

Thermax Limited



30th
Annual Report
2010-2011



Sustaining
partnerships
for growth through
Energy efficient and
Eco-friendly
technologies



About the cover

Birds in flight tell us of freedom directed by clear focus. Everyday homing, or migratory journeys over continents – their flights are guided by a strong sense of purpose.

Winging towards the sun, they also remind us that it is rewarding to move together, that triumphant flights also celebrate the power of partnerships.

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HIGHLIGHTS

Total income of the company increased by 52% to Rs. 4935 crore, passing the US \$ one billion landmark

Profit after tax at 382 crore was significantly higher, compared to last year



Strategic acquisition of Danstoker A/S, a leading European boiler manufacturer and its German subsidiary, Omnical Kessel, to support the company's green energy initiatives and extend its reach in Europe, South East Asia and the Middle East.

Construction work begins at the manufacturing facility for supercritical and subcritical boilers, being set up by the newly incorporated joint venture, Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.



Innovative clean energy project for a leading automobile manufacturer integrates heating and cooling equipment to harness solar power and waste heat

Registers the world's first industrial programme under the Clean Development Mechanism with the United Nations Framework Convention on Climate Change (UNFCCC)

Received the CII National HR Excellence Award for 2009 in recognition of Thermax's leadership in the areas of Human Resources

Board of Directors

Meher Pudumjee
Chairperson
M. S. Unnikrishnan
Managing Director

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

Executive Council

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

Officers of the Company

Gopal Mahadevan
*Executive Vice President
& CFO*
Sunil Lalai
Company Secretary

WHOLLY OWNED SUBSIDIARIES

DOMESTIC

Thermax Sustainable
Energy Solutions Limited
Thermax Engineering
Construction Company Limited
Thermax Instrumentation Limited

Thermax Onsite Energy
Solutions Limited

OVERSEAS

Thermax International Limited,
Mauritius
Thermax Europe Limited, UK.
Thermax Inc., USA.
Thermax do Brasil Energia
eEquipamentos Ltda, Brazil
Thermax Hong Kong Limited,
Hong Kong
Thermax (Zhejiang) Cooling & Heating
Engineering Co. Ltd., China
Thermax Netherlands B. V.
Thermax Denmark ApS
Danstoker A/ S, Denmark
Omnicol Kessel- und Apparatebau GmbH,
Germany
Ejendomsanpartsselskabet Industrivej
Nord 13, Denmark
Danstoker (UK) Ltd.

JOINT VENTURES

Thermax SPX Energy Technologies
Limited
Thermax Babcock & Wilcox Energy
Solutions Private Limited

WEBSITE

www.thermaxindia.com

REGISTERED OFFICE

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

CORPORATE OFFICE

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

BANKERS

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

AUDITORS

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

REGISTRAR & SHARE TRANSFER AGENT

Karvy Computershare Pvt. Ltd.
Plot No. 17 to 24,
Vithalrao Nagar
Madhapur, Hyderabad 500 081
Ph: 040-23420818/828
Fax: 040-23420814



OUR VISION

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

OUR VALUES

Respect

Respect for human lives and human dignity

Respect for what is right, and not who is right

Respect for diversity, religion, caste, gender

Respect for systems and processes

Respect for performance, behaviour and discipline

Commitment

Deliver what is promised to all our stakeholders

A commitment to excellence in all that we do

Honesty and Integrity

Being true to ourselves in our personal and professional dealings and doing what is right at all times

Nobody will exploit the company for personal gain or gratification

Concern for Society and the Environment

Encourage reuse, reduce and recycle, energy conservation

A strong sense of giving back to society. We must remember business cannot survive in a society that fails



Thermax Board of Directors

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

CHAIRPERSON'S MESSAGE



Dear Shareholder,

It is indeed my privilege to present the 30th Annual Report of your company. The total income stood at Rs. 4935 crore and profit after tax and extraordinary item at Rs. 382 crore, an increase of 53% and 170% respectively from the previous year.

My sincere gratitude to our Managing Director, Mr. M. S. Unnikrishnan and his entire team for an excellent set of results, passing the billion dollar mark in income. I thank our people – our prime asset – who have continuously shown their dedication and commitment to the organisation. I also appreciate the support and contribution of all our customers, supplier partners and business associates, as also our shareholders. Our Board of Directors continues to be a source of immense strength, guiding and challenging our strategies – my thanks to each one of them.

It gives me pleasure to welcome Mr. Nawshir Mirza on board as an Independent Director. Mr. Mirza is one of India's acclaimed Chartered Accountants and is an ambassador for green initiatives. He has spent most of his professional life at Ernst & Young. Considering his illustrious career in finance, I have

also invited him to be a member of the Audit Committee.

If I were to paint a canvas on the recovery of markets the world over, it would be filled with a number of colour shades, from light to sombre. 2010 played out very differently for different parts of the world. In most of Europe (other than Germany) and the US, times were and continue to remain difficult. Thermax's major export markets, South East Asia and the Middle East showed signs of growth; however the recovery remains exposed to significant short and long term risks. Today, organisations have to factor in uncertainties of globalisation. There are concerns of unresolved energy and environment issues, national bankruptcies, volatility of commodities, the fall out of the Japanese nuclear disaster and political upheaval all of which are likely to remain uncertain in the near future. Although Indian industrial production bounced back in the first half of 2010 with rising inflation, oil prices, interest rates and lack of consistent policies, going forward the quantum of growth could be impaired, with operating margins coming under pressure.

Last year I highlighted the areas of growth for the organisation, aligning its business portfolio with the developmental efforts of the country, to improve the quality of life. In the field of power generation, our two new JVs with Babcock & Wilcox (TBW)

**To enhance our
geographical spread
and expand our
green portfolio,
I am proud to
mention that our
company concluded
its first major
acquisition
by successfully
bringing on board
Danstoker A/S.**

for supercritical boilers and SPX technologies (TSPX) for balance of plant equipment are on track. Land has been acquired at Shirwal, near Pune for manufacturing supercritical boilers. The plant will be commissioned in September 2012. TBW has been prequalified in the recent NTPC tenders. Apart from air pollution control equipment, TSPX has introduced air cooled condensers for large power plants, which will reduce water requirement by over 90%, thus saving a very precious resource.

The second area of focus is renewable energy. India is well on its way to benefit from developing the renewable energy agenda. The potential from wind has been enhanced tremendously, thanks to advancement in technology. Biomass waste is a technology that Thermax has developed over the past thirty years. To enhance our geographical spread and expand our green portfolio, I am proud to mention that our company concluded its first

**At our Research
Technology and
Innovation Centre
(RTIC), the Centre of
Excellence dedicated to
solar is developing
new products to
provide better value
to the customer.**

major acquisition by successfully bringing on board Danstoker A/S, a leading European boiler manufacturer and its German subsidiary, Omnical Kessel, operating predominantly in the biomass and waste heat recovery space. Danstoker has a strong presence in the Nordic countries, Germany, France and Russia. Both companies will be able to provide state-of-the-art technology and process knowhow to our heating business.

Over the next few years, expertise in R&D, engineering and project management, coupled with indigenisation may significantly bring down the cost of raw material and enhance efficiency in the area of solar energy. Robust support from the Indian Government through the National Solar Mission and enabling moves from state

governments will make India an attractive destination for investments in solar ventures. Your company has been progressing well on the nation's first solar hybrid power plant, an R&D project of national importance undertaken in partnership with the Department of Science and Technology, Govt. of India and the people of Shive village, near Pune. Our Solar Growth Unit today deploys solar concentrators – dishes and troughs – to support customers for a variety of applications such as heating, cooling and cooking. At our Research Technology and Innovation Centre (RTIC), the Centre of Excellence dedicated to solar is developing new products to provide better value to the customer.

We have challenging, yet interesting times ahead and I look forward to Thermax playing a significant role in the energy and environment sectors.

I now turn to the good work being done by our Thermax Social Initiative Foundation (TSIF), which has entered its fourth year of operation. Our vision for TSIF is to provide value based quality education to economically deprived children. It is with this in mind that we have partnered with the Pune Municipal Corporation and Akanksha Foundation to run two schools in the city of Pune and look forward to taking on more. We are very privileged to have an excellent team of Principals and teachers on board, who strive to improve the quality of life of these children. Apart from supporting Akanksha, the Foundation is actively involved with Teach for India (TFI), a movement started three years ago, placing outstanding college graduates, postgraduates, and young professionals (called 'Fellows') as teachers in government and low-income private schools for 2 years. With 70% from its first batch of graduates staying back in the social sector, not only has this made an impact on the quality of education, but TFI hopes to build a movement of leaders who will work to end educational inequity in our country.

I would like to end by thanking all our stakeholders and well wishers once again for their continued support and faith in Thermax.

With best wishes,

Meher Pudumjee

LETTER FROM THE MANAGING DIRECTOR



Dear Shareholder,

An eventful year that went by saw our company breezing past the billion dollar revenue mark – an achievement that also crowns our three-fold growth in the last five years. In a volatile market, we have been able to sustain the momentum for achieving a leadership position in our chosen areas of energy and environment. As we move ahead with justifiable pride and confidence, we are also positioned well to gain from the opportunities in renewable energy that alone hold the potential for sustaining and preserving our habitats for future generations.

During the last financial year we were able to step up our performance through robust processes in manufacturing plants, effective project management and improvements in the supply chain. We made significant strides in our quality enhancement programme with an overall improvement across all spheres of our operations. The company's manufacturing facility in Savli, Gujarat edged towards its rated capacity in almost all the production centres, encouraging us to expand our installed capacity there. This year, operational excellence initiatives played a pivotal role in supporting our growth that was above the

industry average, unleashing high asset and resource productivity.

The capacity expansion initiatives to anchor the future growth of the company are progressing as per plan. Construction work at the manufacturing facility for supercritical boilers set up by our new joint venture is going on and the plant is expected to be commissioned in September 2012. At Jhagadia, Gujarat, the manufacturing plant for performance chemicals is coming up. Construction work is progressing and subject to statutory clearances, the facility is due for commissioning by the end of the year. Commercial production from our manufacturing and assembly shop for air pollution control equipment at Solapur is expected to begin in the last quarter of this financial year.

During the last financial year we were able to step up our performance through robust processes in manufacturing plants, effective project management and improvements in the supply chain.

In order to derisk our company from its dependence on a single geopolitical territory, we are expanding our global footprint and aggressively moving into new markets. The recent strategic acquisition of the European boiler maker, Danstoker and its subsidiary, Omnical, is an important step in this direction. Apart from this, the acquisition, with its proven green product portfolio, will also help us participate meaningfully in the green energy movement within Europe and other emerging markets.

In the green energy space, Thermax is also pursuing products, applications and solutions based on solar and geothermal energy. In a short span of three years, we have already built a credible base of clientele for our solar thermal applications and have completed many unique projects that could become industry benchmarks.

During the year, we have reinforced our capabilities in executing complex turnkey projects in the areas of waste heat recovery, steam and power generation, water and wastewater treatment and air pollution control. Today, besides the domestic market, we have to our credit several prestigious projects for clients in South East Asia and the Middle East. We are venturing into EPC projects in water and

I am happy to share with you that we have been successful in harnessing the power of innovation to conceptualise and manufacture new products within the energy and environment segments.

wastewater treatment as well as air pollution control, apart from our existing portfolio in the power EPC segment.

I am happy to share with you that we have been successful in harnessing the power of innovation to conceptualise and manufacture new products within the energy and environment segments. Some of these will be ready for commercialisation in the near future. Our project at Shive village for rural electrification is on track and once commissioned in September this year, this model could be replicated by the government at other rural areas of the country.

We are consolidating our gains of the past and will reinforce our processes to create a robust foundation for our next level of growth. This will involve process automation, IT enabled advance-

engineering and line-balancing of our manufacturing facility.

India is witnessing an unprecedented growth in the power and infrastructure areas, creating higher rates of talent flight and difficulty in retention of high quality manpower. We have undertaken a well designed manpower induction, training and retention programme that has contained employee attrition within manageable limits. I am happy to inform you that our company received the prestigious 'CII National HR Excellence Award for 2009' in recognition of Thermax's leadership in human resource management practices.

Moving ahead after a year of remarkable performance, our company faces some major challenges that we need to effectively deal with. Our order book at the beginning of the current financial year is marginally higher than the previous year, necessitating a faster pace of order intake to sustain our growth trajectory. The industrial investment climate across the world, including India, is not offering room for optimism in the short term. Fiscal and monetary policies are not conducive for accelerated industrial growth. Despite this ambivalence, commodity prices have not exhibited any weakening trend and this situation has brought in margin pressures on the capital goods industry.

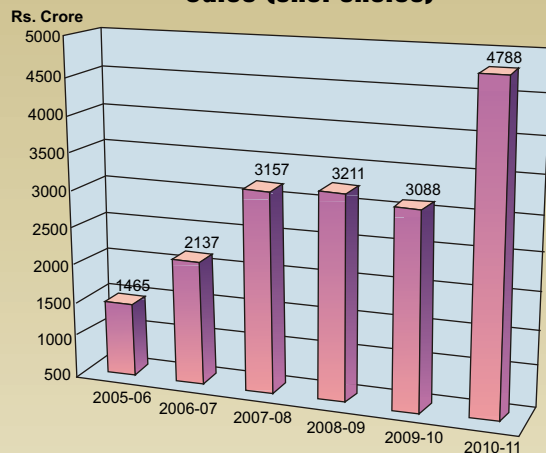
We are also facing an uneven competitive pressure from China, especially in the power segment, which may extend to other segments too in the immediate future.

Thermax has very strong engineering, manufacturing and construction capabilities. We also have resilient and committed employees led by a proven management team that will rise to the occasion to meet the challenges we are encountering in the market place. Backed by the confidence and trust of all our stakeholders, we are confident of navigating Thermax's future journey in a sustainable and profitable manner.

