



THERMAX

THERMAX LIMITED

Regd. Office: D-13, MIDC Industrial Area, R. D. Aga Road, Chinchwad, Pune 411 019.
Corp. Office: Thermax House, 4 Mumbai-Pune Road, Shivajinagar, Pune 411 005.

NOTICE

NOTICE is hereby given that the Twenty-fifth Annual General Meeting of THERMAX LIMITED ('the Company') will be held on Thursday, the 20th day of July 2006 at 11.00 a.m. at Firodia Hall, The Institution of Engineers, 1332, Jangli Maharaj Road, Shivajinagar, Pune - 411 005 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended on 31st March 2006, the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors, thereon.
2. To ratify and confirm payment of pro-rata dividend @ 6% on Redeemable Preference Shares of Rs. 10/- each for the period 1st April 2005 to 26th July 2005.
3. To declare dividend @ 170% (Rs. 3.40) per equity share of Rs. 2/- each for the financial year ended on 31st March 2006.
4. To appoint a Director in place of Dr. Manu Seth who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Ravi Venkatesan who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

7. To consider, and if thought fit, pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT Dr. Valentin A.H. von Massow who was appointed as an Additional Director at the Meeting of the Board of Directors held on 31st January 2006 and who holds office under Section 260 of the Companies Act, 1956, ("the Act") upto the date of this Annual General Meeting and in respect of whom the Company has received notices in writing under Section 257 of the Act, proposing his candidature for the office

of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. To consider, and if thought fit, pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded, in partial modification of Resolution no. 7 passed at the Twenty-third Annual General Meeting of the Company held on 27th July 2004 for payment of revised remuneration and benefits to Mr. Prakash Kulkarni, Managing Director of the Company, with effect from 1st July 2006 on the terms, conditions and stipulations contained in the Supplementary Agreement entered into between the Company and Mr. Kulkarni, copy whereof is placed before the meeting and for the purposes of identification initialled by the Chairperson ."

9. To consider, and if thought fit, pass with or without modification(s), the following resolution as a **Special Resolution:**

"RESOLVED THAT consent of the shareholders of the Company granted to the Employee Stock Option Plan ("ESOP") accorded at the Twentieth Annual General Meeting held on September 5, 2001, be and is hereby modified to provide the ESOP Compensation Committee of the Board with greater discretion on the computation of the exercise price in terms of the extent of the discount that may be contained therein, and in terms of the disclosures made in the Explanatory Statement pursuant to Clause 6 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

RESOLVED FURTHER THAT the ESOP Compensation Committee be and is hereby authorised to effect consequential changes in the Thermax Employee Stock Option Scheme and implement the same."

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND INTENDED TO BE USED. PROXIES, IN ORDER TO BE EFFECTIVE, MUST REACH THE CORPORATE OFFICE OF THE COMPANY AT LEAST FORTY-EIGHT HOURS BEFORE THE MEETING.
2. The Register of Members and Transfer Books of the Company will be closed from 10th July 2006 to 20th July 2006 (both days inclusive).
3. Dividend on equity shares, if declared at the Annual General Meeting, will be paid to those Members whose names appear in the Register of Members on 20th July 2006. In respect of dematerialised shares, the dividend will be paid based on the beneficial ownership as per the details furnished by the depositories for this purpose at the end of business hours on 7th July 2006.
4. The Company has provided facility to the Members for remittance of dividend through Electronic Clearing System (ECS) to avoid loss in transit/fraudulent interception & encashment/undue delay in receipt of the dividend warrant. The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns.
 - Members holding shares in PHYSICAL FORM and desirous of availing this facility are requested to send their details in ECS mandate form. The ECS mandate form may be collected from the Company's Corporate Office or its Registrar and Transfer Agent or may be downloaded from the Company's website (www.thermaxindia.com). The ECS mandate form submitted earlier shall be valid for the recommended dividend.
 - Members holding shares in DEMATERIALIZED (electronic) form are hereby informed that bank details registered against their respective depository accounts would be used by the Company for payment of dividend. The Company or its Registrar and Transfer Agent cannot act on any instruction / request directly from Members pertaining to their bank account details, ECS mandates, nominations, power of attorney, change of address/name etc. All changes should be advised to their Depository Participant (DP) only, which would be downloaded and updated in the Company's records for disbursement of dividend.
5. Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
6. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
7. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956 (the Act) dividend remaining unclaimed for a period of seven years from the date they first became due for payment are required to be transferred to Investor Education and Protection Fund ('IEPF') established by the Central Government in accordance with the provisions of Section 205C of the Act. It may be noted that the unclaimed dividend, declared by the Company on 20th September 1999 for the financial year 1998-99, falls due for transfer to IEPF on 5th November 2006. As such, shareholders who have not encashed their dividend warrants are requested in their own interest to write to the Company's Registrar & Transfer Agent, MCS Limited, claiming dividend declared by the Company for the year 1998-99 and any subsequent years that still remains outstanding.

