 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, of the state of affairs of the Company as at March 31,2017, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

We draw attention to note 32A(a) of the standalone audited financial statements, relating to the demand orders on the Company for Rs.1,330.64 crores (including a penalty of Rs.325.29 crores and excluding interest not presently quantified) by the Commissioner of Excise, Pune. The Company has filed an appeal against the said orders. Our report is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the 'Annexure 1', a Statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:
   (a) We have sought and 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 it appears from our examination of those books;
   (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
   (d) In our opinion, the aforesaid Standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
   (e) The matter described in sub-paragraph under the Emphasis of Matters paragraph above, in our opinion, may have an adverse effect on the functioning of the Company;
   (f) On the basis of written representations received from the directors as on March 31,2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31,2017, from being appointed as a director in terms of section 164 (2) of the Act;
   (g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure 2' to this report;
   (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone Ind AS financial statements – Refer note 32 to the Standalone Ind AS financial statements;
      ii. The Company has made provision, as required under the applicable law or Accounting Standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 19 to the Standalone Ind AS financial statements;
      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and
      iv. The Company has provided requisite disclosures in Note 13(c) to these Standalone Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of account maintained by the Company and as produced to us by the Management.

For **S R B C & CO LLP**
ICAI Firm registration number: 324982E/ E300003
Chartered Accountants

per Tridevlal Khandelwal
Partner
Membership No.: 501160
Place: Pune
Date: May 30, 2017

For **B. K. Khare & Co**
ICAI Firm registration number:105102W
Chartered Accountants

per H.P. Mahajani
Partner
Membership No.: 030168
Place: Pune
Date: May 30, 2017

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

Re: Thermax Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at March 31, 2017 and no material discrepancies were noticed in respect of such confirmations.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Act in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the Company.

(v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits to which the provisions of Sections 73, 74, 75 and 76 or any other relevant provisions of the Act and the Rules framed there under to the extent notified, are applicable. Therefore, the provisions of clause 3(v) of the Order are not applicable to the Company.

(vi) 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 148(1) of the Companies Act, 2013, related to the manufacture of chemicals, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, custom duty, excise duty, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise value added tax and cess on account of any dispute, are as follows:

(Rs. in Crores)

Name of the Statute	Nature of Dues	Forum where the dispute is pending	Period to which amount related	Disputed dues, not deposited*
Central Excise Act, 1944	Excise Duty	CESTAT	2000-01 to 2015-16	1,329.46
Central Sales Tax Act and Local Sales tax (including Works Contract)	Sales Tax	Appellate Authority up to Commissioner level	1992-93, 1996-97, 2003-04, 2004-05, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2014-15	3.56
		High Court	2000-01, 2001-02, 2010-11, 2013-14, 2014-15	43.21
		Tribunal	2006-07, 2008-09	1.25
Income Tax Act, 1961	Income Tax	Appellate Authority up to Commissioner level	2006-07 to 2013-14	1.60
Service Tax (Finance Act, 1994)	Service Tax	CESTAT	2012-13, 2015-16	0.91
Customs Act, 1962	Custom Duty	CESTAT	2005-06	0.52
Grand Total				**1,380.51**

* Net of amount deposited under product.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to a bank. The Company has no loan/ dues towards any financial institution, debenture holders or from the government.

(ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Standalone Ind AS financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable Accounting Standards.

(xiv) According to the information and explanations given to us and on an overall examination of the Balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting under clause 3(xiv) is not applicable to the Company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with them as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**
ICAI Firm registration number: 324982E/ E300003
Chartered Accountants

per Tridevlal Khandelwal
Partner
Membership No.: 501160
Place: Pune
Date: May 30, 2017

For **B. K. Khare & Co**
ICAI Firm registration number:105102W
Chartered Accountants

per H.P. Mahajani
Partner
Membership No.: 030168
Place: Pune
Date: May 30, 2017

Annexure 2 referred to in paragraph 2(g) under the heading "Report on other legal and regulatory requirements" of our report of even date

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

To the Members of Thermax Limited

We have audited the internal financial controls over financial reporting of Thermax Limited ('the Company') as of March 31, 2017 in conjunction with our audit of the Standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **S R B C & CO LLP**
ICAI Firm registration number: 324982E/ E300003
Chartered Accountants

per Tridevlal Khandelwal
Partner
Membership No.: 501160
Place: Pune
Date: May 30, 2017

For **B. K. Khare & Co**
ICAI Firm registration number:105102W
Chartered Accountants

per H.P. Mahajani
Partner
Membership No.: 030168
Place: Pune
Date: May 30, 2017

Balance Sheet as at March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Particulars	Note No.	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Assets				
I. Non-current assets				
Property, plant and equipment	4 (a)	520.59	561.69	581.76
Capital work-in-progress	4 (a)	126.28	26.71	13.90
Intangible assets	4 (b)	34.04	21.89	25.51
Intangible assets under development	4 (b)	2.83	32.21	25.27
Investments in subsidiaries and joint ventures	5	557.70	469.00	336.01
Financial assets:				
(a) Investments	6 (a)	82.03	70.21	7.83
(b) Trade receivables	7 (a)	78.26	49.70	79.31
(c) Loans	8 (a)	11.72	10.14	9.67
(d) Other financial assets	9 (a)	0.23	0.16	0.17
Deferred tax assets (net)	10	103.73	105.26	61.17
Income tax assets (net)		27.47	54.52	103.64
Other non-current assets	11 (a)	190.49	157.33	102.77
Total non-current assets		**1,735.37**	**1,558.82**	**1,347.01**
II. Current assets				
Inventories	12	228.65	224.77	315.95
Financial assets:				
(a) Investments	6 (b)	764.73	839.04	783.38
(b) Trade receivables	7 (b)	955.37	1,225.43	1,397.19
(c) Cash and cash equivalents	13 (a)	68.20	66.84	48.07
(d) Bank balances other than (c) above	13 (b)	2.73	111.52	209.14
(e) Loans	8 (b)	39.03	26.83	8.33
(f) Other financial assets	9 (b)	530.30	416.01	397.68
Income tax assets (net)		18.51	24.18	25.73
Other current assets	11 (b)	252.71	199.00	225.14
Total current assets		**2,860.23**	**3,133.62**	**3,410.61**
Total assets		**4,595.60**	**4,692.44**	**4,757.62**
Equity and liabilities				
III. Equity				
Equity share capital	14	23.83	23.83	23.83
Other equity	15	2,385.93	2,318.32	2,123.32
Total equity		**2,409.76**	**2,342.15**	**2,147.15**
IV. Non-current liabilities				
Financial liabilities:				
(a) Borrowings	16 (a)	-	0.55	0.72
(b) Trade payables	17 (a)	34.10	25.10	8.40
(c) Other financial liabilities	18 (a)	1.47	1.47	1.47
Provisions	19 (a)	9.74	5.05	6.82
Other non-current liabilities	20 (a)	23.90	35.51	36.29
Total non-current liabilities		**69.21**	**67.68**	**53.70**
V. Current liabilities				
Financial liabilities:				
(a) Borrowings	16 (b)	66.22	90.75	104.21
(b) Trade payables	17 (b)	924.51	826.14	870.53
(c) Other financial liabilities	18 (b)	95.06	146.55	128.53
Other current liabilities	20 (b)	886.04	1,050.76	1,247.76
Provisions	19 (b)	130.21	120.03	123.23
Income tax liabilities (net)		14.59	48.38	82.51
Total current liabilities		**2,116.63**	**2,282.61**	**2,556.77**
Total equity and liabilities		**4,595.60**	**4,692.44**	**4,757.62**
Summary of significant accounting policies	2			
Summary of significant accounting judgements, estimates and assumptions	3			

The accompanying notes are an integral part of these financial statements.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Reg No.324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 30, 2017

For B. K. Khare & Co.
Chartered Accountants
ICAI Firm Reg No.105102W

per H. P. Mahajani
Partner
Membership No. 030168

Place: Pune
Date: May 30, 2017

For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
Chairperson
DIN: 00019581

M. S. Unnikrishnan
Managing Director & CEO
DIN: 01460245

Amitabha Mukhopadhyay
Executive Vice President
& Group Chief Financial Officer
Place: Pune
Date: May 30, 2017

Statement of profit and loss for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Particulars	Note No.	March 31, 2017	March 31, 2016
Income			
Revenue from operations	21	3,870.29	4,458.92
Other income	22	102.65	114.02
Total Income (I)		**3,972.94**	**4,572.94**
Expenses			
Cost of raw materials and components consumed	23	1,983.06	2,508.13
Purchase of traded goods		71.05	65.18
Decrease/ (Increase) in inventories of finished goods, work-in-progress and traded goods	24	6.20	(6.39)
Excise duty on sale of goods		106.64	120.64
Employee benefits expense	25	458.92	450.21
Finance cost	26	3.59	4.60
Depreciation and amortisation expense	27	65.43	60.89
Other expenses	28 (a)	870.63	946.99
Total expenses (II)		**3,565.52**	**4,150.25**
Profit before exceptional items and tax (III) = (I-II)		**407.42**	**422.69**
Exceptional items (IV)	40	(132.84)	-
Profit before Tax (V) = (III - IV)		**274.58**	**422.69**
Tax expense	10		
Current tax		132.89	168.18
Deferred tax		(3.14)	(42.98)
Total tax expense		**129.75**	**125.20**
Profit for the year		**144.83**	**297.49**
Other comprehensive income			
A. Items that will be reclassified subsequently to profit or loss	30		
Net gain on cash flow hedge		22.12	0.82
Less: Income tax effect		(7.66)	(0.28)
		14.46	0.54
B. Items that will not be reclassified subsequently to profit or loss	30		
Re-measurement gain/ (loss) of defined benefit plan		(8.63)	(4.03)
Less: Income tax effect		2.99	1.39
		(5.64)	(2.64)
Net other comprehensive income for the year (net of tax)		**8.82**	**(2.10)**
Total comprehensive income for the year		**153.65**	**295.39**
Earning per equity share [Nominal value per share Rs. 2/- each (March 31, 2016: 2/-)]			
Basic and Diluted	29	**12.15**	**24.97**
Summary of significant accounting policies	2		
Summary of significant accounting judgements, estimates and assumptions	3		
The accompanying notes are an integral part of these financial statements.			

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Reg No.324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 30, 2017

For B. K. Khare & Co.
Chartered Accountants
ICAI Firm Reg No.105102W

per H. P. Mahajani
Partner
Membership No. 030168

Place: Pune
Date: May 30, 2017

For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
Chairperson
DIN: 00019581

M. S. Unnikrishnan
Managing Director & CEO
DIN: 01460245

Amitabha Mukhopadhyay
Executive Vice President
& Group Chief Financial Officer
Place: Pune
Date: May 30, 2017

Statement of Changes in Equity for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

A Equity Share Capital

Particulars	Notes No	March 31, 2017	March 31, 2016	April 1, 2015
Balance at the beginning of the year	14	23.83	23.83	23.83
Changes in equity shares capital during the year	14	-	-	-
Balance at the end of the year	14	**23.83**	**23.83**	**23.83**

B Other Equity

Particulars	Reserves and surplus						Items of OCI	Total other equity
	General reserve	Capital reserve	Capital redemption reserve	Retained earnings	Securities premium account	Total	Cash flow hedge reserve	
As at April 1, 2015	**429.14**	**1.92**	**50.34**	**1,572.45**	**61.13**	**2,114.98**	**8.34**	**2,123.32**
Profit for the year	-	-	-	297.49	-	**297.49**	-	**297.49**
Other Comprehensive Income (net)	-	-	-	(2.64)	-	**(2.64)**	0.54	**(2.10)**
Total comprehensive income	**-**	**-**	**-**	**294.85**	**-**	**294.85**	**0.54**	**295.39**
Dividends paid	-	-	-	(83.41)	-	**(83.41)**	-	**(83.41)**
Dividend distribution tax paid	-	-	-	(16.98)	-	**(16.98)**	-	**(16.98)**
As at March 31, 2016	**429.14**	**1.92**	**50.34**	**1,766.91**	**61.13**	**2,309.44**	**8.88**	**2,318.32**
Profit for the year	-	-	-	144.83	-	**144.83**	-	**144.83**
Other Comprehensive Income (net)	-	-	-	(5.64)	-	**(5.64)**	14.46	**8.82**
Total comprehensive income	**-**	**-**	**-**	**139.19**	**-**	**139.19**	**14.46**	**153.65**
Dividends paid	-	-	-	(71.49)	-	**(71.49)**	-	**(71.49)**
Dividend distribution tax paid	-	-	-	(14.55)	-	**(14.55)**	-	**(14.55)**
As at March 31, 2017	**429.14**	**1.92**	**50.34**	**1,820.06**	**61.13**	**2,362.59**	**23.34**	**2,385.93**

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Reg No.324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 30, 2017

For B. K. Khare & Co.
Chartered Accountants
ICAI Firm Reg No.105102W

per H. P. Mahajani
Partner
Membership No. 030168

Place: Pune
Date: May 30, 2017

For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
Chairperson
DIN: 00019581

M. S. Unnikrishnan
Managing Director & CEO
DIN: 01460245

Amitabha Mukhopadhyay
Executive Vice President
& Group Chief Financial Officer
Place: Pune
Date: May 30, 2017

Cash flow statement for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

		Note No	Year Ended March 31, 2017	Year Ended March 31, 2016
A)	**Cash flows from operating activities**			
	Profit before tax (after exceptional item)		274.58	422.69
	Adjustments to reconcile profit before tax to net cash flows			
	Depreciation on Property, plant and equipment	27	48.20	48.20
	Amortization of intangible assets	27	17.23	12.69
	Provision for impairment allowance of financial assets (net)	28 (a)	46.43	73.40
	Provision for impairment of investment in subsidiaries and joint venture		132.84	-
	Interest expense	26	0.92	0.61
	Unrealised foreign exchange loss/(gain)		9.31	(1.05)
	Bad debts/ advances written off	28 (a)	16.13	33.86
	Unwinding of discount	26	2.67	3.99
	Interest and dividend income	22	(23.71)	(53.93)
	Liabilities no longer required written back	22	(21.52)	(32.91)
	Fair value gain on financial instrument at fair value through profit and loss (net)	22	(41.49)	(6.69)
	Amortization of financial guarantee liability	22	-	(1.78)
	Working capital adjustments			
	Decrease in trade receivables		172.39	92.71
	(Increase) / Decrease in inventories		(3.88)	93.75
	(Increase) in other financial assets		(47.53)	(29.78)
	(Increase) in other assets		(94.80)	(16.20)
	Increase in trade payables		125.44	2.85
	(Decrease) in other liabilities		(176.33)	(197.78)
	Increase / (Decrease) in provisions		14.87	(4.97)
	Increase in other financial liabilities		27.52	0.05
	Cash generated from operations		**479.26**	**439.71**
	Direct taxes paid (net of refunds received)		(133.96)	(151.64)
	Net cash flow from operating activities		**345.30**	**288.07**
B)	**Cash flows from /(used in) investing activities**			
	Purchase of tangible and intangible assets		(106.67)	(56.95)
	Investment in subsidiaries and joint ventures		(221.54)	(132.99)
	Loan given to subsidiaries		(17.00)	(14.00)
	Proceeds from maturity of fixed deposits		108.84	97.59
	Sale/ (purchase) of other investments		62.49	(118.04)
	Interest and dividend received		23.71	53.93
	Net cash flows (used in) investing activities		**(150.17)**	**(170.46)**
C)	**Cash flows from/ (used in) financing activities**			
	Proceeds from borrowings		(25.08)	(13.63)
	Interest paid		(3.59)	(4.60)
	Dividend paid and tax thereon		(86.09)	(100.36)
	Net cash flows (used in) financing activities		**(114.76)**	**(118.59)**
	Net increase / (decrease) in cash and cash equivalents		**80.37**	**(0.98)**
	Cash and cash equivalents at the beginning of the year		(12.17)	(11.19)
	Cash and cash equivalents at the end of the year		**68.20**	**(12.17)**

Cash flow statement for the year ended March 31, 2017 (Contd.)

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

	Note No	Year Ended March 31, 2017	Year Ended March 31, 2016
Reconciliation of cash and cash equivalents as per the cash flow statement:			
Cash and cash equivalents	13	68.20	66.84
Book overdraft	18 (b)	-	(79.01)
Balances as per Cash flow statement		**68.20**	**(12.17)**

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Reg No.324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 30, 2017

For B. K. Khare & Co.
Chartered Accountants
ICAI Firm Reg No.105102W

per H. P. Mahajani
Partner
Membership No. 030168

Place: Pune
Date: May 30, 2017

For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
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DIN: 00019581

M. S. Unnikrishnan
Managing Director & CEO
DIN: 01460245

Amitabha Mukhopadhyay
Executive Vice President
& Group Chief Financial Officer
Place: Pune
Date: May 30, 2017

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

1. Corporate information

Thermax Limited ('the Company') offers solutions to energy, environment and chemical sectors. The Company's portfolio includes boilers and heaters, absorption chillers/heat pumps, power plants, solar equipment, air pollution control equipment/system, water and waste recycle plant, ion exchange resins and performance chemicals and related services.

The Company is a public limited company incorporated and domiciled in India. It is listed on the BSE Limited (BSE) and National Stock Exchange Limited (NSE) in India. The address of its registered office is D-13, MIDC Industrial Area, R.D. Aga Road, Chinchwad, Pune-411019, India. The Board of Directors have authorized to issue by these separate financial statements on May 30, 2017. The CIN of the Company is L29299PN1980PLC022787.

2. Significant accounting policies

2.1. Basis of preparation, measurement and transition to Ind AS

(a) Basis of preparation and transition to Ind AS

These separate financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS), notified under the Companies (Indian Accounting Standards) Rules, 2015 (as Amended from time to time).

For all the periods up to and including the year ended March 31, 2016, the Company prepared its separate financial statements in accordance with Accounting Standards notified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 ("Indian GAAP"). These separate financial statements, being the first set of Ind AS financial statements issued by the Company, are covered by Ind AS 101, 'First Time Adoption of Indian Accounting Standards'. The transition to Ind AS has been carried out from the accounting principles generally accepted in India, which is now referred to /considered as the "Previous GAAP", for purposes of Ind AS 101. Reconciliations and explanations of the effect of the transition from Previous GAAP to Ind AS on the Company's Equity and Statement of profit and loss are provided in note 42.

The adoption of Ind AS is carried out in accordance with Ind AS 101, with April 1, 2015, being the transition date. Ind AS 101 requires that all Ind AS standards and interpretations that are issued and effective for the first Ind AS separate financial statements for the year ended March 31, 2017, be applied retrospectively and consistently for all comparative years presented therein. However, in preparing these separate financial statements, the Company has availed of certain exemptions and exceptions in accordance with Ind AS 101, as explained in the note 42. The resulting difference between the carrying values of the assets and liabilities in the separate financial statements as at the transition date under Ind AS and previous GAAP have been recognized directly in equity.

The preparation of the separate financial statements requires the use of certain critical accounting estimates and judgements. It also requires the management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in note 3.

The employee welfare trusts (including ESOP trust) being separate legal entities, are not considered for the purpose of consolidation in the separate financial statements. However, these trusts have been consolidated in the Consolidated financial statements under Ind AS 110.

(b) Basis of measurement

The separate financial statements have been prepared on the accrual and going concern basis under historical cost convention except the following:

- Derivative financial instruments;
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments); and

- Defined benefit plans whereby the plan assets are measured at fair value.

  In addition, the carrying values of recognised assets and liabilities designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

2.2 Summary of significant accounting policies

a. Current and non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its normal operating cycle.

b. Foreign currencies

The Company's separate financial statements are prepared in INR, which is the also functional currency of the Company.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognized in the Statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

c. Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarizes accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Disclosures for valuation methods, significant estimates and assumptions (note 3)
- Quantitative disclosures of fair value measurement hierarchy (note 37)
- Financial instruments (including those carried at amortized cost) (note 37)

d. Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognized in the Statement of profit and loss.

e. Property, Plant and Equipment

The cost of an item of Property, Plant and Equipment ('PPE') is recognized as an asset if, and only if, it is probable that the future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

PPE are initially recognized at cost. The initial cost of PPE comprises its purchase price (including import duties and non-refundable purchase taxes but excluding any trade discount and rebates), and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent to initial recognition, PPE are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditure relating to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. When an item of PPE is replaced, then its carrying amount is derecognized and cost of the new item of PPE is recognized. Further, in case the replaced part was not depreciated separately, the cost of the replacement is used as an indication to determine the cost of the replaced part at the time it was acquired. All other repair and maintenance costs are recognized in Statement of profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

An item of PPE and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains of losses arising from de-recognition of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of profit and loss when the PPE is derecognized.

The Company identifies and determines cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset and has useful life that is materially different from that of the remaining asset.

Depreciation on PPE is calculated on a straight line basis using the rates arrived at based on the useful lives estimated by the management. The identified components are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset.

Leasehold land is amortized on a straight-line basis over the agreed period of lease ranging up to 99 years.

The management has estimated, supported by independent assessment by professionals, the useful lives of certain classes of assets. The following useful lives are adopted by the management:

Asset category	Company's estimate of useful life (years)	Useful life as prescribed under Schedule II (years)
Factory buildings	28	30
Other buildings	58	60
Plant and equipment	5 to 25	15 to 20
Roads	5 to 30	5 to 10
Office equipment	15	15
Furniture and fixtures	15	10
Computers and data processing units	4 to 6	3 to 6
Vehicles	7 to 10	8

The residual values, useful lives and methods of depreciation of PPE are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis.

f. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the Statement of profit and loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of profit and loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of expected future benefit from the related project, i.e., the estimated useful life subject to a maximum of ten years. Amortization is recognized in the Statement of profit and loss unless such expenditure forms part of carrying value of another asset. During the period of development, the asset is tested for impairment annually.

A summary of amortization rates applied to the Company's intangible assets are as below:

Asset category	Life (years)
Technical know how	3 to 6
Computer software	3 to 5

g. Inventories

Raw materials, components, stores and spares are valued at lower of cost and estimated net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. However, materials and other items held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components, consumables, tools, stores and spares is arrived at on the basis of weighted average cost.

Finished goods and work in progress are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Write down of inventories are calculated based on an analysis of foreseeable changes in demand, technology, market conditions and ageing of inventories.

h. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

Revenue is inclusive of excise duty. This is included for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. As the recovery of excise duty flows to the Company on its own account, the revenue includes excise duty. However, sales tax/ value added tax (VAT) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Company provides for warranty provisions for general repairs upto 18 months on its products sold, in line with the industry practice. A liability is recognized at the time the product is sold. The Company does not provide any extended warranties.

Revenue from supply of spare parts are recognized when significant risks and rewards have passed to the buyer which is generally on delivery of these spare parts.

Sale of services

Revenue in respect of operation and maintenance contracts is recognized on straight line basis as the related services are performed over a specified period of time. The Company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

Contract revenue

A construction contract is defined as a contract specifically negotiated for the construction of an asset which refers to any project 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. Revenue for such contracts is recognized on the basis of percentage of completion method if the outcome of the contract can be estimated reliably and it is probable that the contract will be profitable. The revenue for the period is the excess of revenues measured according to the percentage of completion over the revenue recognized in prior periods. When a group of contracts are secured together, the Company follows a policy to determine the stage of completion for such combined contracts together. The revenues and profits earned are recognized uniformly over the performance of such contracts.

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(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When it is probable that the total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately irrespective of the stage of the completion of the contract. Determination of revenues under this method necessarily involves making complex assumptions and estimates by the management (some of which are of a technical nature) of the costs of completion, the expected revenues from each contract (adjusted for probable liquidated damages, if any), contract risks including political and regulatory risks, foreseeable losses to complete the contract and other judgements. Any changes in estimates may lead to an increase or decrease in revenue.

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.

Costs associated with bidding for contracts are charged to the Statement of profit and loss when they are incurred. Costs that relate directly to a contract and are incurred in securing the contract are also included as part of the contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

On the balance sheet date, the Company reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Penalties for any delay or improper execution of a contract are recognised as a deduction from revenue. In the balance sheet, such provisions are presented on net basis of the contract receivables.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured. Claims are included when negotiations with the customer have reached an advanced stage such that it is probable that the customer will accept the claim. The Company applies requirements regarding contract variations to contract terminations, since contract terminations are also changes to agreed delivery and service scope.

Interest income

For all debt instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. Interest income is included in finance income in the statement of profit and loss.

Dividend

Revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income from operating leases (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term.

Plant and equipment received from customers

Contributions by customers of items of PPE received on or after April 1, 2015, which require an obligation to supply goods to the customer in the future, are recognized at the fair value when the Company has control of the item. A corresponding credit to deferred revenue is made.

i. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial Recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through Profit and Loss, transactions costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortization is included in finance costs/income in the Statement of profit and loss. The losses arising from impairment are recognized in the Statement of profit and loss.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the Statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to the Statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income under EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI is classified as FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a

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(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instruments as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of profit and loss.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to the Statement of profit and loss, even on the sale of the investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of profit and loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

(a) Financial assets that are debt instruments, and are measured at amortized cost e.g. loans, debt securities, deposits, trade receivables and bank balances

(b) Lease receivables under Ind AS 17

(c) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 (referred to as 'contractual revenue receivables which includes current contract receivables and retention money receivables in these separate financial statements and Ind AS 18)

(d) Financial guarantee contracts which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly,12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of the collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment allowance (or reversal) recognized during the period is recognized as income/expense in the Statement of profit and loss. This amount is reflected under the head 'other expenses' in the Statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

- **Financial assets measured at amortized cost, contract assets and lease receivables:** ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- **Loan commitments and financial guarantee contracts:** ECL is presented as a provision in the balance sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/origination.

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Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the Statement of profit and loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in OCI. These gains/losses are not subsequently transferred to the Statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the Statement of profit and loss. The Company has not designated any financial liability as at fair value through Statement of profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the Statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the Statement of profit and loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of the debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per the impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of profit and loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

j. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Statement of profit and loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(i) Fair value hedges

The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the Statement of profit and loss as finance costs.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the Statement of profit and loss.

(ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the Statement of profit and loss. The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognized in finance costs.

Amounts recognized in OCI are transferred to the Statement of profit and loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in OCI are transferred to the initial carrying amount of the non-financial asset or liability. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

The Company does not use hedges of net investment.

k. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

l. Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in proportion to the depreciation charged over the expected useful life of the related asset. The Company accounts for export incentives for export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim is fulfilled.

m. Share capital

Equity shares issued to shareholders are classified as equity. Incremental costs directly attributable to the issue of new equity shares or stock options are recognized as a deduction from equity, net of any related income tax effects.

n. Income tax

Current income-tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized outside profit or loss is recognized either in OCI or in equity. Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in OCI or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of

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the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

p. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to April 1, 2015, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the Statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the Statement of profit and loss on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

q. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent period, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses including impairment on inventory are recognized in the statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

r. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty related costs is revised annually.

Provision for onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

Decommissioning liability

The Company records a provision for decommissioning costs of its manufacturing facilities.

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Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the Statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

s. Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the Statement of profit and loss in subsequent periods.

Past service costs are recognized in the Statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation as an expense in the Statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Company presents the leave as a current liability in the balance sheet as it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

t. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of Directors of the Company has identified the Managing Director and Chief Executive Officer as the chief executive decision maker of the Company.

u. Contingent liability

A disclosure for a contingent liability is made where there is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from the past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

v. Earnings Per Share (EPS)

The Company presents the basic and diluted EPS data for its equity shares. Basic EPS is computed by dividing the net profit for the year attributable to the equity shareholders of the Company by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by adjusting the net profit for the year attributable to the equity shareholders and the weighted average number of equity shares considered for deriving basic EPS for the effects of all the equity shares that could have been issued upon conversion of all dilutive potential equity shares (which includes the various stock options granted to employees). The diluted potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (that is the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as at the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all years presented for any share splits and bonus shares issues including for changes effected prior to the authorization for issue of the separate financial statements by the Board of Directors.

w. Dividends

Dividend to equity shareholders is recognized as a liability in the period in which the dividends are approved by the equity shareholders. Interim dividends that are declared by the Board of Directors without the need for equity shareholders' approvals are recognized as a liability and deducted from shareholders' equity in the year in which the dividends are declared by the Board of directors.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities as at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the separate financial statements:

i. Revenue recognition on construction contracts

A significant portion of the Company's business relates to construction activity which is accounted using percentage-of-completion method, recognizing revenue as the performance on the contract progresses. This requires Management to make judgement with respect to identifying contracts which need to be accounted

Notes to separate financial statements for the year ended March 31, 2017

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under percentage-of-completion method, depending upon the level of customization and the period of the fulfilment of the performance obligations under the contract. The percentage-of-completion method requires Management to make significant estimates of the extent of progress towards completion including accounting of multiple contracts which need to be combined and considered as a single contract.

ii. Legal contingencies

The Company has received various orders and notices from tax authorities in respect of direct taxes and indirect taxes. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable losses including the estimate of legal expense to resolve such matters. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the company or the disclosure of any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.

iii. Segment reporting

Ind AS 108 Operating Segments requires Management to determine the reportable segments for the purpose of disclosure in separate financial statements based on the internal reporting reviewed by Chief Operating Decision Maker (CODM) to assess performance and allocate resources. The standard also requires Management to make judgments with respect to aggregation of certain operating segments into one or more reportable segment.

Operating segments used to present segment information are identified based on the internal reports used and reviewed by the Board of Directors to assess performance and allocate resources. The management has determined that some of the segments exhibit similar economic characteristics and meet other aggregation criteria and accordingly aggregated into three reportable segments i.e. energy, environment and chemical.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i. Constructions contracts:

- Provisions for liquidated damages claims (LDs): the Company provides for LD claims where there have been significant contract delays and it is considered probable that the customer will successfully pursue such a claim. This requires an estimate of the amount of LDs payable under a claim which involves a number of management judgements and assumptions regarding the amounts to be recognized.
- Project cost to complete estimates: at each reporting date, the Company is required to estimate costs to complete on fixed-price contracts. Estimating costs to complete on such contracts requires the Company to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. This estimate will impact revenues, cost of sales, work-in-progress, billings in excess of costs and estimated earnings and accrued contract expenses.
- Recognition of contract variations: the Company recognises revenues and margins from contract variations where it is considered probable that they will be awarded by the customer and this requires management to assess the likelihood of such an award being made by reference to customer communications and other forms of documentary evidence

- Provision for onerous contracts: the Company provides for future losses on long-term contracts where it is considered probable that the contract costs are likely to exceed revenues in future years. Estimating these future losses involves a number of assumptions about the achievement of contract performance targets and the likely levels of future cost escalation over time. Refer note 19(b) for details for provision for onerous contract.

ii. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model. The cash flows are derived from the budget for the next five years as approved by the Management and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the terminal growth rate used.

iii. Defined benefit plans - gratuity

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter which is most subjected to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on Indian Assured Lives Mortality (2006-08) Ultimate. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. Further details about gratuity obligations are given in note 34.

iv. Fair value measurement of unquoted financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 37 for further disclosures.

v. Warranty provision

The Company generally offers warranty for its various products. Warranty costs are provided based on a technical estimate of the costs required to be incurred for repairs, replacements, material costs, servicing cost and past experience in respect of warranty costs. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in current period are consistent with those in the prior year. Factors that could impact the estimated claim information include the success of the Company's productivity and quality initiatives. Warranty provisions are discounted using a pre-tax discount rate which reflects current market assessments of time value of money and risks specific to the liability. Refer note 19 for further details.

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(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

vi. Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default, expected loss rates and timing of cash flows. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

As a practical expedient, the Company uses a provision matrix to determine ECL impairment allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. On that basis, the Company estimates a default rate of total revenue for trade receivables and of contract revenue for contract receivables. The Company follows provisioning norms based on ageing of receivables to estimate the ECL provision. For retention receivables, the Company additionally categorizes the receivables due from Public Sector Undertakings (PSUs) and Non-PSUs and follows a wider aged bucket provisioning norms as the performance guarantee tests require certain time period after the supplies are completed. Refer note 7 and 9(b) for details of impairment allowance recognized at the reporting date.

vii. Useful lives of property, plant and equipment and intangible assets

The Company determines, based on independent technical assessment, the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates. Refer note 2(e) above for further details.

viii. Intangible asset under development

The Company capitalises intangible asset under development in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The carrying amount of capitalised intangible asset under development includes significant investment in the development of power plants using alternative energy solutions. The innovative nature of the product gives rise to some uncertainty as to performance parameters stated in the contract would be satisfied. Refer note 4(b) for details of intangible asset under development.

ix. Deferred taxes

At each balance sheet date, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the use of significant estimates with respect to assessment of future taxable income. The recorded amount of total deferred tax assets could change if estimates of projected future taxable income or if changes in current tax regulations are enacted. Refer note 10 for further information on potential tax benefits for which no deferred tax asset is recognized.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

4 (a) Property, Plant and Equipment

Particulars	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Computer	Furniture and fixtures	Vehicles	Total	Capital work in progress
Cost as at April 1, 2015 *	7.36	33.11	304.43	464.01	28.50	54.96	37.74	15.76	945.87	13.90
Additions	-	2.21	6.70	15.04	2.24	4.07	1.41	1.40	33.07	45.88
Disposals/ Transfers	-	(0.10)	(2.44)	(2.25)	(1.33)	(7.51)	(3.84)	(3.07)	(20.54)	(33.07)
Gross carrying amount as at March 31, 2016	**7.36**	**35.22**	**308.69**	**476.80**	**29.41**	**51.52**	**35.31**	**14.09**	**958.40**	**26.71**
Additions	-	-	0.92	3.44	1.41	0.82	0.72	0.78	8.09	107.66
Disposals/ Transfers	-	-	-	(0.56)	0.09)	(0.99)	(0.10)	(4.10)	(5.84)	(8.09)
Gross carrying amount as at March 31, 2017	**7.36**	**35.22**	**309.61**	**479.68**	**30.73**	**51.35**	**35.93**	**10.77**	**960.65**	**126.28**
Accumulated depreciation as at April 1, 2015 *	**-**	**1.03**	**51.66**	**228.07**	**10.29**	**46.29**	**17.50**	**9.27**	**364.11**	
Charge for the year	-	0.58	9.56	29.23	2.02	2.12	2.77	1.92	48.20	-
Disposals	-	-	(0.79)	(1.77)	(0.99)	(7.07)	(2.62)	(2.36)	(15.60)	-
Closing accumulated depreciation as at March 31, 2016	**-**	**1.61**	**60.43**	**255.53**	**11.32**	**41.34**	**17.65**	**8.83**	**396.71**	-
Charge for the year	-	0.59	9.49	28.67	1.88	3.90	2.12	1.55	48.20	-
Disposals	-	-	-	(0.47)	(0.04)	(0.94)	(0.01)	(3.39)	(4.85)	-
Closing accumulated depreciation as at March 31, 2017	**-**	**2.20**	**69.92**	**283.73**	**13.16**	**44.30**	**19.76**	**6.99**	**440.06**	-
Net Block as at March 31, 2017	**7.36**	**33.02**	**239.69**	**195.95**	**17.57**	**7.05**	**16.17**	**3.78**	**520.59**	**126.28**
Net Block as at March 31, 2016	**7.36**	**33.61**	**248.26**	**221.27**	**18.09**	**10.18**	**17.66**	**5.26**	**561.69**	**26.71**
Net Block as at April 1, 2015 *	**7.36**	**32.08**	**252.77**	**235.94**	**18.21**	**8.67**	**20.24**	**6.49**	**581.76**	**13.90**

Capital work in progress majorly includes expenditure towards construction of new manufacturing facility at Dahej, Gujarat.
The Company has given certain part of its office building on lease to group companies, the value of the same cannot be determined and the amounts are not significant (Refer note 32 B (c) ii).