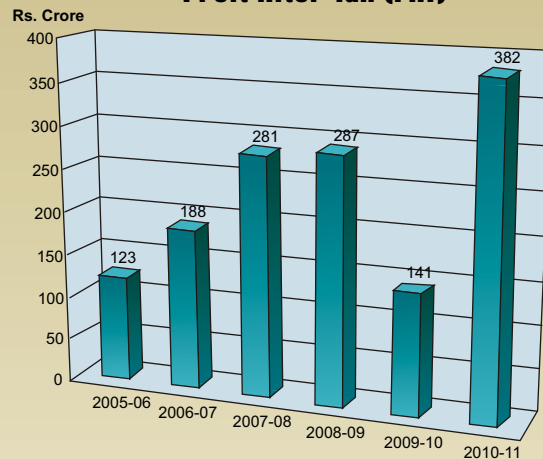
With warm regards,

M S Unnikrishnan

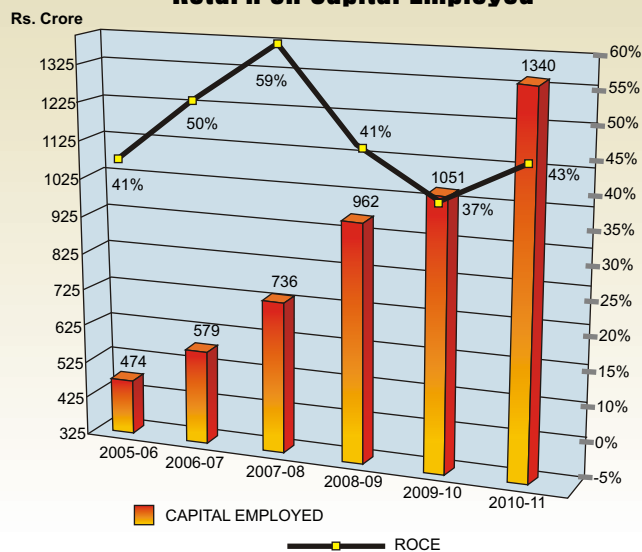
Sales (excl excise)



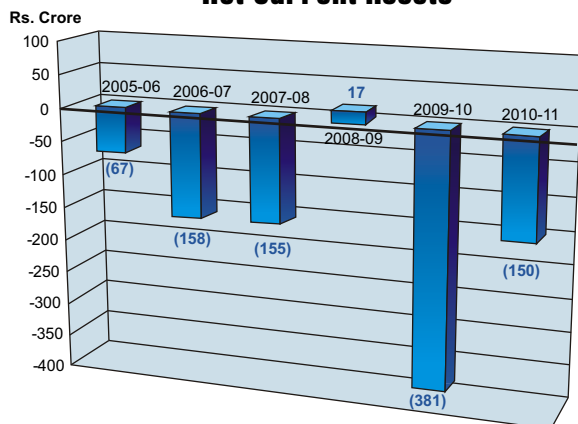
Profit After Tax (PAT)



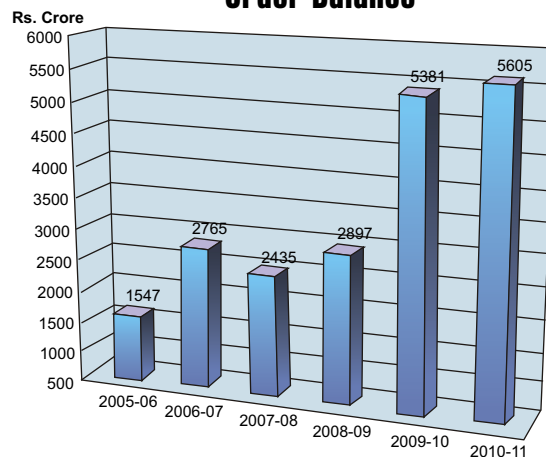
Return on Capital Employed



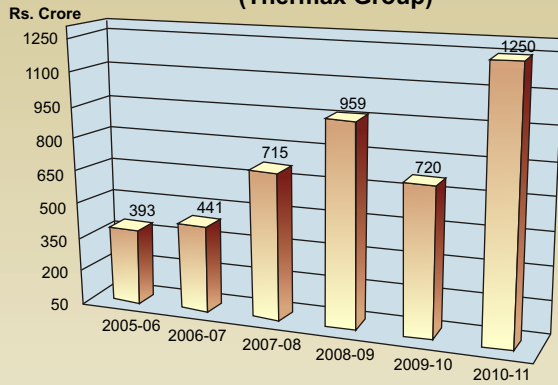
Net Current Assets



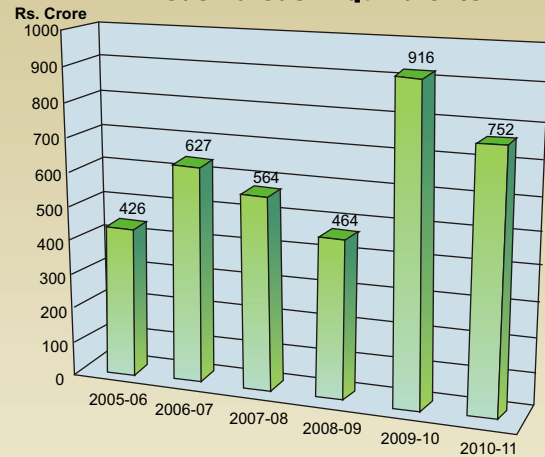
Order Balance



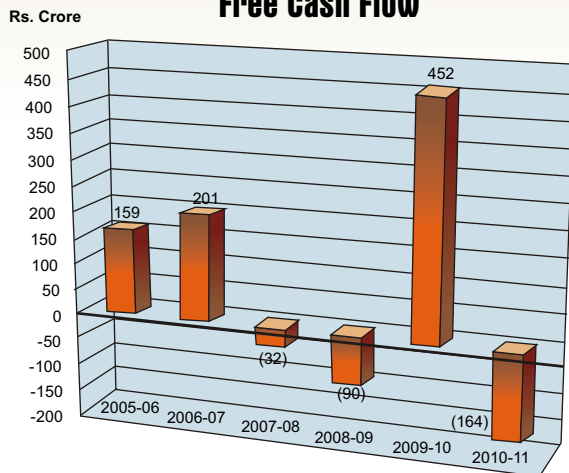
International Business (Thermax Group)



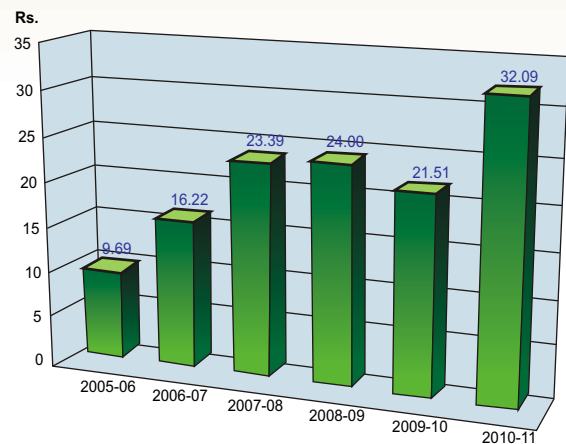
Cash & Cash Equivalents



Free Cash Flow



Earnings Per Share before extraordinary items



DIRECTORS' REPORT

Dear Shareholder,

Your Directors are pleased to present the Thirtieth Annual Report together with the audited accounts of your company for the year ended March 31, 2011.

FINANCIAL RESULTS

	(Rupees in crore)	
	2010-11	2009-10
Total income	4935.49	3235.23
Profit before interest, depreciation, tax and extraordinary items	618.34	433.88
Interest & depreciation	45.37	41.94
Profit before tax & before extraordinary items	572.97	391.94
Extraordinary items of expenses /(income) (Net of tax)	Nil	114.86
Provision for taxation (incl. deferred tax)	190.55	135.64
Profit after tax & extraordinary items	382.42	141.44
Balance carried forward from last year	605.76	548.00
Profit available for appropriation (cumulative)	988.18	689.44
Proposed equity dividend	107.24	59.58
Tax on dividend	17.40	9.90
Transfer to general reserves	40.00	14.20
Surplus carried forward	823.54	605.76

ANNUAL PERFORMANCE

You will be happy to know that this year, at Rs. 4935 crore, the total income of your company has exceeded US \$ one billion, a 52.6% increase over last year's income of Rs. 3235 crore.

Thermax's energy business comprising Boiler & Heater, Power and Cooling & Heating contributed 77.3% of its income while the environment business comprising Air Pollution Control, Chemicals, along with Water and Wastewater Solutions accounted for the remaining 22.7%.

In terms of profitability, the company had an EBITDA of 11.6% (12.1% last year). The variation has been due to the rising cost of raw materials, higher share of Power EPC business and the acceptance of certain strategic orders at lower margins.

Your company's performance during fiscal 2010-11 straddled two distinctly dissimilar phases in the economic environment – a first half of robust growth followed by six months of economic uncertainties. While the first phase saw the continuing surge in our order finalisation, the latter six months saw credit drying up due to high interest rates, resulting in a slowing down of orders. Due to the slow-down in new orders in the last two quarters of 2010-11, your company's performance next year is likely to be subdued. However, being positioned in the crucial areas of energy and environment, with the continuing vibrancy of the national economy, the medium to long term outlook for the company is positive.

Profit before tax and extraordinary items was also higher at Rs. 573 crore as compared to Rs. 391.9 crore in the previous year. Profit after tax and extraordinary items was at Rs. 382.4 crore compared to Rs. 141.4 crore in the previous year (after providing for extraordinary item of Rs. 114.9 crore). Earnings per share (EPS) rose to Rs. 32.09 from Rs. 11.87 (after extraordinary item) in 2009-10.

Order booking for the year was Rs. 5318 crore against Rs. 5794 crore, last year. Your company completed the year with an order backlog of Rs. 5605 crore as against Rs. 5381 crore in the previous year.

During the year, exports, including deemed exports, were higher at Rs. 1065.9 crore from Rs. 656.5 crore last year, an increase of 62.4%.

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

The consolidated total income of the Thermax Group was Rs. 5395 crore (Rs. 3422.2 crore, previous year) recording a 58% increase. Income from international business including deemed exports was up 74% to Rs. 1250.5 crore from Rs. 720.4 crore. The Group registered a profit before tax of Rs. 573.7 crore (Rs. 400.4 crore, previous year). Profit after tax and extraordinary items and minority interest was Rs. 381.7 crore for the year. Consequently, earnings per share (EPS) also increased to Rs. 32.03 (Rs. 12.11 after extraordinary item, previous year).

By a general circular (No. 2/ 2011 dated February 8, 2011), the Ministry of Corporate Affairs, Government of India, under Section 212(8) of the Companies Act, 1956, has permitted companies to not attach copies of the Balance Sheets and Profit and Loss Accounts, Directors' Reports, Auditors' Reports and other documents of all their subsidiaries, to the Accounts. The company has acted accordingly.

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

The audited consolidated financial statements presented by the company include the financial result of the workings of all subsidiary companies, prepared in accordance with Accounting Standard 21 issued by The Institute of Chartered Accountants of India. In addition, a statement of summarised financials of all the subsidiaries is included. Further, the accounts of individual subsidiary companies shall also be posted on the company's website.

STRATEGIC ACQUISITION

During the year, your company acquired Danstoker A/S, a leading European boiler



The Danstoker acquisition offers a strategic fit for the company's packaged boiler business, enabling it to enhance its product portfolio and extend its reach to new untapped markets.

manufacturer and its German subsidiary, Omnical Kessel for a consideration of Rs. 186.6 crore. The acquisition offers a strategic fit for the company's packaged boiler business, under the Cooling & Heating Business Unit. Providing state-of-the-art technology and process know-how for the company's heating business, this acquisition will enable the division to enhance its product portfolio and extend it to new, untapped markets. The Danstoker and Omnical brands will help your company expand its reach in Europe, South East Asia and the Middle East.

The acquisition will also help in expanding your company's green initiatives, as a significant portion of the revenues of Danstoker and Omnical come from biomass and waste heat recovery boilers. It will enable Thermax to gain from the ongoing renewable energy movement of Europe aimed at generating 20% of its overall energy generation from renewables by 2020.

Details of the acquired entities are provided in the 'Subsidiaries' section of this report.

DIVIDEND

The Directors have recommended a dividend of Rs. 9/- (450%) per equity share of face value Rs. 2/-.

The dividend, if approved by the shareholders, will entail a payout of Rs. 124.6 crore, including dividend distribution tax of Rs. 17.4 crore.

DOMESTIC SUBSIDIARIES

Joint Ventures

Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.

Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. was incorporated on June 26, 2010, following the joint venture agreement signed last year with Babcock & Wilcox (B&W), USA to manufacture supercritical boilers.

A manufacturing facility is being set up at Shirwal in Satara District, Maharashtra State to manufacture 3,000 MW of supercritical and sub-critical boilers per year, in the first phase, with a provision to expand the annual capacity to 5,000 MW. The plant will be ready for commercial operations during the financial year 2012-13. As over 60% of the coal based power projects coming up in the 12th Plan are likely to be based on supercritical technology, the subsidiary is confident of its business prospects.

Your company has currently contributed Rs. 49.2 crore in various tranches towards its 51% share of the equity share capital in the joint venture.

Thermax SPX Energy Technologies Ltd.

The company is a joint venture (JV) between Thermax Limited and SPX Netherlands B.V., a wholly owned subsidiary of SPX Corporation, USA. Thermax has a 51% stake in the JV.

The JV would supply equipment to help power plants meet stringent emission norms and improve thermal efficiencies in boiler islands. During the year, the JV has commenced execution of its first order won last year from a leading oil refinery.

The total revenue for the year were Rs. 9.2 crore (Rs. 0.05 crore, previous year). Net loss after tax was Rs. 0.4 crore (Rs. 0.9 crore).

The company's prospects look promising in the medium to long term.

Wholly owned

Thermax Engineering Construction Co. Ltd.

Thermax Engineering Construction Co. Ltd. (TECC) undertakes and executes engineering construction projects mainly for the Boiler and Heater (B&H) business unit.

During 2010-11, the company earned a total income of Rs. 120.1 crore (Rs. 96.8 crore, previous year). It achieved a profit after tax of Rs. 6.4 crore (Rs. 3 crore), resulting from better cost management and favourable settlement of liquidated damages provided in earlier years.

The year-end order balance is Rs. 244 crore, the highest in its history.

Thermax Instrumentation Ltd.

Thermax Instrumentation Limited (TIL) is engaged in the installation and commissioning of power and cogeneration plants, including civil construction, that have been built by the parent company's Power division.

During the year, the company earned a total income of Rs. 236.5 crore and profit after tax of Rs. 3.4 crore (Rs. 129.1 crore and Rs. 2 crore respectively, last year).

TIL has an order balance of Rs. 440 crore at the end of FY 2011.

Thermax Sustainable Energy Solutions Ltd.

Thermax Sustainable Energy Solutions Limited

has been created to develop business related to clean development mechanism (CDM). During the year, the subsidiary received registration for its Programme of Activities from the United Nations Framework Convention on Climate Change (UNFCCC).

The company earned an income of Rs. 0.3 crore (Rs. 0.7 crore, previous year). This mainly comprised CDM consultancy services provided to project owners. The company has incurred a net loss of Rs. 1.2 crore (Rs. 1.2 crore), due to expenses for development, validation and registration of the CDM project and investments in IT infrastructure. As this is an entirely new business for India with its attendant uncertainties, the subsidiary will need the necessary gestation time to establish itself.

The company will be investing substantially in the coming year to accredit many projects under its Programme for carbon credit entitlements in the future.

Thermax Onsite Energy Solutions Ltd.

The company is focused on delivering utilities – green energy from biomass and other renewable sources that it supplies to customers – on a unit consumption basis. As a first step the company has commenced the business of supplying process steam / heat.

Apart from two projects undertaken the previous year, this subsidiary had a lean 2010-11. However, as the business model is conducive for the emerging business environment, it plans to take up more projects this year.

The company had a total income of Rs. 6.1 crore and profit after tax of Rs. 0.6 crore.

Your company has infused Rs. 3.6 crore equity capital into this subsidiary and will invest more, based on the needs of the new contracts.

WHOLLY OWNED OVERSEAS SUBSIDIARIES

Thermax Inc., USA

This step-down subsidiary, which provides the Group access to US markets, currently focuses on ion exchange resins and vapour absorption chillers.

2010-11 witnessed a challenging environment in the US market with slashed production and shrinking investments. The steep rise in hydrocarbon prices increased the input costs of chemical operations. Though these are passed on to customers, sharing the general industry experience, there is a lag between cost increase and price increase that is borne by the producer.

Despite these difficult circumstances, the subsidiary recorded a sales of USD 13.1 mn (USD 14.9 mn, previous year) and a profit of USD 0.04 mn (USD 0.96 mn, previous year).

Thermax Europe Ltd., UK

Although the market has remained flat in comparison to last year, this subsidiary's focus on specialised market segments and new applications helped it to retain and improve its market share. The company achieved a turnover of GBP 4.3 mn (USD 7 mn) compared to GBP 3.8 mn (USD 5.8 mn) in the previous year. The profit after tax stands at GBP 0.4 mn (USD 0.7 mn) against the previous year's profit of GBP 0.4 mn (USD 0.7 mn). The year also saw one of the highest order intake of GBP 5 mn.

Although the market is expected to remain subdued in the short term, the company will continue to focus on its niche segments for the coming year.

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

2010-11 was the second full year of its operation. It doubled its production during the period and has plans to ramp it up this year. The company faced the challenge of rising costs in a market recovering after the 2009 global recession. It has taken initiatives to optimise designs and achieve benchmark performance at reduced costs.

In 2010-11 the company achieved total revenues of RMB 47 mn (USD 7.2 mn), an increase of 143% compared to the previous year (RMB 19.3 mn). Loss for the year was RMB 11.4 mn (USD 1.7 mn) after accounting for interest and depreciation, compared to RMB 10.4 mn (USD 1.5 mn), last year.

The final tranche of equity infusion of USD 1.12 mn from the total approved USD 14.4 mn has been remitted in the last quarter.

Thermax Denmark ApS

Thermax Denmark ApS was incorporated on October 29, 2010 with authorised capital of DKK 75 mn (USD 14.3 mn), to acquire the European entity Danstoker A/S along with its subsidiaries. The company is the holding company of Danstoker AS and EIN.

Thermax Netherlands B.V.