In terms of Section 205C of the Act, shareholders are requested to note that no claim shall lie either with IEPF or against the Company in respect of dividend amounts unclaimed for a period of seven years from the dates they first became due for payment and transferred to the IEPF. The Company has already transferred unclaimed dividend for the financial year 1997-98 to the IEPF.
8. Members are requested to write to the Company their queries, if any, on the accounts at least 10 days before the meeting to enable the management to keep the required information available at the meeting.

Additional information, pursuant to Clause 49 of the Listing Agreement, on Directors recommended by the Board of Directors for appointment/re-appointment at the Annual General Meeting, is as follows:

Mr. Ravi Venkatesan

Mr. Ravi Venkatesan (43) is the Chairman of Microsoft India. Leading Microsoft's six business units in India, he looks after its marketing, operational and business development efforts in the country.

Before joining Microsoft, Mr. Venkatesan was with Cummins Inc., the world's largest independent manufacturer of diesel engines. Over Seventeen years, he served in various leadership capacities at Cummins including Chairman of Cummins India Limited and Managing Director of Tata Cummins Limited, a joint venture.

Mr. Venkatesan is a member of the Executive Council of NASSCOM, the Confederation of Indian Industry, the Advisory Council of the Indian Institute of Technology, Bombay and Indian Institute of Technology, Bangalore. He has contributed frequently to the Harvard Business Review.

Mr. Venkatesan has a BS in Mechanical Engineering from the Indian Institute of Technology, Bombay (1985), an MS in Industrial Engineering from Purdue University (1986) and a MBA from Harvard University (1992).

An independent director on the Company's Board, Mr. Venkatesan serves on two Board appointed Committees-

Chairman of the Strategic Business Development Committee and Member of the Human Resources Committee. He does not hold any shares of the Company.

Dr. Manu Seth

Dr. Manu Seth (54) holds a Bachelor's degree in Chemical Engineering from the IIT, Kanpur and has done his Ph.D. on a scholarship at the University of California, Berkley. Dr. Seth is the Chairman & Managing Director of Gyanada Holding Pvt. Ltd. and Director on Gyanada group of companies. He was holding senior positions in the Tata Group of companies and was also the Managing Director of Tata Chemicals Ltd. for a period of six years. Before joining Tata Group, Dr. Seth was part of the International Staff of the Royal Dutch/Shell Group in the Netherlands.

Dr. Seth is Chairman / Member on the Board of the following companies:

1. Gyanada Holdings Pvt. Ltd.
Chairman & Managing Director
2. Gyanada Logistics Services Pvt. Ltd.
Chairman & Member
3. Gyanada Software Pvt. Ltd.
Chairman & Member
4. Gyanada Health Care Pvt. Ltd.
Chairman & Member
5. Gyanada Agro-Services Pvt. Ltd.
Chairman & Member

Dr. Seth is also Member of the following Board appointed Committees of Thermax Limited:

- Audit Committee - Member
- Human Resources Committee - Member

Dr. Seth does not hold any shares of the Company.

Dr. Valentin A.H. von Massow

Dr. Valentin A.H. von Massow (50) is a German National and resident of UK. He has done Diploma Engineer in Agriculture (with distinction) & Ph.D in Agricultural Economics from Georgia Augusta University in Gottingen, Germany. He was associated with Boston Consulting Group (BCG) since 1986 and as Vice-President and during his tenure, he had worked with the Company as a senior consultant during the Company's turnaround strategy. He is Non-executive Director on the Board of Crompton Greaves Limited.

Dr. Massow does not hold any shares of the Company

By Order of the Board of Directors

Place: Pune
Dated: May 24, 2006

Sunil Lalai
Company Secretary

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

Item No. 7

Dr. Valentin A.H. von Massow was appointed as an Additional Director at the Board Meeting held on 31st January 2006. The term of his office extends upto the date of this Annual General Meeting. Notices as per the provision of Section 257 of the Companies Act, 1956 have been received in writing from Members proposing the candidature of Dr. Massow for the office of Director of the Company.

A brief resume of Dr. Massow is given below the Notes to the Notice of this Annual General Meeting.