4 (b) Intangible assets

Particulars	Computer Software	Technical know-how	Total	Intangible assets under development
Cost as at April 1, 2015 *	43.46	47.69	91.15	25.27
Additions	3.27	5.80	9.07	21.17
Disposals/ Transfers/ Adjustments	-	-	-	(14.23)
Gross carrying amount as at March 31, 2016	**46.73**	**53.49**	**100.22**	**32.21**
Additions	5.52	23.85	29.37	11.58
Disposals/ Transfers/ Adjustments	-	-	-	(40.96)
Gross carrying amount as at March 31, 2017	**52.25**	**77.34**	**129.59**	**2.83**
Accumulated Amortisation as at April 1, 2015 *	38.16	27.48	65.64	-
Charge for the year	3.07	9.62	12.69	-
Disposals	-	-	-	
Closing accumulated amortisation as at March 31, 2016	**41.23**	**37.10**	**78.33**	-
Charge for the year	3.79	13.44	17.23	-
Disposals	(0.01)		(0.01)	-
Closing accumulated amortisation as at March 31, 2017	**45.01**	**50.54**	**95.55**	**-**
Net Block as at March 31, 2017	**7.24**	**26.80**	**34.04**	**2.83**
Net Block as at March 31, 2016	**5.50**	**16.39**	**21.89**	**32.21**
Net Block as at April 1, 2015 *	**5.30**	**20.21**	**25.51**	**25.27**

Intangible assets under development mainly comprise of software under development.
Pursuant to an assessment of such intangible assets under development, the Company has written off assets under development amounting to Rs 11.59 (March 31, 2016 Rs 5.16) to the Statement of profit and loss (over various heads).
* The Company has elected to continue with the carrying value of property, plant and equipment as recognised in the financial statements as per Previous GAAP and has regarded those values as the deemed cost on the date of transition. The Company has carried forward the gross block and accumulated depreciation above, for disclosure purposes only.

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5 Investments in subsidiaries and joint ventures

	Face value per share	Number of shares			Amount		
		March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Investments in equity instruments :							
Investments valued at cost (fully paid)							
Equity shares in Subsidiaries (Unquoted)							
Thermax Engineering Construction Company Limited	Rs. 10	4,500,000	4,500,000	4,500,000	4.50	4.50	4.50
Thermax Instrumentation Limited	Rs. 10	9,000,000	9,000,000	9,000,000	4.59	4.59	4.59
Thermax Onsite Energy Solutions Limited	Rs. 10	18,650,000	18,650,000	18,650,000	18.65	18.65	18.65
Thermax Europe Limited	GBP 1	200,000	200,000	200,000	1.17	1.17	1.17
Thermax International Limited	USD 1	1,695,000	1,695,000	1,695,000	8.22	8.22	8.22
Thermax (Zhejiang) Cooling and Heating Engineering Co Ltd. *	USD 1	13,470,000	13,470,000	13,470,000	33.17	33.17	33.17
Thermax Netherlands B.V.	Eur 1	20,500,000	20,500,000	20,500,000	134.82	134.82	134.82
Rifox-Hans Richter GmbH Spezialarmaturen	Eur 1	716,469	716,469	716,469	12.04	12.04	12.04
Thermax SDN. BHD	RM 1	500,002	500,002	500,002	0.87	0.87	0.87
Thermax Engineering Singapore Pte. Ltd.	USD 1	16,800,000	8,400,000	1,100,001	109.90	69.44	6.78
First Energy Private Limited	Rs. 10	7,361,389	-	-	20.57	-	-
Thermax Sustainable Energy Solutions Limited #	Rs. 10	4,750,000	4,750,000	4,750,000	-	-	-
Thermax do Brasil - Energia e Equipamentos Ltda. #	Real 1	1,087,130	1,087,130	1,087,130	-	-	-
Thermax Hong Kong Limited. #	HKD 1	5,983,833	5,983,833	5,983,833	-	-	-
Equity shares in Joint Venture Companies (Unquoted)							
Thermax SPX Energy Technologies Limited	Rs. 10	10,200,000	10,200,000	10,200,000	10.20	10.20	10.20
Thermax Babcock & Wilcox Energy Solutions Private Limited *	Rs. 10	427,191,300	247,350,000	196,350,000	323.97	144.13	93.13
First Energy Private Limited	Rs. 10	-	4,488,340	-	-	19.33	-
Investments in preference shares :							
Investments valued at cost							
Prefrence shares in Subsidiaries (Unquoted)							
Thermax International Ltd., Mauritius (6% Redeemable with conversion option)	USD 1	1,747,300	1,747,300	1,747,300	7.87	7.87	7.87
Total value of investments					**690.54**	**469.00**	**336.01**
Less: Impairment in value of investment (Note 40)					(132.84)	-	-
Investments in subsidiaries and joint ventures					**557.70**	**469.00**	**336.01**
Aggregate amount of quoted investments					-	-	-
Aggregate amount of unquoted investments					690.54	469.00	336.01
Aggregate amount of impairment in the value of investments					(132.84)	-	-

Deemed cost is considered to be Rs. Nil as on April 1, 2015

* Fair value as on April 1, 2015, is considered as deemed cost

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(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

6 (a) Non-current Investments

	Face value per share	Number of shares / units			Amount		
		March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Investments in equity shares:							
Investments at Fair value through Profit and Loss							
Quoted equity shares (fully paid up)							
Metroglobal Limited	Rs. 10	2	2	2	**	**	**
Sanghvi Movers Limited	Rs. 2	16,453	16,453	16,453	0.40	0.47	0.45
Quoted equity shares (partly paid up)							
Parasrampuria Synthetics Limited (paid up Rs. 2.50 per share)	Rs. 10	125,000	125,000	125,000	**	**	**
Unquoted equity shares (fully paid up)							
Cosmos Co-operative Bank Limited	Rs. 20	1,375	1,375	1,375	**	**	**
GSL (India) Limited	Rs. 10	17,539	17,539	17,539	**	**	**
Sicom Limited #	Rs. 10	10,000	10,000	10,000	-	-	-
Total Investment in equity shares					**0.40**	**0.47**	**0.45**
Investment in preference shares							
Investments at Fair value through Profit and Loss							
Unquoted Preference Shares (fully paid up, redeemable)							
Thermax Sustainable Energy Solutions Limited (6%, Cumulative) #	Rs. 10	4,000,000	4,000,000	4,000,000	-	-	-
Thermax Instrumentation Limited (1%, Non-cumulative)	Rs. 10	10,000,000	10,000,000	10,000,000	9.02	8.14	7.36
First Energy Private Limited (8%, Redeemable)	Rs. 10	6,000,000	-	-	5.15	-	-
Indian Food Fermentation Limited (18%, cumulative)	Rs. 10	21,800	21,800	21,800	0.02	0.02	0.02
Total investment in preference shares					**14.19**	**8.16**	**7.38**
Investments in mutual funds							
Investments at Fair value through Profit and Loss							
Unquoted							
SBI Debt Fund Series B – 26 (1100 Days)	Rs. 10	10,000,000	10,000,000	-	11.29	10.31	-
BSL Fixed Term Plan Series MY (1107 days)	Rs. 10	25,000,000	25,000,000	-	28.27	25.84	-
HDFC FMP 1167D January 2016 (1)	Rs. 10	25,000,000	25,000,000	-	27.88	25.43	-
Total investments in Mutual Funds					**67.44**	**61.58**	**-**
Total Non-Current Investments					**82.03**	**70.21**	**7.83**
Aggregate amount of quoted investments					0.40	0.47	0.45
Aggregate amount of unquoted investments					81.63	69.74	7.38
Aggregate amount of impairment in the value of investments					-	-	-

** represents amount less than a lakh rupees

Deemed cost is considered to be nil as on April 1, 2015

Investments at fair value through profit or loss reflect investment in unquoted equity and debt securities. Refer note 37 for determination of their fair values.

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6 (b) Current Investments

	Face value per unit	Number of units			Amount		
		March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Investments in Mutual Funds :							
Investments at Fair value through Profit and Loss							
Liquid/ Liquid Plus and Duration funds (unquoted)							
Axis Banking Debt Fund	Rs. 1,000	-	100,125	79,166	-	10.06	10.12
Birla SL FRF-Short Term Plan	Rs. 100	4,866,314	12,394,660	14,702,943	105.24	124.02	147.10
DSP Blackrock Banking and PSU Debt Fund - Direct	Rs. 10	3,589,066	-	-	5.03	-	-
DSP Blackrock Liquidity Fund	Rs. 1,000	-	114,832	645,883	-	11.49	64.63
DSP Blackrock Strategic Bond Fund	Rs. 1,000	265,414	265,414	-	52.02	47.12	-
DSP Blackrock Ultra Short Term Fund	Rs. 1,000	44,070,717	-	-	52.10		
HDFC Gilt Fund	Rs. 10	8,290,087	8,290,087	-	27.97	25.08	-
HDFC Income Fund	Rs. 10	6,230,973	6,230,973	-	23.23	21.06	-
HDFC Liquid Fund	Rs. 10	328	258,666	-	0.10	26.38	-
ICICI Pru Money Market Fund	Rs. 100	4,673,316	14,699,096	11,977,945	104.88	147.18	119.93
IDFC Cash Fund - Direct	Rs. 1,000	26,695	-	-	5.27	-	-
IDFC Cash Fund	Rs. 1,000	7,658	481,234	311,040	1.51	48.18	31.12
Kotak Banking PSU Debt Fund	Rs. 10	5,773,522	-	1,622,476	21.48	-	5.05
Kotak Bond Short Term Fund	Rs. 10	8,784,320	-	-	27.00	-	-
Kotak Flexi Debt Scheme - Direct	Rs. 10	11,640,861	-	-	25.09	-	-
Kotak Liquid Fund	Rs. 1,000	-	698,112	590,979	-	85.37	72.27
Kotak Liquid Fund - Direct	Rs. 1,000	196,958	-	-	64.96	-	-
Reliance Liquidity Fund- Direct	Rs. 1,000	23,805	-	-	5.84	-	-
Reliance Liquidity Fund	Rs. 1,000	-	54,868	52,059	-	5.49	5.21
SBI Magna Insta Cash Fund	Rs. 1,000	-	-	42,137	-	-	10.08
SBI Premier Liquid Fund - Direct	Rs. 1,000	170	-	-	0.04	-	-
SBI Premier Liquid	Rs. 1,000	1,907	469,390	1,275,093	0.49	47.09	127.92
Tata Liquid Fund	Rs. 1,000	21,097	52,640	224,865	6.31	5.87	25.06
Tata Money Market Fund	Rs. 1,000	354,836	1,255,567	521,795	90.63	125.75	52.26
Tata Money Market Fund - Direct	Rs. 1,000	156,682	-	-	40.16	-	-
UTI Liquid Fund	Rs. 1,000	396,606	1,068,222	1,104,803	105.38	108.90	112.63
Total Current Investments					**764.73**	**839.04**	**783.38**
Aggregate amount of quoted investments and market value thereof					-	-	-
Aggregate amount of unquoted investments					764.73	839.04	783.38
Aggregate amount of impairment in the value of investments					-	-	-

Investments at fair value through profit or loss reflect investment in unquoted equity and debt securities. Refer note 37 for determination of their fair values.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

7 Trade receivables

(a) Non-current trade receivables

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade receivables from:			
i) Related parties (note 35)	-	-	-
ii) Others	78.26	49.70	79.31
Total receivables	**78.26**	**49.70**	**79.31**
Break-up for security details			
Secured, considered good	-	-	-
Unsecured, considered good	104.77	63.18	93.07
Doubtful	-	-	-
	104.77	**63.18**	**93.07**
Less: Impairment allowance	(26.51)	(13.48)	(13.76)
Total	**78.26**	**49.70**	**79.31**

(b) Current trade receivable

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade receivables from:			
i) Related parties (note 35)	24.39	35.20	46.86
ii) Others	930.98	1,190.23	1,350.33
Total receivables	**955.37**	**1,225.43**	**1,397.19**
Break-up for security details			
Secured, considered good	97.96	171.24	34.67
Unsecured, considered good	981.68	1,181.60	1,467.15
Doubtful	256.99	216.14	163.40
	1,336.63	**1,568.98**	**1,665.22**
Less: Impairment allowance	(381.26)	(343.55)	(268.03)
Total	**955.37**	**1,225.43**	**1,397.19**

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade receivables due from firms or private companies respectively in which any director is a partner, a director or a member.

For terms and conditions relating to related party receivables, refer note 35.

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

8 Loans

(a) Non-current loans

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unsecured, considered good			
At amortized cost			
Security deposits* (note 35)	11.72	10.14	9.67
Total	**11.72**	**10.14**	**9.67**

* Includes lease deposits given to directors of Rs. 0.53 (March 31, 2016 Rs. 0.53, April 1, 2015 Rs. 0.58). The maximum amount due from directors during the year amounted to Rs. 0.53 (March 31, 2016 Rs. 0.53, April 1, 2015 Rs. 0.58). This also includes deposits given to various other parties for rent, utilities etc.

(b) Current loans

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unsecured, considered good			
At amortized cost			
Loans to employees	1.94	1.95	1.07
Loans to related parties (note 35)	31.00	14.00	-
Security deposits	6.09	10.88	7.26
Total	**39.03**	**26.83**	**8.33**

Loans are various kinds of non-derivative financial assets which generate fixed interest income for the Company. The carrying value may be affected by the changes in the credit risk of the counterparties. The tenure of such loans range between 6 to 12 months.

No loans are due from directors or other officer of the Company either severally or jointly with any other person or from private companies or firms in which any director is a partner, a director or a member respectively.

For terms and conditions relating to loan given to related parties, refer note 35.

9 Other financial assets

(a) Other non current-financial assets

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Bank deposits with maturity of more than 12 months	0.23	0.16	0.17
Total	**0.23**	**0.16**	**0.17**

Above bank deposits are pledged as margin money.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(b) Other current financial assets

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Derivative instruments			
Cash flow hedges			
Foreign exchange forward contracts	59.72	20.95	16.48
Derivative instruments at fair value through profit or loss			
Derivative not designated as hedges			
Foreign exchange forward contracts	2.52	-	-
At amortized cost			
Interest accrued on fixed deposits and others	0.80	1.01	3.84
Unbilled revenue (note 31)	467.26	394.05	377.36
Total	**530.30**	**416.01**	**397.68**

Financial assets at fair value through other comprehensive income reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales and purchases in various foreign currencies.

Unbilled revenue is disclosed net of impairment allowance of Rs. 11.04 (March 31, 2016: Rs. 15.35; April 1, 2015: Rs. 17.19) for contract assets.

10 Income taxes

The major components of income tax expense for the year ended March 31, 2017 and March 31, 2016 are:

Statement of profit and loss

Particulars	March 31, 2017	March 31, 2016
Current income tax charge		
Current income tax	132.89	177.03
Adjustments in respect of current income tax of previous year	-	(8.85)
Deferred tax		
Relating to origination and reversal of temporary differences	(3.14)	(42.98)
Income tax expense reported in the Statement of profit and loss	**129.75**	**125.20**

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Other comprehensive income

Particulars	March 31, 2017	March 31, 2016
Deferred tax related to items recognised in other comprehensive income during the year		
Net gain or loss on revaluation of cash flow hedge	7.66	0.28
Net gain or loss on remeasurements of defined benefit plans	(2.99)	(1.39)
Deferred tax charged / (credited) in other comprehensive income	**4.67**	**(1.11)**

Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate for March 31, 2017 and March 31, 2016

Particulars	March 31, 2017	March 31, 2016
Accounting profit before tax (before exceptional items)	407.42	422.69
At India's statutory income tax rate of 34.608% (March 31, 2016: 34.608%)	141.00	146.28
- Dividend income	(4.11)	(12.35)
- Fair value gain on FVTPL investments	(2.03)	(1.27)
Weighted deduction on research and development expenses	(4.17)	(6.83)
Others	(0.94)	(0.63)
Income tax expense reported in the Statement of profit and loss	**129.75**	**125.20**

Deferred tax

Statement of profit and loss

Particulars	March 31, 2017	March 31, 2016
Deferred tax relates to the following :		
Accelerated depreciation for tax purposes	(0.78)	4.09
Employee Benefit Obligations	(7.66)	(8.28)
Provision for doubtful debts and liquidated damages	(5.25)	(37.37)
Fair value gains on investment classified as fair value through profit and loss	11.17	-
Others (includes allowances on payment basis)	(0.62)	(1.42)
Deferred tax expense/ (income) in the Statement of profit and loss	**(3.14)**	**(42.98)**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Balance sheet

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Deferred tax relates to the following :			
Accelerated depreciation for tax purposes	(57.94)	(58.72)	(54.63)
Revaluation of cash flow hedges	(12.35)	(4.69)	(4.41)
Employee benefit obligations	15.47	5.16	(3.12)
Disallowances under section 40(a) of Income Tax Act, 1961	4.19	3.67	6.87
Provision for doubtful debts and liquidated damages	156.65	151.40	114.03
Provisions allowed on payment basis	2.08	0.94	1.63
Fair value gains on investment classified as fair value through profit and loss	(10.37)	0.80	0.80
Others *	6.00	6.70	-
Net deferred tax assets/ (liabilities)	**103.73**	**105.26**	**61.17**

* This includes impact on account of temporary differences in accounting treatment as required by Income tax standards.

Reconciliation of deferred tax assets (net)

	March 31, 2017	March 31, 2016
Opening balance as at April 1	**105.26**	**61.17**
Tax income during the period recognised in profit or loss	3.14	42.98
Tax (expense)/ income during the period recognised in other comprehensive income	(4.67)	1.11
Closing balance as at March 31	**103.73**	**105.26**

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off income tax assets and liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Company has tax losses which arose in India of Rs. 9.14 (March 31, 2016: Rs. 12.37, April 1, 2015: Rs. 12.37) that are available for offsetting for eight years against future taxable profits. The losses will expire over the next 5 financial years till March 2022.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Company and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Company were able to recognise all unrecognised deferred tax assets, the profit for the year would increase by Rs. 2.50 (March 31, 2016: Rs. 2.48).

During the year, the Company has paid dividends to its shareholders. This has resulted in payment of Dividend Distribution Tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence DDT paid is charged to equity.

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

11 Other assets

(a) Other non-current assets

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unsecured, considered good			
Advance to suppliers	6.48	7.19	0.31
Advance to employees	3.27	2.94	2.70
Capital advance	9.59	12.23	1.32
Sales tax recoverable	104.24	115.48	90.46
Balances with government authorities	25.30	15.31	3.71
Prepayments	41.61	4.18	4.27
Total	**190.49**	**157.33**	**102.77**

(b) Other current assets

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unsecured, considered good			
Advance to suppliers	69.31	66.82	67.21
Advance to employees	3.43	4.76	2.18
Advance to related parties (note 35)	3.44	7.89	13.07
Export incentive receivable	33.12	34.41	22.16
Prepayments	4.96	3.86	5.09
Balances with government authorities	85.68	53.58	65.21
Sales tax recoverable	39.02	-	12.72
Prepaid employee benefits (note 34)	5.22	4.97	9.02
Others*	8.53	22.71	28.48
Total	**252.71**	**199.00**	**225.14**

*Others includes interest on tax refunds, other recovery of expenses, etc

There were no advances due by directors or officers of the Company or any of them severally or jointly with any other persons or amounts due by firms or private companies respectively in which such director is a partner or a member.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

12 Inventories (Valued at lower of cost and net realizable value)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Raw materials, components and bought-outs**	150.69	140.73	238.28
Work-in-progress	45.84	54.57	51.53
Finished goods	19.04	17.65	10.77
Stores and spares	2.54	2.42	2.44
Traded goods	10.54	9.40	12.93
Total	**228.65**	**224.77**	**315.95**

** includes goods in transit Rs.17.93 (March 31, 2016 Rs. 3.19; April 1, 2015 Rs. 2.30)

For the year ended March 31, 2017 Rs. (1.65) (March 31, 2016 Rs. 8.92) was (reversed)/ recognised as an expense (net of reversals) for inventories carried at net realisable value. These were recognised as expense during the year and included in ‘cost of raw materials and components consumed in the Statement of profit and loss.

13 (a) Cash and cash equivalents

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Balances with banks			
- in current accounts	61.29	50.95	35.14
- in deposits with original maturity of less than three months	0.25	0.26	2.00
Cheques, drafts on hand	6.51	15.49	10.70
Cash on hand	0.15	0.14	0.23
Total	**68.20**	**66.84**	**48.07**

Short-term deposits are made for varying periods ranging between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior periods.

13 (b) Other bank balances

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Deposits with original maturity of more than 3 months but less than 12 months	1.96	110.80	208.39
Unpaid dividend account (restricted)	0.77	0.72	0.75
Total	**2.73**	**111.52**	**209.14**

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

13 (c) Details of Specified Bank Notes held and transacted during the period November 8, 2016 to December 30, 2016

The Company had Specified Bank Notes (SBNs) and other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 30, 2017. Details of SBNs and other denomination notes held and transacted during the period from November 8, 2016 to December 30, 2016 are given below:

	SBNs (a)	Other denomination notes (b)	Total (a + b)
Closing cash in hand as on November 8, 2016	0.12	0.04	**0.16**
Add: Permitted receipts	-	0.39	**0.39**
Less: Permitted payments	-	0.31	**0.31**
Less: Amounts deposited in Banks	0.12	-	**0.12**
Closing cash in hand as on December 30, 2016	**-**	**0.12**	**0.12**

For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning as provided in the Notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the November 8, 2016.

14 Share capital

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Authorized shares (Nos)			
37,50,00,000 (March 31, 2016: 37,50,00,000; April 1, 2015: 37,50,00,000) equity shares of Rs. 2/- each	75.00	75.00	75.00
	75.00	**75.00**	**75.00**
Issued, subscribed and fully paid share capital (Nos)			
11,91,56,300 (March 31, 2016: 11,91,56,300; April 1, 2015: 11,91,56,300) equity shares of Rs. 2/- each	23.83	23.83	23.83
Total issued, subscribed and fully paid-up share capital	**23.83**	**23.83**	**23.83**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year

	No. of shares	Rs.
Equity share of Rs. 2 each issued, subscribed and fully paid		
As at April 1, 2015	119,156,300	23.83
Changes during the year	-	-
As at March 31, 2016	119,156,300	23.83
Changes during the year	-	-
As at March 31, 2017	**119,156,300**	**23.83**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(b) Terms / rights attached to 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 share capital held by holding company

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Holding company			
RDA Holding and Trading Private Limited, India	12.87	12.87	12.87
6,43,28,500 (March 31, 2016: 6,43,28,500; April 1, 2015: 6,43,28,500) equity shares of Rs. 2/- each fully paid			

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

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
RDA Holding and Trading Private Limited, India			
%	53.99	53.99	53.99
No. of shares	64,328,500	64,328,500	64,328,500
ARA Trusteeship Company Private Limited, India			
%	7.99	7.99	7.99
No. of shares	9,520,805	9,520,805	9,520,805

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents the legal ownerships of shares.

(e) The Company has several trusts set up for welfare of employees (including ESOP trust). Such trusts together hold 65,41,440 (March 31, 2016: 65,41,440; April 1, 2015: 65,41,440) equity shares representing 5.49% (March 31, 2016: 5.49% ; April 1, 2015: 5.49%) of equity share in the Company.

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

15(a) Other equity

	As at March 31, 2017	As at March 31, 2016
Reserves and surplus		
Capital redemption reserve	50.34	50.34
Securities premium account	61.13	61.13
Capital reserve	1.92	1.92
General reserve	429.14	429.14
Retained earnings		
Opening balance	1,766.91	1,572.45
Add: Profit for the year	144.83	297.49
Less: Dividends paid	(71.49)	(83.41)
Less: Tax on dividend	(14.55)	(16.98)
Movement during the year	58.79	197.10
Items of other comprehensive income recognised directly in retained earnings:		
Re-measurement loss on defined benefit plans, net of tax Rs. 2.99 (March 31, 2016 Rs. 1.39)	(5.64)	(2.64)
Net surplus in the Statement of profit and loss	**1,820.06**	**1,766.91**
Total Reserves and Surplus	**2,362.59**	**2,309.44**
Other Reserves		
Cash flow hedge reserve		
Opening balance	8.88	8.34
Add: Movement during the year (net)	22.12	0.82
Less: Tax on Movement during the year	(7.66)	(0.28)
Closing balance	**23.34**	**8.88**
Total	**2,385.93**	**2,318.32**

Capital redemption reserve

Pertains to reserve created towards redemption of debentures and can be utilised in accordance with the provisions of the Act.

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised in accordance with the provisions of the Act.

Capital reserve

Pertains to reserves arising on amalgamations in the past which is required to be maintained as per statute and cannot be distributed to the shareholders.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

General reserve

Represent amounts transferred from retained Earnings in earlier years as per the requirements of the erstwhile Companies Act 1956 and transition adjustments on implementation of new accounting standards.

Cash flow hedge reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedge instruments related to hedged transactions that have not yet occurred.

15(b) Distribution made and proposed

	March 31, 2017	March 31, 2016
Cash dividend on equity shares declared and paid:		
Final dividend for the year 2015-16: Rs. 6 per share (2014-15: Rs. 7 per share)	71.49	83.41
Dividend Distribution Tax on the above	14.55	16.98
	86.04	**100.39**
Proposed dividend on equity shares are subject to approval at the annual general meeting and are not recognised as a liability (including Dividend Distribution Tax thereon) as at the reporting date.		
Proposed dividend on equity shares:		
Final dividend for the year 2016-17: Rs. 6 per share (2015-16: Rs. 6 per share)	71.49	71.49
Dividend Distribution Tax on the above	14.55	14.55
	86.04	**86.04**

16 Borrowings

(a) Non-current borrowings

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
At amortized cost			
Term loans (other than banks)			
a. Secured loan	-	0.18	0.23
b. Unsecured loan	-	0.54	0.60
Total non current borrowings	**-**	**0.72**	**0.83**
Less: amount disclosed under the head			
"Other current liabilities" (note 18 (b))	-	(0.17)	(0.11)
Total	**-**	**0.55**	**0.72**

Secured loan pertained to loan from Department of Bio Technology. As per the agreement, the loan was to be repaid in ten half yearly instalments starting from December 2014 however the balance loan outstanding was repaid during the year. Loan was secured by hypothecation of equipment purchased for research and development out of these funds.

Unsecured loan represents loan from Indo-German Science & Technology Centre. As per the agreement, the loan was to be repaid in ten half yearly instalments starting from November 2015 however the balance loan outstanding was repaid during the year.

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(b) Current borrowings

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Secured loans from banks	66.22	90.75	104.21
Total	**66.22**	**90.75**	**104.21**

Secured loans include bill discounted by suppliers amounting to Rs. 65.21 (March 31, 2016: Rs. 83.11; April 1, 2015: Rs. 97.43) that are repayable within 60 to 120 days of the invoice date.

Secured loans include post-shipment credit of Rs 1.01 (March 31, 2016: Rs 7.64; April 1, 2015: Rs. 6.78) carries an interest rate ranging between 2 to 5% due for repayment on various dates ranging upto 180 days.

These loans are secured by hypothecation of present and future stock of all inventories, stores and spares not related to plant and machinery, book debts and other moveable assets.

17 Trade payables

(a) Non current trade payables

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade payables	34.10	25.10	8.40
Total	**34.10**	**25.10**	**8.40**

(b) Current trade payables

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade payables			
Total outstanding dues of micro and small enterprises (note 17 (c))	120.90	105.50	87.75
Total outstanding dues of creditors other than micro and small enterprises			
Related Parties (note 35)	50.41	39.38	43.29
Others	753.20	681.26	739.49
Total	**924.51**	**826.14**	**870.53**

For terms and conditions with related parties, refer note 35.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(c) Details of dues to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

	March 31, 2017	March 31, 2016	April 1, 2015
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year			
- Principal amount outstanding (whether due or not) to micro and small enterprises	120.83	105.41	87.70
- Interest due thereon	0.07	0.09	0.05
The amount of interest paid by the Company in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	0.13	0.08	0.06
The amount of payment made to the supplier beyond the appointed day during the year	25.07	9.12	7.54
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	0.18	-	0.05
The amount of interest accrued and remaining unpaid at the end of each accounting year	0.25	0.13	0.10
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	0.02	-	-

18 Financial liabilities

(a) Other non current financial liabilities

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade deposits	1.47	1.47	1.47
Total	**1.47**	**1.47**	**1.47**

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(b) Other current financial liabilities

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Derivative instruments			
Cash flow hedges			
Foreign exchange forward contracts	21.76	1.38	2.73
Derivative instruments at fair value through profit or loss			
Derivative not designated as hedges			
Foreign exchange forward contracts	0.54	-	-
At amortized cost			
Current maturities of long-term borrowings (note 16(a))	-	0.17	0.11
Interest accrued but not due on loans	-	0.05	0.04
Employee related payables	54.63	58.31	56.90
Payables for tangible and intangible assets	14.58	3.59	4.41
Book overdraft	-	79.01	59.26
Financial guarantee liability (note 35)	-	-	1.78
Unpaid dividend	0.77	0.72	0.75
Other payables *	2.78	3.32	2.55
Total	**95.06**	**146.55**	**128.53**

* includes dealer deposits, security deposits, etc.

Financial guarantee liability as at April 1, 2015, represented guarantee of 50% of a loan of a joint venture to a maximum amount of Rs. 66.30, which is given jointly with other venturer. The said loan was repaid in the current year by the joint venture resulting in complete amortisation of the guarantee liability.

For terms and conditions with related parties, refer note 35.

19 Provisions

(a) Non-current provisions

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Provision for warranties	4.09	1.92	3.97
Provision for decommissioning liability	5.65	3.13	2.85
Total	**9.74**	**5.05**	**6.82**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(b) Current provisions

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Provision for employee benefits			
Provision for leave encashment	45.09	39.78	45.89
	45.09	**39.78**	**45.89**
Other provisions			
Provision for onerous contracts	5.72	2.92	4.88
Provision for warranties	79.40	77.33	72.46
	85.12	**80.25**	**77.34**
Total	**130.21**	**120.03**	**123.23**

Provision for decommissioning liability

A provision has been recognised for decommissioning costs associated with the land taken on lease by the Company. The Company is committed to decommission the site as a result of the construction of manufacturing facility. The timing of cash outflows in respect of such provision cannot be reasonably determined.

Provision for warranties

Warranty costs are provided based on a technical estimate of the costs required to be incurred for repairs, replacements, material costs, servicing cost and past experience in respect of such costs. It is expected that this expenditure will be incurred over the contracted warranty period ranging upto 2 years. If warranty claim costs vary by 10% from management's estimate, the warranty provisions would be an estimated Rs. 8.35 higher or lower (March 31, 2016 Rs. 7.92; April 1, 2015: Rs. 7.64)

Provision for onerous contracts

A provision for expected loss on construction contracts is recognised when it is probable that the contracts costs will exceed total contract revenue. For all other contracts, provision is made when the unavoidable costs of meeting the obligation under the contract exceed the estimated economic benefits. The timing of cash outflows in respect of such provision is over the contract period.

Movement in provisions

	Provision for onerous contracts	Provision for warranties	Provision for decommissioning liability
As at April 1, 2016			
Balance at the beginning	2.92	79.25	3.13
Additional provision recognised	4.33	43.03	2.10
Unused amounts reversed	(0.12)	(30.54)	-
Unwinding of discount	-	2.25	0.42
Utilised during the year	(1.41)	(10.50)	-
As at March 31, 2017	**5.72**	**83.49**	**5.65**
Current	5.72	79.40	-
Non-Current	-	4.09	5.65
Total	**5.72**	**83.49**	**5.65**

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

20 Other liabilities

(a) Other non-current liabilities

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Customer advances	23.90	35.51	36.29
Total	**23.90**	**35.51**	**36.29**

(b) Other current liabilities

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unearned revenue (note 31)	313.90	469.58	353.40
Customer advances			
Related Parties (note 35)	4.95	7.03	-
Others	559.35	563.27	885.71
Statutory dues and other liabilities*	7.84	10.88	8.65
Total	**886.04**	**1,050.76**	**1,247.76**

* mainly includes tax deducted at source, provident fund, etc.

21 Revenue from operations

	March 31, 2017	March 31, 2016
Sale of products and services		
Sale of products (inclusive of excise duty) #	3,410.97	4,015.89
Sale of services #	372.69	377.96
Other operating revenue		
Export incentives	37.32	44.49
Sale of scrap	10.59	12.34
Commission income	1.82	1.85
Exchange fluctuation gain (net)*	34.13	3.64
Royalty income	2.77	2.75
Total	**86.63**	**65.07**
	3,870.29	**4,458.92**

Sale of goods includes excise duty collected from customers of Rs. 106.64 (March 31, 2016 Rs.120.64)

Includes revenue from construction contracts of Rs. 2,318.18 (March 31, 2016: Rs. 3,012.12). Refer note 31 for details.