Thermax Netherlands B.V. was incorporated on November 4, 2010 with an initial authorised capital of EUR 30 mn (USD 42.5 mn) and is the holding company of Thermax Denmark ApS.

Danstoker A/S, Denmark

The acquisition of Danstoker A/S, a leading European boiler manufacturer and its German subsidiary, Omnical Kessel was completed on November 8, 2010 and was valued at Euro 29.5 mn (USD 41.8 mn).

Danstoker, headquartered in Herning, Denmark has a 75 year tradition in manufacturing. Its manufacturing facilities are located in Denmark and in Omnical, Germany, that it acquired in 2003. Professionally managed and profitable, the company has current annual sales of Euro 40 mn. Danstoker is a respected brand in the renewable energy space and has a strong presence in the Nordic countries, Germany, UK, France and Russia.

Operating predominantly within Germany, Omnical has supplier relationships with European and Japanese gas turbine manufacturers for their requirements of waste heat recovery systems.

MANAGEMENT DISCUSSION AND ANALYSIS

A Management Discussion and Analysis report, highlighting the performance and prospects of the company's energy and environment businesses is attached.

CORPORATE GOVERNANCE

It has been the endeavour of your company to follow and implement best practices in corporate governance, in letter and spirit. A detailed Corporate Governance Report is included in this report.

A certificate from the auditors of the company regarding compliance with the conditions of corporate governance as required under Clause 49 of the Listing Agreement is part of this report.

LISTING ON STOCK EXCHANGES

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

FINANCE, ACCOUNTS AND SYSTEMS

As on March 31, 2011, the company's cash and cash equivalents stood at Rs. 752 crore.

One of the major investments made during the year was the infusion of Rs. 130 crore as equity in Thermax Netherlands B. V. for the acquisition of Danstoker Group. The company had also paid an amount of Rs. 159 crore towards the successful out-of-court settlement concluded in the previous year with a US based company. Besides these the company had also made an investment of Rs. 55 crore in fixed assets and Rs. 49 crore as equity in Thermax Babcock Wilcox Energy Solutions Private Limited – the Joint Venture with Babcock & Wilcox Power Generation Group, USA. The net cash outflow after factoring the above was Rs. 164 crore in the current year as against an inflow of Rs. 452 crore in the previous year.

The company's net working capital was negative at Rs. 150 crore as against a negative Rs. 381 crore in the previous year. The company's management continues to monitor and control the working capital position closely.

ICRA Ltd. has reaffirmed its assigned LAA+ and A1+ rating for fund based and non fund based banking facilities, respectively. The long term rating carries a 'Stable' outlook.

Public Deposits

The company had no unpaid / unclaimed deposit(s) as on March 31, 2011. It has not accepted any fixed deposits during the year.

EMPLOYEE STRENGTH

The total number of permanent employees on the rolls of the company was 3920 as on March 31, 2011 (3631 previous year).

PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956

A statement of the particulars required under Section 217(1) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is annexed and forms part of this Report.

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the rules framed thereunder as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b) (IV) of the Companies Act, 1956, the Annual Report excluding the aforesaid information is being sent to all the members of the company and others entitled thereto. Any shareholder interested in obtaining such particulars may write to the company secretary at the corporate office of the company. The statement is also available for inspection at the corporate office, during working hours up to the date of the Annual General Meeting.

DIRECTORS

Mr. Nawshir Mirza has been inducted on the Board of your company as an Additional Director with effect from May 3, 2011. He holds office till the ensuing Annual General Meeting in accordance with the provisions of Section 260 of the Companies Act, 1956 (the Act). The requisite notice, with necessary deposit has been received pursuant to Section 257 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 the ensuing Annual General Meeting for the approval of the shareholders.

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association, Mrs. A. R. Aga and Mr. Tapan Mitra retire by rotation at the ensuing Annual

General Meeting and being eligible, offer themselves for reappointment as directors.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors accept responsibility for the integrity and objectivity of the Profit & Loss Account for the financial year ended March 31, 2011 and the Balance Sheet as at that date ("financial statements") and confirm that:

1. The financial statements have been prepared on a going concern basis. In the preparation of the financial statements the generally accepted accounting principles (GAAP) of India and applicable accounting standards issued by The Institute of Chartered Accountants of India have been followed.
2. Appropriate accounting policies have been selected and are being applied consistently. Judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period. Significant accounting policies and other required disclosures have been made in Schedule 17 annexed to the Financial Statements.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system, its inherent limitations should be recognised. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The company has an Internal Audit department, which coordinates the internal audit process. The Audit Committee of the Board meets at periodic intervals to review the internal audit function.

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

COMMITTEES OF THE BOARD

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

International Investment Committee: The Overseas Investment Committee of the Board was renamed as International Investment Committee on July 21, 2010. The Corporate Governance Report gives details of the aforesaid committee.

Audit Committee: Dr. Valentin von Massow was co-opted as a member of the committee for the meeting on October 26, 2010. This was necessitated owing to Dr. Jairam Varadaraj's inability to attend the meeting.

AUDITORS

M/s. B. K. Khare & Co., Chartered Accountants, retire as statutory auditors at the ensuing Annual General Meeting and are eligible for reappointment. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the company has obtained a written certificate from them to the effect that their reappointment, if made, would be in conformity with the limits specified in the said section.

AWARDS AND RECOGNITION

As a company striving for excellence, we are proud to receive the following awards and recognition during this fiscal year:

- Customer Service Excellence award in water treatment chemicals by Frost and Sullivan.
- Bry Air award for innovative product design.
- Top prizes at 35th 'International Convention on Quality Control Circles', 2010.
- The 'CII National HR Excellence Award for 2009' in recognition of Thermax's leadership in HR excellence.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the continued support extended during the year

by the company's clients, business associates, supplier partners, bankers, investors, government authorities and its joint venture partners. Your Directors also place on record their appreciation of the dedication and contributions made by employees at all levels including the workmen, who through their commitment, hard work and support have steered the company.

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

For and on behalf of the Board

Meher Pudumjee

Chairperson

Pune: May 3, 2011

Annexure to the Report of the Board of Directors as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, for the year ended March 31, 2011

A. CONSERVATION OF ENERGY

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

1. **Electricity:** At the Chinchwad and Savli manufacturing facilities, consumption was optimised using energy saving devices and maintaining power factor according to State Electricity Board norms, resulting in an annual saving of Rs.44.4 lakh.
2. **Water:** At the Chinchwad plant, replacing old pipelines reduced consumption of potable water supplied by MIDC, thereby saving Rs. 3.5 lakh.

At Paudh plant around 75000 m³ water has been recycled and reused by installing conservation systems, resulting in a saving of Rs. 12.5 lakh

3. **Fuel:** To effectively utilise canteen kitchen solid waste at the Chinchwad factory, Bioenergen technology is developed to generate biogas and convert biogas to power. The present solid waste of 100 kg/day is processed and with the present load, 15 kW power is generated which is utilised to light the garden and room area. The manure generated is also used for gardening purpose and there is an incidental saving of Rs. 200/day towards disposal of solid waste.

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

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

Seeds sown last year through Centres of Excellence (CoE) in the field of solar, bio-technology, material science and heat transfer have started bearing fruits this year. The Solar CoE has been successful in improving the thermal performance of solar concentrators substantially. Research projects were initiated in the field of

tough wastewater treatment through fungal route and microbial enhancement to improve the performance of wastewater plants through biotechnology. Material Science CoE worked on the development of new alloys for use in mobile air-conditioning systems. Research on indoor air quality improvement was initiated. The company is working on providing geothermal energy solutions.

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

Projects on new boiler design and enhanced surface tubes were completed and handed over to the business divisions for commercial benefits.

3. Future plan of action:

Solar thermal and solar power technologies will continue to be a thrust area in the energy sector. The Department of Science and Technology, and Ministry of New and Renewable Energy sponsored projects in solar power and solar cooling are under execution.

In environmental sector, your company is concentrating on bringing to market, products for indoor air quality and developing new generation designs for air pollution equipment such as bag filters and ESPs to meet future norms.

4. Expenditure on R&D

Amount in Rs. crore		
	Current Year	Previous Year
a. Capital	2.8	1.3
b. Recurring	13.4	12.9
c. Total	16.2	14.2
d. Total R&D expenditure as a percentage of turnover	0.34%	0.46%

Technology absorption, adaptation and innovation

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

- a) Development of segmental U-beams : As the capacity of boilers are increasing with economy of

scale, a need was felt to indigenise the U-beams used in the furnace to prevent ash carry-over. We have successfully developed this product in India and have innovated further on its configuration from monolithic to segmental, offering multiple advantages.

b) Electro-filter: For dust emission control, either a bag filter or an electrostatic precipitator is deployed. The country has to, progressively, adopt the more stringent emission norms akin to the developed world's standards. We have successfully developed an electro-filter (a hybrid between bag filter and electrostatic precipitator) during the year.

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

reduction, product development, import substitution etc.:

a) Segmental U-beams: This development will save foreign exchange to the tune of USD 500,000 annually and will also bring down the cost of U-beams by 20%.

b) Electro-filter: Once successfully commercialised, this product will be a major solution to control pollution from old generation power plants within the country

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

Technology imported	Year of import	Has technology been fully absorbed	If not fully absorbed reasons thereof and future plan of action
Reciprocating grates	2010	No, ongoing	The technology partner has provided necessary drawings and knowhow under the agreement. All drawings received have been converted and adapted to biomass fuels available in India. Training programs have been conducted for the technical team and support functions. One distillery project boiler has been sold using this technology. The first grate is under manufacture and should be launched in June 2011.
Difficult-to-degrade wastewater systems	2009	No, ongoing	Orders are being executed for two pilot plants using the technology knowhow. Subsequently, technology absorption shall commence.
Sequential batch reactor system (SBR)	2009	No, ongoing	Major installation work of the sewage treatment plant based on the SBR technology is underway. The project is expected to be completed in FY 2012 and technology absorption shall commence.
Photo-electrochemical air purification technology for indoor air purification	2009	No, ongoing	Technology transfer has been completed. Prototype building and testing is in progress and will be completed by March, 2012.
Sub critical utility boiler technology	2008	No, ongoing	Presently using the technical knowhow for design and manufacture of boilers for one order. Full technology absorption will take place on completion of manufacturing, supply, erection and commissioning of these boilers. Supplies of boiler components are in progress against the first commercial order. Erection and commissioning of the boilers is underway and is expected to be completed in one year. Absorption of complete technology would require another one year.
Paper process chemicals	2007	Yes	N.A.
Electrostatic	2007	Yes	N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

During the year, the company had a net foreign exchange inflow of Rs. 75.4 crore as against a net inflow of Rs.172.2 crore in the previous year.

The details on foreign exchange earnings and outgo are given in the Notes 6(C), 6(D) and 6(E) of Schedule 17 to the Accounts, which form part of the Annual Report.



MANAGEMENT DISCUSSION & ANALYSIS

Overview

The year gone by witnessed recovery and gradual growth in most markets. With the financial crisis in the developing world firmly behind us, most countries are now reevaluating the stimulus packages they had introduced during the crisis. Countries that curtailed their stimulus packages have had a mixed experience, some experiencing continuing unprecedented levels of unemployment and some yet to see consumer demand revive. Markets remained volatile due to diverse developments over which governments and central banks appear to have little control – the sovereign debt crisis in the Euro zone, a worrying fiscal future for the US, sharp rise in inflation in emerging economies. The year ended with political unrest in northern Africa which quickly gained momentum and spread across to parts of the Middle East too.

India's GDP grew 8.6%, spearheaded by sectors like manufacturing, construction, transportation, real estate, trade, communication and sustained by the agricultural sector that grew by 5.4%. As per the latest IIP indices, manufacturing clocked an impressive 10% growth during the Apr-Nov 2010 period but later slowed, with the March figures at just 3.2%.

The last financial year also saw India emerging as the world's second largest investor in the infrastructure segment, with the power sector claiming the largest share of this investment, followed by the transportation sector. However, the power demand-supply indices show a deficit of over 10% on peak power and 8-9% at base load level and these were compounded by the forecast that the Eleventh Five Year Plan is likely to fall short of the original target by about 25,000 MW. The increase in general interest rates declared in the last financial year, and the six revisions by RBI added to the hurdles facing greenfield projects. Specifically, it affected the power sector

In 2010-11 Thermax emerged as a key player in the national effort to exploit the potential of solar thermal systems. A unique project for an auto major integrates solar power and waste heat, annually saving 1476 tons of fossil fuel and 184 MWH of electrical energy.





projects where the domestic commercial banks could soon hit their sectoral lending limits. Though investment in the sector has seen good growth, it is constrained by the inability of the States to reform their distribution businesses that continue to run at losses.

Another downside of the growth story has been the unhealthy inflation and a growing current account deficit (CAD), which stood at 7% and 3% of GDP, respectively. With perceptible uncertainty in many of the large export markets, the situation is challenging. However, there are plans to aggressively promote the export of high value products that have a strong manufacturing base, such as engineering goods, to tilt the balance of payment in India's favour.

India's commitments to the international community at Cancun this year have placed certain obligations on it in terms of energy efficiency, GHG emission abatement and boosting renewable power. The opportunities coming from the National Action Plan on Climate Change (NAPCC) should present wide ranging opportunities in the coming years to companies operating in the field of energy and environment.

Rural infrastructure development focusing on basic water and sanitation facilities in villages across India shall open new avenues in water and

Thermax Babcock and Wilcox Energy Solutions Private Ltd., began work at its site for the manufacturing facility at Satara, Maharashtra. Planned at an investment of Rs.825 crore, the plant will be ready by September 2012.

wastewater management. An inclusive national budget looks promising for social sector areas like health, education and self-help groups for women. The opportunities to industry from these sectors are also extremely large and can open altogether new avenues.

With India slated to grow at about 8% annually, prospects for the energy and environment sector continue to be bright.

Review of Operations

Your company passed a historic milestone in 2010-11— a billion dollars in revenues, generating a total income of Rs. 4935 crore and a profit after tax of Rs. 382 crore. Exports, including deemed

exports, contributed 21.6 % of the total income.

The company's gains in booking new orders in the first half of fiscal 2010-11 were offset by the uncertain economic environment in the second half which resulted in a slowing down of orders.

Growing three-fold in the last five years, Thermax continued to contribute to the energy and environment sectors of India, poised for a vibrant phase of growth and development. During 2010-11, your company emerged as a key player in the national effort to exploit the potential of solar thermal business. It introduced hybrid systems that blended its thermal expertise with solar concentrator technology for cooling, heating, power and cooking applications at hotels, industrial plants and educational institutions.

The Boiler & Heater Division of Thermax did several biomass and waste heat based energy projects during the year. In one of these projects its heat recovery steam generator tapped the exhaust from a GE Frame 9FA turbine for power generation.

The Innovation Council continued to guide the company to create a nurturing environment for innovations. Some of the key initiatives include solar cooling using triple effect absorption chillers, a solar thermal project for rural electrification, and the successful registration of an industrial programme under CDM with the UNFCCC (United Nations Framework Convention for Climate Change). A portal for capturing innovative ideas from employees across the board was also established during the year.

Your company's Water and Waste Solutions business continued to support the national power sector providing raw water and effluent treatment for public and private sector companies. This business is also Delhi Metro's partner for water management across its 144 km route, providing over 100 plus water and sewage treatment systems – filters, softeners, RO plants and compact wastewater plants.

Your company has been strategically focusing on increasing its revenue through clean technology products and systems. Accordingly, all business divisions are now mandated to track the share of their respective green and carbon neutral stream of revenues.

Over the years, Thermax has supplied systems with an installed capacity of 5037 MW of green



energy. Its commissioned bagasse fired boilers have an installed capacity of 1593 MW. Thermax's absorption chillers at client sites can provide 1.3 million tons of environment friendly chilling. The treatment plants supplied by Thermax cumulatively treat 1679 million litres per day of water and waste water.

During the year, the company expanded its operational excellence initiatives to encompass many more processes and work centres. These projects focus on reducing the cost of poor quality, improving on-time performance and customer satisfaction. Thermax has also recalibrated its customer focus programme, organising a series of meets for face-to-face sessions with clients in different parts of the country. Feedback from these dialogues are put to use for product development and quality improvement.