No Director other than the Director concerned is interested in the resolution.

Your Directors recommend the resolution for your approval.

Item No. 8

Mr. Prakash Kulkarni was appointed as Managing Director of the Company with effect from 21st July 2000. Subsequently, the Board of Directors at its meeting held on 26th May 2004 had approved entering into a fresh agreement with Mr. Kulkarni, re-appointing him as the Managing

Director of the Company on revised terms and conditions set out in the Agreement dated 26th May 2004 for the period commencing from 26th May 2004 upto 30th June 2007. The shareholders of the Company, at the Twenty-third Annual General Meeting held on 27th July 2004 had also approved his re-appointment and the terms and conditions including the remuneration, in the salary scale of Rs. 2,00,000 - 5,00,000 per month, as contained in the said Agreement.

With the annual increments, the present salary of Mr. Kulkarni is Rs. 4.74 lacs per month and other emoluments as per Company rules. The Board of Directors at its meeting held on 24th May 2006 has decided to revise the remuneration of Mr. Kulkarni with effect from 1st July 2006 and to enter into a Supplementary Agreement with him to that effect. The revision of remuneration is in accordance with the applicable provisions of the Companies Act, 1956 (the Act). Save and except the aforesaid revision in remuneration, other terms and conditions governing the appointment provided in the Agreement dated 26th May

2004 remain unchanged/unaltered. The revised remuneration is as under:

- I. Salary in the scale of Rs. 4,50,000 – Rs. 8,00,000 per month with annual increments to be decided by the Board of Directors, subject to the limits specified in Schedule XIII to the Act.
- II. Other emoluments as per Company rules:
 1. Unfurnished Company leased accommodation,
 2. Reimbursement of electricity and cooking gas expenses,
 3. Reimbursement of medical expenses up to 40% of one month's basic salary per annum,
 4. Reimbursement of car and driver expenses (recovery to be made for personal use of car),
 5. Company's contribution to provident fund and superannuation fund as per Company rules, presently 12% and 15% of the basic salary, respectively,
 6. Gratuity at half month's salary for each completed year of service,
 7. Telephone facility at residence (personal long-distance calls to be recovered),
 8. Commission/Ex-gratia, if any, to be decided by the Board of Directors.
- III. The Board of Directors is at liberty to alter and vary the terms and conditions of the said Agreement as long as they do not exceed the remuneration limits specified in Schedule XIII to the Act or any other amendments thereto.

Notwithstanding anything contrary herein contained, where in any financial year during the currency of tenure of the appointee, the Company has no profits or inadequate profits, the Company will pay remuneration by way of salary, perquisites and allowances as specified above, as minimum remuneration subject to the overall ceiling as is set out in Section II of Part II of Schedule XIII and the same as may be amended from time to time.

The Board considers the aforesaid revision in the remuneration commensurate with the increase in the duties and responsibilities of the Managing Director. Accordingly, the Board recommends the resolution for your approval.

The Agreement dated 26th May 2004 and Supplementary Agreement dated 24th May 2006 are available for inspection to the shareholders of the Company on all working days at its Corporate Office between 10 a.m. and 12.30 p.m. up to the date of the meeting.

None of the Directors except Mr. Kulkarni may be deemed to be concerned or interested in this resolution.

This may be treated as an abstract of the Agreement entered into between the Company and Mr. Kulkarni, pursuant to Section 302 of the Act.

Item No. 9

Vide resolution passed at the Twentieth Annual General Meeting and the salient features of the ESOP Scheme disclosed in the Explanatory Statement dated 29th June 2001, shareholders had approved the Thermax Employee Stock Option Plan. It has been found that the salient features of the ESOP Scheme need modification and since the original terms had been approved by shareholders, consent of the shareholders is being sought for such modification. The consequential disclosure of the modifications that have to be made in terms of Clause 6 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out below: -

a. Exercise Price or Pricing Formula

The ESOP Compensation Committee shall have absolute discretion to grant stock options at such discount to the closing market price of the Company's share on the National Stock Exchange of India Ltd. ("the NSE") on the date of the grant, as may be determined by the ESOP Compensation Committee at its sole and absolute discretion, to be exercised reasonably and recorded in writing, such that the grant may be made only at or above the face value of the shares.

b. Maximum number of options to be issued per employee and in aggregate

The maximum number of options that may be granted per employee shall be 1% (one percent) of the total paid up equity share capital of the Company at the time of the grant, or such other percentage as prescribed in applicable law.

By Order of the Board of Directors

Place: Pune
Dated: May 24, 2006

Sunil Lalai
Company Secretary