* Includes mark to market gain on forward contracts not subjected to hedge accounting Rs. 1.98 (March 2016 Rs.NIL)

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

22 Other income

	March 31, 2017	March 31, 2016
Interest income from financial assets carried at amortized cost		
Loan to subsidiary	4.13	0.89
Bank deposits	7.71	17.34
Other interest income	6.64	6.58
Dividend income from equity investments designated at fair value through profit and loss	11.87	35.70
Fair value gain on financial instrument at fair value through profit and loss (net)	41.49	6.69
Government grants*	0.02	4.40
Liabilities no longer required written back	21.52	32.91
Amortization of financial guarantee liability	-	1.78
Miscellaneous income^^	9.27	7.73
Total	**102.65**	**114.02**

*Government grants have been received for the purchase of certain items of property, plant and equipment. These grants are of the nature of grants related to income. There are no unfulfilled conditions or contingencies attached to these grants as at March 31, 2017; March 31, 2016 and April 1, 2015

^^Includes rent income of Rs 2.31 (March 31, 2016; Rs 2.40); refer note 32 B (ii)

23 Cost of raw material and components consumed

	March 31, 2017	March 31, 2016
Inventories at the beginning of the year	140.73	238.28
Add: Purchases	1,993.82	2,410.58
	2,134.55	**2,648.86**
Inventories at the end of the year	(150.69)	(140.73)
	1,983.86	**2,508.13**
Less: capitalised during the year (refer note 28 (e))	(0.80)	-
Total	**1,983.06**	**2,508.13**

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

24 Decrease/ (Increase) in inventories of finished goods, work-in-progress and traded goods

	March 31, 2017	March 31, 2016
Inventories at the beginning of the year		
Work-in-progress	54.57	51.53
Finished goods	17.65	10.77
Traded goods	9.40	12.93
	81.62	**75.23**
Less: inventories at the end of the year		
Work-in-progress	45.84	54.57
Finished goods	19.04	17.65
Traded goods	10.54	9.40
	75.42	**81.62**
Total	**6.20**	**(6.39)**

25 Employee benefits expense

	March 31, 2017	March 31, 2016
Salaries and wages	402.70	400.65
Contribution to provident and other funds	29.07	29.18
Gratuity expense (note 34)	5.74	2.61
Staff welfare expenses	21.61	19.82
	459.12	452.26
Less: capitalised during the year (refer note 28 (e))	(0.20)	(2.05)
Total	**458.92**	**450.21**

26 Finance costs

	March 31, 2017	March 31, 2016
Interest expense	0.92	0.61
Unwinding of discount	2.67	3.99
Total	**3.59**	**4.60**

27 Depreciation and amortization expense

	March 31, 2017	March 31, 2016
Depreciation of tangible assets (note 4 (a))	48.20	48.20
Amortization of intangible assets (note 4 (b))	17.23	12.69
Total	**65.43**	**60.89**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

28 (a) **Other expenses**

	March 31, 2017	March 31, 2016
Consumption of stores and spare parts	39.61	47.86
Power and fuel	28.02	27.50
Excise duty on increase in inventory	0.17	0.56
Freight and forwarding charges (net)	60.29	63.77
Site expenses and contract labour charges	369.95	366.86
Drawing, design and technical service charges	12.85	16.27
Sales commission	21.65	37.81
Advertisement and sales promotion	10.89	20.10
Rent (note 32 B (I))	17.02	19.60
Rates and taxes	19.83	11.74
Insurance	3.74	4.20
Repairs and maintenance:		
Plant and machinery	12.62	13.91
Buildings	5.54	7.43
Others	18.72	18.11
Travelling and conveyance	58.44	65.35
Legal and professional fees (includes payment to auditor; refer note 28 (b))	43.54	45.71
Director sitting fees	0.44	0.47
Bad debts/ advances written off	16.13	33.86
Provision for impairment allowance of financial assets (net)	46.43	73.40
Warranty expenses (net)	38.78	16.23
Loss on sale/ discard of assets (net)	0.82	3.79
CSR expenditure (note 28 (c))	8.52	9.00
Miscellaneous expenses (includes printing, communication, postage, security expense, etc.)	38.11	45.46
	872.11	948.99
Less: capitalised during the year (refer note 28 (e))	(1.48)	(2.00)
Total	**870.63**	**946.99**

(b) **Payment to auditors**

	March 31, 2017	March 31, 2016
As auditor		
Audit and limited review fee	0.78	0.78
Tax audit fee	0.15	0.15
In other capacity		
Taxation matters	0.17	0.53
Other services	0.12	0.02
Reimbursement of expenses	0.10	0.06
Total	**1.32**	**1.54**

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(c) Corporate Social Responsibility (CSR)

	March 31, 2017	March 31, 2016
Gross amount required to be spent by the Company during the year	8.50	8.97
Total	**8.50**	**8.97**

Amount spent during the year

		In Cash	Yet to spent in cash	Total
During the year ended March 31, 2017				
a.	Construction/ acquisition of any asset	-	-	-
b.	On purposes other than (a) above^	8.52	-	8.52
Total		**8.52**	**-**	**8.52**
During the year ended March 31, 2016				
a.	Construction/ acquisition of any asset	-	-	-
b.	On purposes other than (a) above^	9.00	-	9.00
Total		**9.00**	**-**	**9.00**

^The amount is contributed to Thermax Foundation, India (formerly known as Thermax Social Initiative Foundation, India). Refer note 35.

(d) Research and development costs

The Company has incurred expenses on research and development at research and development facilities approved and recognised by the Ministry of Science and Technology, Government of India.

	March 31, 2017	March 31, 2016
Revenue expenditure - charged to statement of profit and loss	12.46	9.05
Revenue expenditure - capitalised	-	2.02
Capital expenditure	0.05	0.17
Total	**12.51**	**11.24**

(e) Capitalisation of expenses

During the year, the Company has capitalized the following expenses of revenue nature to the cost of fixed asset (tangible / intangible). Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the Company.

Particulars	March 31, 2017	March 31, 2016
Salaries and wages	0.20	2.05
Raw material and components	0.80	-
Others	1.48	2.00
Total	**2.48**	**4.05**

29 Earnings per share

	March 31, 2017	March 31, 2016
Net profit attributable to the Equity shareholders of the Company	144.83	297.49
Weighted average number of Equity shares of Rs.2/- each (Number in crores)	11.92	11.92
Basic and diluted Earnings per share (Rs.)	12.15	24.97

30 Components of Other Comprehensive Income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

During the year ended March 31, 2017

	Cash flow hedge reserve	Retained Earnings	Total
Currency forward contracts	28.07	-	28.07
Reclassified to statement of profit or loss	(13.61)	-	(13.61)
Re-measurement gains (losses) on defined benefit plans	**-**	**(5.64)**	**(5.64)**
Total	**14.46**	**(5.64)**	**8.82**

During the year ended March 31, 2016

	Cash flow hedge reserve	Retained Earnings	Total
Currency forward contracts	12.80	-	12.80
Reclassified to statement of profit or loss	(12.26)	-	(12.26)
Re-measurement gains (losses) on defined benefit plans	-	(2.64)	(2.64)
Total	**0.54**	**(2.64)**	**(2.10)**

31 Construction contracts (disclosure pursuant to Ind AS 11)

	March 31, 2017	March 31, 2016
Contract Revenue recognised during the year	2,318.18	3,012.12
In respect of contracts in progress as at March 31 :		
Aggregate amount of contract costs incurred and recognised profits (less recognised losses)	13,118.23	13,055.50

	March 31, 2017	March 31, 2016	April 1, 2015
Customer advance outstanding for contracts in progress	474.33	499.90	749.75
Retention money due from customers for contracts in progress	549.04	617.38	558.80
Gross amount due from customers (disclosed as unbilled revenue (Refer note 9 (b))	467.26	394.05	377.36
Gross amount due to customers (disclosed as unearned revenue (Refer note 20 (b))	313.90	469.58	353.40

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

32 Contingent liabilities and commitments

A Contingent liabilities

a) During the previous year, the Commissioner of Central Excise, upon adjudication of the show cause-cum demand notices issued by the Department for the period June 2000 till March 2015, has raised demands of Rs. 1,263.24 crores on the Company (including penalty but excluding interest not presently quantified). During the year, the Company was served an additional demand order of Rs.67.40 crores (including penalty but excluding interest not presently quantified) for the period April 2015 to September 2015 for the same matter.

These demands are of excise duty payable on inclusion of the cost of bought out items in the assessable value of certain products manufactured by the Company, though such duty paid bought out items are directly dispatched by the manufacturers thereof to the ultimate customer, without being received in the Company's factory. The Company filed an appeal against the said orders received before CESTAT, Mumbai. Based on an independent legal advice, the Company is confident of the issue being ultimately decided in its favour and accordingly, no provision has been considered necessary as at March 31, 2017.

b) **Taxes**

	March 31, 2017	March 31, 2016	April 1, 2015
Excise, Customs Duty and Service tax	6.11	6.58	10.42
Sales tax	63.70	24.39	20.72
Income tax demands disputed in appellate proceedings	28.47	41.57	47.53
References/appeals preferred by the Income tax department in respect of which, should the ultimate decision be unfavourable to the company	43.71	44.32	53.01
Others	0.23	0.23	0.15

c) **Guarantees on behalf of subsidiaries and joint ventures**

	March 31, 2017	March 31, 2016	April 1, 2015
Counter corporate guarantees issued to banks (Also refer 33)	6.32	19.87	46.12
Indemnity bonds, letter of support/comfort and corporate guarantees (Also refer 33)	187.93	308.36	297.10

The Company has issued various guarantees for performance, deposits, tender money etc. The management has considered the probability for outflow of the same to be remote and accordingly no amount has been disclosed here.

d) **Others**

	March 31, 2017	March 31, 2016	April 1, 2015
Liability for export obligations	22.42	27.37	32.46
Claims against the Company not acknowledged as debt	19.85	19.66	18.90

The timing and amount of the cash flow which will arise from these matters, will be determined by the relevant authorities on settlement of the cases or on receipt of claims from customers.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

B Capital and other commitments

a) Liability in respect of partly paid shares Rs. 0.19 (March 31, 2016 Rs.0.19, April 1, 2015 Rs. 0.19)

b) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs. 43.93 (March 31, 2016 Rs. 69.11 April 1, 2015 Rs. 6.92)

c) Lease commitments

i. Operating lease: Company as lessee

The Company has taken office buildings on operating lease. The tenure of such leases ranges from 1 to 5 years. Lease rentals are charged to the Statement of profit and loss for the year. There are no sub-leases. The leases are renewable on mutually agreeable terms. At the expiry of the lease term, the company has an option to terminate the agreement or extend the term by giving notice in writing.

	March 31, 2017	March 31, 2016	
Lease payments for the year	17.02	19.60	
	March 31, 2017	**March 31, 2016**	**April 1, 2015**
Future minimum lease rental payables under non-cancellable operating leases are as follows:			
Within one year	1.28	2.06	0.77
After one year but not more than five years	1.51	1.89	1.40
More than five years	-	-	-

ii. Operating lease: Company as lessor

The Company has leased certain parts of its surplus office and buildings. The tenure of such lease agreements ranges from 1 to 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. For nature of assets refer note 4(a)

	March 31, 2017	March 31, 2016	
Lease received for the year	2.31	2.40	
	March 31, 2017	**March 31, 2016**	**April 1, 2015**
Future minimum lease rental receivable under non-cancellable operating leases are as follows:			
Within one year	-	-	-
After one year but not more than five years	-	-	-
More than five years	-	-	-

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

33 Disclosure required under Section 186(4) of Companies Act, 2013

a) Loans and advance to related parties includes loan given to a subsidiary. The particulars of which are disclosed below as required by Sec 186(4) of Companies Act 2013.

Name of the party	Rate of interest	Due date and amount payable	Purpose	March 31, 2017	March 31, 2016	April 1, 2015
Thermax Engineering Construction Company Limited	10.75% (March 31, 2016: 9.3%)	April 11, 2017 (Rs.5) June 11, 2017 (Rs.6) Sept 03, 2017 (Rs.6) Jan 23, 2018 (Rs.6) Feb 06, 2018 (Rs.8)	The loan has been granted to the subsidiary for working capital requirements. The loan is repayable on demand.	31.00	14.00	-

b) The Company has issued corporate guarantees on behalf of subsidiaries / joint ventures to banks. Details as below

Name of the party	March 31, 2017		March 31, 2016		April 1, 2015	
	Foreign currency (million)	Amount	Foreign currency (million)	Amount	Foreign currency (million)	Amount
Thermax Instrumentation Limited	-	4.83	-	16.66	-	41.03
Thermax Instrumentation Limited	USD 0.01	0.06	USD 0.10	0.63	USD 0.33	2.08
Thermax Onsite Energy Solutions Limited	-	1.43	-	2.18	-	1.43
Thermax SPX Energy Technologies Limited	-	-	-	-	-	0.68
Thermax Senegal S.A.R.L.	-	-	USD 0.06	0.40	USD 0.15	0.90
Total		**6.32**		**19.87**		**46.12**

Purpose : Bank guarantees issued favouring end customers on behalf of the subsidiaries

c) The Company has issued indemnity bonds, letter of support/comfort and corporate guarantees, counter corporate guarantees on behalf of subsidiaries. Details are given below:

Name of the party	March 31, 2017		March 31, 2016		April 1, 2015	
	Foreign currency (million)	Amount	Foreign currency (million)	Amount	Foreign currency (million)	Amount
Thermax Instrumentation Limited	-	30.00	-	30.00	-	30.00
Thermax Engineering Construction Company Limited	-	90.00	-	90.00	-	90.00
Thermax (Zhejiang) Cooling & Heating Engineering Company Ltd.	USD 6	38.91	USD 6	39.75	USD 6	37.52
Thermax Babcock & Wilcox Energy Solutions Private Limited	-	-	-	66.30	-	66.30
Rifox-Hans Richter GmbH Spezialarmaturen	EUR 0.45	3.11	EUR 0.92	6.93	EUR 0.92	6.17
Thermax Denmark ApS	EUR 3.75	25.91	EUR 10	75.38	EUR 10	67.11
Total		**187.93**		**308.36**		**297.10**

The above guarantees have been issued for the purpose of various banking facilities for the mentioned companies.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

34 Gratuity

The Company operates a defined benefit plan viz. gratuity for its employees. Under the gratuity plan, every employee who has completed at least specified years of service gets a gratuity on departure @ 15 days (minimum) of the last drawn salary for each completed year of service. The scheme is funded with an insurance Company in the form of qualifying insurance policy. The fund has formed a trust and it is governed by the Board of Trustees.

The fund is subject to risks such as asset volatility, changes in bond yields and asset liability mismatch risk. In managing the plan assets, Board of Trustees reviews and manages these risks associated with the funded plan. Each year, the Board of Trustees reviews the level of funding in the gratuity plan. Such a review includes asset-liability matching strategy and investment risk management policy (which includes contributing to plans that invest in risk-averse markets). The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed) will arise.

I Changes in the net benefit obligation and fair value of plan assets are as follows :

Particulars	Present value of obligation	Fair value of plan assets	Net amount
April 1, 2015	**75.03**	**(84.05)**	**(9.02)**
Current service cost	3.72	-	**3.72**
Interest expense/(income)	5.55	(6.66)	**(1.11)**
Total amount recognised in Profit or Loss	**9.27**	**(6.66)**	**2.61**
Experience adjustments	4.56	-	**4.56**
Return on plan assets (income)	-	(0.53)	**(0.53)**
Total amount recognised in Other Comprehensive Income	**4.56**	**(0.53)**	**4.03**
Employer contributions	-	(0.81)	**(0.81)**
Benefits paid	(11.22)	9.44	**(1.78)**
March 31, 2016	**77.64**	**(82.61)**	**(4.97)**
Current service cost	7.00	-	7.00
Interest expense/(income)	5.66	(6.92)	(1.26)
Total amount recognised in Profit or Loss	**12.66**	**(6.92)**	**5.74**
Experience adjustments	4.14	-	4.14
Actuarial loss from change in financial assumptions	4.58	-	4.58
Return on plan assets (income)	-	(0.09)	(0.09)
Total amount recognised in Other Comprehensive Income	**8.72**	**(0.09)**	**8.63**
Employer contributions	-	(14.62)	(14.62)
Benefits paid	(13.86)	13.86	-
March 31, 2017	**85.16**	**(90.38)**	**(5.22)**

II The net liability disclosed above relates to funded plans are as follows :

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Present value of funded obligation	85.16	77.64	75.03
Fair value of plan assets	(90.38)	(82.61)	(84.05)
Surplus of funded plan	**(5.22)**	**(4.97)**	**(9.02)**

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

III Significant estimates

The principal actuarial assumptions were as follows :

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Discount rate	7.00%	8.00%	8.00%
Salary growth rate	7.00%	7.00%	7.00%
Normal retirement age	60 years	60 years	60 years
Mortality table	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Employee turnover	5% to 10%	5% to 10%	5% to 10%

IV Sensitivity analysis

The sensitivity of defined obligation to changes in the weighted principal assumptions is:

Assumption	Impact on defined benefit obligation	
	March 31, 2017	March 31, 2016
Discount rate		
1.00% increase	Decrease by 4.71	Decrease by 3.93
1.00% decrease	Increase by 5.31	Increase by 4.40
Future salary increase		
1.00% increase	Increase by 4.84	Increase by 4.20
1.00% decrease	Decrease by 4.37	Decrease by 3.81
Attrition Rate		
1.00% increase	Decrease by 0.12	Decrease by 0.07
1.00% decrease	Increase by 0.12	Increase by 0.05

The above sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous periods.

The following are the expected cash flows to the defined benefit plan in future years:

Particulars	March 31, 2017	March 31, 2016
Within next 12 months	12.44	14.15
Between 1-5 years	37.30	40.54
Between 5-10 years	25.45	36.72

V The major categories of plan assets are as follows:

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Investments with Insurer (LIC of India)	100.00%	100.00%	100.00%

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

35 Related party disclosures

A Subsidiaries

Unless otherwise stated, the subsidiaries have share capital consisting solely of equity shares that are held directly or indirectly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Sr No.	Name of the entity	Place of business/ Country of incorporation	Ownership interest		
			March 31, 2017	March 31, 2016	April 1, 2015
1	Thermax Onsite Energy Solutions Limited	India	100%	100%	100%
2	Thermax Instrumentation Limited	India	100%	100%	100%
3	Thermax Engineering Construction Company Limited	India	100%	100%	100%
4	Thermax Sustainable Energy Solutions Limited	India	100%	100%	100%
5	Thermax International Limited	Mauritius	100%	100%	100%
6	Thermax Europe Ltd.	United Kingdom	100%	100%	100%
7	Thermax Inc.	U.S.A.	100%	100%	100%
8	Thermax do Brasil Energia-e Equipamentos Ltda.	Brazil	100%	100%	100%
9	Thermax (Zhejiang) Cooling & Heating Engineering Company Ltd.	China	100%	100%	100%
10	Thermax Netherlands B.V.	Netherlands	100%	100%	100%
11	Thermax Denmark ApS#	Denmark	100%	100%	100%
12	Danstoker A/S#	Denmark	100%	100%	100%
13	Ejendomsanp artsselskabet Industrivej Nord 13#	Denmark	100%	100%	100%
14	Boilerworks A/S#	Denmark	100%	100%	100%
15	Boilerworks Properties ApS Industrivej#	Denmark	100%	100%	100%
16	Rifox-Hans Richter GmbH Spezialarmaturen	Germany	100%	100%	100%
17	Thermax SDN. BHD	Malaysia	100%	100%	100%
18	Thermax Engineering Singapore Pte. Ltd.	Singapore	100%	100%	100%
19	PT Thermax International#	Indonesia	100%	100%	95%
20	Thermax Hong Kong Limited	Hong Kong	100%	100%	100%
21	Thermax Senegal S.A.R.L.#	Senegal	100%	100%	100%
22	First Energy Private Limited*	India	54.67%	-	-
23	Thermax Energy and Environment Philippines Corporation	Philippines	100%	-	-
24	ESOP Trust and Employee Welfare Trusts**	India	NA	NA	NA

Held indirectly

* Ownership interest held by non-controlling interest in First Energy Private Limited is 45.33% as at March 31, 2017.

** The Company has an ESOP trust and Employee Welfare Trusts set up for the welfare of the employees. Pursuant to the arrangement between the Trusts and the Company, the Company has determined that it has power to direct the relevant activities of the trust while being exposed to variable returns from its involvement with these entities.

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

B Parent entities

Sr No.	Name of the entity	Place of business/ Country of incorporation	Ownership interest			Relationship
			March 31, 2017	March 31, 2016	April 1, 2015	
1	RDA Holdings Private Limited	India	53.99%	53.99%	53.99%	Holding Company

C Joint Venture companies

Sr No.	Name of the entity	Place of business/ Country of incorporation	Ownership interest		
			March 31, 2017	March 31, 2016	April 1, 2015
1	Thermax Babcock & Wilcox Energy Solutions Private Limited	India	51%	51%	51%
2	Thermax SPX Energy Technologies Limited	India	51%	51%	51%
3	First Energy Private Limited*	India	-	33.33%	-

* The entity became a subsidiary pursuant to acquisition of additional stake on August 31, 2016.

D Individuals having significant influence over the Company by reason of voting power, and their relatives

1 Mrs. Meher Pudumjee - Chairperson

2 Mrs. Anu Aga - Director

3 Mr. Pheroz Pudumjee - Director

E Enterprise, over which control is exercised by individuals listed in 'D' above:

1 Thermax Foundation, India (formerly known as Thermax Social Initiative Foundation)

2 KRA Holdings Private Limited, India

F Key Management Personnel:

1 Mr. M S Unnikrishnan - Managing Director and Chief Executive Officer

2 Dr Raghunath A. Mashelkar - Independent Director

3 Dr Valentin A. H. von Massow - Independent Director

4 Dr Jairam Varadaraj - Independent Director

5 Mr. Nawshir Mirza - Independent Director

6 Mr. Harsh Mariwala - Independent Director (w.e.f. November 10, 2016)

7 Mr. Amitabha Mukhopadhyay - Chief Financial Officer

8 Mr. Amit Atre - Company Secretary (Up to January 12, 2017)

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

G Transactions with related parties:

	Subsidiaries		Joint Venture companies		Enterprises over which control is exercised by Individuals having Significant influence over the company		Key Management Personnel and Individuals mentioned in D, E and F		Total	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
a.Transactions during the year										
Sales of products and services	113.66	101.17	0.10	2.24	-	-	-	-	**113.76**	**103.41**
Commission income	0.12	0.29	-	-	-	-	-	-	**0.12**	**0.29**
Miscelleneous income	1.18	1.21	0.37	0.46	-	-	-	-	**1.55**	**1.67**
Interest income	2.87	0.11	-		-	-	-	-	**2.87**	**0.11**
Recovery of expenses	13.05	9.47	1.83	0.63	-	-	-	-	**14.88**	**10.10**
Purchase of raw material and components	7.15	15.33	7.01	34.75	-	-	-	-	**14.16**	**50.08**
Site Expenses and contract labour charges	137.52	96.80	-				-		**137.52**	**96.80**
Reimbursement of expenses	14.97	9.03	0.27	1.76	-	-	-	-	**15.24**	**10.79**
Remuneration to key management personnel*	-	-	-	-	-	-	5.65	4.76	**5.65**	**4.76**
Donation	-	-	-	-	8.52	9.00	-	-	**8.52**	**9.00**
Investment in Equity	40.46	81.99	179.84	51.00	-	-	-	-	**220.30**	**132.99**
Investment in Preference share	6.00	-	-	-	-	-	-	-	**6.00**	**-**
Loan given (net)	23.00	14.00	-	-	-	-	-	-	**23.00**	**14.00**
Director's sitting fees	-	-	-	-	-	-	0.44	0.47	**0.44**	**0.47**
Commission paid	-	-	-	-	-	-	2.32	2.30	**2.32**	**2.30**
Rent paid	0.59	0.59	-	-	-	-	0.39	0.39	**0.98**	**0.98**

* Does not include Gratuity and Leave encashment since the same is calculated for all employees of the company as a whole.

Note: Dividend paid to ARA Trusteeship Company Pvt. Limited, India during financial year 2016-17 is Rs 5.71 (March 31, 2016 Rs. 6.66) and to RDA Holdings Pvt. Limited, India is Rs. 38.60 (March 31, 2016: Rs 45.03). Also Dividend paid to Employee welfare and ESOP trusts Rs 3.92 (March 31, 2016 Rs. 4.58)

	Subsidiaries			Joint venture Companies			Enterprises over which control is exercised by Individuals having significant influence over the company			Key Management Personnel and Individuals mentioned in D, E and F			Total		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
b.Balances as at reporting date															
Trade receivables	22.91	33.50	43.27	1.48	1.70	3.59	-	-	-	-	-	-	24.39	35.20	46.86
Interest accrued	0.79	0.11	-	-	-	-	-	-	-	-	-	-	0.79	0.11	-
Advances given	2.78	4.04	9.37	0.66	3.85	3.70	-	-	-	-	-	-	3.44	7.89	13.07
Loans given (including security deposit)	31.00	14.00	-	-	-	-	-	-	-	0.53	0.53	0.58	40.55	22.67	7.94
Trade payables	46.72	23.49	41.01	3.69	15.89	2.28	-	-	-	-	-	-	50.41	39.38	43.29
Customer advances	4.95	7.03	-	-	-	-	-	-	-	-	-	-	4.95	7.03	-
Guarantee /letter of comfort given on behalf of subsidiaries and joint ventures	187.93	242.06	230.80	-	66.30	66.30	-	-	-	-	-	-	187.93	308.36	297.10

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Related party transactions include transactions pertaining to the following parties with whom the transactions are considered to be individually significant (percentage of the transactions being 10% or more of the total of transactions given in note 'G' above):

Particulars	March 31, 2017	March 31, 2016
Transactions during the year		
Sale of product and services		
Thermax Inc., U.S.A.	55.21	56.33
Thermax Europe Limited., U.K	49.40	35.08
Commission income		
Thermax Engineering Construction Company Limited, India	0.11	0.27
Rifox-Hans Richter GmbH Spezialarmaturen, Germany	0.01	0.01
Interest income		
Thermax Engineering Construction Company Limited, India	2.87	0.11
Miscellaneous income		
Thermax Engineering Construction Company Limited, India	0.61	0.61
Thermax Instrumentation Limited, India	0.58	0.58
Thermax SPX Energy Technologies Limited, India	0.37	0.46
Recovery of expenses		
Thermax Engineering Construction Company Limited, India	1.95	2.43
Thermax Instrumentation Limited, India	5.67	3.29
Thermax Senegal S.A.R.L, Senegal	1.70	1.80
Thermax Onsite Energy Solutions Limited, India	0.44	1.23
Thermax Inc., U.S.A.	1.89	0.25
Thermax SPX Energy Technologies Limited, India	1.52	0.22
Purchase of raw material and components		
Thermax (Zhejiang) Cooling & Heating Engineering Company Limited., China	6.75	14.62
Thermax SPX Energy Technologies Limited, India	7.01	34.07
Reimbursement of expenses		
Thermax Engineering Construction Company Limited, India	1.31	1.24
Thermax Instrumentation Limited, India	6.17	3.45
Thermax Europe Limited., U.K	3.00	2.74
Thermax SDN. BHD, Malaysia	2.06	1.81
Thermax Inc., U.S.A.	1.93	0.10
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	0.22	1.75

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Particulars	March 31, 2017	March 31, 2016
Site expenses and contract labour charges		
Thermax Engineering Construction Company Limited, India	108.58	73.84
Thermax Instrumentation Limited, India	28.94	24.40
Remuneration to key management personnel		
Mr. M. S. Unnikrishnan	3.27	2.79
Mr. Amitabha Mukhopadhyay	1.88	1.82
CSR Expenditure		
Thermax Foundation, India	8.52	9.00
Investment in Equity		
Thermax Babcock Wilcox Energy Solutions Private Ltd., India	179.84	51.00
Thermax Engineering Singapore Pte. Ltd., Singapore	40.46	62.66
Investment in Preference share		
First Energy Private Limited, India	6.00	-
Loan given		
Thermax Engineering Construction Company Limited, India	23.00	14.00
Directors sitting fees		
Mrs. Meher Pudumjee	0.07	0.07
Mrs. Anu Aga	0.05	0.04
Mr. Pheroz Pudumjee	0.08	0.10
Dr Valentin A. H. von Massow	0.09	0.09
Dr Jairam Varadaraj	0.07	0.09
Mr. Nawshir Mirza	0.06	0.07
Commission paid		
Mrs. Meher Pudumjee	0.35	0.35
Mrs. Anu Aga	0.14	0.14
Mr. Pheroz Pudumjee	0.15	0.15
Dr Valentin A. H. von Massow	0.24	0.26
Dr Jairam Varadaraj	0.17	0.17
Mr. Nawshir Mirza	0.30	0.30
Mr. M. S. Unnikrishnan	0.80	0.80
Rent paid		
Mrs. Meher Pudumjee	0.12	0.12
Mrs. Anu Aga	0.15	0.15
Mr. Pheroz Pudumjee	0.12	0.12

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Balances as at year end			
Trade receivables			
Thermax Inc., U.S.A.	11.72	24.26	15.92
Thermax Europe Limited., U.K	4.63	4.49	21.60
Interest accrued on intercorporate loan			
Thermax Engineering Construction Company Limited, India	0.79	0.11	-
Advances given			
Thermax Engineering Construction Company Limited, India	0.90	-	2.60
Thermax Instrumentation Limited, India	1.88	4.04	6.77
Thermax SPX Energy Technologies Limited, India	0.66	3.85	3.70
Loans given (including security deposit)			
Thermax Engineering Construction Company Limited, India	31.00	14.00	-
Trade payables			
Thermax Engineering Construction Company Limited, India	22.40	8.56	19.01
Thermax Instrumentation Limited, India	18.30	6.74	13.52
Thermax SPX Energy Technologies Limited, India	3.20	15.89	0.64
Thermax (Zhejiang) Cooling & Heating Engineering Company Limited., China	3.05	6.22	6.23
Advances received			
Thermax Onsite Energy Solutions Limited, India	0.16	1.57	-
Thermax Inc., U.S.A.	4.79	5.46	-
Guarantee/ Letter of comfort given on behalf of subsidiaries and joint ventures*	187.93	308.36	297.10

* For details of guarantee/ letter of comfort given on behalf on subsidiaries and joint ventures, refer note 33

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

II. Commitments

Pursuant to the agreement between the Company, First Energy Private Limited, India (FEPL) and the shareholders of FEPL, the Company has a call option to increase its equity holding in FEPL upto 76% and counter party has corresponding put option. This commitment and the related consideration is subject to certain pre-conditions, including conditions linked to future performance, and timelines, which are not disclosed due to sensitivity of the information.

III. Terms and conditions for outstanding balances

1. All outstanding balances are unsecured and repayable in cash.
2. Loan to joint venture has been given on a short-term basis at market rates of interest.

IV. Terms and conditions of related party transactions

The sales to and purchases from related parties are assessed to be at arm's length transactions by the management. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2016: Rs. Nil, April 1, 2015: Rs. Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

36 Segment information

In accordance with para 4 of Ind AS 108 "Operating Segments", the company has disclosed segment information in the consolidated financial statements.

37 Fair value measurements

a) Category of financial instruments and valuation techniques

Break-up of financial assets carried at amortised cost

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade receivables	1,033.63	1,275.13	1,476.50
Loans	50.75	36.97	18.00
Other financial assets	468.29	395.22	381.37
Cash and cash equivalents	68.20	66.84	48.07
Bank balances other than cash and cash equivalents	2.73	111.52	209.14
Total	**1,623.60**	**1,885.68**	**2,133.08**
Current assets	1,533.39	1,825.68	2,043.93
Non-current assets	90.21	60.00	89.15
Total	**1,623.60**	**1,885.68**	**2,133.08**

The management has assessed that the carrying amounts of the above financial instruments approximate their fair values.

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Break-up of financial assets carried at fair value through profit and loss

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Investments	846.76	909.25	791.21
Total	**846.76**	**909.25**	**791.21**
Current assets	764.73	839.04	783.38
Non-current assets	82.03	70.21	7.83
Total	**846.76**	**909.25**	**791.21**

a. The fair values of the quoted shares and mutual funds are based on price quotations at the reporting date.

Break-up of derivative assets

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Derivative instruments			
Cash flow hedges			
Foreign exchange forward contracts	2.52	-	-
Derivative not designated as hedges			
Foreign exchange forward contracts	59.72	20.95	16.48
Total	**62.24**	**20.95**	**16.48**
Current assets	62.24	20.95	16.48
Non-current assets	-	-	-
Total	**62.24**	**20.95**	**16.48**

Break up of financial liabilities carried at amortised cost

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Borrowings	66.22	91.30	104.93
Trade payable	958.61	851.24	878.93
Employee related payables	54.63	58.31	56.90
Other liabilities	19.60	88.33	70.37
Total	**1,099.06**	**1,089.18**	**1,111.13**
Current liabilities	1,063.49	1,062.06	1,100.54
Non-current liabilities	35.57	27.12	10.59
Total	**1,099.06**	**1,089.18**	**1,111.13**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

The management has assessed that the carrying amounts of the above financial instruments approximate their fair values.

The Company enters into derivative financial instruments with banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs which captures credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Company's own non-performance risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Break-up of derivative liabilities

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Derivative instruments			
Cash flow hedges			
Foreign exchange forward contracts	21.76	1.38	2.73
Derivative not designated as hedges			
Foreign exchange forward contracts	0.54	-	-
Total	**22.30**	**1.38**	**2.73**
Current liabilities	22.30	1.38	2.73
Non-current liabilities	-	-	-
Total	**22.30**	**1.38**	**2.73**

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

b) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2017

	Date of valuation	Level 1	Level 2	Level 3 *
Financial assets				
Investments				
Equity instruments	March 31, 2017	0.40	-	-
Preference shares	March 31, 2017	-	-	14.19
Mutual funds	March 31, 2017	-	832.17	-
Derivative financial assets	March 31, 2017	-	62.24	-
Financial liabilities				
Derivative financial liabilities	March 31, 2017	-	22.30	-

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2016

	Date of valuation	Level 1	Level 2	Level 3 *
Financial assets				
Investments				
Equity instruments	March 31, 2016	0.47	-	-
Preference shares	March 31, 2016	-	-	8.16
Mutual funds	March 31, 2016	-	900.62	-
Derivative financial assets	March 31, 2016	-	20.95	-
Financial liabilities				
Derivative financial liabilities	March 31, 2016	-	1.38	-

Quantitative disclosures fair value measurement hierarchy for assets as at April 1, 2015

	Date of valuation	Level 1	Level 2	Level 3 *
Financial assets				
Investments				
Equity instruments	1 April 2015	0.45	-	-
Preference shares	1 April 2015	-	-	7.38
Mutual funds	1 April 2015	-	783.38	-
Derivative financial assets	1 April 2015	-	16.48	-
Financial liabilities				
Derivative financial liabilities	1 April 2015	-	2.73	-

There has been no transfer between level 1 and level 2 during the year.

* The movement in Level 3 is on account of Interest accretion

38(a) Financial risk management

The Company's principal financial liabilities, other than derivatives, comprise trade and other payables and loans and borrowings. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables and cash and cash equivalents that derive directly from its operations. The Company also holds FVTPL investments and enters into derivative transactions.

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to market risk, credit risk and liquidity risk.

The Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No significant changes were made in the risk management objectives and policies during the years ended March 31, 2017 and March 31, 2016. The management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

I Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

a Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed significantly to such risk.

b Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk is managed on the basis of limits determined by management and a continuous assessment of current and expected exchange rate movements and entering into derivative contracts that hedge the maximum period of exposure of underlying transactions (i.e. highly probable forecast sales and purchases).

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, SEK and EUR exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives not designated as cash flow hedge and foreign currency derivatives with underlying foreign currency monetary assets/liabilities designated as cash flow hedge. The impact on the Company's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

	Impact on profit before tax		Impact on other components of equity	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
USD Sensitivity				
INR/ USD - Increase by 1%	0.69	1.14	(7.93)	(5.61)
INR/ USD - Decrease by 1%	(0.69)	(1.14)	7.93	5.61
SEK Sensitivity				
INR/ SEK - Increase by 1%	0.08	-	(0.47)	-
INR/ SEK - Decrease by 1%	(0.08)	-	0.47	-
EURO Sensitivity				
INR/ EUR - Increase by 1%	0.16	0.08	(0.12)	0.09
INR/ EUR - Decrease by 1%	(0.16)	(0.08)	0.12	(0.09)

Favourable impact shown as positive and adverse impact as negative.
The exposure to other foreign currencies is not significant to the company's financial statements.

c Price risk

The Company's equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. These securities are unquoted. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

II Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables and contract assets) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on individual credit limits and risk of potential default based on defined credit risk parameters. An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous group and assessed for impairment collectively. The calculation is based on losses as per historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in notes 7 and 9(b) above. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and bank deposits

Credit risk from balances with banks, mutual funds, loans and other financial assets are managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties having a good market reputation and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for bank balances and deposits as at March 31, 2017, March 31, 2016 and April 1, 2015 is the carrying amounts as disclosed in Note 9(a) and 13, maximum exposure relating to financial guarantees is disclosed in note 33 and financial derivative instruments in notes 9(b) and 18(b) to the financial statements.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

III Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at operating segments level in the Company in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting future cash flows and considering the level of liquid assets necessary to meet these and monitoring balance sheet liquidity ratios against internal requirements.