In today's open market regime, your company faces competition from international players in all its business segments. Through technology partnerships, nurturing of innovation and indigenous R&D, and through improved products, it is preparing to meet the challenges posed by competition. In the face of global competition, especially from China in the power sector, your company believes that a level playing field needs to be established for Indian manufacturers through appropriate government policies.

Energy Segment Analysis

Year	Energy Business			
	Income* (Rs. Cr.)	Growth (% YoY)	Exports (Rs. Cr.)	Growth (% YoY)
2008-09	2517	-4	830	35
2009-10	2408	-4	542	-35
2010-11	3907	62	883	63

* Figures before adjustment of inter-segment income

Energy portfolio of your company contributed 77.3% of the income for 2010-11(74.1%, previous year), a substantial share coming from the power division's EPC business. During the year, this segment gave its best ever performance, capitalising on a strong order backlog from the previous year. The company was able to complete several projects in the power, steel, cement, food,

pharma and chemical sectors in domestic and overseas markets. This business segment had a profitability of 10.65% (11.93%, previous year).

Work on the first IPP project progressed. Its joint venture, Thermax Babcock & Wilcox Energy Solutions Private Limited began work on building a manufacturing plant in Maharashtra.

Thermax's acquisition of the Danish boiler company, Danstoker, besides providing advanced technology to its heating business and supporting the company's selective internationalisation programme, will also offer an opportunity to benefit from the growing renewable energy movement in Europe. Earlier in the year, the company also entered into a technology tie-up with Lambion Energy Solutions, a German company with expertise in converting waste to energy.

Your company's solar thermal systems have been successfully commissioned at several sites in the country. At an automobile plant, a unique energy project has been commissioned. It uses solar dishes and an array of conventional equipment help the client annually save 1476 tons of fossil fuel (LPG) and 184 MWH of electrical energy. The company's solar thermal power project for rural electrification, announced last year, is coming up and will be commissioned later this year. Thermax's solar thermal initiatives have been ably supported by its Research, Technology and Innovation Centre (RTIC).

Absorption technology, nurtured and promoted by your company in India is emerging as a critical component of green energy configurations in diverse projects – solar thermal, waste heat recovery, district heating and simultaneous generation of hot and cold water in industrial units.

Boiler & Heater Group

The Boiler & Heater division of the company registered healthy growth in revenues. It gained from the buoyancy in the domestic power, sponge iron, integrated steel plants, cement, sugar, and petrochemical refinery sectors.

The manufacturing facility at Savli near Vadodara (Gujarat) showed significant productivity improvement through the financial year. A brief



phase of industrial unrest at the facility was resolved with minimal loss of productivity.

During the year the division successfully commissioned the first urban solid waste-to-energy boiler installation in Andhra Pradesh. The division continued with its efforts to stabilise the co-generation technology to the distillery sector for spentwash disposal.

The division made a breakthrough sale of a boiler-turbine-generator (BTG) system to a leading North India-based sugar manufacturer. Helping client businesses to sell surplus power to the grid, after meeting their internal steam and power requirements, this new product line is expected to be a major growth driver for the division.

The market witnessed intense competition, primarily from foreign suppliers, for heat recovery steam generators (HRSG), one of the flagship offerings of the division. A fast-track action plan is being put in place to reduce the cost base of the

The Power Division is focusing on Independent Power Projects. Its project for a 2 x 150 MW power project in Southern India is coming up.

product so as to realise the huge business potential the market offers.

Export markets continued to be weak, with the exception of the sugar sector in South East Asia and Africa.

The division has positioned itself well to cater to the requirements of the emerging solar thermal power plant segment in the domestic market.

In 2011-12, the division is also planning to launch a boiler based on your company's proprietary pusher grate technology for firing

empty fruit bunches, an agro-waste abundantly available in many South East Asian countries.

The outlook for the business group continues to be good with prospects of growth in the domestic market and revival of business in the overseas markets.

Power

This division continued its strong performance during the year. It successfully commissioned eight plants totaling to 133 MW this year. With this, the cumulative capacity installed on turnkey basis by the division has crossed the 900MW mark and another 1200MW is under advanced stages of construction and commissioning.

To derisk its business from dependency on sectors like cement and steel, the division reached out to other sectors and was successful in bagging breakthrough orders from oil & gas, paper and RDF (refuse derived fuel) based projects.

The division's restructuring last year has concluded and it has since been focusing on various segments of power plants. In the 15-60 MW segment the division regained its market leadership in 2010-11. With a breakthrough order for a 72 MW combined cycle cogeneration power plant from a petrochemical unit in Karnataka, it is also strategically placed to benefit from the evolving gas-based power plants business.

The division has had a breakthrough in the domestic paper industry with two 55 MW each orders for cogeneration power plants. Repeat order from a cement major for another captive plant based on waste heat, gave a fillip to the division's green portfolio expansion.

The division now has a 40% share of the sub 15MW market segment. During the year it bagged several orders for power projects based on waste or renewable energy. Among them were one for a 15 MW power plant to be run on municipal solid waste and another one from a mining company for a plant based on waste coke oven gases.

The first IPP order received by your company for a 2x150 MW power project is at an advanced stage of construction. The division is focusing on securing more orders in the IPP space.

The division has received the BS OHSAS 18001:2007 certificate to help its construction sites manage occupational health and safety risks with improved performance. It has also put in place a framework for a knowledge management system and initiated several operational excellence projects to improve processes.

With the continuing increase in interest rates, finalisation of new orders will be the major challenge business will face in the current year.

Cooling

The division witnessed a marginal growth in revenues and profits during the year.

In the domestic market there was pressure on margins due to a substantial rise in copper prices. The division could gain from improvement in the overseas markets of the Middle East, Bangladesh and South East Asia.

The Cooling division was supported in the US and Europe respectively by the subsidiaries, Thermax Inc., and Thermax Europe. The Chinese subsidiary, Thermax Zhejiang Ltd., is on the path to sustained growth and the manufacturing facility there has also supplied significantly to overseas markets.

A vapour absorption chiller supplied by Thermax was part of an award winning project in Switzerland in 2010-11. Solar powered chillers from the company installed in a stadium in Doha was one of the highlights in Qatar's successful bid for the 2020 Football World tournament. A solar based chiller and heat pump are part of the equipment supplied for a unique energy project of an auto major's paint shop applications in India.

The division has applied for a patent for the high efficiency Chiller-Heater it developed last year. The unique system offers simultaneous cooling and heating and will offer up to 30% reduction in energy bills.

The business division received the Bry-Air National Award for HVAC in the most innovative product design category for the development of a multi-stage solar absorption chiller. The cooling manufacturing team won a QCFl award for Right First Time (RFT) initiative to improve quality and efficiency in the

manufacturing process.

With increased activity in most of its overseas markets, and the various sectors in the domestic market, the cooling division looks forward to steady growth.

Heating

The Heating business recorded a modest growth in total income. Though order booking from overseas markets grew over the last year, the share of revenue from exports declined. In the domestic market significant orders were received from hotel, distillery brewery, food and pharmaceutical segments.

Due to rising oil prices over the last 12 months, there is a renewed focus across all industry segments to shift to solid fuels to reduce the energy cost, many of whom are also looking at biomass options to reduce their carbon foot prints. The business unit received several orders during the year for such fuel switches.

During the year, the Ministry of Industries issued a notification clarifying that small coil boilers do not come under the purview of Indian Boiler Regulations (IBR) permitting the industries to revert to non-IBR boilers. This has resulted in significant revival of coil type boilers in the current year.

The Bi-drum product line serving the cogeneration and fuel shift market doubled its sales in the domestic market for the second consecutive year. In South East Asian markets, especially in the Philippines, this product line has helped the division to bag orders for fuel shift and to provide a cogeneration solution to customers who are troubled by the steep increase in power cost. The technology transfer agreement that Thermax signed with Lambion Energy Solutions GmbH has strengthened Thermax offerings in the green energy space.

The Pune manufacturing facility of the division stepped up its output during the year. A separate assembly-cum-consolidation facility is being set up to decongest and increase the productivity at this plant. The division's facility at Savli, Gujarat considerably improved its capacity utilisation during the year.

With investments in the segments critical for the division showing an upward trend in the domestic

A vapour absorption chiller supplied by Thermax Europe to a Swiss company won a major clean energy award.





The Water and Wastewater Solutions Division executed several projects for effluent recycle and reuse. An effluent treatment and recycle plant it commissioned at a steel mill in Eastern India.

market, the outlook for next year is good. Emerging new statutory requirements like zero discharge from distilleries, new applications like steam based concrete curing and large investments by pharmaceutical majors from the US offer considerable opportunities for this business unit in the coming year. With the expected revival of the Middle East and South East Asian markets, the outlook for exports too looks promising.

Solar

The Solar business of Thermax has stabilised in the domestic market with commercial

installations in various cooling and heating applications. With 11 such installations operational in India, Thermax has the highest number among Indian manufacturers so far.

The business has perfected the parabolic concentrator acquired in 2008 through design and engineering improvements and now proposes to deploy it commercially. CRISIL-MNRE rated your company's capability the highest among the existing solar thermal OEMs in India.

The execution of the first solar biomass hybrid power project in the country is nearing completion. Your company is also working closely with the government to demonstrate the feasibility of solar based cooling. Over the year, the solar group has ensured all-weather durability of the product, integrated it with existing fossil fuel based systems, stabilised performance and reduced costs. It has also participated in various fora and engaged with regulatory entities to create market awareness.

With the emerging awareness and growth of solar thermal systems, the company sees good potential for its solar business to grow and cater to a very wide range of industries.

Environment Segment Analysis

Year	Environment Business			
	Income* (Rs. Cr.)	Growth (% YoY)	Exports (Rs. Cr.)	Growth (% YoY)
2008-09	811	25	82	28
2009-10	841	4	115	40
2010-11	1147	36	183	59

* Figures before adjustment of inter-segment income

Environment segment's contribution to our income stood at 22.7% (25.9%, previous year), representing a growth of 36%. Export income registered a growth of 59%. The profitability of

The Enviro Division is in the process of executing its largest ever order for retrofit of electrostatic precipitators (ESPs) for air pollution control in Egypt. Heat exchangers under erection at site near Cairo.

the environment business segment stood at 12.86% (13.95% last year).

The continued thrust on infrastructure building coupled with the growth in sectors like cement and steel contributed to the healthy performance of the environment business segment.

Thermax was able to maintain its momentum in executing project orders in water and wastewater treatment for both industrial and municipal verticals.

Enviro (Air Pollution Control)

The air pollution control business brought in a healthy increase in its revenues. This growth was supported by segments like captive power, steel, cement and sponge iron in the domestic markets, and from cement and power in the international markets.

Construction work is in full swing at its upcoming facility at Solapur, Maharashtra and is expected to commence commercial production by the fourth quarter of FY-2012.

The division is in the process of establishing its footprint in the international market. This includes its largest ever order for retrofit of



electrostatic precipitators (ESPs) for a cement plant in Egypt.

In 2011-12 too, the division is anticipating moderate growth in these segments. Intense competition in these sectors is also putting severe pressure on price realisation and margins.

Water & Waste Solutions

The water and wastewater solutions division achieved a sizeable increase in its revenues during the year. Besides the power and metal sectors, the division also received turnkey orders from petrochemical and infrastructure majors.

During the year, the division executed several projects on effluent recycle and reuse, strengthening the company's focus on green products and systems. It received an order for a tertiary treatment plant of 23 MLD based on ultra-filtration technology for a SEZ in Southern India.

A new product 'Biofilter' was designed and launched to help urban establishments meet the challenges of wastewater treatment in limited space.

The division reinforced its offerings in Sequential Batch Reactor (SBR) technology for municipal sewage treatment through a tie-up with an Australian firm.

The division joined the CII sponsored Hybrid Cluster Program for Operational Excellence at its assembly unit in Pune. During the year, the division succeeded in improving its profitability through value engineering and vendor management.

The division is poised for steady growth during 2011-12 and expects to gain from municipal water and wastewater treatment projects, apart from the growth in power sector. JNNURM and UIDSSMT funding will be the key drivers for municipal projects.

The group will continue to focus on developing its nascent export business to lay the foundation for its medium-term growth.

Chemical

The chemical business registered marginal growth

for the financial year.

The global increase in prices of commoditised raw material and crude oil adversely affected the profitability of the division.

In both domestic and export markets the focus on speciality resins continued. With increased exports to the Middle East, South East Asia and Europe, the market shares for performance chemicals and oil field chemicals have shown an upward trend. Subdued conditions prevailed in the US market.

The paper chemical business has stabilised and its products are approved for use in almost all the large mills in India. There have been export enquiries from Bangladesh and the Middle East

Civil construction for the division's performance chemicals manufacturing facility in Jhagadia, Gujarat is in progress and, after statutory clearances, is due for commissioning by the year-end.

Focusing on future growth opportunities, the division has signed an MOU with overseas technology partners in new areas of performance chemicals.

Chemical business will continue to grow in 2011-12. However, the pressure on profitability is expected to continue due to volatile commodity and oil prices. The division aims to combat this through an improved product mix and cost optimisation.

Services

Cooling and Heating

As an empanelled member for the Bureau of Energy Efficiency's PAT (Perform, Achieve and Trade) scheme, the business conducted several energy audits across large and energy intensive industries. It also executed a number of energy efficiency jobs for clients – steam engineering, gas conversions and heat recovery including allied services in Operation and Maintenance.

The unit has signed marketing partnerships with APT, a US company for emulsion technology and with CQM, an Israeli company for automatic tube cleaning systems. Both technologies offering

improved equipment efficiency will be introduced in Indian markets in 2011-12.

The business unit has also seen a sizeable growth in its carry forward orders over last year. The group is investing in South East Asia and Africa and will continue to build its business in the Middle East. With industry segments focusing on energy savings and efficiency improvements, the outlook is promising.

Chemical & Water

The group's in-house engineering capabilities for refurbishing and upgradation of existing plants supported customer installations during the year. It provided O&M services to industries that use large quantities of water such as steel, textiles and power.

With rapid industrialisation, faster urbanisation and growing water shortages, the demand for the

services of the business unit will continue and it is expected to grow significantly in FY 2012.

Power

During the year, the business unit bagged a prestigious order for extending its operation and maintenance(O&M) services to a 1,000 MW nuclear power project in India.

The O&M team, at one of its locations, achieved an average plant load factor of above 95% for the full year, a major milestone showcasing its technical proficiency. The pilot project for remote performance monitoring system (RPMS) was successfully implemented at the DCW site, for which the division won an award from the Computer Society of India.

In order to overcome the acute shortage of skilled manpower, the unit established its first-of-a-kind training centre at Udaipur. The first batch of 18 engineers successfully completed their training and are deployed at various operating sites across the country.

The business unit hopes to create an organisational model that covers small, medium and large scale projects to ensure equal attention across the range. Business prospects for FY 2012 continue to be encouraging.

Boiler & Heater

The unit has executed several repeat orders for

Thermax has supported industry with several projects to generate energy from waste. A project in Maharashtra where dairy waste is treated and methane from it used as fuel for process heating.



condition and residual life assessment for boilers of domestic and overseas customers.

The business successfully completed a revamp project for a client in South East Asia. This was the single largest retrofit in order value, size of equipment and number of burners. It also did an HRSG (heat recovery steam generator) revamp and upgrade job for a petrochemical major in Goa. For an overseas refinery, the group did the complete engineering and fabrication of a fully modular reformer.

In another first, the business unit is supplying a secondary waste heat boiler as part of an industry major's coal gasification plant.

With strong growth across sectors in the domestic market and select overseas markets, the prospects for the business unit remain positive.

Health, Safety and Environment Measures

As an organisation that values human life and believes that all injuries are preventable, your company is committed to conduct all its operations in a manner to avoid injury to employees, contractors, workmen, local public and the environment. During the year, various initiatives were undertaken to improve its Health, Safety and Environment (HSE) measures:

1. Safety and Environment Management

System: Power division of the company has been certified by Bureau Veritas with Safety Management Systems as per the requirements of BS OHSAS 18001: 2007 standards.

A surveillance audit of Chinchwad, Savli (by DNV) and Paudh plant (by Bureau Veritas) was also conducted successfully for OHSAS: 18001 (Occupational Health Safety Assessment Series) and ISO: 14001 (Environment Management System) International Standard.

2. Leadership & Commitment: The Board reviews safety performance every quarter. The Managing Director also reviews each division's safety performance every quarter. In each division a safety council has been formed under the chairmanship of the strategic business unit head and a safety meeting is held every month. At

each project location, a site safety committee has been formed to review and effectively monitor safety at site.

3. Competency and Training: An emphasis on safety training has been given this year for all levels of employees, contractors, vendors and suppliers. Safety training programmes in all regions were conducted during the year for site in-charges, site engineers. A conference for safety officers was also conducted in Pune to share the best practices and create benchmarks.

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

5. Incident / near- miss reporting and investigation: Near- misses / incidents reporting has been encouraged and investigation for each of these occurrences are carried out to deploy preventive measures. The ratio of near misses to accidents has improved considerably over the last year. Structured problem-solving technique is adopted to investigate accidents. Lessons learnt are shared with all the divisions for implementation.

6. Emergency preparedness plan: Emergency management plans have been developed to deal with any emergency at all manufacturing and project locations. Training on fire prevention and control, and mock drills on emergency evacuation have been conducted at our plants and offices.

7. Safety Audits/ Inspection: Internal and external safety audits and inspections are carried out regularly and the compliance of audit action points is monitored. A total of 660 internal audits and 52 external audits have been conducted in 2010-11. The overall audit compliance level is 89% whereas the same is 97% for 'A' category observations.

Risk Management

Recent times have witnessed global occurrences of organisational failures to mitigate business risks – both financial and non-financial. The financial crisis which emanated from Greece, Portugal and Ireland can impact the European Union and



The Energy segment accounts for 77% of Thermax business income. An integrated energy plant supplied by Thermax Heating business to MDF (medium density fibre board) industry in Northern India. In this plant, energy in the form of thermic fluid, steam and hot gas is supplied from a common combustor.



affect global movement of money and investments as well as interest rates. Political upheavals in Tunisia spread to Egypt, Lebanon and parts of the Middle East. The recent tsunami in Japan and the consequent nuclear fallout has impacted not only the Japanese economy, which is a major investor in other countries, but also the prospects of nuclear energy globally. Besides such exceptional events, the financial world has witnessed swings in commodity prices and global

interest rates. Political upheavals on our domestic front coupled with high inflation and interest rates have added to the complexity of managing a business predominantly headquartered in India but expanding its operations globally. Competition and their competitive strategies would need to be continuously watched and countered.

Your company continues to review and manage the risks emanating from such a dynamic environment. The management of the company reviews and monitors risks at periodic intervals.

From the perspective of internal controls, which also play a significant role in management of risks, the company has a robust compliance process in place and has strengthened its internal audit process further. The company has adequate internal control procedures commensurate with the size of operations and the nature of its business.

In addition to what has been stated above, the following are the key business risks which Thermax continues to monitor and manage.

Risk of cyclical business

The company is a key player in the capital goods industry and by nature this sector is susceptible to business cycles. Thermax's businesses hinge on the performance trends of certain key industries such as captive and utility power, cement, steel, oil & gas, pharma and foods. As part of its business process, the company's management reviews significant developments in customer industry segments as well as projects under execution. The company continues to reduce the impact of the cyclical business risk by developing its product and service businesses and through its selective internationalisation strategy.

Customer concentration risk

The company's power, boiler & heater business could have large sized orders which expose it to the risk of concentration. This is bound to happen as the company scales up its capacity offerings and the size of its individual orders. The company reviews such orders on a case to case basis and monitors them closely. The process of reviews and controls is also strengthened as the business profile changes.

Risk of concentration in one business segment

With the energy segment accounting for 3/4ths of its revenues, the company faces the risk of concentration in the energy segment. The fact that the size of individual orders are increasing, especially in power and boilers & heater business, adds to the concentration in this already fast growing segment. However as the energy segment comprises different business units that in turn cater to diverse industries such as cement, steel, captive power, utility power, pharma, foods, etc., the risk of concentration in the energy segment is reduced.

The environment segment too includes three different businesses groups, making the company's portfolio diverse.

Competition risk

Major share of Thermax's business is from India. With India being one of the fastest growing economies in the world, there are opportunities as

well as the threat of increasing competition from new and established players – both domestic and international.

The company's management continuously endeavours to maintain and enhance its market presence in the businesses that it operates through new product and solution offerings, improving operational efficiency, focusing on cost optimisations and reducing delivery lead times.

The management of the company continues to benchmark its products and services against competition to ensure competitiveness in the market.

Project management risk

A significant portion of the business of the company comprises projects which are executed at the customers' site. Thus there are factors, both internal and external, which can put a project at risk. As the execution of most of the larger projects stretches beyond a year, delays can affect the company's finances and reputation. The management reviews the risks related to key projects at all levels, on a case-to-case basis depending on their size and complexity. The management has established processes and systems for reviewing the progress and costs of projects and for cash flows.

Risk related to safe operations

The company's operations span multiple countries and locations. Thermax is committed to the safety of its people and has a safety implementation and review mechanism in place.

The Corporate Safety Officer for the Group and his team ensure the implementation of safety policies as well as the audit and compliance checks of the same at periodic intervals. The company has also devised communications to all concerned about the importance of safety and safe practices to be adopted. There are dedicated safety officers at project sites to ensure safety procedures are adopted and followed.

The company continues to focus on enhancing safety awareness and inculcate a culture of safety right from the senior management to operating levels.

Risk related to human resources

With the buoyancy in hiring making an aggressive come-back in the post recession phase the risks of demand-supply gap for skilled manpower have resurfaced. As the Indian economy is growing at a fast pace, we expect these risks to become more prominent.

Your company will continue to monitor and reinforce its talent pool and improve the productivity of the work force to ensure that we maintain our competitive edge and sustain our growth.

Risk of energy price fluctuation

For a company like Thermax, predominantly in the energy business, fluctuations in fuel and energy prices can impact demand pattern as well as viability of projects under execution. Customers may choose to shift their fuel preference, consequent to change in particular fuel prices. The company continues to monitor the impact that fluctuations in global energy price can cause. It has proven capability in handling a variety of fuels, including a wide range of biomass, and is a leader in harnessing waste heat as a source of energy for its clients. These capabilities place your company in a position where it can capture opportunities as well as reduce the impact of energy price fluctuations on its business.

Input price increase and supply chain management risk

As a projects and capital goods player, Thermax's profitability depends on the price of critical inputs. Fluctuations in raw material prices could impact the profitability of the company. As many projects are long term in nature, the company obtains quotations from vendors for large orders to ensure the input prices are firm during the project period thereby minimising impact of price fluctuations in the market. Also, when quoting for specific large projects, given that input prices can change, provisions for escalation in input prices are factored in when quoting to the customers.

The Corporate Sourcing Group of the company works on developing new vendors as well as establishing stronger relationships with existing ones. Vendor performance is evaluated through a

vendor rating system. There are periodic vendor meets which offer a platform for interaction with vendors.

Exchange fluctuations and interest rate risks

Your company has a conservative foreign exchange management policy which ensures that foreign exchange exposures are hedged with no significant open exposures. The company also does not use any option contracts.

The management realises that volatility in foreign exchange can impact input costs as well sales realisations and therefore factors the same in while quoting for projects. The company does not speculate in the forex market.

The company invests its surplus funds in fixed deposits of reputed and rated banks as well as liquid mutual funds. Limited investments are made in fixed maturity plans comprising only debt instruments. The company's investment policy continues to be conservative with principal protection being the key driver and maximising returns within it.

Risk related to international operations

The company operates globally through 19 international offices including its sales and service network, manufacturing facilities and overseas subsidiaries. Additionally, direct exports account for 13.5% of the revenues.

The international operations are exposed to risks of specific events occurring in countries that the company operates from as well the risk relating to recruitment of employees, technology cooperation etc., that may adversely affect its reputation and business prospects. The company has set up necessary policies and procedures relating to the use of technology, operations and personnel information verification to make informed decisions and minimise instances of legal action or lawsuits in future. Additionally, the management monitors the economic and political environment across the globe and ensures necessary actions are taken in the event of any risk emanating from a location.

Human Resources

Being in a highly skill-intensive sector, attracting and retaining manpower poses a major challenge. This is further compounded by the buoyancy in the power and infrastructure sectors, pushing up compensation cost to unaffordable levels.

Our company has adopted the strategy of rigorously growing internal talent and inducting potential talent from campus level.

There is an emphasis on talent management within the company administered through a well designed Thermax leadership development program (TLDP). This program has been revamped to build the leadership pipeline and support Thermax's strategic business plan. More than 500 executives have benefited from TLDP since 2007. Your company was conferred the 'CII National HR Excellence Award for 2009' in recognition of its leadership in HR excellence.

Through the graduate engineer training

programme (GET) and Thermax graduate program (TGP), your company was able to attract entry level talent from colleges across the country.

Open forums were held in Pune and in the regional offices, The forum continues to be an effective tool for employee engagement and acting on suggestions has helped create a more engaged work-force.

There was a minor labour disturbance at the Savli factory but normalcy was restored immediately. Your company is focussed on strengthening its Industrial Relations at all manufacturing units and the scenario remains cordial.

Compliance with law

Thermax's global operations have reached higher levels of significance, necessitating compliance by each of our subsidiaries/ entities with the local regulations and laws. This is administered, reviewed and controlled through a robust framework of reporting and periodic review.

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.

Dialogue with partners

Thermax engages its key stakeholders – customers, employees, dealers, suppliers and the community at large – in ongoing conversations. Feeling the pulse of the market and sensing the aspirations of people, these dialogues go a long way to create meaningful partnerships.



CORPORATE GOVERNANCE REPORT

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

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

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

COMPANY PHILOSOPHY

Thermax Limited continues its commitment to high standards of corporate governance. In all its operations and processes, the company adheres to stringent governance norms so that its stakeholders can expect superior and sustained financial performance.

Through its corporate governance measures, the company aims for transparent financial reporting and information to shareholders about policies,

performance and developments. Thermax will sustain stakeholder confidence by adopting and continuing good practices, which is at the heart of effective corporate governance.

Your company's Board has empowered key management officials to implement policies and guidelines related to the key elements of corporate governance – transparency, disclosure, supervision and internal controls, risk management, internal and external communications, high standards of safety, accounting fidelity, product and service quality. It also has in place comprehensive business review processes.

COMPLIANCE OF CORPORATE GOVERNANCE

i) BOARD OF DIRECTORS AND PROCEDURES

The Board of your company comprises eight directors – three non-executive promoter directors, four independent directors and the managing director.

A. Composition of the Board

The table overleaf 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 2010-11.

Name of the Director	Pecuniary or business relationship with the company	Relationship with other Directors	No of other Directorships @	Committee position @		No of shares held in the company
				Chairperson	Member	
NON-EXECUTIVE PROMOTER						
Mrs. A. R. Aga	None except*	Yes	1	1	—	68,88,305#
Mrs. Meher Pudumjee	None except*	Yes	1	1	2	22,75,500\$
Mr. Pheroze Pudumjee	None except*	Yes	1	2	4	3,57,000
INDEPENDENT						
Dr. Raghunath A. Mashelkar	None	No	6	—	6	—
Dr. Valentin von Massow	None	No	1	1	1	—
Mr. Tapan Mitra	None	No	4	7	4	—
Dr. Jairam Varadaraj	None	No	9	—	6	—
EXECUTIVE						
Mr. M. S. Unnikrishnan	N. A.	No	3	—	5	—

@ Excludes private, foreign & Section 25 companies.

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

In addition to the shares held by Mrs. A. R. Aga in her personal capacity she is also a joint Trustee of the 29,06,250 shares held by the Thermax ESOP Trust.

* During the year, the company has paid Rs. 5,28,000/- to Mrs. Aga and Rs. 1,20,000/- to Mrs. Pudumjee as rent for premises taken on lease. The company has maintained security deposit of Rs. 40,00,000/- with Mrs. Aga for the premises taken on lease. The company has also paid Rs. 21,68,700/- to Mr. Pheroze Pudumjee, being rent for premises taken on lease and Rs. 18,00,000/- as security deposit.

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

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

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

As per the disclosures received from the directors, none of the directors serve as members of more than 10 committees nor are they chairman /chairperson of more than 5 committees. Chairmanship/ membership of Board Committees include only Audit and Shareholders' Grievance Committees, as per the requirements of the Listing Agreement.

The Board met five times during the financial year 2010-11 on the following dates: May 12, 2010, July 21, 2010, October 27, 2010, January 27, 2011 and February 23, 2011. The maximum time gap between any two sequential meetings was not more than four calendar months.

B. Details of remuneration:

- Non-executive directors

In the changing business context of the company and the increased role and responsibilities to adhere with the requirements of corporate governance practices and policies, the non-executive directors are required to commit more time and attention to the affairs of the company. Considering this growing responsibility, it is only appropriate that the company recognises and suitably remunerates the non-executive directors by increased payment of commission. As per the revised guideline adopted by the Board, based on the regulatory provisions, the non-executive directors are entitled to individually receive an amount of Rs. 6 lakh as fixed commission for each financial year.

Additionally, chairpersons of select Board committees will receive further remuneration by way of commission for each financial year to acknowledge their time and involvement to strengthen systems and processes, and also for their contributions in offering strategic direction. Accordingly, for the financial year 2010-11, the Board has approved payment of Rs. 10 lakh to the chairperson of the Audit committee and Rs. 5 lakh each to the chairpersons of the International

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

- Managing Director

The company's Board at present comprises one Executive Director, namely, Mr. M. S. Unnikrishnan, Managing Director. The remuneration of the managing director is governed by the agreement dated July 2, 2007 and supplemental agreement dated May 12, 2010, between him and the company, which have been approved by the Board of directors and the shareholders. The remuneration broadly comprises fixed and variable components. The increment and commission of the managing director is determined on the basis of the company's performance and the individual contribution. The managing director is not entitled to sitting fees for attending meetings of the Board and committees.

C. Attendance and remuneration of each Director on the Board during the financial year 2010-11

Name of the Director	Total Attendance of Board Meetings	Attendance at the AGM held on July 21, 2010	Sitting fees * (Rs.)	Salary and perquisites (Rs.)	Commission† on (Rs.)	Total remuneration (Rs.)
Mrs. Meher Pudumjee	5	Yes	2,20,000	NA	20,00,000	22,20,000
Mrs. A. R. Aga	5	Yes	1,20,000	NA	11,00,000	12,20,000
Dr. Raghunath A. Mashelkar	5	Yes	1,00,000	NA	11,00,000	12,00,000
Dr. Valentin von Massow	5	Yes	1,60,000	NA	18,85,200	20,45,200
Mr. Tapan Mitra	5	Yes	2,60,000	NA	16,00,000	18,60,000
Mr. Pheroze Pudumjee	5	Yes	3,80,000	NA	11,00,000	14,80,000
Mr. M. S. Unnikrishnan	5	Yes	NA	1,44,18,398	55,00,000	1,99,18,398
Dr. Jairam Varadaraj	4	No	1,80,000	NA	6,00,000	7,80,000

NA = Not applicable

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

† The commission proposed for the year ended March 31, 2011 will be paid, subject to deduction of tax, after adoption of accounts by shareholders at the ensuing 30th Annual General Meeting.

D. Board Agenda

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

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

Information placed before the Board of Directors

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

1. Annual Business Plan which includes capital expenditure and manpower budget. The capital expenditure proposals sanctioned and actual amounts incurred are reported on a quarterly basis. Reasons for variance between the budget and sanctioned are also explained.
2. Information on recruitment of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and Company Secretary.
3. Report on matters relating to foreign collaborations/joint-ventures/ acquisitions/ mergers/ opening of overseas offices, etc.
4. A report on treasury operations. This report comprises the investment portfolio, details of foreign exchange exposures and steps taken to mitigate risks of adverse exchange movements, if material.
5. Report on statutory compliance, show cause notices, penalties, suits filed by/against the company, etc.
6. Quarterly financial results for the company and for the group companies with analysis of performance.
7. Minutes of the meetings of Board appointed committees.