(i) Maturities of financial liabilities

The tables below summarises the company's financial liabilities into relevant maturity profile based on contractual undiscounted payments :

March 31, 2017	< 1 year	1 to 3 years	> 3 years
Non- derivative			
Borrowings	66.22	-	-
Trade Payables	924.51	34.10	-
Other financial liabilities			
Current maturities of long-term borrowings	-	-	-
Interest accrued but not due on loans	-	-	-
Unpaid dividend	0.77	-	-
Financial guarantee	-	-	-
Other payables	71.99	1.47	-
Derivatives (net settled)			
Foreign exchange forward contracts	22.30	-	-
March 31, 2016	**< 1 year**	**1 to 3 years**	**> 3 years**
Non- derivative			
Borrowings	90.75	0.55	-
Trade Payables	826.14	25.10	-
Other financial liabilities			
Current maturities of long-term borrowings	0.17	-	-
Interest accrued but not due on loans	0.05	-	-
Unpaid dividend	0.72	-	-
Financial guarantee	-	-	-
Other payables	144.23	1.47	-
Derivatives (net settled)			
Foreign exchange forward contracts	1.38	-	-
April 1, 2015	**< 1 year**	**1 to 3 years**	**> 3 years**
Non- derivative			
Borrowings	104.21	0.72	-
Trade Payables	870.53	8.40	-
Other financial liabilities			
Current maturities of long-term borrowings	0.11	-	-
Interest accrued but not due on loans	0.04	-	-
Unpaid dividend	0.75	-	-
Financial guarantee	1.78	-	-
Other payables	123.12	1.47	-
Derivatives (net settled)			
Foreign exchange forward contracts	2.73	-	-

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

38(b) Hedging activities and derivatives

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales in EUR, USD, SEK, and forecast purchases in USD, SEK, JPY, USD . These forecast transactions are highly probable, and fully cover the Company's expected future sales and future purchases based on the orders received.

While the Company also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

Particulars	March 31, 2017		March 31, 2016		April 1, 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair Value of Foreign exchange forward contracts designated as hedging instruments	62.24	(22.30)	20.95	(1.38)	16.48	(2.73)

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arise requiring recognition through profit or loss. Notional amounts are as mentioned below.

Particulars	March 31, 2017		March 31, 2016		April 1, 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedge						
Foreign exchange forward contracts	1,170.01	(19.82)	904.03	(34.62)	1,286.82	(68.17)
Derivatives not designated as hedges						
Foreign exchange forward contracts	13.16	(0.07)	-	-	-	-

All the derivative contracts expire in next 12 months.

The cash flow hedges of the expected future sales during the year ended March 31, 2017 were assessed to be highly effective and a net unrealised gain of Rs. 41.45, with a deferred tax liability of Rs.14.35 relating to the hedging instruments, is included in OCI. Comparatively, the cash flow hedges of the expected future sales during the year ended March 31, 2016 were assessed to be highly effective and an unrealised gain of Rs. 13.34 with a deferred tax liability of Rs. 4.62 was included in OCI in respect of these contracts.

The cash flow hedges of the expected future purchases during the year ended March 31, 2017 were assessed to be highly effective, and as at 31 March 2017, a net unrealised loss of Rs. 11.60 with a related deferred tax asset of Rs. 4.02 was included in OCI in respect of these contracts. Comparatively, the cash flow hedges of the expected future purchases during the year ended March 31, 2016 were also assessed to be highly effective and an unrealised gain of Rs. 0.23 with a deferred tax liability of Rs. 0.08 was included in OCI in respect of these contracts.

The amounts retained in OCI at March 31, 2017 are expected to mature and affect the statement of profit and loss during the year ended March 31, 2018.

Reclassifications to profit or loss during the year gains or losses included in OCI are shown in Note 30.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

39 Capital Management

The Company's objective for capital management is to maximise shareholder value, safeguard business continuity and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long- term and other strategic investment plans. The funding requirements are met through equity and operating cash flows generated. No changes were made in the objectives, policies or processes during the years ended March 31, 2017 and March 31, 2016. Capital represents equity attributable to equity holders of the Parent Company.

	March 31, 2017	March 31, 2016	April 1, 2015
Borrowings	66.22	91.30	104.93
Trade payables	958.61	851.24	878.93
Book overdraft	-	79.01	59.26
Less: Cash and cash equivalents	(70.93)	(178.36)	(257.21)
Net debt	**953.90**	**843.19**	**785.91**
Equity	2,409.76	2,342.15	2,147.15
Capital and net debt	**3,363.66**	**3,185.34**	**2,933.06**
Gearing ratio	**1:3.53**	**1:3.78**	**1:3.73**

40 Impairment of Investment in Subsidiaries and Joint Venture

The Management has assessed the recoverability of its investment in Thermax Babcock & Wilcox Energy Solutions Private Limited, a joint venture, following continued losses on account of low demand, fewer committed orders resulting in lower capacity utilization and intense competition. Consequently, the investment has been impaired by Rs. 111.84 and the related charge has been disclosed as an exceptional item in the statement of profit and loss.

The significant judgements used by an independent valuer in the valuation of the entity mainly include the government published land rates for industrial property in the vicinity of the property under valuation, estimated remaining useful life, cost of construction for similar buildings and replacement cost of the buildings, and price trends in the cost of plant and machinery.

First Energy Private Limited (FEPL), a subsidiary, witnessed significant deterioration due to structural change in energy price dynamics and delayed recoveries from customers. The Company therefore tested the investment in FEPL for impairment as at the year-end. The recoverable value has been determined based on value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a 5-year period. The projected cash flows have been updated to reflect the decreased demand for the products and services. The pre-tax discount rate applied to cash flow projections is 18% and the cash flows beyond the 5-year period have been extrapolated using a long-term average growth rate of 4%. As a result of this analysis, The Company has recorded an impairment loss of Rs. 16 which has been presented as an exceptional item in the Statement of profit and loss.

The Management has assessed the recoverability of its investment in Thermax (Zhejiang) Cooling & Heating Engineering Company Ltd., a subsidiary in China, following continued losses on account of low demand resulting in lower capacity utilization and intense competition. Consequently, the investment has been impaired by Rs. 5 and the related charge has been disclosed as an exceptional item in the statement of profit and loss.

Total impairment of investments on subsidiaries and joint venture presented as an exceptional item in the Statement of Profit and Loss amounts to Rs. 132.84.

41(a) Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments)

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows' and IFRS 2, 'Share-based payment,' respectively. The amendments are applicable to the company from April 1, 2017.

Amendment to Ind AS 7 :

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of separate financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. Application of these amendment will result in additional disclosures in the financial statement.

Amendment to Ind AS 102 :

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes. It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

The Company has evaluated the requirements of the amendment and concluded that there is no impact on the separate financial statements.

41(b) Event after reporting date

The Company, through its step-down subsidiary in Denmark, has acquired 100% stake in Barite Investments SP. Z.O.O., Poland ("Barite") from Weiss SP. Z.O.O. in Poland. With this, Barite became a step-down subsidiary of the Company. Subsequent to March 31, 2017, as part of a definitive agreement entered into with Weiss SP. Z.O.O. in Poland, Thermax acquired the assets and production activities related to boiler manufacturing. The transaction was completed on May 4, 2017, on which date the control has been transferred to the Company for a total consideration of Rs 23 Crores and is payable in cash.

The initial accounting of the transaction has not been completed till the date of authorization of these financial statements given a short time period between the acquisition date and the date of authorization of the financial statements. Accordingly, the acquisition date fair values of each major classes of assets acquired and liabilities assumed, including the computation of Goodwill, if any cannot be presented.

The Company expects to finalize identifying and measuring the identifiable assets acquired and liabilities assumed at their acquisition date fair value within the measurement period of 12 months from the date of acquisition as defined in Ind AS 103.

42 First-time adoption

Transition to Ind AS

These financial statements for the year ended March 31, 2017, are the first financial statements prepared in accordance with Ind AS. For all periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable as at March 31, 2017, together with the comparative period data for the year ended March 31, 2016, as described in note 2.1 above. In preparing these financial statements, the Company's opening balance sheet was prepared as at April 1, 2015, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the year ended March 31, 2016.

Ind AS 101 allows first-time adopters certain exemptions/ exceptions from the retrospective application of certain requirements under Ind AS as follows:

i) Leases

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used Ind AS 101 exemption and assessed all arrangement based for embedded leases based on conditions in place as at the date of transition.

ii) Deemed cost

Ind AS 101 permits a first time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and Capital work-in-progress and intangible assets under development. Accordingly, the Company has elected to measure all of its property, plant and equipment, intangible assets, capital work-in-progress and intangible assets under development at their Previous GAAP carrying value.

iii) Designation of previously recognised financial instruments

Financial assets and financial liabilities are classified at fair value through profit and loss or fair value through other comprehensive income based on facts and circumstances as at the date of transition to Ind AS i.e. April 1, 2015. Financial assets and liabilities are recognised at fair value as at the date of transition to Ind AS i.e. April 1, 2015 and not from the date of initial recognition.

iv) Investments in subsidiaries and joint ventures

The Company has elected to apply previous GAAP carrying amount for its investment in subsidiaries and joint ventures as deemed cost at the date of transition to Ind-AS, except for investment in Thermax (Zhejiang) Cooling & Heating Engineering Company Limited (a subsidiary) and Thermax Babcock & Wilcox Energy Solutions Private Limited (a joint venture) where the Company has elected to use fair value as deemed cost on the date of transition to Ind-AS.

v) Estimates

The estimates as at April 1, 2015 and March 31, 2016 are consistent with those made for the same dates in accordance with Indian GAAP except impairment of financial assets based on expected credit loss model and unquoted equity shares at fair value through profit and loss. The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at April 1, 2015 the date of transition to Ind AS and as of March 31, 2016.

vi) Hedge accounting

The Company uses derivative financial instruments namely forward currency contracts, to hedge its foreign currency risks. Under Previous GAAP, there was no mandatory standard that deals comprehensively with hedge accounting, which has resulted in the adoption of varying practices. The Company has designated various economic hedges and applied economic hedge accounting principles to avoid profit or loss mismatch. All the hedges designated under Indian GAAP are of types which qualify for hedge accounting in accordance with Ind AS

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

109 also. Moreover, the Company, before the date of transition to Ind AS, has designated a transaction as hedge and also meets all the conditions for hedge accounting in Ind AS 109. Consequently, the Company continues to apply hedge accounting after the date of transition to Ind AS.

vii) Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

Reconciliation of total equity as at March 31, 2016 and April 1, 2015

	Particulars	Note to first-time adoption	March 31, 2016	April 1, 2015
	Total Equity as per previous GAAP		2,487.12	2,266.82
	Ind-AS Adjustments [Increase in Equity/ (Decrease in Equity)]			
i.	Derecognition of Proposed Dividend as the same will now be recognized in the year of declaration under Ind-AS	a	86.04	100.39
ii.	Change on account of fair value adjustments on financial instruments	b	4.21	(1.83)
iii.	Fair valuation of investment in preference share	b	(1.87)	(2.65)
iv.	Provision for expected credit loss under Ind-AS 109	c	(156.25)	(135.57)
v.	Fair Value as Deemed Cost for Investment in Subsidiaries & Joint ventures	d	(130.00)	(130.00)
vi.	Others	e	2.20	3.94
vii.	Impact on deferred taxes of above adjustments	f	50.70	43.40
	Total Ind-AS adjustments		**(144.97)**	**(119.67)**
	Total Equity as per Ind-AS		**2,342.15**	**2,147.15**

Reconciliation of total comprehensive income for the year ended March 31, 2016

	Description	Note to first-time adoption	Year ended March 31, 2016
	Net profit after tax under previous GAAP		**305.52**
	Ind AS adjustments [Increase in profits / (decrease in profits)]		
i.	Actuarial loss transferred to OCI	g	4.03
ii.	Impact of expected credit loss	c	(20.68)
iii.	Change in FV on investments in current instruments and financial guarantee	b	3.39
iv.	Change in FV an investments in preference shares	b	0.78
v.	Others	e	(1.74)
vi.	Tax impact of above adjustments	f	6.19
	Total of adjustments		**(8.03)**
	Net profit after tax as per Ind AS		**297.49**
	Other Comprehensive Income (net of taxes)	h	(2.10)
	Total Comprehensive Income as per Ind-AS		**295.39**

Notes to first-time adoption

a Proposed dividend

Under Previous GAAP, proposed dividends including Dividend Distribution Tax (DDT) are recognised as a liability in the period to which they relate, irrespective of when they are declared. Under Ind AS, a proposed dividend is recognised as a liability in the period in which it is declared by the company (usually when approved by shareholders in a general meeting) or paid.

In the case of the Company, the declaration of dividend occurs after period end. Therefore, the liability of Rs. 86.04 for the year ended on March 31, 2016 (April 1, 2015 Rs. 100.39) recorded for dividend has been reversed with corresponding adjustment to retained earnings. Correspondingly, total equity increased by this amount.

b Fair value adjustments on financial instruments

Current investments: Under Previous GAAP, current investments in equity instruments such as mutual funds are recognized at cost or net realizable value, whichever is lower. Long-term investments in equity instruments were recorded at cost less provision for other than temporary decline in the value of investments. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments have been recognised in retained earnings as at the date of transition and subsequently in Statement of profit and loss for the year ended March 31, 2016. This resulted in an increase in retained earnings as at March 31, 2016 by Rs 1.61 (April 1, 2015: Rs 0.82).

Financial guarantees: The Company has issued certain financial guarantees to banks in relation to loans availed by a joint venture from these banks. Ind-AS requires liability from such financial guarantees to be recorded initially at fair value. This has no impact on equity as on the date of transition. However, the amortisation of financial guarantee has resulted in a gain amounting to Rs 1.78 for the year ended March 31, 2016 as the loan is repaid by the joint venture.

Investment in preference shares of a subsidiary: The Company's investment in preference shares of one of its subsidiaries, Thermax Instrumentation Limited, is fair valued on initial recognition which resulted in a fair value adjustment of Rs. 2.65 resulting a decrease in the retained earnings as on the transition date. According to the Company's accounting policy, this difference has been adjusted to the retained earnings on the economic substance of the adjustment. The fair value adjustment on account of interest accretion for the year ended March 31, 2016 amounted to Rs 0.78 which has been charged to the Statement of profit and loss.

c Provision for expected credit loss under Ind AS 109

Under Previous GAAP, the Company has created provision for impairment of receivables and contract assets i.e. unbilled revenue consists only in respect of specific amount for incurred losses. Under Ind AS, impairment allowance has been determined based on Expected Credit Loss (ECL) model. The total ECL provision amounting to Rs 135.57 considered as on the transition date has been adjusted against the retained earnings. The impact of Rs 20.68 for the year ended March 31, 2016 has been charged off to the Statement of profit and loss.

d Fair value as deemed cost for investment in subsidiaries and joint ventures

Ind-AS 101 allows considering fair value as deemed cost for the Company's investment in subsidiaries, associates and joint ventures. This choice is available for each investment individually. The deemed cost for all investment in equity instruments has been considered as the cost under the Previous GAAP except for Thermax (Zhejiang) Cooling & Heating Engineering Company Limited (a subsidiary) and Thermax Babcock & Wilcox Energy Solutions Private Limited (a joint venture) wherein the Company has their fair value as the deemed cost. Consequently, a total fair value adjustment amounting to Rs 130 has been considered as on the transition date thereby leading to a decrease in retained earnings as on that date.

Notes to separate financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Aggregate cost of investments for which deemed cost is their previous GAAP carrying value	458.14
Aggregate cost of investments for which deemed cost is their fair value	328.14
Aggregate adjustments to previous GAAP value	130.00

e Others

These adjustments pertain to the provisions which under the Previous GAAP were accounted for at the undiscounted amount. In contrast, Ind AS 37 requires that where the effect of time value of money is material, the amount of provision should be the present value of the expenditures expected to be required to settle the obligation. The discount rate should not reflect risks for which future cash flow estimates have been adjusted. Ind AS 37 also provides that where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as borrowing cost. This led to a decrease in provision on the date of transition by Rs. 4.35 which was adjusted against retained earnings. The corresponding adjustment for the year ended March 31, 2016 led to a decrease in provision by Rs 2.93 which was taken to the Statement of profit and loss.

The adjustment also includes provision for decommissioning liabilities on lease hold land as required under Ind AS 16 added to the cost of property, plant and equipment amounting to Rs. 0.41 which was adjusted against the retained earnings. The corresponding adjustment for the year ended March 31, 2016 amounted to loss of Rs. 0.32 which was taken to the Statement of Profit and Loss.

f Deferred tax

The various transitional adjustments have led to temporary differences and accordingly, the Company has accounted for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

g Actuarial loss transferred to Other Comprehensive Income

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of statement of profit and loss. As a result of this change, the profit for the year ended March 31, 2016 has increased by Rs. 4.03. There is no impact on total equity.

h Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit and loss but are shown in the Statement of profit and loss as 'other comprehensive income' includes remeasurements of defined benefit plans and net gain on cash flow hedge

The concept of other comprehensive income did not exist under the Previous GAAP.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Reg No.324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 30, 2017

For B. K. Khare & Co.
Chartered Accountants
ICAI Firm Reg No.105102W

per H. P. Mahajani
Partner
Membership No. 030168

Place: Pune
Date: May 30, 2017

For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
Chairperson
DIN: 00019581

M. S. Unnikrishnan
Managing Director & CEO
DIN: 01460245

Amitabha Mukhopadhyay
Executive Vice President
& Group Chief Financial Officer
Place: Pune
Date: May 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of Thermax Limited

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of Thermax Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and joint venture companies, comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss (including the Statement of other comprehensive income), the consolidated Cash Flow Statement, the consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Ind AS financial statements in terms of the requirement of the Companies Act, 2013 ("the Act")that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated cash flows and consolidated statement of changes in equity of the Group including Joint venture companies in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and joint venture companies are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its joint venture companies and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the Accounting and Auditing Standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. 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 Consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the Consolidated Ind AS 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 the Holding Company's Board of Directors, as well as evaluating the overall presentation of the Consolidated Ind AS financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and joint venture companies, the aforesaid Consolidated Ind AS 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 of the consolidated state of affairs of the Group and joint venture companies as at March 31, 2017, their consolidated profit including other comprehensive income, and their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Emphasis of Matter

We draw attention to note 32A(a) of the Consolidated Ind AS financial statements, relating to the demand orders on the holding company of the Group for Rs.1,330.64 crores (including a penalty of Rs.325.29 crores and excluding interest not presently quantified) by the Commissioner of Excise, Pune. The holding company of the Group has filed an appeal against the said orders. Our report is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, based on our audit and on the consideration of report of the other auditors on financial statements and the other financial information of subsidiaries and joint venture companies, as noted in the 'Other Matter' paragraph we report, to the extent applicable, that:

(a) We / the other auditors whose reports we have relied upon, have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid Consolidated Ind AS financial statements;

(b) In our opinion proper books of account as required by law relating to preparation of the aforesaid Consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the consolidated Cash Flow Statement and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid Consolidated Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended;

(e) The matter described under the Emphasis of Matters paragraph above, in our opinion, may have an adverse effect on the functioning of the Group;

(f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies and joint venture companies incorporated in India, none of the directors of the Group's companies and joint venture companies incorporated in India is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

(g) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary companies and joint venture companies incorporated in India, refer to our separate report in "Annexure 1" to this report;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and joint venture companies, as noted in the 'Other Matters' paragraph:

  i. The Consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group and joint venture companies– Refer Note 32 to the Consolidated Ind AS financial statements;

  ii. Provision has been made in the Consolidated Ind AS financial statements, as required under the applicable law or Accounting Standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 19(a) to the Consolidated Ind AS financial statements in respect of such items as it relates to the Group and joint venture companies;

  iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries and joint venture companies incorporated in India during the year ended March 31, 2017.

iv. The Holding Company and its subsidiaries incorporated in India, have provided requisite disclosures in Note 13(c) to these Consolidated Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation of the Holding Company regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of account maintained by the Group incorporated in India and as produced to us by the Management of the Holding Company.

Other Matters

(a) We did not audit the financial statements and other financial information, in respect of 22 subsidiaries, whose Ind AS financial statements include total assets of Rs 1,047.29 crores and net assets of Rs 685.26 crores as at March 31, 2017, and total revenues of Rs 179.34 crores and net cash inflows of Rs 22.12 crores for the year ended on that date. These financial statement and other financial information have been audited either by one of us or by other auditors, whose financial statements, other financial information and auditor's reports have been furnished to us by the management. The Consolidated Ind AS financial statements also include the Group's share of net loss of Rs. 64.54 crores for the year ended March 31, 2017, as considered in the Consolidated Ind AS financial statements, in respect of 2 joint venture companies, whose financial statements, other financial information have been audited by one of us and whose reports have been furnished to us by the Management. Our opinion on the Consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and joint venture companies, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and joint venture companies, is based solely on the report(s) of such other auditors.

(b) Our above opinion on the Consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No.: 501160

Place : Pune
Date: May 30, 2017

For **B. K. Khare & Co**
Chartered Accountants
ICAI Firm registration number:105102W

per H.P. Mahajani
Partner
Membership No.: 030168

Place : Pune
Date: May 30, 2017

ANNEXURE 1 REFERRED TO IN PARAGRAPH 2(G) UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF THERMAX LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (‘the Act’)

In conjunction with our audit of the consolidated Ind AS financial statements of Thermax Limited as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Thermax Limited (hereinafter referred to as the “Holding Company”), its subsidiary companies, and its joint venture companies, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary companies, and its joint venture companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on the company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company, its subsidiary companies and its joint venture companies which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Holding Company, insofar as it relates to these 4 subsidiary companies, and 2 joint venture companies which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary and joint venture companies incorporated in India.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No.: 501160

Place : Pune
Date: May 30, 2017

For **B. K. Khare & Co**
Chartered Accountants
ICAI Firm registration number:105102W

per H.P. Mahajani
Partner
Membership No.: 030168

Place : Pune
Date: May 30, 2017

Consolidated Balance Sheet as at March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Particulars	Note No.	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Assets				
I. Non-current assets				
Property, plant and equipment	4 (a)	668.17	689.47	670.48
Capital work-in-progress	4 (a)	138.47	27.80	17.10
Goodwill	4 (b)	105.74	114.91	102.29
Other intangible assets	4 (b)	36.82	22.93	26.93
Intangible assets under development	4 (b)	2.83	32.21	25.27
Investment in joint ventures	5	216.11	122.58	86.57
Financial assets:				
(a) Investments	6 (a)	67.86	62.07	0.47
(b) Trade receivables	7 (a)	83.57	52.89	84.87
(c) Loans	8 (a)	16.08	16.40	15.76
(d) Finance lease receivables	33	39.16	42.94	34.02
(e) Other financial assets	9 (a)	0.26	0.20	0.20
Deferred tax assets (net)	10	115.34	120.40	74.27
Income tax assets (net)		70.89	95.22	142.87
Other non-current assets	11 (a)	201.81	171.00	115.56
Total non-current assets		**1,763.11**	**1,571.02**	**1,396.66**
II. Current assets				
Inventories	12	283.25	290.32	377.58
Financial assets:				
(a) Investments	6 (b)	799.07	865.16	803.89
(b) Trade receivables	7 (b)	1,034.24	1,334.09	1,536.70
(c) Cash and cash equivalents	13 (a)	173.01	149.40	111.11
(d) Bank balances other than (c) above	13 (b)	47.98	148.24	258.23
(e) Loans	8 (b)	10.40	14.50	9.37
(f) Finance lease receivables	33	3.48	3.46	2.70
(g) Other financial assets	9 (b)	642.65	536.80	448.26
Income tax assets (net)		18.99	27.46	27.77
Other current assets	11 (b)	284.29	240.57	255.60
Total current assets		**3,297.36**	**3,610.00**	**3,831.21**
Total assets		**5,060.47**	**5,181.02**	**5,227.87**
Equity and liabilities				
III. Equity				
Equity share capital	14	22.52	22.52	22.52
Other equity	15(a)	2,515.10	2,393.64	2,185.10
Equity attributable to equity shareholders of parent		**2,537.62**	**2,416.16**	**2,207.62**
Non-controlling interest		1.39	-	-
Total equity		**2,539.01**	**2,416.16**	**2,207.62**
IV. Non-current liabilities				
Financial liabilities:				
(a) Borrowings	16 (a)	46.02	34.23	52.36
(b) Trade payables	17 (a)	47.45	48.80	27.31
(c) Other financial liabilities	18 (a)	4.78	3.95	3.42
Provisions	19 (a)	10.16	5.57	7.38
Deferred tax liabilities (net)	10	16.01	15.50	11.45
Other non-current liabilities	20 (a)	31.81	41.52	40.04
Total non-current liabilities		**156.23**	**149.57**	**141.96**
V. Current liabilities				
Financial liabilities:				
(a) Borrowings	16 (b)	85.27	137.94	125.25
(b) Trade payables	17 (b)	1,004.19	947.61	946.63
(c) Other current financial liabilities	18 (b)	117.43	184.30	159.71
Provisions	19 (b)	149.44	142.90	144.26
Other current liabilities	20 (b)	991.73	1,149.84	1,415.76
Income tax liabilities (net)		17.17	52.70	86.68
Total current liabilities		**2,365.23**	**2,615.29**	**2,878.29**
Total equity and liabilities		**5,060.47**	**5,181.02**	**5,227.87**
Summary of significant accounting policies	2			
Summary of significant accounting judgements, estimates and assumptions	3			

The accompanying notes are an integral part of these financial statements.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Reg No.324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 30, 2017

For B. K. Khare & Co.
Chartered Accountants
ICAI Firm Reg No.105102W

per H. P. Mahajani
Partner
Membership No. 030168

Place: Pune
Date: May 30, 2017

For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
Chairperson
DIN: 00019581

M. S. Unnikrishnan
Managing Director & CEO
DIN: 01460245

Amitabha Mukhopadhyay
Executive Vice President
& Group Chief Financial Officer

Place: Pune
Date: May 30, 2017

Consolidated Statement of profit and loss for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Particulars	Note No.	March 31, 2017	March 31, 2016
Income			
Revenue from operations	21	4,589.72	5,265.60
Other income	22	114.05	122.41
Total Income (I)		**4,703.77**	**5,388.01**
Expenses			
Cost of raw materials and components consumed	23	2,166.98	2,683.33
Purchase of traded goods		76.68	67.39
Decrease / (Increase) in inventories of finished goods, work-in-progress and traded goods	24	20.49	(10.92)
Excise duty on sale of goods		106.64	120.64
Employee benefits expense	25	686.40	659.74
Finance cost	26	9.71	12.19
Depreciation and amortisation expense	27	81.90	72.24
Other expenses	28(a)	1,099.54	1,316.30
Total expenses (II)		**4,248.34**	**4,920.91**
Profit before exceptional items, share of loss of joint ventures and tax (III) = (I-II)		**455.43**	**467.10**
Exceptional items (IV)	37 B(c)	(17.84)	-
Profit before share of loss of joint ventures and tax (V) = (III-IV)		**437.59**	**467.10**
Tax expense	10		
Current tax		154.85	186.30
Deferred tax		1.14	(42.36)
Total tax expense		**155.99**	**143.94**
Profit after tax		**281.60**	**323.16**
Share of loss on joint ventures	38	(65.46)	(40.89)
Profit for the year		**216.14**	**282.27**
Other comprehensive income			
A. Items that will be reclassified subsequently to profit or loss	30		
Share of OCI [cash flow hedge (net of tax)] of Joint Venture		(4.79)	4.80
Net gain on cash flow hedges		22.88	1.77
Less: Income tax effect		(7.66)	(0.28)
		10.43	6.29
Exchange differences on translation of foreign operations		(24.35)	18.68
		(24.35)	18.68
		(13.92)	**24.97**
B. Items that will not be reclassified subsequently to profit or loss	30		
Re-measurement expense of defined benefit plan expense		(8.22)	(4.41)
Less: Income tax effect		2.99	1.52
		(5.23)	**(2.89)**
Net other comprehensive income for the year (net of tax)		**(19.15)**	**22.08**
Total comprehensive income for the year		**196.99**	**304.35**
Profit for the year			
Attributable to :			
Equity holders of the parent		223.01	282.27
Non-controlling interest		(6.87)	-
Other comprehensive income for the year			
Attributable to :			
Equity holders of the parent		(19.15)	22.08
Non-controlling interest		-	-
Total comprehensive income for the year			
Attributable to :			
Equity holders of the parent		203.86	304.35
Non-controlling interest		(6.87)	-
Earning per equity share [Nominal value per share Rs.2/- each (March 31, 2016: Rs.2/-)]	29		
Basic and Diluted		**19.80**	**25.07**
Summary of significant accounting policies	2		
Summary of significant accounting judgements, estimates and assumptions	3		
The accompanying notes are an integral part of these financial statements.			

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Reg No.324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 30, 2017

For B. K. Khare & Co.
Chartered Accountants
ICAI Firm Reg No.105102W

per H. P. Mahajani
Partner
Membership No. 030168

Place: Pune
Date: May 30, 2017

For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
Chairperson
DIN: 00019581

M. S. Unnikrishnan
Managing Director & CEO
DIN: 01460245

Amitabha Mukhopadhyay
Executive Vice President
& Group Chief Financial Officer

Place: Pune
Date: May 30, 2017

Consolidated Statement of Changes in Equity for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

A Equity Share Capital

Particulars	Notes No	March 31, 2017	March 31, 2016	April 1, 2015
Balance at the beginning of the year	14	22.52	22.52	22.52
Changes in equity shares capital during the year	14	-	-	-
Balance at the end of the year	14	**22.52**	**22.52**	**22.52**

B Other Equity

Particulars	Reserves and surplus					Items of OCI		Total Reserves and Surplus (including items of OCI)	Non-controlling interest	Total other equity
	General reserve	Capital reserve	Capital redemption reserve	Retained earnings	Securities premium account	Foreign currency translation reserve	Cash flow hedge reserve			
As at April 1, 2015	**435.08**	**17.82**	**50.34**	**1,614.94**	**57.28**	**-**	**9.64**	**2,185.10**	**-**	**2,185.10**
Profit for the year	-	-	-	282.27	-	-	-	**282.27**	-	**282.27**
Other Comprehensive Income (net)	-	-	-	(2.89)	-	18.68	6.29	**22.08**	-	**22.08**
Total comprehensive income	**-**	**-**	**-**	**279.38**	**-**	**18.68**	**6.29**	**304.35**	**-**	**304.35**
Dividends paid	-	-	-	(78.83)	-	-	-	**(78.83)**	-	**(78.83)**
Dividend distribution tax paid	-	-	-	(16.98)	-	-	-	**(16.98)**	-	**(16.98)**
As at March 31, 2016	**435.08**	**17.82**	**50.34**	**1,798.51**	**57.28**	**18.68**	**15.92**	**2,393.64**	**-**	**2,393.64**
Profit for the year	-	-	-	223.01	-	-	-	**223.01**	(6.87)	**216.14**
Other Comprehensive Income (net)	-	-	-	(5.23)	-	(24.35)	10.43	**(19.15)**	-	**(19.15)**
Total comprehensive income	**-**	**-**	**-**	**217.78**	**-**	**(24.35)**	**10.43**	**203.86**	**(6.87)**	**196.99**
Acquisition of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8.26**	**8.26**
Transfer to general reserve	0.23	-	-	(0.23)	-	-	-	-	-	**-**
Dividends paid	-	-	-	(67.84)	-	-	-	**(67.84)**	-	**(67.84)**
Dividend distribution tax paid	-	-	-	(14.55)	-	-	-	**(14.55)**	-	**(14.55)**
As at March 31, 2017	**435.31**	**17.82**	**50.34**	**1,933.67**	**57.28**	**(5.67)**	**26.36**	**2,515.10**	**1.39**	**2,516.49**

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Reg No.324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 30, 2017

For B. K. Khare & Co.
Chartered Accountants
ICAI Firm Reg No.105102W

per H. P. Mahajani
Partner
Membership No. 030168

Place: Pune
Date: May 30, 2017

For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
Chairperson
DIN: 00019581

M. S. Unnikrishnan
Managing Director & CEO
DIN: 01460245

Amitabha Mukhopadhyay
Executive Vice President
& Group Chief Financial Officer

Place: Pune
Date: May 30, 2017

Consolidated Statement of Cash flow for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

		Note No.	Year Ended March 31, 2017	Year Ended March 31, 2016
A)	**Cash flows from operating activities**			
	Profit before tax (after exceptional item)		437.59	467.10
	Adjustments to reconcile profit before tax to net cash flows			
	Depreciation on Property, plant and equipment	27	62.22	59.10
	Amortization of intangible assets	27	19.68	13.14
	Provision for impairment allowance of financial assets	28 (a)	48.66	76.84
	Provision for impairment of goodwill and other intangible assets	37 B (c)	17.84	-
	Interest expense	26	7.04	8.07
	Bad debts/ advances written off	28 (a)	16.73	39.31
	Unwinding discount on provisions	26	2.67	4.12
	Unrealized foreign exchange (gain)/ loss		9.23	(1.02)
	Interest/ dividend income	22	(32.58)	(66.05)
	Liabilities no longer required written back	22	(24.68)	(33.50)
	Fair value gain on financial instrument at fair value through profit and loss (net)	22	(43.26)	(8.00)
	Amortization of financial guarantee liability	22	-	(1.78)
	Loss on sale / discard of assets (net)	28 (a)	0.74	3.99
	Gain on fair valuation of previously held interest in joint venture	22	(2.79)	-
	Working capital adjustments			
	Decrease in trade receivables		192.37	118.22
	Decrease in inventories		7.07	87.26
	(Increase) in other financial assets		(62.73)	(98.44)
	(Increase) in other assets		(76.90)	(31.66)
	Increase in trade payables		49.04	20.10
	(Decrease) in other liabilities		(147.00)	(230.94)
	Increase / (Decrease) in provisions		8.09	(7.29)
	Increase in other financial liabilities		3.37	4.81
	Cash generated from operations		**492.40**	**423.38**
	Direct taxes paid (net of refunds received)		(157.82)	(170.80)
	Net cash inflow from operating activities		**334.58**	**252.58**
B)	**Cash flows from /(used in) investing activities**			
	Purchase of tangible and intangible assets		(118.81)	(132.44)
	Investment in joint ventures		(186.54)	(72.10)
	Proceeds from maturity of fixed deposits		100.31	109.96
	Sale/ (purchase) of other investments		103.56	(114.87)
	Interest/ dividend received		26.50	63.66
	Net cash flows (used in) investing activities		**(74.98)**	**(145.79)**

Consolidated Statement of Cash flow for the year ended March 31, 2017 (Contd.)

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

		Note No.	Year Ended March 31, 2017	Year Ended March 31, 2016
C)	**Cash flows from/ (used in) financing activities**			
	Repayment of borrowings		(36.25)	(8.33)
	Interest paid		(6.99)	(8.08)
	Dividend paid and tax thereon		(82.34)	(95.84)
	Net cash flows used in financing activities		**(125.58)**	**(112.25)**
	Net increase / (decrease) in cash and cash equivalents		**134.02**	**(5.46)**
	Cash and cash equivalents at the beginning of the year		44.31	31.09
	Exchange differences on translation of foreign operations		(24.35)	18.68
	Cash and cash equivalents at the end of the year		**153.98**	**44.31**

Reconciliation of cash and cash equivalents as per the cash flow statement:

	Note No	March 31, 2017	March 31, 2016
Cash and cash equivalents	13 (a)	173.01	149.40
Bank overdraft		(19.03)	(23.65)
Book overdraft	18 (b)	-	(81.44)
Balances as per Cash flow statement		**153.98**	**44.31**

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Reg No.324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 30, 2017

For B. K. Khare & Co.
Chartered Accountants
ICAI Firm Reg No.105102W

per H. P. Mahajani
Partner
Membership No. 030168

Place: Pune
Date: May 30, 2017

For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
Chairperson
DIN: 00019581

M. S. Unnikrishnan
Managing Director & CEO
DIN: 01460245

Amitabha Mukhopadhyay
Executive Vice President
& Group Chief Financial Officer

Place: Pune
Date: May 30, 2017

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

1. Corporate information

Thermax Limited ('the Company') and its subsidiaries(together referred to as 'the Group') and joint ventures offers solutions to energy, environment and chemical sectors. The Group's portfolio includes boilers and heaters, absorption chillers/heat pumps, power plants, solar equipment, air pollution control equipment/system, water and waste recycle plant, ion exchange resins and performance chemicals and related services.