8. Significant labour problems and their proposed solutions, wage agreements, etc.
9. Safety issues - fatal or serious accidents in the plants, dangerous occurrences, any material effluent or pollution problems.
10. Any material default in financial obligations to and by the company.
11. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.

ii) BOARD COMMITTEES

The Board at present has six committees:

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

A. Audit Committee

The committee comprises three members, all non-executive directors. The chairman of the committee, Mr. Tapan Mitra, is a Fellow of The Institute of Chartered Accountants of India. Mr. Pheroze Pudumjee and Dr. Jairam Varadaraj are the other members of the committee. Dr. Valentin von Massow was co-opted as a member of the committee for the meeting of October 26, 2010. This was necessitated in view of the inability of one independent director to attend owing to personal exigency.

The committee has met five times during the financial year 2010-11 on the following dates i.e. May 11, 2010, June 18, 2010, July 20, 2010, October 26, 2010 and January 27, 2011. Details of meetings attended by the members are as follows:

Committee members	Category	Number of meetings attended
Mr. Tapan Mitra	Independent	5
Mr. Pheroze Poddar	Non-executive Promoter	5
Dr. Jaishankar Varadaraj	Independent	4
Dr. Valentin von Massow	Independent	1

The chairman of the committee was present at the 29th Annual General Meeting of the company held on July 21, 2010.

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

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

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

The terms of reference of the committee broadly include:

- ◆ Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ◆ Reviewing with management and external auditors the financial statements before submitting to the Board, focusing primarily on:
 - any changes in accounting policies and practices,
 - major accounting entries based on exercise of judgment by management,
 - any qualifications in audit report,
 - significant adjustments arising out of audit,

- compliance with accounting standards,
- compliance with stock exchange and legal requirements concerning financial statements,
- any related party transactions i.e. transactions of the company of material nature with the promoters or the management, their subsidiaries or relatives etc. that may cause potential conflict with the interests of the company.
- ◆ Reviewing the adequacy of internal control systems including management information system with the management, external and internal auditors
- ◆ Reviewing the company's financial and risk management policies.
- ◆ Looking into the reasons for substantial defaults in payments to the depositors, shareholders and creditors, if any.
- ◆ Recommending the appointment and removal of statutory auditor, determine audit fee and also approve payment for any other services as the case may be.
- ◆ Discussing the nature and scope of audit with statutory auditors, before the audit commences. Also conduct post-audit discussion to ascertain any area of concern.
- ◆ Reviewing the scope and adequacy of internal audit function, including the system, its quality and coverage and effectiveness in terms of follow-up, the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. Outsourcing to firms specialised in carrying out internal audit services, detailing their scope of work and deciding their professional charges.
- ◆ Reviewing the coverage and frequency of internal audit.
- ◆ Reviewing the annual plan of work of the internal audit function.
- ◆ Discussing with internal auditors, significant audit findings and follow up action initiated.
- ◆ Assigning and reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or

irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- ♦ Any other matter that may be referred by the Board from time to time.

B. Human Resources Committee

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

The broad terms of reference of the committee:

- a) Specify guidelines for the remuneration package and other benefits of the Executive Council and senior management employees and benchmarking with other companies, if necessary.
- b) Review compensation trends across the sector.
- c) Review the human resource policies and processes for continuous improvement in tune with the company's values, ethics, growth plans and market advancement for improved performance management system.
- d) Advise on formulation of policies to enhance employee engagement.
- e) Review the identified job talent and their career/retention strategies.
- f) Succession planning of senior management employees within the company.
- g) Review the diversity within the company and recommend improvements.
- h) Any other matter that may be referred by the Board from time to time or as may be necessary for compliance with the Listing Agreement.

During the financial year, the committee met once on May 11, 2010 where all members were present.

The company presently does not have an ESOP scheme.

C. Share Transfer and Shareholders' Grievance Committee

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

The committee reviews the performance of Karvy Computershare Private Limited, the company's Registrar and Transfer Agent (RTA) and also recommends measures for overall improvement for better investor services. The committee specifically looks into complaints of shareholders and investors pertaining to transfer/ transmission of shares, non-receipt of share certificates, non-receipt of dividend warrants, etc.

Procedure of share transfer

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

As per the certificate issued by the RTA, 31 complaints were received from shareholders / investors during the financial year ended March 31, 2011.

Summary of complaints during 2010-11

Nature	Opening balance	Received	Resolved	Pending
No. of sub-divided share certificates	Nil	8	8	Nil
Non-receipt of dividend	Nil	21	21	Nil
Letters from Statutory Authorities	Nil	2	2	Nil

All complaints were resolved to the satisfaction of the shareholders and no complaints remained

unattended / pending for more than 30 days as on March 31, 2011.

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

During the year the RTA processed 19 physical transfers comprising 9,500 number of equity shares.

D. Borrowing and Investments Committee

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

The mandate of this committee is to review the treasury operations, lay down funds deployment policy and monitor that investments are made in accordance with the policy. During the year, the committee reviewed the requirement of availing enhanced working capital facilities within the overall ceiling of Rs. 4900 crore empowered by the Board. Unsecured loans to the extent of Rs. 1700 crore were approved for tie-up with individual member banks of the consortium.

During the financial year 2010-11, the committee met thrice on the following dates i.e. June 21, 2010, October 5, 2010 and November 23, 2010 where all members were present.

E. Strategic Business Development Committee

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

The committee comprises four members, Dr. Valentin von Massow (chairman), Mrs. Meher Pudumjee, Mr. Pheroze Pudumjee and Mr. M. S. Unnikrishnan.

The committee met twice during the financial year 2010-11 on May 11, 2010 and October 27, 2010 where all members were present. Business strategies to address the European market and proposal for M&A were reviewed during the meetings. The Committee granted 'in-principle' approval for acquisition of Danstoker A/s, a leading European boiler manufacturer.

F. International Investment Committee (erstwhile Overseas Investment Committee)

The Board at its meeting held on July 21, 2010 renamed the Overseas Investment Committee as International Investment Committee.

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

The purpose of the committee is to:

- ▶ ensure governance in the operations of the overseas wholly owned subsidiaries (WOS).
- ▶ check the reliability and adequacy of financial information, control systems and internal accounting.
- ▶ act as a link between the management of WOS and the Board of Directors of Thermax Limited.

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

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

The committee met twice during the financial year on June 18, 2010 and October 26, 2010 where all the members were present. The investment proposal of Euro 29.5 million for acquisition of the European boiler company and structuring of the transaction was reviewed and recommended by the committee for approval of the Board. The committee also reviewed systems, processes, governance and internal audit approach to monitor operations of overseas subsidiaries.

iii) OTHER DISCLOSURES RECOMMENDED BY SEBI

A. Subsidiary Companies

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

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

B. Disclosure regarding appointment or reappointment of a director

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

Mrs. A.R. Aga

Mrs. A.R. Aga, 68, Director of the Company, began her industry career at Thermax, in 1982. She was the Chairperson of the Board of the Company from February 1996 to October 2004.

Mrs. Aga has done her B.A. in Economics and holds a post graduate degree in medical and psychiatric social work from Tata Institute of Social Sciences (TISS). She was selected for the Fullbright Scholarship for social workers to study for four months in the U.S.

She has been very active in various national and local associations like Confederation of Indian Industries (CII) and had served as the Chairperson of CII's Western Region. She has written extensively and given talks on the subjects of corporate governance, corporate social responsibility, communal harmony, role of women and education.

Mrs. Aga is the Chairperson of the Thermax Social Initiative Foundation, formed to drive Thermax's corporate social responsibility initiative. The Foundation supports two schools for gifted

children from the under-privileged sections of society. She is also closely associated with the Teach for India initiative which partners with corporates to make a difference in the quality of education in India.

In March 2010, the Government of India conferred upon Mrs. Aga the Padma Shri Award for her distinguished service in the field of social work.

Mrs. Aga holds directorship on the Boards of the following companies:

a)	The Indian Hotels Company Limited
b)	RDA Holding & Trading Pvt. Limited
c)	Thermax Social Initiative Foundation
d)	Give India

She is also a Chairperson of the Human Resources Committee of the company.

Mrs. Aga holds 68,88,305 shares of the company.

Mr. Tapan Mitra

Mr. Tapan Mitra, 72, Director of the company from January 15, 2001, is a Fellow of The Institute of Chartered Accountants of India and holds a Masters degree in Business Administration from the University of Geneva. Mr. Mitra has served as Chairman of Confederation of Indian Industries (CII), Eastern Region, as well as on a number of National Committees of CII.

Mr. Tapan Mitra holds directorship in and is also chairman/member of committees of the Board, of the following companies:

Directorships	Chairmanship(s) and membership(s) of committees
Essel Propack Limited	Audit Committee - Chairman Remuneration Committee - Member
West Bengal State Distribution Co. Limited	Audit Committee - Chairman HR & Remuneration Committee - Chairman
West Bengal State Electricity Transmission Co. Limited	Audit Committee - Member HR & Remuneration Committee - Chairman
West Bengal Power Development Co. Limited	Audit Committee - Chairman HR & Remuneration Committee - Chairman

As an independent director on the company's Board he also serves on three Board appointed committees viz. as Chairman of the Audit Committee and as Member of the Human Resources Committee and the International Investment Committee.

Mr. Tapan Mitra does not hold any shares of the company.

Mr. Nawshir Mirza

Mr. Nawshir Mirza, 61, is a Fellow of The Institute of Chartered Accountants of India having qualified in the year 1973. He spent most of his career with Ernst & Young and its Indian member firm, S. R. Batliboi & Co., Chartered Accountants, and its predecessor firm, Arthur Young, being a partner from 1974 to 2003.

He has contributed to the accounting profession, being a speaker or the chairperson at a large number of professional conferences in India and abroad. He is an independent Director on the Boards of several companies. As a philanthropist, he is actively involved with Childline, an all-India NGO for abused and distressed children. He is also Honorary Treasurer of the Indian Red Cross, Maharashtra and a trustee of the Narielvala Fire Temple in Mumbai.

Since 2003, Mr. Mirza has been involved in the movement for improved governance in the corporate sector. He is also involved in propagating knowledge of the threat to humankind from climate change and an appropriate response to it.

C. Annual General Meeting

The last three Annual General Meetings of the company were held at Yashwantrao Chavan Academy of Development Administration, MDC (Auditorium) Building, Raj Bhavan Complex, Baner Road, Pune – 411007 as under:

Financial Year	Date	Time
2007-2008 : 27th AGM	July 22, 2008	11.00 a.m.
2008-2009 : 28th AGM	July 21, 2009	11.30 a.m.
2009-2010 : 29th AGM	July 21, 2010	11.30 a.m.

Postal Ballot

No special resolution was passed during the last year that required approval through postal ballot.

Similarly, there is no proposal to pass any special resolution through postal ballot for the ensuing AGM.

D. Disclosures

1. Related party transactions during the year have been disclosed as part of Accounts as required under Accounting Standard 18 issued by The Institute of Chartered Accountants of India. The Audit Committee reviews these transactions.
2. The company has prepared a risk management framework to identify, minimise, report and review business and process related risks at pre-defined intervals. This framework has been reviewed by the Board to assess control mechanism for risk evaluation and mitigation.
3. There were no instances of non-compliance by the company or penalties, strictures imposed on the company by stock exchanges or SEBI or any other statutory authority on any matter related to capital markets, during the reporting period of last three years.
4. To promote ethical conduct and maintain high standards in carrying out business transactions of the company, a Code of Conduct has been laid down for procedures to be followed by Board members and the senior management employees. This Code is also posted on the company's web-site.

All Board members and senior management employees have affirmed adherence to the Code for the financial year ended March 31, 2011. The declaration of the Managing Director is given as an annexure.

E. Means of Communication

- i) As the company publishes the quarterly and half-yearly financial results in prominent English and regional languages newspapers and also displays the same on its website, individual communication of half yearly results is not being sent to the shareholders. The company also sent soft copy of its quarterly and half-yearly results to the shareholders of the company at their email IDs available with the company.
- ii) The company's corporate website www.thermaxindia.com provides

comprehensive information of the company's business portfolio, including social initiative comprising CSR activities. Quarterly and half yearly financial results are available in downloadable formats for investor's convenience.

- iii) Management Discussion and Analysis forms part of the annual report.
- iv) Transcripts of tele-conferences with analysts are also available on the website of the company.
- v) Reminders for unpaid /unclaimed dividend are sent to the shareholders every year.
- vi) Latest press releases and presentation of the chairperson's speech at the Annual General Meeting submitted to the Stock Exchanges are also available on the company's website for the benefit of public at large.
- vii) The company has designated igkcpl@karvy.com and cservices@thermaxindia.com as e-mail IDs for investor servicing.

The company's website can be accessed at www.thermaxindia.com

F. Code for Prevention of Insider Trading

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

iv) SHAREHOLDER INFORMATION

A. 30th Annual General Meeting

Date and Time : July 22, 2011 at 11.30 a.m.
Venue : Yashwantrao Chavan
Academy of Development
Administration
MIDC (Auditorium)
Building, Raj Bhavan
Complex, Baner Road,
Pune – 411 007

B. Financial Calendar

The financial results for the Financial Year 2010-11 were announced on:

	As Indicated	Actual Date
Quarter ended June 2010	July 21, 2010	July 21, 2010
Quarter ended September 2010	October 27, 2010	October 27, 2010
Quarter ended December 2010	January 25, 2011	January 27, 2011
Year ended March 2011	During May, 2011	May 3, 2011

For the year 2011-12 the indicative announcement dates are:

Results for the quarter ended June 2011	July 22, 2011
Results for the quarter ended September 2011	October 20, 2011
Results for the quarter ended December 2011	February 2, 2012
Results for the year ended March 2012	During May, 2012

C. Book Closure Date

The company's Share Transfer Books and Register of Members of equity shares shall remain closed from July 11, 2011 to July 22, 2011 (both days inclusive), to determine the shareholders entitled to receive dividend for the year ended March 31, 2011.

D. Listing

The company's shares are listed on two stock

exchanges viz., National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE).

The company has paid listing fees to both the Stock Exchanges for the year 2011-12.

Custodial fees to Depositories: The company has paid custodial fees for the year 2011-12 to National Securities Depository Limited and Central Depositories Services (India) Limited on the basis number of beneficial accounts maintained by them, as on March 31, 2011.

E. Stock Codes

Trading symbol at	National Stock Exchange of India Ltd.	Thermax EQ
	Bombay Stock Exchange Ltd.	Physical – 411 Demat – 500411
Demat International Security Identification No. (ISIN) in NSDL and CDSL	Equity Shares	INE 152A01029
Reuters RIC	For price on NSE For price on BSE	THMX.NS THMX.BO
Corporate Identification No. (CIN)	L29299MH1980PLC0022787	

F. Stock Data

	MKT QUOTE - NSE		MKT QUOTE - BSE	
	High	Low	High	Low
Apr. 2010	749.00	725.00	750.00	725.00
May. 2010	734.75	710.00	737.00	701.00
Jun. 2010	765.50	730.00	744.80	730.00
Jul. 2010	814.00	795.00	849.90	795.00
Aug. 2010	779.90	760.55	780.00	761.25
Sep. 2010	867.00	799.00	820.00	798.00
Oct. 2010	880.00	850.00	930.00	904.00
Nov. 2010	930.00	904.00	926.90	895.10
Dec. 2010	895.00	824.00	887.40	827.50
Jan. 2011	908.85	636.00	907.00	645.30
Feb. 2011	685.05	536.55	692.45	542.65
Mar. 2011	635.00	557.00	628.50	564.00

G. Registrar and Share Transfer Agent

Karvy Computershare Private Limited

Plot No. 17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad – 500 081
Telephone: 040 - 23420818 / 828
Fax: 040 - 23420814

E-mail ID for redressal of grievances of shareholders / investors: igkcpl@karvy.com

H. 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 despatched within a period of 15 to 20 days from the date of receipt.

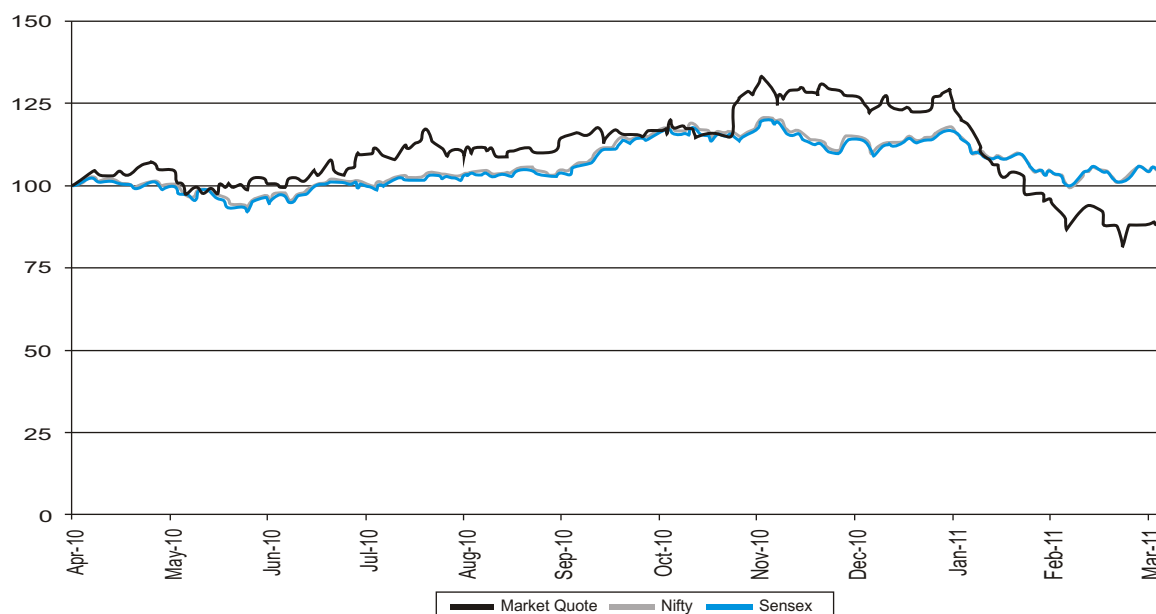
I. Shareholding pattern

Distribution of equity shareholding as on March 31, 2011

No of shares	No. of shareholders	%	No. of shares held	% of shareholding
1-500	30,175	93.24	33,33,144	2.80
501-1000	1,041	3.22	8,45,542	0.71
1001-2000	452	1.40	6,86,841	0.58
2001-3000	171	0.53	4,34,166	0.36
3001-4000	71	0.22	2,54,731	0.21
4001-5000	56	0.17	2,66,067	0.22
5001-10000	105	0.32	7,56,639	0.63
10001 & Above	293	0.91	11,25,79,170	94.48
Total	32,364	100.00	11,91,56,300	100.00

J. Stock Performance

Thermax share price vs NSE Nifty & BSE Sensex

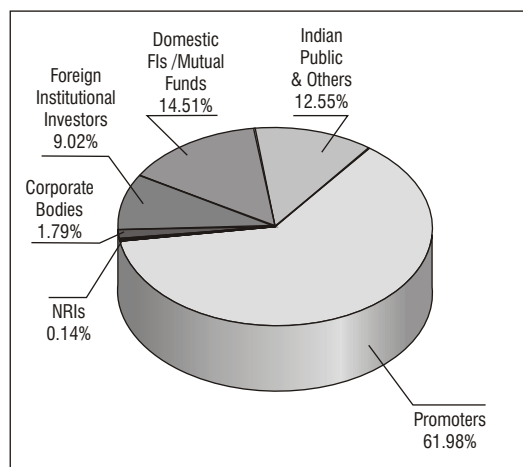


NOTE: The company's share price and indices have been indexed to 100 as on the first working day of the financial year 2010-11 i.e. April 1, 2010.

Category of equity shareholders as on March 31, 2011

Category shares held	No. of shareholding	% of
(A) Promoters holding		
1. Individuals	95,26,805	7.99
2. Corporate bodies	6,43,28,500	53.99
Total shareholding of promoters	7,38,55,305	61.98
(B) Non-Promoters holding		
1. Mutual Funds, banks, financial institutions, insurance companies, etc.	1,72,80,920	14.51
2. Foreign institutional investors	1,07,51,342	9.02
3. Corporate bodies	21,32,196	1.79
4. Non-resident individuals	1,70,580	0.14
5. Indian public & others	1,49,65,957	12.56
Total public shareholding	4,53,00,995	38.02
Total (A) + (B)	11,91,56,300	100.00

Shareholding pattern as on March 31, 2011



K. Details of Dematerialisation

The company's equity shares are under compulsory demat trading for all categories of investors. 3,78,18,734 shares have been dematerialised, as on March 31, 2011, which account for 31.74% of the total equity.

Top ten shareholders under non-promoter category as on March 31, 2011 is as under:

Name of shareholder	Number of shares held	% of shareholding
Life Insurance Corporation of India	19,10,304	1.60
SBI Mutual Fund - Magnum Tax Gain 1993	12,52,967	1.05
Reliance Capital Trustee Co. Ltd. A/c Reliance Diversified Power Sector Fund	11,00,000	0.92
Matthews India Fund	10,78,128	0.90
UTI Infrastructure Fund	9,00,000	0.76
HDFC Trustee Company Limited - HDFC Tax Saver fund	8,50,000	0.71
Franklin Templeton Investment Funds	8,24,096	0.69
Government Pension Fund Global	8,18,352	0.69
Tata Trustee Co. Ltd A/C Tata Mutual Fund - Tata - I	7,88,770	0.66
LIC of India Market Plus - 1	7,48,448	0.63

L. Plant Locations

Pune

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

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

Paudh

At Paudh, Post Mazgaon,
Tal. Khalapur,
Dist. Raigad - 410 206,
Maharashtra State.

Khed

Gat No.125, Crusher Road,
At post Rohakal, Taluka - Khed,
Dist. Pune - 410 501,
Maharashtra State.

Savli

Plot no. 21/1-2-3,
GIDC Manjusar, Taluka - Savli,
Dist. Vadodara - 391 775,
Gujarat State.

Mundra SEZ

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

M. 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 (G) above.

Shareholders holding shares in dematerialised form should address their queries such as change in bank account details, address, nomination, etc., to their respective Depository Participants (DPs).

Queries relating to the Annual Report may be addressed to:

The Company Secretary,

Thermax Limited,
Thermax House,
14, Mumbai-Pune Road,
Wakdevadi,
Pune - 411 003.

Email: cservice@thermaxindia.com

V) NON-MANDATORY REQUIREMENTS

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

The chairperson's office is maintained at the company's expense, which is equipped with all required facilities. The chairperson is also allowed reimbursement of expenses incurred in performance of her duties.

A. Shareholder Rights

Quarterly & half yearly statements are being published in newspapers.

B. Audit Qualification

It is the always company's endeavor to present unqualified financial statements. There is no audit qualification in the company's financial statements for the year ended March 31, 2011.

C. Training of Board Members

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

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

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

D. Whistle Blower Policy

The Board has adopted a Whistle Blower Policy to promote reporting of any unethical or improper practice or violation of the company's Code of Conduct or complaints regarding accounting, auditing, internal controls or disclosure practices of the company. It gives a platform to the whistle blower to report any unethical or improper practice (not necessarily violation of law) and to define processes for receiving and investigating complaints. The Company has assigned e-mail ID tlgovernance@gmail.com on which an employee can report or send a written complaint to the Chairperson or the Managing Director.

vi) RECONCILIATION OF SHARE CAPITAL AUDIT

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

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

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

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

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

viii) CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

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

ix) SHAREHOLDER REFERENCE

A. Unclaimed Dividend

Unclaimed dividend for the years prior to and including the financial year 2002-03 has been

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

Dividend for the years noted below, if remains unclaimed for seven years, will be transferred by the company to the IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956. Attention is drawn that the unclaimed dividend for the financial year 2003-04 will be due for transfer to IEPF later this year as detailed in table below. Letters have been sent by the company to the shareholders concerned advising them to lodge their claim with respect to such unclaimed dividend.

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

Financial year	Dividend	Date of declaration	Total dividend amount (Rs. crore)	Unclaimed Dividend as on March 31, 2011		Due for transfer to IEPF on
				(Rs.)	%	
2003-04	Final	27.07.2004	Equity: 28.60	4,31,220	0.15	02.09.2011
			RPS* : 1.50	72,171	0.48	
2004-05	Final	26.07.2005	Equity: 28.60	3,16,236	0.11	31.08.2012
			RPS* : 2.86	57,420	0.20	
2005-06	Final (pro rata)	26.07.2005	RPS* : 0.92	19,284	0.21	31.08.2012
2005-06	Final	20.07.2006	40.51	6,15,422	0.15	30.08.2013
2006-07	Interim	13.03.2007	40.51	5,91,132	0.15	18.04.2014
2006-07	Final	25.07.2007	30.98	4,76,831	0.16	30.08.2014
2007-08	Final	22.07.2008	95.33	13,61,008	0.14	27.08.2015
2008-09	Final	21.07.2009	59.57	9,43,935	0.16	27.08.2016
2009-10	Final	21.07.2010	59.57	10,10,155	0.17	26.08.2017

* Redeemable Preference Shares

The company had issued 6 per cent Redeemable Preference Shares of face value Rs. 10 each aggregating to Rs.47.7 crore in the ratio of two RPS for every equity share held. The shares were allotted on September 22, 2003 and were redeemed on July 26, 2005 at face value.

B. Bank details

Shareholders holding shares in physical form are requested to notify / send the following information to the Registrar and Transfer Agent of the company:

- Any change in their address / mandate / bank details etc.
- Particulars of the bank account in which they wish their dividend to be credited, in case the same has not been furnished earlier and should include the following particulars namely, Bank Name, Branch Name, Account Type, Account Number and MICR Code (9 digit) required to submit their PAN along with a photocopy of both sides of the PAN card, duly attested.

C. Permanent Account Number

Securities and Exchange Board of India has made it mandatory for every participant in the securities/ capital market to furnish Permanent Account Number (PAN) issued by the Income Tax Department. Accordingly all shareholders are required to submit their PAN along with a photocopy of both sides of the PAN card, duly attested.

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

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

D. Nomination facility

Shareholders, holding shares in physical form and desirous of submitting / changing nomination in respect of their shareholding in the company may submit Form 2B (in duplicate) as per the provisions of Section 109A of the Companies Act, 1956 to the company's Registrar and Transfer Agent.

E. Electronic Clearing Service (ECS) Facility

The company pays dividend through ECS i.e. by crediting the shareholders' bank account directly.

- Members holding shares in PHYSICAL FORM and desirous of availing this facility are requested to send their details in ECS mandate form. The ECS mandate form may be collected from the company's Corporate Office or its Registrar and Transfer Agent or may also be downloaded from the company's website (www.thermaxindia.com). To avail of the ECS facility the mandate form should be sent by post or hand delivered to the company's Corporate Office or its Registrar and Transfer Agent so as to reach before commencement of the book closure date i.e. July 11, 2011.
- Members holding shares of the company in DEMATERIALISED (electronic) form are requested to intimate all changes pertaining to their bank account details, ECS mandates, nominations, power of attorney, change of address/name etc. to their Depository Participant (DP) only and not to the company or its Registrar and Transfer Agent. Changes intimated to the DP would be downloaded and updated in the company's records for disbursement of dividend or any corporate benefits.

ANNEXURE

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

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

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

M. S. Unnikrishnan
Managing Director

Pune: May 3, 2011

AUDITORS' CERTIFICATE

on Corporate Governance

To the Members of Thermax Limited

We have examined the compliance of conditions of Corporate Governance by Thermax Limited, for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For B. K. Khare & Company
Chartered Accountants

H.P. Mahajani

Partner

(Membership no. 30168)

Firm Regn. No. : 105102W

Pune : May 3, 2011

CODE OF CONDUCT

for Directors and Senior Management

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

REPORT ON CORPORATE SOCIAL RESPONSIBILITY

With India's GDP growth rate, industries realise that education is what will create better employees in the future. Thermax strongly believes that business cannot succeed in a society that fails – corporate professionalism combined with government resources and NGO expertise will aid in social transformation. The impact of the Thermax Social Initiative Foundation's (TSIF) various initiatives is as follows:

EDUCATIONAL INITIATIVES:

K C Thackeray Vidya Niketan English



Medium School

The first educational initiative that TSIF began four years ago with 180 students, now has 420 students in the ninth standard. Komal Raut was selected through an essay competition to visit South Africa for the Champion's League Tournament. Four students competed in an interschool debate competition for the first time, battling wits with some of Pune's best. Khushagrah Sathe and Hrishikesh Zagade ranked 29 and 32 in the Pune district's merit list of the State Scholarship exam.

Savitribai Phule English Medium School

The school for slum children added the third standard with student strength reaching 360. Students of this school have not only learnt to read and write in English, but also aspire to transform their lives and others'; like 7 year old Tushar, who is willing to work hard to be doctor so he could treat his visually impaired sister.

Partnership with Akanksha Foundation

All 80 students from the Thermax-supported Akanksha learning centre passed the HSC examination. To commemorate 10 years of Thermax's successful partnership with Akanksha, a series of events were conducted like Colour my world Art fiesta, Come Alive, Akanksha Annual Sports Day and Women Day celebrations. Thermax is liaising with the Pune Municipal Corporation to enable Akanksha manage two more municipal schools.

TEACH FOR INDIA:

Ravikiran Jasti, a Thermax Graduate Engineer Trainee who applied, got selected and completed two years of fellowship with TFI, has rejoined Thermax. Speaking about the experience he says



that he “surely wouldn't have been a transformed person if these two years were spent somewhere else.” Thermax encourages its employees below 35 years, to be a part of the TFI educational movement.

CHILD DEVELOPMENT PROJECT:

TSIF has tied up with Annapurna Mahila Mandal (AMM) to support two daycare centers with 50 slum children between 1 to 5 years. Older children in slums are forced to forego school to care for their younger siblings while their parents go out to work. AMM ensures that the young children remain in a safe environment, while engaging in recreational and developmental activities.



AFFIRMATIVE ACTION:

As a signatory to the CII Code of Conduct on Affirmative Action, Thermax has undertaken various activities to support people from SC/ST backgrounds like sponsoring an exhibition that showcased 150 SC/ST entrepreneurs' products, registering one of them as a vendor for pest control services and helping 161 ITI students train in soft skills as part of the Finishing School Model run by CII Yi & ITI Aundh.

COMMUNITY INVOLVEMENT IN POWER GENERATION:

Thermax with the Department of Science and Technology (DST) have undertaken a pilot project to generate power through solar energy and biomass at Shive village, Pune. TSIF has tied

up with Appropriate Rural Technology Institute (ARTI) to demonstrate efficient cooking stoves that save 50% fuel, thus diverting the balance to the power plant for electricity generation. Ten families who have the cooking stoves on a pilot basis will monitor their fuel consumption. If found successful, the improved cooking stove programme will be replicated across the village.

EMPLOYEE INVOLVEMENT:

TSIF offers various opportunities for employees to volunteer towards corporate social initiatives.

- Seven employees from Thermax regularly share their expertise with adolescent children in the 'Akanksha Mentor Programme.'
- Through the Give India payroll, 938 employees contribute over Rs. 1,37,000 per month.
- 898 donors from Pune and the Savli Factory participated in a Blood Donation Camp organised with Sassoon Hospital and Rotary Club of Pune Sports City.
- 99 employees ran the Pune Marathon. 40 employees participated in the Standard Chartered Mumbai Marathon for the 5th successive year raising over Rs. 8 lakh for Thermax's NGO partner, Akanksha. Thermax also received the award for 'The company with highest employee contribution'.