The Company is a public limited company incorporated and domiciled in India. It is listed on the BSE Limited (BSE) and National Stock Exchange Limited (NSE) in India. The address of its registered office is D-13, MIDC Industrial Area, R.D. Aga Road, Chinchwad, Pune-411019, India. The Board of Directors have authorized to issue these consolidated financial statements on May 30, 2017. The CIN of the Company is L29299PN1980PLC022787.

2. Significant accounting policies

2.1. Basis of preparation, measurement and transition to Ind AS

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS), notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

For all the periods up to and including the year ended March 31, 2016, the Group prepared its consolidated financial statements in accordance with Accounting Standards notified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 ("Indian GAAP"). These consolidated financial statements, being the first set of consolidated Ind AS financial statements issued by the Group, are covered by Ind AS 101, 'First Time Adoption of Indian Accounting Standards'. The transition to Ind AS has been carried out from the accounting principles generally accepted in India, which is now referred to / considered as the "Previous GAAP", for purposes of Ind AS 101. Reconciliations and explanations of the effect of the transition from Previous GAAP to Ind AS on the Group's Equity and Consolidated Statement of profit and loss are provided in note 45.

The adoption of Ind AS is carried out in accordance with Ind AS 101, with April 1, 2015, being the transition date. Ind AS 101 requires that all Ind AS standards and interpretations that are issued and effective for the first Ind AS consolidated financial statements for the year ended March 31, 2017, be applied retrospectively and consistently for all comparative years presented therein. However, in preparing these consolidated financial statements, the Group has availed of certain exemptions and exceptions in accordance with Ind AS 101, as explained in note 45. The resulting difference between the carrying values of the assets and liabilities in the consolidated financial statements as at the transition date under Ind AS and previous GAAP have been recognized directly in equity.

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates and judgements. It also requires the management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

(b) Basis of measurement

The consolidated financial statements have been prepared on the accrual and going concern basis under historical cost convention except the following:

- Derivative financial instruments;
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments); and
- Defined benefit plans whereby the plan assets are measured at fair value

In addition, the carrying values of recognised assets and liabilities designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at March 31, 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights; and
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to the same reporting date as that of the parent company, i.e., year ended March 31, 2017.

Consolidation procedure

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognized in the consolidated financial statements at the acquisition date.

(b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. The accounting policy regarding business combinations and goodwill explains how to account for any related goodwill.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(c) Eliminate in full, intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS12 'Income Taxes' applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2.2 Summary of significant accounting policies

a. Business combinations and goodwill

In accordance with Ind AS 101, the Group has elected to apply Ind AS accounting for business combinations prospectively from April 1, 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment (refer note 37). The same first time adoption exemption is also used for joint ventures.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 'Income Taxes' and Ind AS 19 'Employee Benefits', respectively. Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that standard.

- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 'Financial Instruments', is measured at fair value, with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, pro-rata, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b. Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over the subsidiaries.

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(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

The Group's investments in its joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated Statement of profit and loss reflects the Group's share of the results of operations of its joint ventures. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint ventures, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and a joint venture are eliminated to the extent of the interest in the joint venture.

If an entity's share of losses of a joint venture equals or exceeds its interest in the joint venture (which includes any long term interest that, in substance, form part of the Group's net investment in the joint venture), the entity discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognized.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated Statement of profit and loss.

The financial statements of the joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and its carrying value, and then recognizes the loss as 'Share of loss of joint ventures' in the consolidated Statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated Statement of profit and loss.

c. Current and non-current classification

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Group has identified twelve months as its normal operating cycle.

d. Foreign currencies

The Group's consolidated financial statements are prepared in INR, which is also the functional currency of the Company. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognized in the consolidated Statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into INR at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising in the acquisition/ business combination of a foreign operation on or after the transition date and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Any goodwill or fair value adjustments arising in business combinations/ acquisitions, which occurred before the date of transition, are treated as assets and liabilities of the entity rather than as assets and liabilities of the foreign operation. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition. Gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the date of transition but includes only translation differences arising after the transition date.

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(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

e. Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarizes accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Disclosures for valuation methods, significant estimates and assumptions (note 3)
- Quantitative disclosures of fair value measurement hierarchy (note 40)
- Financial instruments (including those carried at amortized cost) (note 40)

f. Property, Plant and Equipment

The cost of an item of Property, Plant and Equipment ('PPE') is recognized as an asset if, and only if, it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

PPE are initially recognized at cost. The initial cost of PPE comprises its purchase price (including import duties and non-refundable purchase taxes but excluding any trade discount and rebates), and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Subsequent to initial recognition, PPE are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditure relating to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of the item can be measured reliably. When an item of PPE is replaced, then its carrying amount is derecognized and cost of the new item of PPE is recognized. Further, in case the replaced part was not depreciated separately, the cost of the replacement is used as an indication to determine the cost of the replaced part at the time it was acquired. All other repair and maintenance costs are recognised in the consolidated Statement of profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

An item of PPE and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising from de-recognition of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated Statement of profit and loss when the PPE is derecognized.

The Group identifies and determines cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset and has useful life that is materially different from that of the remaining asset.

Depreciation on PPE is calculated on a straight line basis using the rates arrived at based on the useful lives estimated by the management. The identified components are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset.

Leasehold land is amortized on a straight-line basis over the agreed period of lease ranging up to 99 years.

The management has estimated, supported by independent assessment by professionals, the useful lives of certain classes of assets. The following useful lives are adopted by the management:

Asset category	Company's estimate of useful life (years)	Useful life as prescribed under Schedule II (years)
Factory buildings	28	30
Other buildings	58	60
Plant and equipment	5 to 25	15 to 20
Roads	5 to 30	5 to 10
Office equipment	15	15
Furniture and fixtures	15	10
Computers and data processing units	4 to 6	3 to 6
Vehicles	7 to 10	8

The residual values, useful lives and methods of depreciation of PPE are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis.

g. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated Statement of profit and loss in the period in which the expenditure is incurred.

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The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated Statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated Statement of profit and loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Group can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of expected future benefit from the related project, i.e., the estimated useful life subject to a maximum of ten years. Amortization is recognized in the consolidated Statement of profit and loss unless such expenditure forms part of carrying value of another asset. During the period of development, the asset is tested for impairment annually.

A summary of amortization rates applied to the Group's intangible assets is as below:

Asset category	Life (years)
Technical know how	3 to 6
Computer software	3 to 5

h. Inventories

Raw materials, components, stores and spares are valued at lower of cost and estimated net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. However, materials and other items held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components, consumables, tools, stores and spares is arrived at on the basis of weighted average cost.

Finished goods and work in progress are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Write down of inventories are calculated based on an analysis of foreseeable changes in demand, technology, market conditions and ageing of inventories.

i. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

Revenue is inclusive of excise duty. This is included for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. As the recovery of excise duty flows to the Group on its own account, the revenue includes excise duty. However, sales tax/ value added tax (VAT) is not received by the Group on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Group provides normal warranty provisions for general repairs for 18 months on all its products sold, in line with the industry practice. A liability is recognized at the time the product is sold. The Group does not provide any extended warranties.

Revenue from supply of spare parts are recognized when significant risks and rewards have passed to the buyer which is generally on delivery of these spare parts.

Sale of services

Revenue in respect of operation and maintenance contracts is recognized on straight-line basis as the related services are performed over a specified period of time. The Company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

Contract revenue

A construction contract is defined as a contract specifically negotiated for the construction of an asset which refers to any project 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. Revenue for such contracts is recognized on the basis of percentage of completion method if the outcome of the contract can be estimated reliably and it is probable that the contract will be profitable. The revenue for the period is the excess of revenues measured according

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to the percentage of completion over the revenue recognized in prior periods. When a group of contracts are secured together, the Group follows a policy to determine the stage of completion for such combined contracts together. The revenues and profits earned are recognized uniformly over the performance of such contracts.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When it is probable that the total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately irrespective of the stage of the completion of the contract. Determination of revenues under this method necessarily involves making complex assumptions and estimates by the management (some of which are of a technical nature) of the costs of completion, the expected revenues from each contract (adjusted for probable liquidated damages, if any), contract risks including political and regulatory risks, foreseeable losses to complete the contract and other judgements. Any changes in estimates may lead to an increase or decrease in revenue.

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.

Costs associated with bidding for contracts are charged to the consolidated Statement of profit and loss when they are incurred. Costs that relate directly to a contract and are incurred in securing the contract are also included as part of the contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

On the balance sheet date, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Penalties for any delay or improper execution of a contract are recognised as a deduction from revenue. In the balance sheet, such provisions are presented on net basis of the contract receivables.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured. Claims are included when negotiations with the customer have reached an advanced stage such that it is probable that the customer will accept the claim. The Group applies requirements regarding contract variations to contract terminations, since contract terminations are also changes to agreed delivery and service scope.

Interest income

For all debt instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. Interest income is included in finance income in the statement of profit and loss.

Dividend

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income from operating leases (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term.

Plant and equipment received from customers

Contributions by customers of items of PPE received on or after April 1, 2015, which require an obligation to supply goods to the customer in the future, are recognized at the fair value when the Group has control of the item. A corresponding credit to deferred revenue is made.

j. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial Recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through Profit and Loss, transactions costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortized cost

A ‘debt instrument’ is measured at the amortized cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortization is included in finance costs/income in the consolidated Statement of profit and loss. The losses arising from impairment are recognized in the consolidated Statement of profit and loss.

Debt instrument at FVTOCI

A ‘debt instrument’ is classified as at the FVTOCI if both of the following criteria are met:

(a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

(b) The asset’s contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Group recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to the consolidated Statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income under EIR method.

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Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI is classified as FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instruments as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the consolidated Statement of profit and loss.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to the consolidated Statement of profit and loss, even on the sale of the investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the consolidated Statement of profit and loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Group applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

(a) Financial assets that are debt instruments, and are measured at amortized cost e.g. loans, debt securities, deposits, trade receivables and bank balances

(b) Lease receivables under Ind-AS 17

(c) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 (referred to as 'contractual revenue receivables which includes current contract receivables and retention money receivables in these consolidated financial statements and Ind AS 18)

(d) Financial guarantee contracts which are not measured as at FVTPL

The Group follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognizes impairment allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly,12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of the collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment allowance (or reversal) recognized during the period is recognized as income/expense in the consolidated Statement of profit and loss. This amount is reflected under the head 'other expenses' in the consolidated Statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

- **Financial assets measured at amortized cost, contract assets and lease receivables:** ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Group does not reduce impairment allowance from the gross carrying amount.
- **Loan commitments and financial guarantee contracts:** ECL is presented as a provision in the balance sheet, i.e. as a liability.

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For assessing increase in credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Group does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/origination.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated Statement of profit and loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in OCI. These gains/losses are not subsequently transferred to the consolidated Statement of profit and loss. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the consolidated Statement of profit and loss. The Group has not designated any financial liability as at fair value through consolidated Statement of profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated Statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated Statement of profit and loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of the debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per the impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated Statement of profit and loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

k. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated Statement of profit and loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Group's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(i) Fair value hedges

The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the

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carrying value of the hedged item and is also recognized in the consolidated Statement of profit and loss as finance costs.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the Consolidated Statement of profit and loss.

The Group has an interest rate swap that is used as a hedge for the exposure of changes in the fair value of its fixed rate secured loan. See note 41 (b) for more details.

(ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated Statement of profit and loss. The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognized in finance costs.

Amounts recognized in OCI are transferred to the consolidated Statement of profit and loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in OCI are transferred to the initial carrying amount of the non-financial asset or liability. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

The Group does not use hedges of net investment.

l. Shares held by ESOP and Welfare trusts

The Group has created an ESOP Trust and Welfare trusts for providing share-based payment to / welfare of its employees and various other employee benefit trusts for providing other employee benefits such as loans at concessional rates for various purposes, collectively referred to as Employee Benefit Trusts (EBT). Own equity instruments are recognized at cost and deducted from equity.

m. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

n. Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in proportion to the depreciation charged over the expected useful life of the related asset. The Group accounts for export incentives for export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim is fulfilled.

o. Share capital

Equity shares issued to shareholders are classified as equity. Incremental costs directly attributable to the issue of new equity shares or stock options are recognized as a deduction from equity, net of any related income tax effects.

p. Income tax

Current income-tax

Current income-tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in OCI or in equity). Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to

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(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in OCI or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity (or each tax group of entities when applicable) and the same taxation authority.

q. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

r. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to April 1, 2015, the Group has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated Statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the consolidated Statement of profit and loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

s. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Group extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent periods, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses including impairment on inventory are recognized in the statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated Statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the year-end and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the year-end at the CGU

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level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

t. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated Statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Provision for onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

Decommissioning liability

The Group records a provision for decommissioning costs of its manufacturing facilities. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated Statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

u. Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company and some of its subsidiaries operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the consolidated Statement of profit and loss in subsequent periods.

Past service costs are recognized in the consolidated Statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation as an expense in the consolidated Statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Group presents the leave as a current liability in the balance sheet as it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

v. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of Directors of the Company has identified the Managing Director and Chief Executive Officer as the chief executive decision maker of the Company.

w. Contingent liability

A disclosure for a contingent liability is made where there is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from the past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

x. Earnings Per Share (EPS)

The Group presents the basic and diluted EPS data for its equity shares. Basic EPS is computed by dividing the net profit for the year attributable to the equity shareholders of the Group by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by adjusting the net profit for the year attributable to the equity shareholders and the weighted average number of equity shares considered for deriving basic EPS for the effects of all the equity shares that could have been issued upon conversion of all dilutive potential equity shares (which includes the various stock options granted to employees). The diluted potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (that is the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as at the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all years presented for any share splits and bonus shares issues including for changes effected prior to the authorization for issue of the consolidated financial statements by the Board of Directors.

y. Dividends

Dividend to equity shareholders is recognized as a liability in the period in which the dividends are approved by the equity shareholders. Interim dividends that are declared by the Board of Directors without the need for equity shareholders' approvals are recognized as a liability and deducted from shareholders' equity in the year in which the dividends are declared by the Board of directors.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities as at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

i. Revenue recognition on construction contracts

A significant portion of the Group's business relates to construction activity which is accounted using percentage-of-completion method, recognizing revenue as the performance on the contract progresses. This requires Management to make judgement with respect to identifying contracts which need to be accounted under percentage-of-completion method, depending upon the level of customization and the period of the fulfilment of the performance obligations under the contract. The percentage-of-completion method requires Management to make significant estimates of the extent of progress towards completion including accounting of multiple contracts which need to be combined and considered as a single contract.

ii. Consolidation

(a) Structured Entities

The Company has an ESOP trust and various Employee Welfare Trusts for the welfare of its employees. Determination of the Group's control over these trusts for the purpose of consolidation requires judgement on the part of the Management of the Group. Refer note 45 for the conclusion and basis thereof.

(b) Classification of joint arrangements

The Group's interest in relation to Thermax Babcock & Wilcox Energy Solutions Private Limited and Thermax SPX Energy Technologies Limited are subject to joint venture agreements with other venturers. These agreements require unanimous consent from both the venturers for certain activities, which Management has considered to be relevant activities for the purpose of determination of control. Accordingly, the Management has determined that these entities are subject to joint control and therefore accounted using equity method of accounting in these financial statements.

The Group acquired 33% stake in First Energy Private Limited in July 2015. The agreement between the shareholders of First Energy Private Limited and Thermax Limited requires unanimous consent on certain key relevant activities such as approval of budgets and amendments thereto. Accordingly, the Group has determined that it has a joint control over First Energy Private Limited and therefore accounted using equity method of accounting in these financial statements for the year ended March 31, 2016.

The Group acquired further stake of 21.34% in First Energy Private Limited. Accordingly, First Energy Private Limited has been consolidated as a subsidiary with effect from August 31, 2016 in the consolidated financial statements for the year ended March 31, 2017.

iii. Arrangements in the nature of lease

The Group has entered into certain arrangements with its customers where the Group will supply heat/steam by installing the boiler/heater at the customers' premises. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that fulfillment of these arrangement is dependent on the use of specific assets and the arrangement conveys to customers a right to use these specific assets. Accordingly, the Group has determined that these arrangements qualify as arrangements in the form of lease as specified in Appendix C to Ind-AS 17. The Group has also determined, based on evaluation of terms and conditions of these arrangements, such as the contract term constituting a major part of the economic life of the specific assets and the fair value of the asset, that it has transferred the significant risks and rewards in these assets to the customers and therefore these embedded lease arrangements have been classified as finance leases. The separation of lease and non-lease elements in these arrangements have been made at relative fair value of these elements, requiring Management judgment.

iv. Legal contingencies

The Group has received various orders and notices from tax authorities in respect of direct taxes and indirect taxes. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable losses including the estimate of legal expense to resolve such matters. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the Group or the disclosure of any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.

v. Segment reporting

Ind AS 108 'Operating Segments' requires Management to determine the reportable segments for the purpose of disclosure in consolidated financial statements based on the internal reporting reviewed by Chief Operating Decision Maker (CODM) to assess performance and allocate resources. The standard also requires Management to make judgments with respect to aggregation of certain operating segments into one or more reportable segment.

Operating segments used to present segment information are identified based on differences in products / services and the internal reports used and reviewed by the CODM to assess performance and allocate resources. The management has determined that some of the segments exhibit similar economic characteristics and meet other aggregation criteria and accordingly aggregated into three reportable segments i.e. energy, environment and chemical.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

i. Constructions contracts:

- Provisions for liquidated damages claims (LDs): the Group provides for LD claims where there have been significant contract delays and it is considered probable that the customer will successfully pursue such a claim. This requires an estimate of the amount of LDs payable under a claim which involves a number of management judgements and assumptions regarding the amounts to be recognized.
- Project cost to complete estimates: at each reporting date, the Group is required to estimate costs to complete on fixed-price contracts. Estimating costs to complete on such contracts requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. This estimate will impact revenues, cost of sales, work-in-progress, billings in excess of costs and estimated earnings and accrued contract expenses.
- Recognition of contract variations: the Group recognises revenues and margins from contract variations where it is considered probable that they will be awarded by the customer and this requires

management to assess the likelihood of such an award being made by reference to customer communications and other forms of documentary evidence

- Provision for onerous contracts: the Group provides for future losses on long-term contracts where it is considered probable that the contract costs are likely to exceed revenues in future years. Estimating these future losses involves a number of assumptions about the achievement of contract performance targets and the likely levels of future cost escalation over time. Refer note 19(b) for details for provision for onerous contract.

ii. Impairment of non-financial assets

Impairment exists when the carrying value of an asset of cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model. The cash flows are derived from the budget for the next five years as approved by the Management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the terminal growth rate used.

iii. Defined benefit plans - gratuity

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter which is most subjected to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on Indian Assured Lives Mortality (2006-08) Ultimate. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. Further details about gratuity obligations are given in note 34.

iv. Fair value measurement of unquoted financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 40 for further disclosures.

v. Warranty provision

The Group generally offers warranty for its various products. Warranty costs are provided based on a technical estimate of the costs required to be incurred for repairs, replacements, material costs, servicing cost and past experience in respect of warranty costs. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in current period are consistent with those in the prior year. Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives. Warranty provisions are discounted using a pre-tax discount rate which reflects current market assessments of time value of money and risks specific to the liability. Refer note 19 for further details.

vi. **Impairment of financial assets**

The impairment provisions for financial assets are based on assumptions about risk of default, expected loss rates and timing of cash flows. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

As a practical expedient, the Group uses a provision matrix to determine ECL impairment allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. On that basis, the Group estimates a default rate of total revenue for trade receivables and of contract revenue for contract receivables. The Group follows provisioning norms based on ageing of receivables to estimate the ECL provision. For retention receivables, the Group additionally categorizes the receivables due from Public Sector Undertakings (PSUs) and Non-PSUs and follows a wider aged bucket provisioning norms as the performance guarantee tests require certain time period after the supplies are completed. Refer note 7 and 9(b) for details of impairment allowance recognized as the reporting date.

vii. **Useful lives of property, plant and equipment and intangible assets**

The Group determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates. Refer note 2(f) above for further details.

viii. **Intangible asset under development**

The Group capitalises intangible asset under development in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The carrying amount of capitalised intangible asset under development includes significant investment in the development of power plants using alternative energy solutions. The innovative nature of the product gives rise to some uncertainty as to performance parameters stated in the contract would be satisfied. Refer note 4(b) for details of intangible asset under development.

ix. **Deferred taxes**

At each balance sheet date, the Group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the use of significant estimates with respect to assessment of future taxable income. The recorded amount of total deferred tax assets could change if estimates of projected future taxable income or if changes in current tax regulations are enacted. Refer note 10 for further information on potential tax benefits for which no deferred tax asset is recognized.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

4 (a) Property, plant and equipment

Particulars	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Computer	Furniture and fixtures	Vehicles	Total	Capital work in progress
Cost as at April 1, 2015*	**7.36**	**40.42**	**387.42**	**533.18**	**36.35**	**56.56**	**40.13**	**17.45**	**1,118.87**	**17.10**
Additions	-	42.13	6.83	19.34	3.07	4.41	1.87	1.40	**79.05**	89.75
Disposals/Adjustments	-	(0.09)	(2.56)	(4.55)	(1.68)	(7.71)	(3.89)	(3.26)	**(23.74)**	(79.05)
Exchange differences	-	0.13	6.52	4.90	0.65	0.02	0.08	0.01	**12.31**	-
Gross carrying amount as at March 31, 2016	**7.36**	**82.59**	**398.21**	**552.87**	**38.39**	**53.28**	**38.19**	**15.60**	**1,186.49**	**27.80**
Additions	-	-	25.40	7.25	2.09	0.92	1.18	0.78	**37.62**	148.29
Adjustment on account of acquisition	-	-	0.12	20.69	0.14	2.03	0.27	-	**23.25**	-
Disposals/Adjustments	-	-	-	(0.90)	(0.62)	(1.04)	(0.20)	(4.50)	**(7.26)**	(37.62)
Exchange differences	-	(1.66)	(7.13)	(5.58)	(0.53)	(0.05)	(0.16)	-	**(15.11)**	-
Gross carrying amount as at March 31, 2017	**7.36**	**80.93**	**416.60**	**574.33**	**39.47**	**55.14**	**39.28**	**11.88**	**1,224.99**	**138.47**
Accumulated depreciation as at April 1, 2015*	**-**	**2.18**	**79.28**	**272.70**	**16.47**	**47.85**	**19.45**	**10.46**	**448.39**	**-**
Charge for the year	-	0.75	12.22	35.90	2.83	2.47	2.83	2.10	**59.10**	-
Disposals/Adjustments	-	-	(0.80)	(2.20)	(1.23)	(7.28)	(2.63)	(2.49)	**(16.63)**	-
Exchange differences	-	0.02	2.21	3.37	0.49	0.02	0.05	-	**6.16**	-
Closing accumulated depreciation as at March 31, 2016	**-**	**2.95**	**92.91**	**309.77**	**18.56**	**43.06**	**19.70**	**10.07**	**497.02**	-
Charge for the year	-	0.73	12.35	38.32	2.70	4.12	2.32	1.68	**62.22**	-
Adjustment on account of acquisition	-	-	0.12	10.02	0.11	1.63	0.14	-	**12.02**	-
Disposals	-	-	(0.15)	(1.82)	(0.55)	(0.98)	(0.02)	(3.69)	**(7.21)**	-
Exchange differences	-	(0.11)	(2.55)	(3.99)	(0.42)	(0.04)	(0.12)	-	**(7.23)**	-
Closing accumulated depreciation as at March 31, 2017	**-**	**3.57**	**102.68**	**352.30**	**20.40**	**47.79**	**22.02**	**8.06**	**556.82**	**-**
Net Block as at March 31, 2017	**7.36**	**77.36**	**313.92**	**222.03**	**19.07**	**7.35**	**17.26**	**3.82**	**668.17**	**138.47**
Net Block as at March 31, 2016	**7.36**	**79.64**	**305.30**	**243.10**	**19.83**	**10.22**	**18.49**	**5.53**	**689.47**	**27.80**
Net Block as at April 1, 2015*	**7.36**	**38.24**	**308.14**	**260.48**	**19.88**	**8.71**	**20.68**	**6.99**	**670.48**	**17.10**

* The Group has elected to continue with the carrying value of property, plant and equipment as recognised in the financial statements as per previous GAAP and has regarded those values as the deemed cost on the date of transition. The Group has carried forward the gross block and accumulated depreciation above, for disclosure purpose only.

Capital work in progress majorly includes expenditure towards construction of new manufacturing facility at Dahej, Gujarat.

The Group has given certain part of its office building on lease, the value of which cannot be determined and would be not be significant. (Note 33 (iii)).

For assets given as collateral security, refer note 16.

Details of assets held under finance lease (vehicles and office equipment):

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Assets held under finance lease - cost	2.00	1.14	1.22
Assets held under finance lease - accumulated depreciation	(0.60)	(0.43)	(0.27)
Net block	**1.40**	**0.71**	**0.95**

4 (b) Intangible assets

Particulars	Computer software	Technical know-how	Goodwill	Intangibles under development	Total
Cost as at April 1, 2015*	**44.54**	**49.92**	**131.40**	**25.27**	**251.13**
Additions	3.32	5.78	-	21.21	**30.30**
Disposals/Adjustments	-	-	-	(14.26)	**(14.26)**
Exchange difference	0.20	0.01	16.19	-	**16.40**
Gross carrying amount as at March 31, 2016	**48.06**	**55.71**	**147.59**	**32.21**	**283.57**
Additions	7.36	23.37	-	12.94	**43.67**
Adjustment on account of acquisition	1.27	11.06	9.60	-	**21.93**
Disposals/Adjustments	-	-	-	(42.32)	**(42.32)**
Exchange difference	(0.18)	(0.02)	(13.39)	-	**(13.59)**
Gross carrying amount as at March 31, 2017	**56.51**	**90.12**	**143.80**	**2.83**	**293.26**
Accumulated amortisation as at April 1, 2015*	**38.87**	**28.66**	**29.11**	**-**	**96.64**
Charge for the year	3.48	9.66	-	-	**13.14**
Disposals	-	-	-	-	**-**
Exchange difference	0.16	0.01	3.57	-	**3.74**
Closing accumulated amortisation as at March 31, 2016	**42.51**	**38.33**	**32.68**	**-**	**113.52**
Charge for the year	4.07	15.61	-	-	**19.68**
Adjustment on account of acquisition	0.82	0.39	-	-	**1.21**
Disposals	-	-	-	-	**-**
Impairment	-	8.24	9.60	-	**17.84**
Exchange difference	(0.14)	(0.02)	(4.22)	-	**(4.38)**
Closing accumulated amortisation as at March 31, 2017	**47.26**	**62.55**	**38.05**	**-**	**147.87**
Net Block as at March 31, 2017	**9.25**	**27.57**	**105.74**	**2.83**	**145.39**
Net Block as at March 31, 2016	**5.55**	**17.38**	**114.91**	**32.21**	**170.05**
Net Block as at April 1, 2015*	**5.67**	**21.26**	**102.29**	**25.27**	**154.49**

Net Block	March 31, 2017	March 31, 2016	April 1, 2015
Goodwill	105.74	114.91	102.29
Other intangible assets	36.82	22.93	26.93
Intangible assets under development	2.83	32.21	25.27

* The Group has elected to continue with the carrying value of intangible assets as recognised in the financial statements as per previous GAAP and has regarded those values as the deemed cost on the date of transition. The Group has carried forward the gross block and accumulated amortisation above, for disclosure purpose only.

Pursuant to an assessment of impairment of such intangible assets under development, the Group has written off assets under development amounting to Rs 11.59 (March 31, 2016 Rs 5.16) to the Consolidated Statement of profit and loss (over various heads).

(i) Intangible assets under development

Intangible assets under development comprises software under development.

(ii) Acquisitions during the year

The intangible assets of brand and customer contracts have been acquired during the year through business combinations.

During the year, the Group has completed the development of technology of gasification of coal and biomass. The Group estimates the useful life of such intangible to be 3 to 5 years based on the expected commercial / technical obsolescence of such assets.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(iii) Impairment tests for goodwill

Goodwill acquired through business combinations has been considered for impairment testing.

Carrying amount of goodwill pertaining to Danstoker A/S

Intangible Asset	March 31, 2017	March 31, 2016	April 1, 2015
Goodwill	102.71	111.88	99.26

Goodwill pertaining to other subsidiaries has been tested for impairment, however, detailed disclosures have not been provided as the value of goodwill is not significant in comparison with the entity's total carrying amount of goodwill.

The Group performed its annual impairment test for years ended March 31, 2017 and March 31, 2016 at the respective year-end.

Danstoker A/S

The recoverable value of Danstoker A/S CGU as at March 31, 2017, has been determined based on value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections for impairment testing during the current year is 7.5% (March 31, 2016: 7.5%) and cash flows beyond the 5-year period have been extrapolated using a 3% growth rate (March 31, 2016: 3%) which is based on long-term industry average growth rate. As a result of this analysis, management has concluded that the recoverable value of the CGU exceeds the carrying value of the CGU (including goodwill).

Key assumptions used for value in use calculation and their sensitivity to changes

The calculation of value in use is most sensitive to the following assumptions:

1 Sales Growth rate

2 Discount Rates

Sales growth rate - Sales growth rate has been considered at an average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development. Prices included in revenue forecasts include long-term inflation forecasts. The Management has considered an average sales growth rate of 13% over the forecast period. Even a decline of 10% in the average sales growth rate will not result in an impairment charge.

Discount rates - Discount rates represent the current market assessment of the risks specific to Danstoker A/S, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and Danstoker A/S and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. CGU specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the discount rate to 12% (i.e. increase of 4.5%) will result in an impairment charge.

The Management has considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of Danstoker CGU to exceed its recoverable amount.

5 Investments in joint ventures

	Face value per share	Number of shares			Amount		
		March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Investments in equity instruments :							
Investments accounted using the equity method (also refer note 38)							
Equity shares in Joint Venture Companies (Unquoted)							
Thermax SPX Energy Technologies Limited	Rs. 10	1,02,00,000	1,02,00,000	1,02,00,000	4.99	4.88	4.91
Thermax Babcock & Wilcox Energy Solutions Private Limited	Rs. 10	42,71,91,300	24,73,50,000	19,63,50,000	211.12	100.04	81.66
First Energy Private Limited	Rs. 10	-	44,88,340	-	-	17.66	-
Investments in joint ventures					**216.11**	**122.58**	**86.57**

6 (a) Non-current Investments

	Face value per share	Number of shares / units			Amount		
		March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Investments in equity instruments:							
Investments at Fair value through Profit and Loss							
Quoted equity shares (fully paid up)							
Metroglobal Limited	Rs. 10	2	2	2	**	**	**
Sanghvi Movers Limited	Rs. 2	16,453	16,453	16,453	0.40	0.47	0.45
Quoted equity shares (partly paid up)							
Parasrampuria Synthetics Limited (paid up Rs. 2.50 per share)	Rs. 10	1,25,000	1,25,000	1,25,000	**	**	**
Unquoted equity shares (fully paid up)							
Cosmos Co-operative Bank Limited	Rs. 20	1,375	1,375	1,375	**	**	**
GSL (India) Limited	Rs. 10	17,539	17,539	17,539	**	**	**
Sicom Limited #	Rs. 10	10,000	10,000	10,000	-	-	-
Total Investment in equity shares					**0.40**	**0.47**	**0.45**
Investment in preference shares							
Investments at Fair value through Profit and Loss							
Unquoted Preference Shares (fully paid up, redeemable)							
Indian Food Fermentation Limited (18% cumulative)	Rs. 10	21,800	21,800	21,800	0.02	0.02	0.02
Total investment in preference shares					**0.02**	**0.02**	**0.02**
Investments in mutual funds							
Investments at Fair value through Profit and Loss							
Unquoted							
SBI Debt Fund Series B – 26 (1100 Days)	Rs. 10	10,000,000	10,000,000	-	11.29	10.31	-
BSL Fixed Term Plan Series MY (1107 days)	Rs. 10	25,000,000	25,000,000	-	28.27	25.84	-
HDFC FMP 1167D January 2016 (1)	Rs. 10	25,000,000	25,000,000	-	27.88	25.43	-
Total investments in Mutual Funds					**67.44**	**61.58**	**-**
Total Non-Current Investments					**67.86**	**62.07**	**0.47**
Aggregate amount of quoted investments					0.40	0.47	0.45
Aggregate amount of unquoted investments					67.46	61.60	0.02
Aggregate amount of impairment in the value of investments					-	-	-

** represents amount less than a lakh rupees
# Deemed cost is considered to be Nil as on April 1, 2015
Investments at fair value through profit or loss reflect investment in quoted and unquoted equity and debt securities. Refer note 40 for determination of their fair values.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

6 (b) Current Investments

	Face value per unit	Number of units			Amount		
		March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Investments in Mutual Funds :							
Investments at Fair value through Profit and Loss							
Liquid/ Liquid Plus and Duration funds (Unquoted)							
Axis Banking Debt Fund	Rs. 1,000	-	1,00,125	79,166	-	10.06	10.12
Birla SL FRF-Short Term Plan	Rs. 100	53,10,993	1,28,39,338	1,47,02,943	114.83	132.97	147.10
DSP BlackRock Banking and PSU Debt Fund - Direct	Rs. 10	35,89,066	-	-	5.03	-	-
DSP BlackRock Liquidity Fund	Rs. 1,000	-	1,14,832	6,45,883	-	11.49	64.63
DSP BlackRock Strategic Bond Fund	Rs. 1,000	2,65,414	2,65,414	-	52.02	47.12	-
DSP BlackRock Ultra Short Term Fund	Rs. 1,000	4,40,70,717	-	-	52.10	-	-
HDFC Gilt Fund	Rs. 10	82,90,087	82,90,087	-	27.97	25.08	-
HDFC Income Fund	Rs. 10	62,30,973	62,30,973	-	23.23	21.06	-
HDFC Liquid Fund	Rs. 10	328	2,58,666	-	0.11	26.38	-
ICICI Pru Money Market Fund	Rs. 100	50,88,831	1,51,11,758	1,19,77,945	113.41	155.17	119.93
ICICI Pru Money Market Fund - Direct	Rs. 100	2,51,209	-	-	2.52	-	-
ICICI Prudential Liquid - Regular	Rs. 100	-	-	56,095	-	-	0.56
IDFC Cash Fund of IDFC Mutual Fund	Rs. 1,000	7,658	4,81,234	3,11,040	1.51	48.18	31.12
IDFC Cash Fund - Direct	Rs. 1,000	26,695	-	-	5.27	-	-
Kotak Banking PSU Debt Fund - Direct	Rs. 10	57,73,522	-	16,22,476	21.48	-	5.05
Kotak Bond Short Term Fund	Rs. 10	87,84,320	-	-	27.00	-	-
Kotak Flexi Debt Scheme - Direct	Rs. 10	1,16,40,861	-	-	25.09	-	-
Kotak Liquid Fund	Rs. 1,000	-	6,98,112	6,31,118	-	85.37	77.23
Kotak Liquid Fund - Direct	Rs. 1,000	1,96,958	-	-	64.95	-	-
Reliance Liquidity Fund	Rs. 1,000	-	54,868	52,059	-	5.49	5.21
Reliance Liquidity Fund - Direct	Rs. 1,000	23,805	-	-	5.84	-	-
SBI Magna Insta Cash Fund	Rs. 1,000	-	-	81,963	-	-	14.11
SBI Premier Liquid	Rs. 1,000	31,119	4,98,601	12,82,073	7.92	54.03	131.81
SBI Premier Liquid Fund - Direct	Rs. 1,000	170	-	-	0.04	-	-
Tata Liquid Fund	Rs. 1,000	21,097	52,640	2,24,865	6.31	5.87	25.06
Tata Money Market Fund	Rs. 1,000	3,54,836	12,55,567	5,21,795	90.62	125.75	52.26
Tata Money Market Fund -Direct	Rs. 1,000	1,56,682	-	-	40.16	-	-
UTI Floating Rate Fund - STP	Rs. 1000	-	-	68,788	-	-	7.07
UTI Liquid Fund	Rs. 1,000	403,453	1,090,582	1,104,803	107.27	111.14	112.63
UTI Liquid Fund - Direct	Rs. 1,000	43,079	-	-	4.39	-	-
Total Current Investments					**799.07**	**865.16**	**803.89**
Aggregate amount of quoted investments and market value thereof					-	-	-
Aggregate amount of unquoted investments					799.07	865.16	803.89
Aggregate amount of impairment in the value of investments					-	-	-

Investments at fair value through profit or loss reflect investment in unquoted equity and debt securities. Refer note 40 for determination of their fair values.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

7 Trade receivables

(a) Non-current trade receivables

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade receivables from:			
i) Related parties (note 36)	-	-	-
ii) Others	83.57	52.89	84.87
Total receivables	**83.57**	**52.89**	**84.87**
Break-up for security details			
Secured, considered good	-	-	-
Unsecured, considered good	110.08	66.37	98.63
Doubtful	-	-	-
	110.08	**66.37**	**98.63**
Less: Impairment allowance	(26.51)	(13.48)	(13.76)
Total	**83.57**	**52.89**	**84.87**

(b) Current trade receivable

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade receivables from:			
i) Related parties (note 36)	1.48	1.70	3.59
ii) Others	1,032.76	1,332.39	1,533.11
Total receivables	**1,034.24**	**1,334.09**	**1,536.70**
Break-up for security details			
Secured, considered good	101.98	180.85	37.98
Unsecured, considered good	1,063.23	1,285.78	1,606.39
Doubtful	276.48	234.42	180.78
	1,441.69	**1,701.05**	**1,825.15**
Less: Impairment allowance	(407.45)	(366.96)	(288.45)
Total	**1,034.24**	**1,334.09**	**1,536.70**

No trade or other receivable are due from directors or other officers of the Group either severally or jointly with any other person nor from firms or private companies in which any director is a partner, a director or a member, respectively.

For terms and conditions relating to related party receivables, refer note 36.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

8 Loans

(a) Non-current loans

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unsecured, considered good			
At amortized cost			
Loans to employees	4.05	6.03	6.02
Security deposits* (note 36)	12.03	10.37	9.74
Total	**16.08**	**16.40**	**15.76**

*Includes lease deposits given to directors of Rs. 0.53 (March 31, 2016 Rs. 0.53, April 1, 2015 Rs. 0.58). The maximum amount due from directors during the year amounted to Rs. 0.53 (March 31, 2016 Rs. 0.53, April 1, 2015 Rs. 0.58). This also includes deposits given to various other parties for rent, utilities etc.

(b) Current loans

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unsecured, considered good			
At amortized cost			
Loans to employees	3.18	2.29	1.42
Security deposits	7.22	12.21	7.95
Total	**10.40**	**14.50**	**9.37**

Loans are various kinds of non-derivative financial assets which generate fixed interest income for the Group. The carrying value may be affected by the changes in the credit risk of the counterparties. The tenure of such loans range between 6 to 12 months.

No loans are due from directors or other officers of the Group either severally or jointly with any other person or from firms or private companies in which any director is a partner, a director or a member, respectively.

For terms and conditions relating to loan given to related parties, refer note 36.

9 Other financial assets

(a) Other non-current financial assets

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Bank deposits with maturity of more than 12 months	0.26	0.20	0.20
Total	**0.26**	**0.20**	**0.20**

Above bank deposits are pledged as margin money.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(b) Other current financial assets

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Derivative instruments			
Cash flow hedges			
Foreign exchange forward contracts	59.72	20.95	16.48
Derivative instruments at fair value through profit or loss			
Derivative not designated as hedges			
Foreign exchange forward contracts	2.52	-	-
At amortized cost			
Interest accrued on fixed deposits and others	0.18	6.26	8.65
Unbilled revenue (note 31)	579.48	509.15	422.88
Other financial assets*	0.75	0.44	0.25
Total	**642.65**	**536.80**	**448.26**

Financial assets at fair value through other comprehensive income reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales and purchases in various foreign currencies.

Unbilled revenue is disclosed net of impairment allowance of Rs. 12.31 (March 31, 2016: Rs. 17.17; April 1, 2015: Rs. 18.56) for contract assets.

* Other financial assets includes trade deposits etc,

10 Income taxes

The major components of income tax expense for the year ended March 31, 2017 and March 31, 2016 are:

Statement of profit and loss

Particulars	March 31, 2017	March 31, 2016
Current income tax charge		
Current income tax	154.85	195.15
Adjustments in respect of current income tax of previous year	-	(8.85)
Deferred tax		
Relating to origination and reversal of temporary differences	1.14	(42.36)
Income tax expense reported in the Statement of profit or loss	**155.99**	**143.94**

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Other comprehensive income

Particulars	March 31, 2017	March 31, 2016
Deferred tax related to items recognised in other comprehensive income during the year		
Net gain or loss on revaluation of Cash flow hedge	7.66	0.28
Net gain or loss on remeasurements of defined benefit plans	(2.99)	(1.52)
Deferred tax charged / (credited) to other comprehensive income	**4.67**	**(1.24)**

Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate for March 31, 2017 and March 31, 2016

Particulars	March 31, 2017	March 31, 2016
Accounting profit before tax (before share of loss of joint ventures)	437.59	467.10
At India's statutory income tax rate of 34.608% (March 31, 2016: 34.608%)	151.44	161.65
Effects of income not subject to tax		
- Dividend income	(4.16)	(12.53)
- Fair value gain on FVTPL investments	(2.61)	(1.69)
Weighted deduction on research and development expenses	(4.17)	(6.83)
Effects of non-deductible differences between book base and tax base (includes impairment of goodwill and other intangible assets)	6.21	0.23
Unrecognized tax benefits on tax losses	5.56	1.30
Taxes paid on repatriation of branch profits	2.11	0.81
Others (includes deferred tax of earlier periods recognised in current period)	1.61	1.00
Income tax expense reported in the statement of profit or loss	**155.99**	**143.94**

Deferred tax

Particulars	March 31, 2017	March 31, 2016
Deferred tax relates to the following :		
Accelerated depreciation for tax purposes	(2.41)	5.61
Provision for doubtful debts and liquidated damages	(6.92)	(38.30)
Employee benefit obligations	(7.57)	(7.09)
Fair value gains on investment classified as fair value through profit and loss	11.17	-
Others (includes allowances on payment basis)	6.87	(2.58)
Deferred tax expense/ (income)	**1.14**	**(42.36)**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Balance sheet

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2016
Deferred tax relates to the following :			
Accelerated depreciation for tax purposes	(62.72)	(65.13)	(59.53)
Revaluation of cash flow hedges	(12.35)	(4.69)	(4.41)
Provision for doubtful debts and liquidated damages	163.21	156.30	118.00
Employee benefit obligations	16.23	5.67	(2.94)
Fair value (gains)/ losses on investment classified as fair value through profit and loss	(10.37)	0.80	0.80
Others*	5.33	11.95	10.90
Net deferred tax assets	**99.33**	**104.90**	**62.82**

* Includes impact on account of temporary differences in accounting treatment as required by ICDS and deferred tax created on unrealized profit elimination from inventory.

Reconciliation of deferred tax assets (net)

	March 31, 2017	March 31, 2016
Opening balance as at April 1	**104.90**	**62.82**
Tax expense/ (income) during the period recognised in profit or loss	(1.14)	42.36
Tax expense/ (income) during the period recognised in OCI	(4.67)	1.24
Currency translation effect	0.24	(1.52)
Closing balance as at March 31	**99.33**	**104.90**

Break up of gross deferred tax assets/liabilities

	March 31, 2017	March 31, 2016	April 1, 2015
Deferred tax assets	115.34	120.40	74.27
Deferred tax liabilities	(16.01)	(15.50)	(11.45)
Net deferred tax assets	**99.33**	**104.90**	**62.82**

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Group has tax losses of Rs. 31.94 (March 31, 2016: Rs. 32.13, April 1, 2015: Rs. 33.32) that are available for offsetting for eight years against future taxable profits of the companies in which the losses arose. These losses will expire over a period by end of March 2025.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by Rs. 8.22.

At March 31, 2017, there was no recognised deferred tax liability (March 31, 2016: Rs. Nil and April 1, 2015: Rs. Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint venture. The Group

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

has determined that undistributed profits of its subsidiaries and joint venture will not be distributed in the foreseeable future. The Group's joint venture will not distribute its profits until it obtains the consent from all venture partners.

During the year ended March 31, 2017 and March 31, 2016, the Company has paid dividends to its shareholders. This has resulted in payment of Dividend Distribution Tax (DDT) to the taxation authorities. The Group believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence DDT paid is charged to equity.

11 Other assets

(a) Other non-current assets

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unsecured, considered good			
Advance to suppliers	6.48	7.19	0.31
Advance to employees	3.27	2.94	3.29
Capital advance	9.94	12.25	1.34
Sales tax recoverable	105.45	117.13	91.65
Balances with government authorities	33.43	25.64	12.85
Prepayments	43.24	5.85	6.12
Total	**201.81**	**171.00**	**115.56**

(b) Other current assets

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unsecured, considered good			
Advance to suppliers	75.17	98.44	92.22
Advance to employees	5.18	6.36	3.20
Advance to related parties (note 36)	0.66	3.85	3.70
Export incentive receivable	33.12	34.41	22.16
Prepayments	6.62	5.42	6.19
Balances with government authorities	106.67	63.56	75.51
Sales tax recoverable	39.02	-	12.72
Prepaid employee benefits (note 34)	5.75	5.19	9.47
Others*	12.10	23.34	30.43
Total	**284.29**	**240.57**	**255.60**

*Others includes interest on tax refunds, other recovery of expenses, etc

There were no advances due by directors or officers of the Group or any of them severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a member.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

12 Inventories (Valued at lower of cost and net realizable value)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Raw materials, components and bought-outs **	172.76	159.14	257.73
Work-in-progress	50.11	59.08	56.68
Finished goods	46.56	59.22	47.17
Stores and spares	3.28	3.48	3.07
Traded goods	10.54	9.40	12.93
Total	**283.25**	**290.32**	**377.58**

**Includes goods in transit Rs. 18.07 (March 31, 2016 Rs. 3.19; April 1, 2015 Rs. 2.30)

For the year ended March 31, 2017 Rs. (1.65) (March 31, 2016 Rs. 8.92) was (reversed)/ recognised as an expense (net of reversals) for inventories carried at net realisable value. These were recognised as expense during the year and included in 'cost of raw materials and components consumed in the Consolidated Statement of profit and loss.

13(a) Cash and cash equivalents

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Balances with banks			
- in current accounts	157.62	128.84	94.58
- in deposits with original maturity of less than three months	8.59	4.34	5.50
Cheques, drafts on hand	6.55	15.98	10.70
Cash on hand	0.25	0.24	0.33
Total	**173.01**	**149.40**	**111.11**

Short-term deposits are made for varying periods ranging between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

There are no repatriation restrictions with regards to cash and cash equivalents as at the end of the reporting period and prior periods. Refer note 44

13(b) Other bank balances

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Deposits with original maturity of more than 3 months but less than 12 months	47.21	147.52	257.48
Unpaid dividend account (restricted)	0.77	0.72	0.75
Total	**47.98**	**148.24**	**258.23**

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

13(c) Details of Specified Bank Notes (SBN) held and transacted during the period November 8, 2016 to December 30, 2016

The Group had Specified Bank Notes (SBNs) and other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 30, 2017. Details of SBNs and other denomination notes held and transacted during the period from November 8, 2016 to December 30, 2016 are given below:

	SBNs (a)	Other denomination notes (b)	Total (a + b)
Closing cash in hand as on November 8, 2016	0.16	0.05	**0.21**
Add: Permitted receipts	-	0.48	**0.48**
Less: Permitted payments	-	0.34	**0.34**
Less: Amounts deposited in Banks	0.16	0.05	**0.21**
Closing cash in hand as on December 30, 2016	**-**	**0.14**	**0.14**

For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning as provided in the Notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated November 8, 2016.

14 Share capital

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Authorized shares (Nos)			
37,50,00,000 (March 31, 2016: 37,50,00,000; April 1, 2015: 37,50,00,000) equity shares of Rs. 2/- each.	75.00	75.00	75.00
	75 .00	**75.00**	**75.00**
Issued, subscribed and fully paid share capital (Nos)			
11,91,56,300 (March 31, 2016: 11,91,56,300; April 1, 2015: 11,91,56,300) equity shares of Rs. 2/- each.	23.83	23.83	23.83
Less: Shares held by trust 65,41,440 (March 31, 2016: 65,41,440; April 1, 2015: 65,41,440) equity shares of Rs. 2/- each.	(1.31)	(1.31)	(1.31)
Total issued, subscribed and fully paid-up share capital	**22.52**	**22.52**	**22.52**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year

	No. of shares	Rs.
Equity share of Rs. 2 each issued, subscribed and fully paid		
As at April 1, 2015	11,26,14,860	22.52
Changes during the year	-	-
As at March 31, 2016	11,26,14,860	22.52
Changes during the year	-	-
As at March 31, 2017	**11,26,14,860**	**22.52**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(b) Terms/ rights attached to equity shares

The Group 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 Group after distribution of all preferential amounts, in proportion to their shareholding.

(c) Equity shares held by holding company

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Holding company			
RDA Holding and Trading Private Limited, India	12.87	12.87	12.87
6,43,28,500 (March 31, 2016: 6,43,28,500; April 1, 2015: 6,43,28,500) equity shares of Rs. 2/- each fully paid			

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

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
RDA Holding and Trading Private Limited, India			
%	53.99	53.99	53.99
No. of shares	6,43,28,500	6,43,28,500	6,43,28,500
ARA Trusteeship Company Private Limited, India			
%	7.99	7.99	7.99
No. of shares	95,20,805	95,20,805	95,20,805

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents the legal ownerships of shares.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

15(a) Other equity

	As at March 31, 2017	As at March 31, 2016
Reserves and surplus		
Capital redemption reserve	50.34	50.34
Securities premium account	57.28	57.28
Capital reserve	17.82	17.82
General reserve		
Opening balance	435.08	435.08
Add : Transfer from retained earning	0.23	-
Closing balance	**435.31**	**435.08**
Retained earnings		
Opening balance	**1,798.51**	**1,614.94**
Add: Profit for the year	223.01	282.27
Less: Dividends paid	67.84	78.83
Less: Tax on dividend	14.55	16.98
Less: Transferred to general reserve	0.23	-
Movement during the year	140.39	186.46
Items of other comprehensive income recognised directly in retained earnings:		
Re-measurement loss on defined benefit plans, net of tax Rs. 2.99 (March 31, 2016 Rs. 1.52)	(5.23)	(2.89)
Net surplus in the Statement of profit and loss	**1,933.67**	**1,798.51**
Total Reserves and Surplus	**2,494.42**	**2,359.03**
Other Reserves		
Cash flow hedge reserve		
Opening balance	15.92	9.63
Add: Movement during the year (net)	22.88	1.77
Less: Tax on movement during the year	(7.66)	(0.28)
Add: Share of hedge reserve of joint venture	(4.79)	4.80
Closing balance	**26.35**	**15.92**
Foreign Currency Translation Reserve		
Opening balance	18.68	-
Add: Movement during the year (net)	(24.35)	18.68
Closing balance	**(5.67)**	**18.68**
Total	**2,515.10**	**2,393.64**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Capital redemption reserve

Pertains to reserve created towards redemption of debentures and can be utilised in accordance with the provisions of the Companies Act.

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act.

Capital reserve

Pertains to reserves arising on amalgamations in the past which is required to be maintained as per statute and cannot be distributed to the shareholders.

General Reserve

Represent amounts transferred from retained earnings in earlier years as per the requirements of the erstwhile Companies Act 1956 and transition adjustments on implementation of new accounting standards.

Cash flow hedge reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedge instruments related to hedged transactions that have not yet occurred.

Foreign currency translation reserve

The foreign currency translation reserve pertains to exchange differences on the translation of the subsidiaries having a functional currency other than Indian Rupees.

15(b) Distribution made and proposed

	March 31, 2017	March 31, 2016
Cash dividend on equity shares declared and paid by Holding company:		
Final dividend for the year ended 2015-2016: Rs. 6 per share (2014-2015: Rs.7 per share) (Gross of consolidation adjustments)	71.49	83.41
Dividend Distribution Tax on the above	14.55	16.98
	86.04	**100.39**
Proposed dividends on equity shares are subject to approval at the annual general meeting and are not recognised as a liability (including Dividend Distribution Tax thereon) as at the reporting date.		
Proposed dividend of Holding Company on equity shares:		
Proposed dividend for the year ended 2016-17: Rs. 6 per share (2015-16: Rs.6 per share)	71.49	71.49
Dividend Distribution Tax on the above	14.55	14.55
Total	**86.04**	**86.04**

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

16 Borrowings

(a) Non-current borrowings

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
At amortized cost			
Term loans (from banks)			
Secured loan	40.91	44.76	57.92
Term loans (other than banks)			
a. Secured loan	8.40	11.38	14.23
b. Unsecured loan	-	0.54	0.86
Long term maturities of long term lease obligation (note 33(ii))	1.15	0.74	0.82
Total non-current borrowings	**50.46**	**57.42**	**73.83**
Less: amount disclosed under the head "Other current liabilities" (note 18 (b))			
- Current maturities of long-term borrowings	(4.16)	(23.08)	(21.31)
- Current maturities of finance lease obligation	(0.28)	(0.11)	(0.16)
	46.02	**34.23**	**52.36**

Secured loans from banks have been availed by one of the subsidiaries. These loans are repayable on a quarterly / annual basis over a period of nineteen years. Land and building with a carrying value of Rs. 25.55 (March 31, 2016 Rs 29.08 and April 1, 2015 Rs. 27.02) has been provided as collateral for these borrowings.

Secured loans from others include:

- loan from mortgage credit institutions are repayable on monthly basis from April 2015 over a period of five years. The loan is secured by first charge on plant and machinery and escrow of cash flow for the specific project for which such facility has been availed.

- loan from Department of Bio Technology. As per the agreement, the loan was to be repaid in ten half yearly instalments starting from December 2014 however the balance loan outstanding was repaid during the year. Loan was secured by hypothecation of equipment purchased for research and development out of these funds.

Unsecured loan represents loan from Indo-German Science & Technology Centre. As per the agreement, the loan was to be repaid in ten half yearly instalments starting from November 2015 however the balance loan outstanding was repaid during the year.

(b) Current borrowings

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
At amortized cost			
Loans (from banks)			
Secured loan	85.25	137.64	124.97
Loans (other than banks)			
Secured loan	0.02	0.30	0.28
Total	**85.27**	**137.94**	**125.25**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Secured loans from banks includes working capital facilities viz. post shipment credits, bank overdraft, cash credit and acceptances for bill discounted by supplies which are repayable in 60 to 120 days. Loans are secured by hypothecation of present and future stock of inventories, stores and spares not related to plant and machinery, book debts and other moveable assets.

17 Trade payables

(a) Non-current trade payables

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade payables	47.45	48.80	27.31
Total	**47.45**	**48.80**	**27.31**

(b) Current trade payables

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade payables to:			
i) Related parties (note 36)	3.69	15.89	2.28
ii) Others	1,000.50	931.72	944.35
Total	**1,004.19**	**947.61**	**946.63**

For terms and conditions with related parties, refer note 36.

18 Financial liabilities

(a) Other non-current financial liabilities

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade deposits	4.78	3.95	3.42
Total	**4.78**	**3.95**	**3.42**

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(b) Other current financial liabilities

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Derivative instruments			
Cash flow hedges			
Foreign exchange forward contracts	21.76	1.38	2.73
Derivative instruments at fair value through profit or loss			
Derivative not designated as hedges			
Foreign exchange forward contracts	0.54	-	-
At amortized cost			
Current maturities of long-term borrowings (note 16 (a))	4.16	23.08	21.31
Current maturities of finance lease obligation (note 16 (b))	0.28	0.11	0.16
Interest accrued but not due on loans	0.01	0.06	0.05
Employee related payables	62.77	64.39	63.51
Payables for tangible and intangible assets	17.92	5.99	6.04
Book overdraft	-	81.44	59.26
Financial guarantee liability	-	-	1.78
Unpaid dividend	0.77	0.72	0.75
Other payables *	9.22	7.13	4.12
Total	**117.43**	**184.30**	**159.71**

* includes dealer deposits, security deposits, etc.

Financial guarantee liability as at April 1, 2015, represented guarantee of 51% of a loan of a joint venture to a maximum amount of Rs. 66.30, which is given jointly with other venturer. The said loan was repaid in the last year by the joint venture resulting in complete amortisation of the guarantee liability.
For terms and conditions with related parties, refer note 36.

19 Provisions

(a) Non-current provisions

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Provision for Employee Benefits			
Provision for gratuity (note 34)	0.11	0.27	0.04
	0.11	**0.27**	**0.04**
Other Provision			
Provision for warranties	4.40	2.17	4.49
Provision for decommissioning liability	5.65	3.13	2.85
	10.05	**5.30**	**7.34**
Total	**10.16**	**5.57**	**7.38**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

(b) Current provisions

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Provision for employee benefits			
Provision for gratuity (note 34)	0.28	0.44	-
Provision for leave encashment	61.26	54.18	59.55
	61.54	**54.62**	**59.55**
Other provisions			
Provision for onerous contracts	5.91	7.98	8.76
Provision for warranties	81.99	80.30	75.95
	87.90	**88.28**	**84.71**
Total	**149.44**	**142.90**	**144.26**

Provision for decommissioning liability

A provision has been recognised for decommissioning costs associated with the land taken on lease by the Group. The Group is committed to decommission the site as a result of the construction of manufacturing facility. The timing of cash outflows in respect of such provision cannot be reasonably determined.

Provision for warranties

Warranty costs are provided based on a technical estimate of the costs required to be incurred for repairs, replacements, material costs, servicing cost and past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contracted warranty period ranging upto 2 years. If warranty claim costs vary by 10% from management's estimate, the warranty provisions would be an estimated Rs. 8.64 higher or lower (March 31, 2016 Rs. 8.25; April 1, 2015: Rs. 8.04)

Provision for onerous contracts

A provision for expected loss on construction contracts is recognised when it is probable that the contracts costs will exceed total contract revenue. For all other contracts, provision is made when the unavoidable costs of meeting the obligation under the contract exceed the currently estimated economic benefits. The timing of cash outflows in respect of such provision is over the contract period.

Movement in provisions

	Provision for onerous contracts	Provision for warranties	Provision for decommissioning liability
As at April 1, 2016			
Balance at the beginning	**7.98**	**82.47**	**3.13**
Additional provision recognised	4.38	43.38	2.10
Unused amounts reversed	(3.21)	(31.21)	-
Unwinding of discount	-	2.25	0.42
Utilised during the year	(3.24)	(10.50)	-
As at March 31, 2017	**5.91**	**86.39**	**5.65**
Current	**5.91**	**81.99**	**-**
Non-current	**-**	**4.40**	**5.65**
Total	**5.91**	**86.39**	**5.65**

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

20 Other liabilities

(a) Other non-current liabilities

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unearned revenue	5.96	3.76	2.01
Customer advances	25.85	37.76	38.03
Total	**31.81**	**41.52**	**40.04**

(b) Other current liabilities

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unearned revenue (note 31)	358.24	509.12	452.18
Customer advances	595.68	600.13	924.43
Statutory dues and other liabilities*	37.81	40.59	39.15
Total	**991.73**	**1,149.84**	**1,415.76**

* mainly includes tax deducted at source, provident fund, etc.

21 Revenue from operations

	March 31, 2017	March 31, 2016
Sale of products and services		
Sale of products (inclusive of excise duty) #	3,787.80	4,341.35
Sale of services #	705.14	848.18
Other operating revenue		
Export incentives	37.32	44.49
Sale of scrap	11.62	14.75
Interest income from finance lease	5.83	5.14
Commission income	1.70	1.85
Exchange fluctuation gain (net) *	37.38	6.93
Royalty income	2.77	2.75
Miscellaneous income	0.16	0.16
Total	**96.78**	**76.07**
Total	**4,589.72**	**5,265.60**

Sale of goods includes excise duty collected from customers of Rs.106.64 (March 31, 2016 Rs.120.64)

Includes revenue from construction contracts of Rs. 2,786.79 (March 31, 2016: Rs. 3,580.94). Refer note 31 for details.

* Includes mark to market gain on forward contracts not subjected to hedge accounting Rs. 1.98 (March 31, 2016 Rs. Nil)

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

22 Other income

	March 31, 2017	March 31, 2016
Interest income from financial assets at amortised cost		
Bank deposits	11.67	21.23
Other interest income	8.88	8.56
Dividend income from equity investments designated at fair value through profit and loss	12.03	36.26
Government grants *	0.02	4.40
Liabilities no longer required written back	24.68	33.50
Amortization of financial guarantee liability	-	1.78
Gain on fair valuation of previously held interest in joint venture (Note 37B(c))	2.79	-
Fair value gain on financial instrument at fair value through profit and loss (net)	43.26	8.00
Miscellaneous income ^^	10.72	8.68
Total	**114.05**	**122.41**

* Government grants have been received for the purchase of certain items of property, plant and equipment. These grants are of the nature of grants related to income. There are no unfulfilled conditions or contingencies attached to these grants as at March 31, 2017, March 31, 2016 and April 1, 2015.

^^ Includes rent income of Rs. 1.13 (March 31, 2016: Rs. 1.21); refer note 33(iii)

23 Cost of raw material and components consumed

	March 31, 2017	March 31, 2016
Inventories at the beginning of the year	159.14	257.73
Add: Purchases	2,181.40	2,584.74
	2,340.54	**2,842.47**
Inventories at the end of the year	(172.76)	(159.14)
	2,167.78	**2,683.33**
Less: capitalised during the year (note 28(b))	(0.80)	-
Total	**2,166.98**	**2,683.33**

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

24 Decrease/ (Increase) in inventories of finished goods, work-in-progress and traded goods

	March 31, 2017	March 31, 2016
Inventories at the beginning of the year		
Work-in-progress	59.08	56.68
Finished goods	59.22	47.17
Traded goods	9.40	12.93
	127.70	**116.78**
Less: inventories at the end of the year		
Work-in-progress	50.11	59.08
Finished goods	46.56	59.22
Traded goods	10.54	9.40
	107.21	**127.70**
Total	**20.49**	**(10.92)**

25 Employee benefits expense

	March 31, 2017	March 31, 2016
Salaries and wages	620.11	599.36
Contribution to provident and other funds	33.45	33.41
Gratuity expense (note 34)	6.15	3.50
Staff welfare expenses	27.81	25.97
	687.52	662.24
Less: capitalised during the year (note 28(b))	(1.12)	(2.50)
Total	**686.40**	**659.74**

26 Finance costs

	March 31, 2017	March 31, 2016
Interest expense	7.04	8.07
Unwinding of discount	2.67	4.12
Total	**9.71**	**12.19**

27 Depreciation and amortisation expense

	March 31, 2017	March 31, 2016
Depreciation of tangible assets (note 4(a))	62.22	59.10
Amortisation of intangible assets (note 4(b))	19.68	13.14
Total	**81.90**	**72.24**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

28 (a) Other expenses

	March 31, 2017	March 31, 2016
Consumption of stores and spare parts	50.00	57.29
Power and fuel	33.34	32.46
Excise duty on increase in inventory	0.17	0.56
Freight and forwarding charges (net)	64.85	65.73
Site expenses and contract labour charges	507.24	646.45
Drawing, design and technical service charges	16.30	20.26
Sales commission	22.67	37.59
Advertisement and sales promotion	13.58	22.50
Rent (note 33 (iv))	21.94	24.33
Rates and taxes	22.68	17.14
Insurance	7.62	8.05
Repairs and maintenance:		
Plant and machinery	15.83	17.02
Buildings	6.35	8.12
Others	19.30	18.64
Travelling and conveyance	75.87	81.22
Legal and professional fees (includes payment to auditor)	53.82	55.02
Director sitting fees	0.66	0.70
Bad debts/advances written off	16.73	39.31
Provision for impairment allowance of financial assets (net)	48.66	76.84
Warranty expenses (net)	41.26	16.28
Loss on sale/ discard of assets (net)	0.74	3.99
CSR expenditure	8.83	9.10
Miscellaneous expenses (includes printing, communication, postage, security expense, etc.)	52.82	59.78
	1,101.26	1,318.38
Less: capitalised during the year	(1.72)	(2.08)
Total	**1,099.54**	**1,316.30**

(b) Capitalisation of expenses

During the year, the Group has capitalized the following expenses of revenue nature to the cost of Property, plant & equipment and other intangible assets. Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the Group.

Particulars	March 31, 2017	March 31, 2016
Salaries and wages	1.12	2.50
Raw material and components	0.80	-
Others	1.72	2.08
Total	**3.64**	**4.58**

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

29 Earnings per share

	March 31, 2017	March 31, 2016
Net profit attributable to the Equity shareholders of the Company	223.01	282.27
Weighted average number of Equity shares of Rs. 2/- each (number in crores)	11.26	11.26
Basic and diluted Earnings per share (Rs.)	19.80	25.07

30 Components of Other Comprehensive Income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

During the year ended March 31, 2017

Particulars	Cash flow hedge reserve	Foreign Currency translation reserve	Retained Earnings	Total
Foreign currency translation differences	-	(24.35)	-	**(24.35)**
Interest rate swap	0.36	-	-	**0.36**
Currency forward contracts	28.05	-	-	**28.05**
Reclassified to statement of profit or loss	(13.19)	-	-	**(13.19)**
Re-measurement gains/(losses) on defined benefit plans	-	-	(5.23)	**(5.23)**
Share of OCI [cash flow hedge (net of tax)] of Joint Venture	(4.79)	-	-	**(4.79)**
Total	**10.43**	**(24.35)**	**(5.23)**	**(19.15)**

During the year ended March 31, 2016

	Cash flow hedge reserve	Foreign Currency translation reserve	Retained Earnings	Total
Foreign currency translation differences	-	18.68	-	**18.68**
Interest rate swap	0.86	-	-	**0.86**
Currency forward contracts	12.89	-	-	**12.89**
Reclassified to statement of profit or loss	(12.26)	-	-	**(12.26)**
Re-measurement gains (losses) on defined benefit plans	-	-	(2.89)	**(2.89)**
Share of OCI [cash flow hedge (net of tax)] of Joint Venture	4.80	-	-	**4.80**
Total	**6.29**	**18.68**	**(2.89)**	**22.08**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

31 Construction contracts (disclosure pursuant to Ind AS 11)

	March 31, 2017	March 31, 2016
Contract Revenue recognised during the year	2,786.79	3,580.94
In respect of contracts in progress as at March 31 :		
Aggregate amount of contract costs incurred and recognised profits (less recognised losses)	14,713.05	14,588.59

	March 31, 2017	March 31, 2016	April 1, 2015
Customer advance outstanding for contracts in progress	629.94	613.83	1,284.10
Retention money due from customers for contracts in progress	593.36	662.44	577.54
Gross amount due from customers (disclosed as unbilled revenue (Refer note 9 (b))	579.48	509.15	422.88
Gross amount due to customers (disclosed as unearned revenue (Refer note 20 (b))	358.24	509.12	452.18

32 Contingent liabilities and commitments

A Contingent liabilities

a) During the previous year, the Commissioner of Central Excise, upon adjudication of the show cause-cum demand notices issued by the Department for the period June 2000 till March 2015, has raised demands of Rs. 1,263.24 on the Holding Company (including penalty but excluding interest not presently quantified). During the year, the Holding Company was served an additional demand order of Rs.67.40 (including penalty but excluding interest not presently quantified) for the period April 2015 to September 2015 for the same matter.

These demands are of excise duty payable on inclusion of the cost of bought out items in the assessable value of certain products manufactured by the Holding Company, though such duty paid bought out items are directly dispatched by the manufacturers thereof to the ultimate customer, without being received in the Holding Company's factory. The Holding Company filed an appeal against the said orders received before CESTAT, Mumbai. Based on an independent legal advice, the Holding Company is confident of the issue being ultimately decided in its favour and accordingly, no provision has been considered necessary as at March 31, 2017.

b) **Taxes**

	March 31, 2017	March 31, 2016	April 1, 2015
Excise, Customs Duty and Service tax	17.46	15.91	40.13
Sales tax	65.34	26.26	25.29
Income tax demands disputed in appellate proceedings	32.56	47.80	50.06
References/appeals preferred by the Income tax department in respect of which, should the ultimate decision be unfavourable to the company	49.37	47.84	56.21
Others	0.23	0.23	0.15

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

c) **Guarantees**

The Group has issued various guarantees for performance, deposits, tender money etc. The management has considered the probability for outflow of the same to be remote and accordingly no amount has been disclosed here.

d) **Others**

	March 31, 2017	March 31, 2016	April 1, 2015
Liability for export obligations	22.42	27.37	32.46
Claims against the Group not acknowledged as debt	33.51	19.66	18.90

The timing and amount of the cash flow which will arise from these matters, will be determined by the relevant authorities on settlement of the cases or on receipt of claims from customers.

e) For contingent liability with respect to Joint Ventures, refer note 38 'interest in joint venture'.

B Capital and other commitments

a) Liability in respect of partly paid shares Rs. 0.19 (March 31, 2016 Rs.0.19, April 1, 2015 Rs. 0.19)

b) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs.45.30 (March 31, 2016 Rs. 77.29; April 1, 2015 Rs. 6.94)

c) For lease commitments, refer note 33.

33 Leasing arrangements

i) Amounts receivable under Finance lease - where the Group is lessor

The Group has entered into certain arrangements with its customers where the Group will supply heat / steam by installing the boiler/heater at the customers' premises. The Group has determined, that fulfillment of these arrangement is dependent on the use of specific assets and the arrangement conveys to customers a right to use these specific assets. Accordingly, these arrangements qualify as arrangements in the form of lease as specified in Appendix C to Ind-AS 17. Based on evaluation of terms and conditions of these arrangements, such as the contract term constituting a major part of the economic life of the specific assets and the fair value of the asset, that it has transferred the significant risks and rewards in these assets to the customers and therefore these embedded lease arrangements have been classified as finance leases.

Particulars	Gross Investment in lease			Present value of minimum lease payments		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Within one year	9.80	9.80	7.67	4.48	3.97	2.88
After one year but not more than five years	35.94	37.31	29.82	20.87	19.69	14.98
More than five years	21.85	30.07	25.42	17.29	22.74	18.86
	67.59	**77.18**	**62.91**	**42.64**	**46.40**	**36.72**
Less: Unearned finance income	24.95	30.78	26.19	-	-	-
Present value of minimum lease payments receivable	42.64	46.40	36.72	42.64	46.40	36.72
Allowance for uncollectible lease payments	-	-	-	-	-	-
	42.64	**46.40**	**36.72**	**42.64**	**46.40**	**36.72**

Current portion of finance lease receivables	39.16	42.94	34.02
Non-current portion of finance lease receivables	3.48	3.46	2.70

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Estimated unguaranteed residual value of assets under Finance lease	-	-	-
Contingent rent recognised as Income during the period	-	-	-
Interest rate inherent in the lease	12.40% - 17.05%	12.40% - 17.05%	12.40% - 17.05%

ii) Amounts payable under Finance lease - where the group is lessee

	Minimum lease payments			Present value of minimum lease payments		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Within one year	0.30	0.14	0.20	0.28	0.11	0.16
After one year but not more than five years	0.99	0.63	0.68	0.87	0.63	0.66
More than five years	-	-	-	-	-	-

iii) Operating lease: Group as lessor

The Group has leased certain parts of its surplus office and manufacturing buildings. The tenure of such lease agreements ranges from 1 to 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	March 31, 2017	March 31, 2016
Lease received for the year	1.13	1.21

iv) Operating lease: Group as lessee

The Group has taken office buildings on operating lease. Lease rentals are charged to the consolidated Statement of profit and loss for the year. There are no sub-leases. The leases are renewable on mutually agreeable terms. At the expiry of the lease term, the company has an option to terminate the agreement or extend the term by giving notice in writing.

	March 31, 2017	March 31, 2016
Lease payments for the year	21.94	24.33

	March 31, 2017	March 31, 2016	April 1, 2015
Future minimum lease rental payables under non-cancellable operating leases are as follows:			
Within one year	2.59	3.72	1.99
After one year but not more than five years	4.54	4.98	2.43
More than five years	0.28	1.03	0.32

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

34 Gratuity

The Company and its Indian subsidiaries operates a defined benefit plan viz. gratuity for its employees. Under the gratuity plan, every employee who has completed at least specified years of service gets a gratuity on departure @ 15 days (minimum) of the last drawn salary for each completed year of service. The scheme is funded with an insurance Company in the form of qualifying insurance policy. The fund has formed a trust and it is governed by the Board of Trustees. Overseas subsidiaries do not operate any defined benefit plans for its employee.

The fund is subject to risks such as asset volatility, changes in bond yields and asset liability mismatch risk. In managing the plan assets, Board of Trustees reviews and manages these risks associated with the funded plan. Each year, the Board of Trustees reviews the level of funding in the gratuity plan. Such a review includes asset-liability matching strategy and investment risk management policy (which includes contributing to plans that invest in risk-averse markets). The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed) will arise.

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Current asset	5.75	5.19	9.47
Current/Non-current liability	0.39	0.71	0.04

I Changes in the net benefit obligation and fair value of plan assets are as follows :

Particulars	Present value of obligation	Fair value of plan assets	Net amount
April 1, 2015	**78.11**	**(87.54)**	**(9.43)**
Current service cost	4.69	-	4.69
Interest expense / (income)	5.77	(6.96)	(1.19)
Total amount recognised in Profit or Loss	**10.46**	**(6.96)**	**3.50**
Experience adjustments	4.76	-	4.76
Return on plan assets (income)	-	(0.51)	(0.51)
Loss from change in financial assumptions	0.16	-	0.16
Total amount recognised in Other Comprehensive Income	**4.92**	**(0.51)**	**4.41**
Employer contributions	-	(0.86)	(0.86)
Benefits paid	(11.67)	9.57	(2.10)
March 31, 2016	**81.82**	**(86.30)**	**(4.48)**
Current service cost	7.53	-	7.53
Interest expense/(income)	5.49	(7.22)	(1.73)
Acquisition adjustment	0.35	-	0.35
Total amount recognised in Profit or Loss	**13.37**	**(7.22)**	**6.15**
Experience adjustments	3.35	-	3.35
Return on plan assets expense	-	0.07	0.07
Actuarial loss from change in demographic assumptions	0.04	-	0.04
Actuarial loss from change in financial assumptions	4.76	-	4.76
Total amount recognised in Other Comprehensive Income	**8.15**	**0.07**	**8.22**
Employer contributions	-	(14.84)	(14.84)
Benefits paid	(14.01)	13.60	(0.41)
March 31, 2017	**89.33**	**(94.69)**	**(5.36)**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

II The net liability disclosed above relates to funded plans are as follows :

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Present value of funded obligation	89.33	81.82	78.11
Fair value of plan assets	(94.69)	(86.30)	(87.54)
Surplus of funded plan	**(5.36)**	**(4.48)**	**(9.43)**

III Significant estimates

The principal actuarial assumptions were as follows :

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Discount rate	7%	8%	8%
Salary growth rate	5% to 7%	5% to 8%	5% to 7%
Normal retirement age	60 years	60 years	60 years
Mortality table	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Employee turnover	5% to 15%	5% to 17%	5% to 10%

IV Sensitivity analysis

The sensitivity of defined obligation to changes in the weighted principal assumptions is:

Assumption	Impact on defined benefit obligation	
	March 31, 2017	March 31, 2016
Discount rate		
1.00% increase	Decrease by 4.97	Decrease by 4.20
1.00% decrease	Increase by 5.60	Increase by 4.71
Future salary increase		
1.00% increase	Increase by 5.11	Increase by 4.49
1.00% decrease	Decrease by 4.61	Decrease by 4.07
Attrition Rate		
1.00% increase	Decrease by 0.15	Decrease by 0.08
1.00% decrease	Increase by 0.15	Increase by 0.06

The above sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The following are the expected cash flows to the defined benefit plan in future years:

Particulars	March 31, 2017	March 31, 2016
Within next 12 months	12.81	14.39
Between 1-5 years	39.06	42.44
5 years to 10 years	27.40	38.33

V The major categories of plan assets are as follows:

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Investments with Insurer (LIC of India)	100.00%	100.00%	100.00%

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

35 Interests in other entities

Group information

A Subsidiaries

The consolidated financial statements of the Group includes subsidiaries listed in the table below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Sr No.	Name of the entity	Place of business/ Country of incorporation	Ownership interest held by the group			Principal activities
			March 31, 2017	March 31, 2016	April 1, 2015	
1	Thermax Onsite Energy Solutions Ltd	India	100%	100%	100%	Supply of utilities like steam, heat on build, own and operate basis
2	Thermax Instrumentation Ltd.	India	100%	100%	100%	Civil, Erection and Commissioning Operation and Maintenance
3	Thermax Engineering Construction Company Ltd.	India	100%	100%	100%	Installation of industrial machinery and equipment
4	Thermax Sustainable Energy Solutions Ltd.	India	100%	100%	100%	Carbon Advisory Services
5	Thermax International Ltd.	Mauritius	100%	100%	100%	Acts as a holding company.
6	Thermax Europe Ltd.	United Kingdom	100%	100%	100%	Sale and service of vapour absorption chillers
7	Thermax Inc.	USA	100%	100%	100%	Sale and service of vapour absorption chillers and sales of chemicals
8	Thermax do Brasil Energia e Equipamentos Ltda	Brazil	100%	100%	100%	Rendering services including technical assistance
9	Thermax (Zhejiang) Cooling & Heating Engineering Company Ltd.	China	100%	100%	100%	Products and services in heating, cooling, waste heat recovery, captive power, water treatment and recycling, waste management and performance chemicals
10	Thermax Netherlands BV.	Netherlands	100%	100%	100%	Acts as a holding company.
11	Thermax Denmark ApS	Denmark	100%	100%	100%	Acts as a holding company.
12	Danstoker A/S	Denmark	100%	100%	100%	Produces and sells boilers to the energy market
13	Ejendomsanp artsselskabet Industrivej Nord 13	Denmark	100%	100%	100%	Own and lease out property within group
14	Boilerworks A/S	Denmark	100%	100%	100%	Produces and supplies high-pressure boilers and components
15	Boilerworks Properties ApS	Denmark	100%	100%	100%	Own and lease out the property within group
16	Rifox-Hans Richter GmbH Spezialarmaturen	Germany	100%	100%	100%	Manufacturing steam trap systems
17	Thermax Sdn.Bhd	Malaysia	100%	100%	100%	Turnkey solutions provider
18	Thermax Engineering Singapore Pte. Ltd.	Singapore	100%	100%	100%	Acts as a holding company.
19	PT Thermax International	Indonesia	100%	100%	100%	manufacturing of industrial products
20	Thermax Senegal S.A.R.L	Senegal	100%	100%	100%	Plant management services
21	First Energy Private Limited*	India	54.67%	-	-	Alternative energy solution company
22	Thermax Energy & Environment Philippines Corporation	Philippines	100.00%	-	-	Marketing and sales of component parts of boilers
23	ESOP Trust and Employee Welfare Trusts**	India	NA	NA	NA	Employee welfare

Thermax Hong Kong Ltd. (wholly owned subsidiary) has not been considered for consolidation as the same has become 'Dormant' company during the year 2009-10.

There were no transactions in Thermax Nigeria Ltd (step down subsidiary through Thermax International Ltd) for the year ended on March 31, 2017.

* Ownership interest held by non-controlling interest in First Energy Private Limited is 45.33% as at March 31, 2017. For detail refer note 37.

The non-controlling interest held in First Energy Private Limited is not material to the Group. Hence, the disclosures required under Para 12 of Ind AS 112 Disclosure of Interests in other entities are not required.

** The Group has an ESOP trust and Employee Welfare Trusts for the welfare of the employees. Pursuant to the arrangement between the Trusts and the Company, the Company has determined that it has power to direct the relevant activities of the trust while being exposed to variable returns from its involvement with these entities. As a result, these entities have been consolidated in these financial statements.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

B Parent entities

Sr No.	Name of the entity	Place of business/ Country of incorporation	Ownership interest			Type
			March 31, 2017	March 31, 2016	April 1, 2015	
1	RDA Holdings Pvt Ltd	India	53.99%	53.99%	53.99%	Holding company

C Joint Ventures

Sr No.	Name of the entity	Place of business/ Country of incorporation	Ownership interest			Principal activities
			March 31, 2017	March 31, 2016	April 1, 2015	
1	Thermax Babcock & Wilcox Energy Solutions Pvt Ltd	India	51%	51%	51%	Manufacture of steam or other vapour generating boilers and hot water boilers other than central heating boilers
2	Thermax SPX Energy Technologies Ltd	India	51%	51%	51%	Supply & erection commissioning of Air cooled condenser (ACC), Rotary air Pre-Heater (RAPH), electrostatic precipitator (ESP), Bag Houses
3	First Energy Pvt Ltd *	India	-	33.33%	-	Alternative energy solution company

The Company's interest in relation to Thermax Babcock & Wilcox Energy Solutions Pvt Ltd and Thermax SPX Energy Technologies Ltd are subject to joint venture agreements with other venturers. These agreements require unanimous consent from both the venturers for all relevant activities. Accordingly, these entities are subject to joint control. These entities are therefore classified as a joint venture and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses

The investments listed above are accounted by equity method.

* The entity became a subsidiary pursuant to acquisition of additional stake on August 31, 2016.

36 Related party disclosures

A For details of Holding company and Joint venture entities refer note no 35

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

1 Mrs. Meher Pudumjee - Chairperson

2 Mrs. Anu Aga - Director

3 Mr. Pheroz Pudumjee - Director

C Enterprise, over which control is exercised by individuals listed in 'B' above:

1 Thermax Foundation, India (formerly known as Thermax Social Initiative Foundation)

2 KRA Holdings Private Limited, India

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

D Key Management Personnel:

1 Mr. M S Unnikrishnan - Managing Director and Chief Executive Officer

2 Dr Raghunath A. Mashelkar - Independent Director

3 Dr Valentin A. H. von Massow - Independent Director

4 Dr Jairam Varadaraj - Independent Director

5 Mr. Nawshir Mirza - Independent Director

6 Mr. Harsh Mariwala - Independent Director (Appointed from 10th November 2016)

7 Mr Amitabha Mukhopadhyay - CFO

8 Mr Amit Atre - Company Secretary (Upto 12th January 2017)

E Transactions with Related parties:

Particulars	Joint Ventures		Enterprises over which control is exercised by Individuals having Significant influence over the Group		Key Management Personnel and Individuals mentioned in 'B' above		Total	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
a. Transactions during the year								
Sales of products and services	0.10	2.24	-	-	-	-	0.10	2.24
Miscellaneous Income	0.37	0.46	-	-	-	-	0.37	0.46
Recovery of expenses	1.83	0.63	-	-	-	-	1.83	0.63
Purchase of raw material and components	7.01	34.75	-	-	-	-	7.01	34.75
Reimbursement of expenses	0.26	1.76	-	-	-	-	0.26	1.76
Remuneration to key management personnel*	-	-	-	-	5.65	4.76	5.65	4.76
Donation	-	-	8.79	9.10	-	-	8.79	9.10
Investment in equity	179.84	51.00	-	-	-	-	179.84	51.00
Director's sitting fees	-	-	-	-	0.44	0.47	0.44	0.47
Commission paid	-	-	-	-	2.32	2.30	2.32	2.30
Rent paid	-	-	-	-	0.39	0.39	0.39	0.39

* Does not include gratuity and leave encashment since the same is calculated for all employee of the company as a whole.

Note: Dividend paid to Holding company RDA Holdings Pvt. Ltd., India is Rs. 38.60 (March 31, 2016 Rs 45.03).

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Particulars	Joint Ventures			Enterprises over which control is exercised by Individuals having Significant influence over the company.			Key Management Personnel and Individuals mentioned in 'B' above			Total		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
b. Balances as at the year end												
Trade receivables	1.48	1.70	3.59	-	-	-	-	-	-	1.48	1.70	3.59
Advances given	0.66	3.85	3.70	-	-	-	-	-	-	0.66	3.85	3.70
Loans given	-	-	-	-	-	-	0.53	0.53	0.58	0.53	0.53	0.58
Trade payables and other liabilities	3.69	15.89	2.28	-	-	-	-	-	-	3.69	15.89	2.28
Guarantee /letter of comfort given on behalf of Subsidiaries/Joint Ventures	-	66.30	66.30	-	-	-	-	-	-	-	66.30	66.30

F Related party transactions include transactions pertaining to the following parties with whom the percentage of the transactions are 10 % or more of the total of the above:

Particulars	March 31, 2017	March 31, 2016
Transactions during the year		
Sale of product and services		
Thermax Babcock & Wilcox Energy Solutions Pvt. Limited, India	0.10	2.24
Miscellaneous income		
Thermax SPX Energy Technologies Limited, India	0.37	0.46
Recovery of expenses		
Thermax Babcock & Wilcox Energy Solutions Pvt. Limited, India	0.31	0.41
Thermax SPX Energy Technologies Limited, India	1.52	0.22
Purchase of raw material and components		
Thermax SPX Energy Technologies Limited, India	7.01	34.07
Reimbursement of expenses		
Thermax Babcock & Wilcox Energy Solutions Pvt. Limited, India	0.22	1.75
Thermax SPX Energy Technologies Limited, India	0.04	0.01
Remuneration to key management personnel		
M. S. Unnikrishnan	3.27	2.79
Amitabha Mukhopadhyay	1.88	1.82
Donation		
Thermax Foundation	8.79	9.10
Investment in equity		
Thermax Babcock Wilcox Energy Solutions Pvt. Ltd., India	179.84	51.00

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Particulars	March 31, 2017	March 31, 2016
Directors sitting fees		
Mrs. Meher Pudumjee	0.07	0.07
Mrs. Anu Aga	0.05	0.04
Mr. Pheroz Pudumjee	0.08	0.09
Dr Valentin A. H. von Massow	0.09	0.09
Dr Jairam Varadaraj	0.07	0.09
Mr. Nawshir Mirza	0.06	0.07
Commission paid		
Mrs. Meher Pudumjee	0.35	0.35
Mrs. Anu Aga	0.14	0.14
Mr. Pheroz Pudumjee	0.15	0.15
Dr Valentin A. H. von Massow	0.24	0.26
Dr Jairam Varadaraj	0.17	0.17
Mr. Nawshir Mirza	0.30	0.30
Mr. M. S. Unnikrishnan	0.80	0.80
Rent paid		
Mrs. Meher Pudumjee	0.12	0.12
Mrs. Anu Aga	0.15	0.15
Mr. Pheroz Pudumjee	0.12	0.12

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Trade receivables			
Thermax SPX Energy Technologies Limited, India	1.36	1.64	3.28
Advances			
Thermax SPX Energy Technologies Limited, India	0.66	3.85	3.70
Trade payables			
Thermax Babcock & Wilcox Energy Solutions Pvt. Limited, India	0.49	-	1.64
Thermax SPX Energy Technologies Limited, India	3.20	15.89	0.64
Loans given			
Mrs. Anu Aga	0.35	0.35	0.40
Mr. Pheroz Pudumjee	0.18	0.18	0.18
Guarantee / letter of comfort given on behalf of subsidiaries			
Thermax Babcock & Wilcox Energy Solutions Pvt. Limited, India	-	66.30	66.30

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

II. Commitments:

Pursuant to the agreement between the Company, First Energy Private Limited (FEPL) and the shareholders of FEPL, the Company has a call option to increase its equity holding in FEPL upto 76% and counter party has corresponding put option. This commitment and the related consideration is subject to certain pre-conditions, including conditions linked to future performance, and timelines, which are not disclosed due to sensitivity of the information.

III. Terms and conditions for outstanding balances:

1. All outstanding balances are unsecured and repayable in cash.

IV. Terms and conditions of related party transactions:

The sales to and purchases from related parties are assessed by the management to be at arm's length. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2016: Rs. Nil, 1 April 2015: Rs. Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

37 Acquisition of First Energy Private Limited

A Summary of acquisition

The Group acquired 33.33% of equity stake in First Energy Private Limited (FEPL) in the previous year for a total consideration of Rs. 19.33. The Group determined that the acquisition resulted in a joint control and therefore accounted for its investment in First Energy as equity accounted investee.

Pursuant to the agreement between the Company, FEPL and the shareholders of FEPL (the selling shareholders), the Company has a call option to increase its equity holding in FEPL upto 76% and counter party has a corresponding put option, to be exercised in two tranches as mentioned below. This commitment and the related consideration is linked to future performance of FEPL.

Tranche	Details of option	Timelines
Tranche II	Option to acquire 17.67% stake in FEPL. The selling shareholders have a corresponding put option.	To be exercised at any time between October 1, 2017 and September 30, 2018
Tranche III	Option to acquire 25% stake in FEPL. The selling shareholders have a corresponding put option.	To be exercised at any time between July 1, 2019 and June 30, 2020

The Company, FEPL and the shareholders of FEPL, agreed to an amendment with respect to the Tranche II stake and the timelines, pursuant to which, the Company exercised its call option to acquire further stake of 21.34% in FEPL at a nominal consideration of Rs. 4/-, as the consideration was linked to the performance of the Company. This resulted in the Company acquiring control of FEPL with effect from August 31, 2016. Accordingly, FEPL has been consolidated as a subsidiary with effect from August 31, 2016. The Group has a total stake of 54.67% in FEPL, an alternative energy solution company. Oorja, the popular brand of First Energy, substitutes fossil fuels by combining a 'micro-gasification' stove and biomass- based pellet fuel.

The details of purchase consideration, identifiable assets acquired and liabilities assumed, computation of goodwill and other details of acquisition have been summarised in Note (b) below.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

B Details of acquisition

a) The details of purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	
Cash paid	Four Rupees

b) The net assets & liabilities recognised as a result of the acquisition are as follows:

Assets & Liabilities acquired	
Property, plant and equipment (including Capital work-in-progress)	11.42
Intangible assets - Brand & customer contracts	10.23
Other intangible assets	0.89
Other current and non-current assets	8.70
Trade Payables	(2.74)
Borrowings	(6.00)
Other current and non-current liabilities	(4.29)
Net identifiable assets acquired	**18.21**

c) Calculation of Goodwill

Acquisition date fair value of previously held equity interest	19.55
Non-controlling interest in the acquired entity	8.26
Less: Net identifiable assets acquired	(18.21)
Goodwill	**9.60**

The Group previously held around 33.33% stake in FEPL which was accounted as Investment in Joint venture using Equity method. The total change (increase) in fair value of Rs. 2.79 is recognised in Statement of Profit & Loss as Other Income for the year ended March 31, 2017.

The goodwill recognized was attributable to the workforce and the high profitability of the acquired business. It is not deductible for tax purpose.

However, subsequent to the acquisition, the market for the products supplied by FEPL witnessed significant deterioration due to structural change in energy price dynamics and delayed recoveries from customers. The Group therefore tested the FEPL CGU for impairment as at the year-end. The recoverable value has been determined based on value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a 5-year period. The projected cash flows have been updated to reflect the decreased demand for the products and services. The pre-tax discount rate applied to cash flow projections is 18% and the cash flows beyond the 5-year period have been extrapolated using a long-term average growth rate of 4%. As a result of this analysis, the Group has recorded an impairment loss of Rs. 17.84 (attributable do Energy segment) which has been presented as an exceptional item in the Consolidated statement of profit and loss. The impairment loss has been allocated to Goodwill and other intangible assets (Brand & Customer contracts) recognized at the time of acquisition.

There were no other acquisitions in the year ending March 31, 2016

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

d) Acquired receivables

The fair value of acquired trade receivables is Rs. 0.46. The gross contractual amount for trade receivables due is Rs. 0.46 of which Rs. Nil is expected to be uncollectable.

e) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interest in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For acquisition of FEPL the group elected to recognise the non-controlling interest at its proportionate share of the net identifiable assets.

f) Revenue and profit contribution

The acquired business contributed revenues and loss to the group for the period March 31, 2017 as follows:

Revenue of Rs. 11.29 and loss of Rs. 4.92 for the period August 31, 2016 to March 31, 2017.

If the acquisition had occurred on April 1, 2016, consolidated pro-forma revenue and profit for the year ended March 31, 2017 would have been higher by Rs. 7.87 and Rs. 3.12 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for :

– differences in the accounting policies between the group and the subsidiary, and

– the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from April 1, 2016, together with the consequential tax effects.

38 Interest in Joint Venture

The interest in Thermax Babcock & Wilcox Energy Solutions Pvt Ltd, Thermax SPX Energy Technologies Ltd and First Energy Private Limited is accounted for using equity method of accounting

The summarised financial information of the joint venture, based on its Ind AS financial statements, and reconciliation with the carrying amount of investment in consolidated financial statements are set out below:

Summarised balance sheet	Thermax Babcock & Wilcox Energy Solutions Pvt Ltd			Thermax SPX Energy Technologies Ltd			First Energy Private Limited		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Current assets									
Cash and cash equivalents	6.52	96.70	7.36	3.43	1.02	0.27	-	0.29	-
Other Current assets	129.59	382.46	132.65	23.19	32.90	19.11	-	6.41	-
Total current assets	**136.11**	**479.16**	**140.01**	**26.62**	**33.92**	**19.38**	**-**	**6.70**	**-**
Total Non-current assets	**465.94**	**626.93**	**645.40**	**0.65**	**0.62**	**0.62**	**-**	**11.91**	**-**
Non-current liabilities									
Financial liabilities (excluding trade payables and provisions)	-	-	440.56	-	-	-	-	-	-
Other Non-current liabilities	11.27	6.12	1.24	-	-	-	-	0.06	-
Total Non-current liabilities	**11.27**	**6.12**	**441.80**	**-**	**-**	**-**	**-**	**0.06**	**-**
Current liabilities									
Financial liabilities (excluding trade payables and provisions)	35.78	482.28	69.91	0.39	0.55	0.30	-	3.72	-
Other Current liabilities	141.03	421.53	113.58	17.09	24.43	10.07	-	3.86	-
Total Current liabilities	**176.81**	**903.81**	**183.49**	**17.48**	**24.98**	**10.37**	**-**	**7.58**	**-**
Net assets	**413.97**	**196.16**	**160.12**	**9.79**	**9.56**	**9.63**	**-**	**10.97**	**-**
Group's share in %	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%	**-**	**33.33%**	**-**
Carrying amount	**211.12**	**100.04**	**81.66**	**4.99**	**4.88**	**4.91**	**-**	**3.66**	**-**

Note: The information disclosed reflects the amounts presented in the financial statements of the relevent joint ventures and not Thermax Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Reconciliation of investment in joint ventures

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Thermax Babcock & Wilcox Energy Solutions Pvt Ltd	211.12	100.04	81.66
Thermax SPX Energy Technologies Ltd	4.99	4.88	4.91
First Energy Private Limited	-	3.66	-
Total	216.11	108.58	86.57
Goodwill on acquisition of FEPL	-	14.00	-
Investments in joint ventures	216.11	122.58	86.57

Summarised Statement of Profit and Loss	Thermax Babcock & Wilcox Energy Solutions Pvt Ltd		Thermax SPX Energy Technologies Ltd		First Energy Private Limited	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	August 31, 2016*	March 31, 2016#
Total income (including interest income Rs. 4.53 (March 31, 2016 Rs. 6.59))	313.69	343.31	27.80	45.95	8.24	19.60
Cost of raw materials and components consumed (including excise duty on sale of goods)	148.12	203.22	23.12	39.66	3.75	8.94
Depreciation and amortisation expense	175.12	44.96	0.03	0.03	1.49	1.35
Finance costs	4.72	60.55	-	-	0.03	0.16
Employee benefits expense	35.65	35.73	2.90	3.20	2.24	4.51
Other expenses	75.11	72.49	1.57	3.03	3.51	9.35
Profit/(Loss) before tax	**(125.03)**	**(73.64)**	**0.18**	**0.03**	**(2.78)**	**(4.71)**
Tax Expense	-	-	0.05	-	-	-
Profit/(Loss) for the year	**(125.03)**	**(73.64)**	**0.13**	**0.03**	**(2.78)**	**(4.71)**
Other comprehensive income	**(9.49)**	**9.50**	**0.10**	**(0.09)**	**-**	**-**
Total comprehensive income	**(134.52)**	**(64.14)**	**0.23**	**(0.06)**	**(2.78)**	**(4.71)**
Group's share of profit/(loss)	**(68.61)**	**(32.71)**	**0.12**	**(0.03)**	**(0.93)**	**(1.57)**

* The entity became a subsidiary pursuant to acquisition of additional stake on August 31, 2016.

The management acquired the stake in FEPL on 1st July 2015, hence the above summary of financials has been given from July 1, 2015 to March 31, 2016.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Reconciliation of share of loss on joint ventures

Particulars	March 31, 2017	March 31, 2016
Thermax share of profit/ (loss) of joint ventures		
Thermax Babcock & Wilcox Energy Solutions Pvt Ltd	(68.61)	(32.71)
Thermax SPX Energy Technologies Ltd	0.12	(0.03)
First Energy Private Limited	(0.93)	(1.57)
Total	**(69.41)**	**(34.31)**
Consolidation level adjustments*	(0.83)	(1.78)
Share in Total comprehensive income	**(70.25)**	**(36.09)**
Share in Other comprehensive income	**(4.79)**	**4.80**
Share of profit/ (loss) of joint ventures	**(65.46)**	**(40.89)**

* Includes reversal of financial guarantee liability and elimination of unrealised profit/ (loss) on combination of contracts

Group Share of Contingent liabilities

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Total of contingent liability incurred jointly with other investors (Financial guarantee given for loan taken by Thermax Babcock & Wilcox Energy Solutions Pvt Ltd)	-	130.00	130.00
Share of contingent liability incurred jointly with other investors	-	66.30	66.30
Share of joint venture's contingent liabilities			
a. Liability for export obligations	1.03	10.16	17.42
b. Sales Tax demand	-	0.10	-

39 Segment reporting

The Company's portfolio includes boilers and heaters, absorption chillers/heat pumps, power plants, solar equipment, related services, air pollution control equipment/system, water and waste recycle plant, ion exchange resins and performance chemicals and related services. The CEO and Managing Director (CMD) of the Company, Mr. M.S. Unnikrishnan has been identified as the chief operating decision maker ('CODM'). Management has determined the operating segments based on the reports reviewed by the CMD; that are used to make strategic decisions, allocation of resources and assessing the performance of the segments. The CMD evaluates the segments based on their revenue and operating results.

The CODM evaluates performance based on the revenues and operating profit for the three segments- Energy, Environment and Chemical. The composition of these segments is given below:

Segment	Products Covered
a) Energy	Boilers and heaters, Absorption Chillers/Heat Pumps, Power Plants, Solar equipment's, Related Services
b) Environment	Air Pollution Control equipment/systems, Water & Waste Recycle Plants,, Related Services
c) Chemical	Ion Exchange Resins & Performance Chemicals

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

The expenses which are not directly attributable to a business segment are shown as adjustments and eliminations.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Assets and liabilities that cannot be allocated between the segments are shown as part of adjustments and eliminations.

Inter-segment transfer price is calculated as cost plus reasonable mark-up.

I) Information about Business Segments:

Sr. No.	Particulars		March 31, 2017	March 31, 2016
i	**Segment Revenue**			
	a.	Energy	3,624.82	4,307.16
	b.	Environment	699.69	720.78
	c.	Chemical	331.91	327.57
	Total		**4,656.42**	**5,355.51**
	Less: Inter segment revenue		66.70	89.91
	Sales/ Income From operations		**4,589.72**	**5,265.60**
ii	**Depreciation and amortization**			
	a.	Energy	49.65	48.57
	b.	Environment	6.42	5.77
	c.	Chemical	8.26	7.63
	d.	Unallocated	17.57	10.27
			81.90	**72.24**
iii	**Segment Results**			
	Profit before tax and interest from each segment			
	a.	Energy	322.87	377.38
	b.	Environment	38.10	18.03
	c.	Chemical	59.16	51.59
	Total		**420.13**	**447.00**
	Less : i) Interest		9.71	12.19
	ii) Other unallocable expenditure net of unallocable (income)		(27.17)	(32.29)
	Total profit before tax		**437.59**	**467.10**

			March 31, 2017	March 31, 2016	April 1, 2015
iv	**Segment Assets**				
	a.	Energy	2,574.19	2,738.61	2,854.49
	b.	Environment	454.16	469.89	493.47
	c.	Chemical	318.92	225.60	203.37
	d.	Unallocated	1,713.20	1,746.92	1,676.54
	Total Assets		**5,060.47**	**5,181.02**	**5,227.87**
v	**Segment Liabilities**				
	a.	Energy	1,856.04	2,061.64	2,242.29
	b.	Environment	367.47	340.49	385.94
	c.	Chemical	77.49	51.27	52.30
	d.	Unallocated	220.46	311.46	339.72
	Total Liabilities		**2,521.46**	**2,764.86**	**3,020.25**

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Reconciliations to amounts reflected in financial statements

Reconciliation of profit

Particulars	March 31, 2017	March 31, 2016
Segment profit	420.13	447.00
Other income (note 22)	114.05	122.41
Exceptional item (note 37d)	(17.84)	-
Finance cost	(9.71)	(12.19)
Other corporate costs*	(69.04)	(90.12)
Profit before tax and discontinued operations	**437.59**	**467.10**

* Mainly includes employee cost, legal and profession expenses, depreciation on unallocable assets

Reconciliation of assets

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Segment operating assets	3,347.28	3,434.10	3,551.33
Investments	799.07	865.16	803.89
Investment in joint ventures	216.11	122.58	86.57
Cash and bank balances	220.99	297.64	369.34
Balances with government authorities	140.10	89.20	88.36
Sales tax recoverable	144.47	117.13	104.37
Income tax assets	89.88	122.68	170.64
Other unallocated assets	102.58	132.53	53.37
Total assets	**5,060.47**	**5,181.02**	**5,227.87**

Reconciliation of liabilities

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Segment operating liabilities	2,301.00	2,453.40	2,680.53
Borrowings	131.29	172.17	177.64
Income tax liabilities	17.17	52.70	86.68
Other unallocable liabilities	72.00	86.59	75.43
Total Liabilities	**2,521.46**	**2,764.86**	**3,020.25**

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

II) Information about geographic segment

Revenue from external customers

Particulars	March 31, 2017	March 31, 2016
India	3004.39	3404.16
Outside India	1585.33	1861.44
Total	**4589.72**	**5265.60**

Revenue of Rs. 606.91are derived from a single external customer for year ended March 31, 2016. No individual customer contributed more than 10% of total revenue in the current year. These revenues are attributed to the energy segment.

Non-current asset

Particulars	March 31, 2017	March 31, 2016
India	1192.31	1035.46
Outside India	248.53	240.66
Total	**1440.84**	**1276.12**

40 Fair value measurements

a) Category of financial instruments and valuation techniques

Break-up of financial assets carried at amortised cost

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade receivables	1,117.81	1,386.98	1,621.57
Loans	26.48	30.90	25.13
Finance lease receivables	42.64	46.40	36.72
Other financial assets	580.67	516.05	431.98
Cash and cash equivalents	173.01	149.40	111.11
Bank balances other than cash and cash equivalents	47.98	148.24	258.23
Total	**1,988.59**	**2,277.97**	**2,484.74**
Current assets	1,849.52	2,165.54	2,349.89
Non-current assets	139.07	112.43	134.85
Total	**1,988.59**	**2,277.97**	**2,484.74**

The management has assessed that the carrying amounts of the above financial instruments approximate their fair values.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Break-up of financial assets carried at fair value through profit and loss

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Investments	866.93	927.23	804.36
Total	**866.93**	**927.23**	**804.36**
Current assets	799.07	865.16	803.89
Non-current assets	67.86	62.07	0.47
Total	**866.93**	**927.23**	**804.36**

a. The fair values of the quoted shares and mutual funds are based on price quotations at the reporting date.

Break-up of derivative assets

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Derivative instruments			
Cash flow hedges			
Foreign exchange forward contracts	59.72	20.95	16.48
Derivative not designated as hedges			
Foreign exchange forward contracts	2.52	-	-
Total	**62.24**	**20.95**	**16.48**
Current assets	62.24	20.95	16.48
Non-current assets	-	-	-
Total	**62.24**	**20.95**	**16.48**

Break up of financial liabilities carried at amortised cost

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Borrowings	131.29	172.17	177.61
Trade payable	1,051.64	996.41	973.94
Employee related payables	62.77	64.39	63.51
Other liabilities	37.14	122.48	96.89
Total	**1,282.84**	**1,355.45**	**1,311.95**
Current liabilities	1,184.59	1,268.47	1,228.86
Non-current liabilities	98.25	86.98	83.09
Total	**1,282.84**	**1,355.45**	**1,311.95**

The management has assessed that the carrying amounts of the above financial instruments approximate their fair values.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Break-up of derivative liabilities

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Derivative instruments			
Cash flow hedges			
Foreign exchange forward contracts	21.76	1.38	2.73
Derivative instruments at fair value through profit or loss			
Derivative not designated as hedges			
Foreign exchange forward contracts	0.54	-	-
Total	**22.30**	**1.38**	**2.73**
Current liabilities	22.30	1.38	2.73
Non-current liabilities	-	-	-
Total	**22.30**	**1.38**	**2.73**

iv The Group enters into derivative financial instruments with banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs which captures credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Company's own non-performance risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

b) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2017

	Date of valuation	Level 1	Level 2	Level 3
Financial assets				
Investments				
Equity instruments	31 March 2017	0.40	-	-
Preference shares	31 March 2017	-	-	0.02
Mutual funds	31 March 2017	-	866.51	-
Derivative financial assets	31 March 2017	-	62.24	-
Financial liabilities				
Derivative financial liabilities	31 March 2017	-	22.30	-

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2016

	Date of valuation	Level 1	Level 2	Level 3
Financial assets				
Investments				
Equity instruments	31 March 2016	0.47	-	-
Preference shares	31 March 2016	-	-	0.02
Mutual funds	31 March 2016	-	926.74	-
Derivative financial assets	31 March 2016	-	20.95	-
Financial liabilities				
Derivative financial liabilities	31 March 2016	-	1.38	-

Quantitative disclosures fair value measurement hierarchy for assets as at April 1, 2015

	Date of valuation	Level 1	Level 2	Level 3
Financial assets				
Investments				
Equity instruments	1 April 2015	0.45	-	-
Preference shares	1 April 2015	-	-	0.02
Mutual funds	1 April 2015	-	803.89	-
Derivative financial assets	1 April 2015	-	16.48	-
Financial liabilities				
Derivative financial liabilities	1 April 2015	-	2.73	-

There has been no transfer between level 1 and level 2 during the year.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

41(a) Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise trade and other payables and loans and borrowings. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables and cash and cash equivalents that derive directly from its operations. The Group also holds FVTPL investments and enters into derivative transactions.

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to market risk, credit risk and liquidity risk.

The Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No significant changes were made in the risk management objectives and policies during the years ended March 31, 2017 and March 31, 2016. The management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

I Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

a Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not currently exposed significantly to such risk.

b Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk is managed on the basis of limits determined by management and a continuous assessment of current and expected exchange rate movements and entering into derivative contracts that hedge the maximum period of exposure of underlying transactions (i.e. highly probable forecast sales and purchases).

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, SEK and EUR exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

	Impact on profit before tax		Impact on other components of equity	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
USD Sensitivity				
INR/ USD - Increase by 1%	1.60	1.99	(6.45)	(4.57)
INR/ USD - Decrease by 1%	(1.60)	(1.99)	6.45	4.57
SEK Sensitivity				
INR/ SEK - Increase by 1%	0.08	-	(0.47)	-
INR/ SEK - Decrease by 1%	(0.08)	-	0.47	-
EUR Sensitivity				
INR/ EUR - Increase by 1%	3.78	1.50	1.30	1.67
INR/ EUR - Decrease by 1%	(3.78)	(1.50)	(1.30)	(1.67)

Favourable impact shown as positive and adverse impact as negative.

The exposure to other foreign currencies is not significant to the Group's financial statements.

II Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and contract assets) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on individual credit limits and risk of potential default based on defined credit risk parameters. An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous group and assessed for impairment collectively. The calculation is based on losses as per historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in notes 7 and 9(b) above. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks, mutual funds, loans and other financial assets are managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties having a good market reputation and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk for bank balances and deposits as at March 31, 2017 and March 31, 2016 is the carrying amounts as disclosed in Note 9(a) and 13, maximum exposure relating to financial guarantees is disclosed in note 32 and financial derivative instruments in notes 9(b) and 18(b) to the financial statements.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

III Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The management monitors rolling forecasts of the Group's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at operating segments level in the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting future cash flows and considering the level of liquid assets necessary to meet these and monitoring balance sheet liquidity ratios against internal requirements.

(i) Maturities of financial liabilities

The tables below summarises the Group's financial liabilities into relevant maturity profile based on contractual undiscounted payments :

March 31, 2017	**< 1 year**	**1 to 3 years**	**> 3 years**
Non- derivative			
Borrowings	85.27	26.46	19.56
Trade Payables	1,004.19	47.45	-
Other financial liabilities			
Current maturities of long-term borrowings	4.16	-	-
Interest accrued but not due on loans	0.01	-	-
Unpaid dividend	0.77	-	-
Financial guarantee	-	-	-
Other payables	90.19	1.47	3.31
Derivatives (net settled)			
Foreign exchange forward contracts	22.30	-	-
March 31, 2016	**< 1 year**	**1 to 3 years**	**> 3 years**
Non- derivative			
Borrowings	137.94	20.41	13.82
Trade Payables	947.61	48.80	-
Other financial liabilities			
Current maturities of long-term borrowings	23.08	-	-
Interest accrued but not due on loans	0.06	-	-
Unpaid dividend	0.72	-	-
Financial guarantee	-	-	-
Other payables	159.06	1.48	2.47
Derivatives (net settled)			
Foreign exchange forward contracts	1.38	-	-
April 1, 2015	**< 1 year**	**1 to 3 years**	**> 3 years**
Non- derivative			
Borrowings	125.25	31.25	21.11
Trade Payables	946.63	27.31	-
Other financial liabilities			
Current maturities of long-term borrowings	21.31	-	-
Interest accrued but not due on loans	0.05	-	-
Unpaid dividend	0.75	-	-
Financial guarantee	1.78	-	-
Other payables	133.09	1.47	1.95
Derivatives (net settled)			
Foreign exchange forward contracts	2.73	-	-

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

41(b) Hedging activities and derivatives

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales in EUR, USD and SEK and forecast purchases in USD and SEK. These forecast transactions are highly probable, and fully cover the Group's expected future sales and future purchases based on the orders received.

While the Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

Particulars	March 31, 2017		March 31, 2016		April 1, 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair Value of Foreign exchange forward contracts designated as hedging instruments	62.24	(22.30)	20.95	(1.38)	16.48	(2.73)

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arise requiring recognition through profit or loss. Notional amounts are as mentioned below.

Particulars	March 31, 2017		March 31, 2016		April 1, 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedge						
Foreign exchange forward contracts	1,079.71	(143.05)	916.67	(78.40)	1,267.34	(88.35)
Derivatives not designated as hedges						
Foreign exchange forward contracts	81.49	(12.22)	-	-	-	-

All the derivative contracts expire in next 12 months.

The cash flow hedges of the expected future sales during the year ended March 31, 2017 were assessed to be highly effective and a net unrealised gain of Rs. 41.45, with a deferred tax liability of Rs.14.35 relating to the hedging instruments, is included in OCI. Comparatively, the cash flow hedges of the expected future sales during the year ended March 31, 2016 were assessed to be highly effective and an unrealised gain of Rs. 13.34 with a deferred tax liability of Rs. 4.62 was included in OCI in respect of these contracts.

The cash flow hedges of the expected future purchases during the year ended March 31, 2017 were assessed to be highly effective, and as at 31 March 2017, a net unrealised loss of Rs. 11.60 with a related deferred tax asset of Rs. 4.02 was included in OCI in respect of these contracts. Comparatively, the cash flow hedges of the expected future purchases during the year ended March 31, 2016 were also assessed to be highly effective and an unrealised gain of Rs. 0.23 with a deferred tax liability of Rs. 0.08 was included in OCI in respect of these contracts.

The amounts retained in OCI at March 31, 2017 are expected to mature and affect the statement of profit and loss during the year ended March 31, 2018.

Reclassifications to profit or loss during the year gains or losses included in OCI are shown in Note 30.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Interest rate swap (Cash flow hedge)

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

The carrying value of interest rate swap at the end of the reporting period are as follows:

Particulars	March 31, 2017		March 31, 2016		April 1, 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swap	-	2.02	-	3.27	-	3.97

The nominal value of interest rate swap are:

Particulars	March 31, 2017		March 31, 2016		April 1, 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swap	-	9.44	-	39.06	-	51.99

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

42 Capital Management

The Group's objective for capital management is to maximise shareholder value, safeguard business continuity and support the growth of the Group. The Group determines the capital requirement based on annual operating plans and long- term and other strategic investment plans. The funding requirements are met through equity and operating cash flows generated. No changes were made in the objectives, policies or processes during the years ended March 31, 2017 and March 31, 2016. Capital represents equity attributable to equity holders of the Parent Company.

	March 31, 2017	March 31, 2016	April 1, 2015
Borrowings	131.29	172.17	177.61
Trade payables	1,051.64	996.41	973.94
Book overdraft	-	81.44	59.26
Less: Cash and cash equivalents	173.01	149.40	111.11
Net debt	**1,009.92**	**1,100.62**	**1,099.70**
Equity	**2,539.01**	**2,416.16**	**2,207.62**
Capital and net debt	**3,548.93**	**3,516.78**	**3,307.32**
Gearing ratio	1 : 3.51	1 : 3.21	1 : 3.01

43(a) Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows' and IFRS 2, 'Share-based payment,' respectively. The amendments are applicable to the company from April 1, 2017.

Amendment to Ind AS 7 :

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of separate financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. Application of these amendment will result in additional disclosures in the financial statement.

Amendment to Ind AS 102 :

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes. It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

The Group has evaluated the requirements of the amendment and concluded that there is no impact on the consolidated financial statements.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

43(b) Event after reporting date

Thermax Limited, through its step-down subsidiary in Denmark, has acquired 100% share capital of Barite Investments SP. Z.O.O., Poland ("Barite). With this, Barite became a step-down subsidiary of the Group. Subsequent to March 31, 2017, as part of a definitive agreement entered into with Weiss SP. Z.O.O. in Poland, Thermax acquired the assets and production activities related to boiler manufacturing. The transaction was completed on May 4, 2017, on which date the control has been transferred to the Group. The total consideration involved is Rs 23 and is payable in cash.

The initial accounting of the transaction has not been completed till the date of authorization of these financial statements given a short time period between the acquisition date and the date of authorization of the financial statements. Accordingly, the acquisition date fair values of each major classes of assets acquired and liabilities assumed, including the computation of Goodwill, if any cannot be presented.

The Group expects to finalize identifying and measuring the identifiable assets acquired and liabilities assumed at their acquisition date fair value within the measurement period of 12 months from the date of acquisition as defined in Ind AS 103.

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

44 Additional information required by Schedule III

Disclosure of additional information pertaining to the parent company, and its subsidiaries:For the year ended March 31, 2017

Name of the Entity	Net Assets (Total assets-total liabilities)		Share in Profit and loss (PAT)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated Other Comprehensive Income	Amount	As a % of consolidated Total Comprehensive Income	Amount
Parent Company								
Thermax Limited	94.91%	2,409.76	64.94%	144.83	-46.06%	8.82	75.37%	153.65
Indian subsidiaries								
Thermax Engineering Construction Co. Ltd.	1.47%	37.35	0.15%	0.34	-1.75%	0.34	0.33%	0.68
Thermax Instrumentation Limited	0.45%	11.31	4.96%	11.07	2.74%	(0.52)	5.18%	10.55
Thermax Onsite Energy Solutions Limited	1.49%	37.74	3.47%	7.75	0.09%	(0.02)	3.79%	7.73
Thermax Sustainable Energy Solutions Limited	0.00%	0.07	0.04%	0.08	0.00%	-	0.04%	0.08
First Energy Private Limited*	0.17%	4.27	-2.20%	(4.92)	0.00%	-	-2.41%	(4.92)
Foreign subsidiaries								
Thermax International Limited	0.33%	8.40	1.70%	3.78	0.00%	-	1.86%	3.78
Thermax Europe Limited	1.59%	40.28	2.63%	5.87	0.00%	-	2.88%	5.87
Thermax Inc.	1.21%	30.62	2.06%	4.59	0.00%	-	2.25%	4.59
Thermax do Brasil-Energia e Equipamentos Ltda.	0.02%	0.47	-0.02%	(0.05)	0.00%	-	-0.03%	(0.05)
Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd.	0.75%	19.14	-4.44%	(9.91)	0.00%	-	-4.86%	(9.91)
Thermax Netherlands B.V.	5.51%	139.95	-0.11%	(0.24)	0.00%	-	-0.12%	(0.24)
Thermax Denmark ApS	4.20%	106.71	2.60%	5.79	0.00%	-	2.84%	5.79
Rifox-Hans Richter GmbH Spezialarmaturen	0.09%	2.35	-1.26%	(2.82)	0.00%	-	-1.38%	(2.82)
Thermax Sdn.Bhd	0.04%	0.96	0.03%	0.07	0.00%	-	0.03%	0.07
PT Thermax International Indonesia	3.50%	88.86	-3.53%	(7.88)	0.00%	-	-3.87%	(7.88)
Thermax Engineering Singapore Pte. Ltd.	4.30%	109.05	-0.13%	(0.28)	0.00%	-	-0.14%	(0.28)
Thermax Senegal S.A.R.L	0.16%	4.04	0.99%	2.21	0.00%	-	1.08%	2.21
Thermax Energy & Environment Philippines Corporation	0.03%	0.88	-0.16%	(0.35)	0.00%	-	-0.17%	(0.35)
Controlled Trusts								
ESOP Trust and Employee Welfare Trusts (72 nos.)	3.16%	80.15	3.85%	8.58	0.00%	-	4.21%	8.58
Joint Ventures (investment as per the equity method)								
Thermax Babcock & Wilcox Energy Solutions Pvt Ltd	8.32%	211.12	-28.59%	(63.77)	25.28%	(4.84)	-33.65%	(68.61)
Thermax SPX Energy Technologies Ltd	0.20%	4.99	0.03%	0.07	-0.27%	0.05	0.06%	0.12
First Energy Private Limited*	0.00%	-	-0.42%	(0.93)	0.00%	-	-0.45%	(0.93)
Non controlling interest in all subsidiaries	-0.05%	(1.39)	-3.08%	(6.87)	0.00%	-	-3.37%	(6.87)
Consolidation Adjustments	-31.83%	(808.07)	56.50%	126.00	119.96%	(22.98)	50.53%	103.02
Total	**100.00%**	**2,539.01**	**100.00%**	**223.01**	**100.00%**	**(19.15)**	**100.00%**	**203.86**

* The entity became a subsidiary pursuant to acquisition of additional stake on August 31, 2016.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Disclosure of additional information pertaining to the parent company, and its subsidiaries: For the year ended March 31, 2016

Name of the Entity	Net Assets (Total assets-total liabilities)		Share in Profit and loss (PAT)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated Other Comprehensive Income	Amount	As a % of consolidated Total Comprehensive Income	Amount
Parent Company								
Thermax Limited	96.94%	2,342.15	105.39%	297.49	-9.51%	(2.10)	97.06%	295.39
Indian subsidiaries								
Thermax Engineering Construction Co. Ltd.	1.52%	36.67	-0.11%	(0.32)	-1.13%	(0.25)	-0.19%	(0.57)
Thermax Instrumentation Limited	0.03%	0.77	2.48%	7.00	0.79%	0.17	2.36%	7.17
Thermax Onsite Energy Solutions Limited	1.26%	30.34	1.44%	4.06	-0.06%	(0.01)	1.33%	4.05
Thermax Sustainable Energy Solutions Limited	0.00%	(0.01)	-0.02%	(0.06)	0.00%	-	-0.02%	(0.06)
Foreign subsidiaries								
Thermax International Limited	0.20%	4.85	-0.07%	(0.19)	0.00%	-	-0.06%	(0.19)
Thermax Europe Limited	1.68%	40.70	1.67%	4.71	0.00%	-	1.55%	4.71
Thermax Inc.	1.11%	26.74	1.29%	3.64	0.00%	-	1.20%	3.64
Thermax do Brasil-Energia e Equipamentos Ltda.	0.02%	0.47	0.00%	0.01	0.00%	-	0.00%	0.01
Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd.	1.29%	31.09	-1.25%	(3.53)	0.00%	-	-1.16%	(3.53)
Thermax Netherlands B.V.	6.33%	153.02	-0.07%	(0.20)	0.00%	-	-0.07%	(0.20)
Thermax Denmark ApS	4.53%	109.48	1.42%	4.00	0.00%	-	1.31%	4.00
Rifox-Hans Richter GmbH Spezialarmaturen	0.23%	5.46	0.33%	0.93	0.00%	-	0.30%	0.93
Thermax Sdn.Bhd	0.04%	1.04	0.03%	0.09	0.00%	-	0.03%	0.09
PT Thermax International Indonesia	1.95%	47.16	-1.98%	(5.59)	0.00%	-	-1.84%	(5.59)
Thermax Engineering Singapore Pte. Ltd.	2.98%	71.94	0.20%	0.55	0.00%	-	0.18%	0.55
Thermax Senegal S.A.R.L	0.26%	6.24	1.14%	3.22	0.00%	-	1.06%	3.22
Thermax Energy & Environment Philippines Corporation	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Controlled Trusts								
ESOP Trust and Employee Welfare Trusts (72 nos.)	2.95%	71.40	3.15%	8.89	0.00%	-	2.92%	8.89
Joint Ventures (investment as per the equity method)								
Thermax Babcock & Wilcox Energy Solutions Pvt Ltd	4.14%	100.04	-13.31%	(37.56)	21.94%	4.85	-10.75%	(32.71)
Thermax SPX Energy Technologies Ltd	0.20%	4.88	0.01%	0.02	-0.21%	(0.05)	-0.01%	(0.03)
First Energy Private Limited	0.73%	17.66	-0.56%	(1.57)	0.00%	-	-0.52%	(1.57)
Consolidation Adjustments	-28.39%	(685.93)	-1.17%	(3.32)	88.18%	19.47	5.31%	16.15
Total	**100.00%**	**2,416.16**	**100.00%**	**282.27**	**100.00%**	**22.08**	**100.00%**	**304.35**

45 First -time adoption of Ind AS

Transition to Ind AS

These financial statements, for the year ended March 31, 2017, are the first financial statements prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2016, the Group prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Group has prepared financial statements which comply with Ind AS applicable for periods ending on March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's opening balance sheet was prepared as at April 1, 2015, the Group's date of transition to Ind AS. This note explains the principal adjustments made by the Group in restating its Indian GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the year ended March 31, 2016.

Ind AS 101 allows first-time adopters certain exemptions/ exceptions from the retrospective application of certain requirements under Ind AS as follows:

a) Business Combinations

Ind AS 101 provides the option to apply Ind AS 103 prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The group elected to apply Ind AS 103 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated. The group has applied same exemption for investment in joint ventures.

b) Prospective application of Ind AS 21 to business combinations

Ind AS 101 allows a first-time adopter not to apply Ind AS 21 Effects of changes in Foreign Exchange Rates retrospectively for business combinations that occurred before the date of transition to Ind AS. In such cases, where the entity does not apply Ind AS 21 retrospectively to fair value adjustments and goodwill, the entity treats them as assets and liabilities of the acquirer entity and not as the acquiree. The group has elected to apply this exemption.

c) Leases

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Group has used Ind AS 101 exemption and assessed all arrangement based for embedded leases based on conditions in place as at the date of transition.

d) Deemed cost

Ind AS 101 permits a first time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and Capital work-in-progress and intangible assets under development.

Accordingly, the Group has elected to measure all of its property, plant and equipment, intangible assets, capital work-in-progress and intangible assets under development at their previous GAAP carrying value.

e) Cumulative translation differences

Ind AS 101 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with Ind AS 21 from the date a subsidiary or equity method investee was formed or acquired.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

f) Designation of previously recognised financial instruments

Financial assets and financial liabilities are classified as fair value through profit and loss or fair value through other comprehensive income based on facts and circumstances as at the date of transition to Ind AS i.e. April 1, 2015. Financial assets and liabilities are recognised at fair value as at the date of transition to Ind AS i.e. April 1, 2015 and not from the date of initial recognition.

g) Joint ventures

The group holds 51% interest in Thermax Babcock & Wilcox Energy Solutions Private Ltd and Thermax SPX Energy Technologies Ltd and exercises joint control over these entities. Under Indian-GAAP, the Group had consolidated its interest in these entities as a subsidiary in the Consolidated Financial Statement. On transition to Ind AS the Group has assessed and determined that Thermax Babcock & Wilcox Energy Solutions Private Ltd and Thermax SPX Energy Technologies Ltd is its joint venture under Ind AS 111 Joint Arrangements. Therefore, it needs to be accounted for using the equity method. For the application of equity method, the initial investment is measured as the aggregate of carrying amount of assets and liabilities that the group had previously consolidated.

h) Estimates

The estimates as at April 1, 2015 and March 31, 2016 are consistent with those made for the same dates in accordance with previous GAAP except impairment of financial assets based on expected credit loss model and unquoted equity shares at fair value through profit and loss. The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at April 1, 2015 the date of transition to Ind AS and as of March 31, 2016.

i) Hedge accounting

The Group uses derivative financial instruments namely forward currency contracts, to hedge its foreign currency risks. Under Previous GAAP, there was no mandatory standard that deals comprehensively with hedge accounting, which has resulted in the adoption of varying practices. The Group has designated various economic hedges and applied economic hedge accounting principles to avoid profit or loss mismatch. All the hedges designated under Previous GAAP are of types which qualify for hedge accounting in accordance with Ind AS 109 also. Moreover, the Group, before the date of transition to Ind AS, has designated a transaction as hedge and also meets all the conditions for hedge accounting in Ind AS 109. Consequently, the Group continues to apply hedge accounting after the date of transition to Ind AS.

j) Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

Reconciliation of total equity as at March 31, 2016 and April 1, 2015

	Particulars	Note to first-time adoption	March 31, 2016	April 1, 2015
	Total Equity as per previous GAAP		**2,355.07**	**2,146.42**
	Ind-AS Adjustments [Increase in Equity/ (Decrease in Equity)]			
i.	Derecognition of Proposed Dividend as the same will now be recognized in the year of declaration under Ind-AS	a	86.04	100.39
ii.	Change on account of fair value adjustments on financial instruments	b	2.61	1.00
iii.	Effect on consolidation of employee trusts under Ind AS 110	c	71.46	62.57
iv.	Provision for expected credit loss under Ind AS 109	d	(162.25)	(139.58)
v.	Effect of accounting of embedded leases under Ind AS 17	e	8.51	4.17
vi.	Reversal of amortization of Goodwill on consolidation under Ind-AS 103	f	7.29	-
vii.	Others	g	(7.99)	(17.49)
viii.	Tax impact on above and other adjustments	h	55.42	50.14
	Total adjustments		**61.09**	**61.20**
	Total Equity as per Ind-AS		**2,416.16**	**2,207.62**

Reconciliation of total comprehensive income for the year ended March 31, 2016

	Description	Notes to first time adoption	March 31, 2016
	Net profit after tax under previous GAAP (after share of loss of associate and minority interest)		**275.36**
	Ind AS adjustments [Increase in profits / (decrease in profits)]		
i.	Actuarial loss on employee defined benefit plan recognized in Other Comprehensive Income as per Ind AS 19	i	4.45
ii.	Change on account of fair value adjustments on financial instruments	b	1.61
iii.	Provision for expected credit loss on trade receivables / contract assets under Ind AS 109	d	(22.67)
iv.	Effect of accounting of embedded leases under Ind AS 17	e	4.34
v.	Reversal of amortization of goodwill on consolidation under Ind AS 103	f	7.29
vi.	Effect on consolidation of employee trusts under Ind AS 110	c	4.71
vii.	Others	g	2.37
viii.	Tax impact on above and other adjustments	h	4.81
	Total adjustments		**6.91**
	Net Profit for the period after share of loss of joint ventures		**282.27**
	Other Comprehensive Income (net of tax)		22.08
	Total Comprehensive Income as per Ind AS		**304.35**

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

II Notes to first-time adoption

a Proposed Dividend

Under Indian GAAP, proposed dividends including Dividend Distribution Tax (DDT) are recognised as a liability in the period to which they relate, irrespective of when they are declared. Under Ind AS, a proposed dividend is recognised as a liability in the period in which it is declared by the Group (usually when approved by shareholders in a general meeting) or paid.

In the case of the Group, the declaration of dividend occurs after period end. Therefore, the liability of Rs. 86.04 for the year ended on March 31, 2016 (April 1, 2015 Rs. 100.39) recorded for dividend has been reversed with corresponding adjustment to retained earnings. Correspondingly, total equity increased by this amount.

b Fair value adjustments on financial instruments

Under Previous GAAP, current investments in equity instruments such as mutual funds are recognized at cost or net realizable value, whichever is lower. Long-term investments in equity instruments were recorded at cost less provision for other than temporary decline in the value of investments. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments have been recognised in retained earnings as at the date of transition and subsequently in Statement of profit and loss for the year ended March 31, 2016. This resulted in an increase in retained earnings as at March 31, 2016 by Rs. 2.61 (April 1, 2015: Rs. 1.00).

c Employee welfare trusts

The Group has an ESOP trust and Employee Welfare Trusts for the welfare of the employees. Pursuant to the arrangement between the Trusts and the Group, the Group has determined that it has power to direct the relevant activities of the trust while being exposed to variable returns from its involvement with these entities. As a result, these entities have been consolidated in these financial statements. The effect of consolidation of these trusts has resulted in increase in equity by Rs. 71.46 as at March 31, 2016 (April 1, 2015 Rs. 62.57).

d Provision for expected credit loss under Ind AS 109

Under Previous GAAP, the Group has created provision for impairment of receivables and contract assets i.e. unbilled revenue consists only in respect of specific amount for incurred losses. Under Ind AS, impairment allowance has been determined based on Expected Credit Loss (ECL) model. The total ECL provision amounting to Rs. 139.58 considered as on the transition date has been adjusted against the retained earnings. Provision amounting to Rs. 22.67 for the year ended March 31, 2016 has been charged off to the Consolidated Statement of profit and loss.

e Embedded leases

Under Indian GAAP lease transactions were not separated under lease and non-lease components. Ind AS 17 identifies embedded leases and requires that the contract be separated into lease and non-lease components. The effect of accounting of embedded leases has increased the total equity by Rs. 8.51 as at March 31, 2016 (April 1, 2015 Rs. 4.17).

f Goodwill on consolidation

Under Indian GAAP the group has amortised goodwill arising on consolidation over the period of 20 years. Under Ind AS, goodwill is not amortised but tested for impairment. The amortization of goodwill on consolidation from

April 1, 2015 to March 31, 2016 has been reversed resulting in increase in equity by Rs. 7.29 as at March 31, 2016.

g Deferred tax

The various transitional adjustments have led to temporary differences and accordingly, the Group has accounted for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

h Actuarial loss transferred to Other Comprehensive Income

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of statement of profit and loss. As a result of this change, the profit for the year ended March 31, 2016 has increased by Rs. 4.45. There is no impact on total equity.

i Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit and loss but are shown in the Statement of profit and loss as 'other comprehensive income' includes remeasurements of defined benefit plans, net gain on cash flow hedge and movement in balances of foreign exchange translation reserve.

The concept of other comprehensive income did not exist under the Previous GAAP.

j Foreign currency translation

Under Indian GAAP, the Group recognised translation differences on foreign operations in a separate component of equity. Under Ind AS, Cumulative currency translation differences for all foreign operations are deemed to be zero as at April 1, 2015. The resulting adjustment of Rs. 15.57 was recognised against retained earnings. There is no impact on total equity.

k Joint Ventures

The group holds 51% interest in Thermax Babcock & Wilcox Energy Solutions Private Ltd (TBWES) and Thermax SPX Energy Technologies Ltd (TSPX) and exercises joint control over these entities. Under previous GAAP group had consolidated its interest in these entities as a subsidiary in the Consolidated Financial Statement. On transition to Ind AS the group has assessed and determined that Thermax Babcock & Wilcox Energy Solutions Private Ltd and Thermax SPX Energy Technologies Ltd is its joint venture under Ind AS 111 Joint Arrangements. Therefore, it needs to be accounted for using the equity method. For the application of equity method, the initial investment is measured as the aggregate of carrying amount of assets and liabilities that the group had previously proportionately consolidated including any goodwill arising on acquisition.

Accordingly, the assets, liabilities, incomes and expenses of Thermax Babcock & Wilcox Energy Solutions Private Ltd and Thermax SPX Energy Technologies Ltd have been de-consolidated. The effect of equity-accounting of Joint ventures under Ind AS (fully consolidated under previous GAAP) resulting in complete elimination of non-controlling interest has decreased in total equity by Rs. 99.81 as at March 31, 2016 (April 1, 2015 Rs. 78.01).

Notes to the consolidated financial statements for the year ended March 31, 2017

(All amounts are in Rupees Crores, except per share data and unless stated otherwise)

The assets and liabilities de-consolidated as on April 1, 2015 were as follows :

	TBWES	TSPX	Total
Non-current assets			
Fixed assets			
i Tangible assets	572.87	0.05	572.92
ii Intangible assets	24.52	0.02	24.54
iii Capital work-in-progress	0.02	-	0.02
Long-term loans and advances	12.85	0.35	13.20
Other non-current assets	45.18	0.01	45.19
	655.44	**0.43**	**655.87**
Current assets			
Current investments	17.36	2.26	19.62
Inventories	23.80	1.10	24.90
Trade receivables	2.48	0.48	2.96
Cash and cash equivalents	51.94	11.97	63.91
Short-term loans and advances	2.65	3.72	6.37
Other current assets	24.77	0.29	25.06
	123.00	**19.82**	**142.82**
Non-current liabilities			
Long-term borrowings	442.53	-	442.53
Long-term provisions	1.43	-	1.43
	443.96	**-**	**443.96**
Current liabilities			
Trade payables	20.32	3.72	24.04
Other current liabilities	162.69	5.04	167.73
Short-term provisions	1.89	1.87	3.76
	184.90	**10.63**	**195.53**
Net assets de - consolidated	**149.58**	**9.62**	**159.20**
Group's share in %	51%	51%	51%
Group's share in Net assets	**76.29**	**4.91**	**81.19**
Ind-AS Adjustments			5.38
Investment in Joint Ventures recognised			**86.57**

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Reg No.324982E/E300003

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place: Pune
Date: May 30, 2017

For B. K. Khare & Co.
Chartered Accountants
ICAI Firm Reg No.105102W

per H. P. Mahajani
Partner
Membership No. 030168

Place: Pune
Date: May 30, 2017

For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
Chairperson
DIN: 00019581

M. S. Unnikrishnan
Managing Director & CEO
DIN: 01460245

Amitabha Mukhopadhyay
Executive Vice President
& Group Chief Financial Officer

Place: Pune
Date: May 30, 2017

FORM AOC- I

Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures

Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014.

Part "A" : Subsidiaries

in Crore

Particulars	Date of acquisition	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit Before Tax	Provision for tax	Profit After Tax	Proposed Dividend	% of Share Holding	Reporting Currency	Exchange Rate as on 31st March 2017
Thermax Sustainable Energy Solutions Ltd.		4.75	(8.68)	3.99	7.92	0.00	0.00	0.08	0.00	0.08	0.00	100.00	INR	-
Thermax Engineering Construction Co. Ltd.		4.50	32.85	144.37	107.02	0.00	236.42	0.52	0.18	0.34	0.00	100.00	INR	-
Thermax Instrumentation Ltd.		9.00	2.31	111.28	99.97	7.53	121.48	21.19	10.12	11.07	0.00	100.00	INR	-
Thermax Onsite Energy Solutions Ltd.		18.65	19.09	68.87	31.13	0.00	52.13	11.71	4.29	7.42	0.00	100.00	INR	-
First Energy Private Limited	31-Aug-16	13.47	(9.19)	16.94	12.67	0.00	11.28	(4.98)	(0.06)	(4.92)	0.00	54.67	INR	-
Thermax International Ltd. (Mauritius)		22.32	(13.92)	8.52	0.12	4.51	0.00	3.75	0.09	3.66	0.00	100.00	USD	64.85
Thermax Europe Ltd. (U.K.)		1.63	38.64	51.99	11.72	0.00	67.15	6.76	1.30	5.46	0.00	100.00	GBP	81.35
Thermax Inc. (U.S.A.)		3.24	27.37	42.35	11.73	0.00	99.15	6.62	2.38	4.24	0.00	100.00	USD	64.85
Thermax do Brasil Energia e Equipamentos Ltda. (Brazil)		2.26	(1.79)	0.49	0.02	0.00	0.07	(0.05)	0.00	(0.05)	0.00	100.00	Brazilian Real	20.76
Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. (China)#		92.97	(73.18)	71.51	51.72	0.00	57.66	(8.62)	0.00	(8.62)	0.00	100.00	Yuan	10.19*
Thermax Denmark ApS.		69.67	23.89	134.42	40.87	130.68	0.00	(1.61)	(0.47)	(1.14)	0.00	100.00	DKK	9.29
Thermax Netherlands BV.		141.56	(1.62)	140.18	0.24	138.26	0.00	(0.24)	0.00	(0.24)	0.00	100.00	EUR	69.05
Danstoker A/S	01-Oct-10	9.29	20.94	83.91	53.68	0.33	172.22	7.85	1.88	5.97	0.00	100.00	DKK	9.29
Ejendomsanp-artsselskabet Industrivej Nord 13	01-Oct-10	0.19	12.29	33.66	21.19	4.30	0.00	3.46	0.46	3.00	0.00	100.00	DKK	9.29
Omnical Kessel & Apparatebau GmbH		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	EUR	69.05
Boilerworks A/S		0.46	(0.13)	25.48	25.15	0.00	109.08	(2.57)	(0.56)	(2.01)	0.00	100.00	DKK	9.29
Boilerworks Properties ApS		0.07	4.22	6.07	1.77	0.00	0.00	1.75	0.39	1.36	0.00	100.00	DKK	9.29
Rifox-Hans Richter GmbH Spezialarmaturen	1-Apr-12	4.95	(2.59)	9.48	7.12	0.00	20.58	(2.64)	0.00	(2.64)	0.00	100.00	EUR	69.05
Thermax SDN.BHD		0.73	0.23	1.05	0.08	0.00	2.00	0.10	0.04	0.06	0.00	100.00	Malaysian Ringet	14.66
Thermax Engineering Singapore Pte. Ltd		108.94	0.11	109.12	0.06	103.25	0.00	(0.14)	0.13	(0.27)	0.00	100.00	USD	64.85
PT Thermax International Indonesia		102.21	(13.36)	95.19	6.34	0.00	0.00	(7.58)	0.00	(7.58)	0.00	100.00	Indonesian Rupiah	0.0049
Thermax Senegal S.A.R.L#		1.20	3.66	9.14	4.29	0.00	14.75	3.66	1.19	2.48	0.00	100.00	West African Franc	0.11*
Thermax Energy and Environment Philippines Corporation		1.21	(0.36)	1.09	0.23	0.00	0.00	(0.51)	(0.15)	(0.36)	0.00	100.00	PHP	1.29

Notes :

i) The reporting period of Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. (China) and Thermax Senegal S.A.R.L is 2016, whereas the same for all other subsidiaries is 2016-17.

ii) 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.

iii) Figures of foreign subsidiaries are converted at an exchange rate prevailing on closing day of the financial year of the subsidiary for the purpose of this statement

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

v) Thermax Nigeria Limited is yet to commence operations so has not been considered for consolidation purpose

For the year ended December 31, 2016

* Exchange Rate as on December 31, 2016

Part "B" : Associates and Joint Ventures

Statement pursuant to section 129(3) of the companies Act 2013 related to Associate companies and joint ventures

Rs. Crore

	Particulars	Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	Thermax SPX Energy Technologies Ltd.
1	Latest Audited Balance Sheet Date	31-Mar-17	31-Mar-17
2	Date of acquisition*	N.A	N.A
3	Shares of Joint Ventures held by the Company on the year end		
	i) Number	42,71,91,300	1,02,00,000
	ii) Amount of Investment in Joint Venture	324.00	10.00
	iii) Extent of Holding %	51	51
3	Description of how there is significant influence	The company holds 51% shareholdings and entitled to exercise joint control over this entity	The company holds 51% shareholdings and entitled to exercise joint control over this entity
4	Reason why the joint venture is not consolidated	N.A.	N.A.
5	Net Worth attributable to shareholding as per latest Balance Sheet	211.10	4.99
6	Profit/Loss for the year#		
	i) Considered in Consolidation	(63.77)	0.07
	ii) Not considered in Consolidation	(61.26)	0.06

* Date of incorporation for Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. is 26-Jun-2010 and for Thermax SPX Energy Technologies Ltd. 6- Oct- 2009

\# Please refer note 38 of consolidated financial statements

For and on behalf of the Board of Directors of Thermax Limited

Meher Pudumjee
Chairperson
DIN: 00019581

M. S. Unnikrishnan
Managing Director & CEO
DIN: 01460245

Amitabha Mukhopadhyay
Executive Vice President
& Group Chief Financial Officer

Place: Pune
Date: May 30, 2017

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THERMAX

Sustainable Solutions
Energy & Environment