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Auditors' Report

To the members of Thermax Limited

1. We have audited the attached Balance Sheet of **Thermax Limited** as at 31st March 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 of India (the "Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account have been kept by the Company as required by law, so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act;
 - (e) On the basis of written representations received from the Directors, as on 31st March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, together with the Notes thereon and attached thereto, give, in the prescribed manner, the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

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

Place: Pune
Date : May 3, 2011

Annexure to the Auditors' Report
(Referred to in paragraph 3 of our report of even date)

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.
(b) The fixed assets of the Company have been physically verified by the management at reasonable intervals during the year and the discrepancies noticed have been properly dealt with in the books of account.
(c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The inventory of the Company has been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noticed on physical verification between the physical stocks and the book records were not material.
3. The Company has neither granted nor taken loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. As the Company has not granted/taken any loans, secured or unsecured, to/from companies, firms etc., listed in the register maintained under Section 301 of the Act, paragraphs 4(iii)(a) to (g) of the Order, are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Further, during the course of our audit we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) On the basis of our examination of the books of account, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the market prices prevailing at the relevant time as evaluated on the basis of quotations obtained from parties / prices charged by the Company in case of similar transactions during the year and considering that having regard to certain items purchased / sold are of a special nature in respect of which suitable alternative sources do not exist for obtaining comparative quotations in general.
6. The Company has not accepted any deposits under the provisions of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the company in respect of product where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts -and records have been made and maintained. We have not, however, made a detailed examination of the records maintained as aforesaid.
9. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs Duty, Excise Duty, Cess and other material statutory dues as applicable, have generally been regularly deposited by the Company during the year with the appropriate authorities.
(b) As at 31st March 2011, according to the records of the Company and the information and explanations given to us, the following are the particulars of disputed dues on account of Sales-tax, Income-tax, Custom Duty, Wealth tax, Service tax, Excise Duty and Cess matters that have not been deposited on account of a dispute:

Name of the statute	Nature of dues	Amount under dispute not yet deposited (Rs. Crore)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act and Local Sales Tax Acts (including works contract)	Sales tax including interest and penalty, as applicable	0.025	1992-93	Appellate Authority - upto Commissioner's level
		0.001	2000-01	
		0.010	2001-02	
		5.117	2003-04	
		6.484	2004-05	Tribunal
		0.004	2007-08	
		1.157	2006-07	
		0.053	2000-01	
		0.038	2001-02	High Court
		0.043	2003-04	
		0.372	2001-02	
		0.184	2002-03	
		0.158	2003-04	
		0.336	2004-05	
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable	0.657	2003-04	Appellate Authority-upto Commissioner's level
		0.034	2009-10	
		0.188	2001-02	
		0.323	2003-04	
		0.848	2005-06	Tribunal
		0.159	2007-08	
		0.065	2006-07	
		4.417	1999-00	
		0.218	2008-09	Supreme Court
		3.838	2006-07	
		1.598	1997-98	
Customs Act, 1962	Customs duty including interest and penalty, as applicable	0.321	2005-06	Tribunal
Service Tax (Finance Act, 1994)	Service Tax including interest and penalty, as applicable	0.406 2.186	2003-04 2005-06	Tribunal
ESI Act, 1948	Dues, interest and penalty as applicable	0.022 0.048	1989-91 1987-89	ESI Court High Court
Income Tax Act, 1961	Income Tax including interest and penalty as applicable	0.846	2005-06	Appellate Authority-upto Commissioner's level
		0.564	2006-07	
		1.035	2007-08	
		0.655	2008-09	
Maharashtra Mathadi, Hamal, & other Mannual Workers Act 1969	Work of Mathadi Nature carried out by unregistered workers w.r.t. applicability of the Mathadi Act	0.167	2008-09	Advisory Committee under Maharashtra Mathadi, Hamal, & other Manual Workers Act 1969

10. The Company has neither accumulated losses as at 31st March 2011, nor has it incurred any cash loss either during the financial year ended on that date or in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the Management, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or bank or to debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. However, in respect of transactions relating to investment in certain securities, the Company has maintained proper records of transactions and contracts during the year and timely entries have been made therein. Further, such securities have been held by the Company in its own name.
15. Based on the information and explanations given to us, in our opinion, the terms and conditions on which the Company has given counter guarantees / corporate guarantees on behalf of its subsidiaries to the banks during the year, are not prima facie prejudicial to the interest of the Company.
16. The Company has not taken any term loan during the year.
17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not been used for long term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. No debentures have been issued during the year.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the Management.

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

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

Place: Pune
Date : May 3, 2011

Balance Sheet as at March 31, 2011

	Schedule	Sch 17 Note No. Reference	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
SOURCES OF FUNDS				
Shareholders' Funds :				
Share Capital	1		23.83	23.83
Reserves & Surplus	2		1268.51	1026.96
			<u>1292.34</u>	<u>1050.79</u>
Loan Funds :				
Secured Loans	3		48.04	—
			<u>48.04</u>	<u>—</u>
Deferred Tax Liability :		8		
Deferred Tax Liabilities			46.85	43.63
Deferred Tax Assets			(26.72)	(26.42)
			<u>20.13</u>	<u>17.21</u>
Total Funds Employed			<u>1360.51</u>	<u>1068.00</u>
APPLICATION OF FUNDS				
Fixed Assets :	4			
Gross Block			717.13	688.44
Less: Depreciation			230.52	194.59
Net Block			486.61	493.85
Capital Work-in-progress			29.73	11.17
Investments	5		404.36	378.16
Current Assets, Loans & Advances :				
Inventories	6		282.31	246.36
Contracts in Progress		7	357.11	276.17
Sundry Debtors	7		1001.26	747.05
Cash & Bank Balances	8		656.57	605.55
Other Current Assets			65.42	52.51
Loans & Advances	9		309.41	301.42
			<u>2672.08</u>	<u>2229.06</u>
Less: Current Liabilities & Provisions :				
Current Liabilities	10		1968.78	1869.09
Contracts in Progress		7	101.40	67.38
Provisions	11		162.09	107.77
			<u>2232.27</u>	<u>2044.24</u>
Net Current Assets			<u>439.81</u>	<u>184.82</u>
Total Funds Applied			<u>1360.51</u>	<u>1068.00</u>

Notes to Accounts

17

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

For and on Behalf of the Board
Meher Pudumjee
Chairperson

M. S. Unnikrishnan
Managing Director

H. P. Mahajani
Partner
 Membership No. 30168
 Pune, May 3, 2011

Gopal Mahadevan
*Executive Vice President
 & Chief Financial Officer*

Sunil Lalai
Company Secretary
 Pune, May 3, 2011

Profit and Loss Account for the year ended March 31, 2011

	Schedule	Sch 17 Note No. Reference	Year Ended March 31, 2011 Rs. Crore	Year Ended March 31, 2010 Rs. Crore
INCOME				
Sales and Other Income	12		4935.49	3235.23
EXPENDITURE				
Materials	13		3415.85	2058.47
Personnel	14		368.64	292.71
Other Expenses	15		531.98	447.73
Excise Duty (Net)			0.68	2.44
Depreciation		1(d)	43.19	40.42
Interest	16		2.18	1.52
			4362.52	2843.29
Profit Before Tax & Extra Ordinary Items			572.97	391.94
Extra-ordinary Items of Expenses / (Income) (Net of Tax)		10	—	114.86
Profit Before Tax			572.97	277.08
Less : Provision for Taxation		1(n)		
Current Tax			(187.63)	(136.49)
Deferred Tax		8	(2.92)	0.85
Profit After Tax			382.42	141.44
Balance carried forward from last year			605.76	548.00
Profit available for appropriation			988.18	689.44
Appropriations				
Proposed Equity Dividend			107.24	59.58
Tax on Dividend			17.40	9.90
General Reserve			40.00	14.20
Balance Carried to Balance Sheet			823.54	605.76
			988.18	689.44
Basic / Diluted Earning Per Share(EPS) - Rs. [Equity Shares of Rs. 2/- each]		23		
- Before Extra Ordinary Items			32.09	21.51
- After Extra Ordinary Items			32.09	11.87
Weighted average number of Equity Shares			11,91,56,300	11,91,56,300

Notes to Accounts

17

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

For and on Behalf of the Board
Meher Pudumjee
Chairperson

M. S. Unnikrishnan
Managing Director

H. P. Mahajani
Partner
Membership No. 30168
Pune, May 3, 2011

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

Sunil Lalai
Company Secretary
Pune, May 3, 2011

Schedules attached to and forming part of the Balance Sheet as at March 31, 2011

	Sch 17 Note No. Reference	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
37,50,00,000 Equity Shares of Rs. 2/- each		<u>75.00</u>	<u>75.00</u>
		<u>75.00</u>	<u>75.00</u>
Issued, Subscribed & Paid Up			
11,91,56,300 Equity Shares of Rs. 2/- each, fully paid-up	9 & 21(A)	<u>23.83</u>	<u>23.83</u>
[Of the above, 6,43,28,500 share are held by holding company, RDA Holding & Trading Pvt. Ltd. (Previous year 6,43,28,500 shares)]		<u>23.83</u>	<u>23.83</u>
SCHEDULE 2			
RESERVES & SURPLUS			
Capital Redemption Reserve			
Per Last Balance Sheet		50.34	50.34
Share Premium Account			
Per Last Balance Sheet		61.13	61.13
Capital Reserve			
Per Last Balance Sheet		1.92	1.92
Hedging Reserve			
Per Last Balance Sheet	1(m)	19.81	2.87
Profit / (Loss) - Cash Flow Hedging		<u>(16.23)</u>	<u>16.94</u>
		3.58	19.81
General Reserve			
Per Last Balance Sheet		288.00	273.80
Add: Transferred from Profit and Loss A/c		<u>40.00</u>	<u>14.20</u>
		328.00	288.00
Balance in Profit and Loss A/c			
		<u>823.54</u>	<u>605.76</u>
		<u>1268.51</u>	<u>1026.96</u>

Schedules attached to and forming part of the Balance Sheet as at March 31, 2011

Sch 17	As at	As at
Note No.	March 31, 2011	March 31, 2010
Reference	Rs. Crore	Rs. Crore

SCHEDULE 3
SECURED LOANS

Borrowings from Banks for Working Capital (including Working Capital Term Loans)	11	48.04	—
		48.04	—

SCHEDULE 4
FIXED ASSETS

[Refer Notes 1(c), (d) & (e) of Schedule 17]

Rs. Crore

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1.4.2010	Additions/ Adjustments during the year	Deductions during the year	Total Cost as at 31.3.2011	Upto 31.3.2010	Deductions/ Adjustments during the year	Provisions during the year	Total as at 31.3.2011	As at 31.3.2011	As at 31.3.2010
TANGIBLE :										
Land - Freehold	7.36	—	—	7.36	—	—	—	—	7.36	7.36
Land - Leasehold	25.61	—	0.42	25.19	—	—	0.25	—	25.19	25.61
Building	181.56	11.18	0.56	192.18	18.81	0.05	5.21	23.97	168.21	162.75
Plant & Machinery	302.66	6.90	3.05	306.51	98.24	0.63	18.45	116.06	190.45	204.42
Electrical Installation	31.27	1.58	—	32.85	6.85	0.03	1.89	8.71	24.14	24.42
Furniture, Fixtures, Office Equipment & Computer	81.66	11.23	1.08	91.81	43.78	1.00	7.46	50.24	41.57	37.88
R & D Equipments	2.90	0.41	0.18	3.13	1.37	0.16	0.19	1.40	1.73	1.53
Vehicles	16.67	6.23	3.45	19.45	6.13	2.17	2.39	6.35	13.10	10.54
INTANGIBLE :										
Software	21.92	3.92	0.11	25.73	13.84	0.02	4.27	18.09	7.64	8.08
Technical Know How	16.83	2.30	6.21	12.92	5.57	2.95	3.08	5.70	7.22	11.26
Total	688.44	43.75	15.06	717.13	194.59	7.01	43.19	230.52	486.61	493.85
Previous Year	602.89	97.10	11.55	688.44	162.98	8.58	40.42	194.59	493.85	439.91
Capital W.I.P									29.73	11.17

Schedules attached to and forming part of the Balance Sheet as at March 31, 2011

	Face Value Rs. Crore	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
SCHEDULE 5			
INVESTMENTS			
[Refer Note 1(f) of Schedule 17]			
A. Trade (Long Term)			
Units - Listed but not Quoted			
1 1,00,00,000 (<i>Previous Year Nil</i>) units of Birla Sunlife Fixed Term Plan Series CL - Growth of Birla Sunlife Mutual Fund	10.00	10.00	—
2 80,00,000 (<i>Previous Year Nil</i>) units of DSP Fixed Maturity Plan 12 months Series 13 - Growth of DSP Blackrock Mutual Fund	8.00	8.00	—
3 1,00,01,041 (<i>Previous Year 1,00,01,041</i>) units of Kotak Fixed Maturity Plan 370 days Series 3 - Growth of Kotak Mahindra Mutual Fund	10.00	10.00	10.00
4 2,50,00,000 (<i>Previous year Nil</i>) units of Kotak Fixed Maturity Plan 370 days Series 34 - Growth of Kotak Mahindra Mutual Fund	25.00	25.00	—
5 10,00,000 (<i>Previous year Nil</i>) units of Reliance Fixed Horizon Fund-XVI Series 5 - Growth of Reliance Mutual Fund	1.00	1.00	—
6 1,00,00,000 (<i>Previous year Nil</i>) units of Reliance Fixed Horizon Fund-XVII Series 4 - Growth of Reliance Mutual Fund	10.00	10.00	—
Quoted Equity Shares (fully paid up)			
7 25 (<i>Previous year 25</i>) Equity Shares of Rs.10/- each in Global Boards Ltd.	0.00	0.00	0.00
8 Nil (<i>Previous year 476</i>) Equity Shares of Rs.10/- each in Reliance Industries Ltd.	—	—	0.04
9 Nil (<i>Previous year 450</i>) Equity Shares of Rs.10/- each in Sudarshan Chemical Industries Ltd.	—	—	0.00
10 16,453 (<i>Previous year 30,000</i>) Equity Shares of Rs.2/- each in Sanghvi Movers Ltd.	0.00	0.03	0.05
Quoted Equity Shares (partly paid up)			
11 1,25,000 (<i>Previous year 1,25,000</i>) Equity Shares of Rs.10/- each Rs.2.50 paid up in Parasrampuria Synthetics Ltd.	0.13	0.06	0.06
Unquoted Equity Shares (fully paid up)			
12 1,375 (<i>Previous year 1,375</i>) Equity Shares of Rs.20/-each in Cosmos Co-operative Bank Ltd.	0.00	0.00	0.00
13 17,539 (<i>Previous year 17,539</i>) Equity Shares of Rs.10/- of G S L (India) Ltd.	0.02	0.00	0.00
14 10,000 (<i>Previous year 10,000</i>) Equity Shares of Rs.10/- of Sicom Ltd.	0.01	0.07	0.07
Unquoted Preference Shares (fully paid up)			
15 21,800 (<i>Previous year 21,800</i>) 18% Redeemable Cumulative Preference Shares of Rs.10/- each in Indian Food Fermentation Ltd.	0.02	0.02	0.02

Schedules attached to and forming part of the Balance Sheet as at March 31, 2011

	Face Value Rs. Crore	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
In Subsidiary Companies (fully paid up)			
16 47,50,000 (<i>Previous year 47,50,000</i>) Equity Shares of Rs.10/- each in Thermax Sustainable Energy Solutions Ltd.	4.75	4.45	4.45
17 45,00,000 (<i>Previous year 45,00,000</i>) Equity Shares of Rs.10/- each in Thermax Engineering Construction Company Ltd.	4.50	4.50	4.50
18 90,00,000 (<i>Previous year 90,00,000</i>) Equity Shares of Rs.10/- each in Thermax Instrumentation Ltd.	9.00	4.59	4.59
19 2,00,000 (<i>Previous year 2,00,000</i>) Ordinary Shares of GBP 1 each in Thermax Europe Ltd.	1.17	1.17	1.17
20 9,88,776 (<i>Previous year 9,88,776</i>) Equity Shares of Rs.10/- each in Thermax Energy Performance Services Ltd.*	0.99	0.99	0.99
21 14,80,000 (<i>Previous year 14,80,000</i>) Equity Shares of USD 1 each in Thermax International Ltd., Mauritius	6.90	6.90	6.90
22 10,87,130 (<i>Previous year 10,87,130</i>) Equity Shares of Brazilian Real 1 each in Thermax do Brasil - Energia e Equipamentos Ltda.	1.88	1.88	1.88
23 59,83,333 (<i>Previous year 59,83,333</i>) Equity Shares of Hongkong Dollar 1 each in Thermax Hongkong Ltd.	3.52	3.52	3.52
24 17,47,300 (<i>Previous year 17,47,300</i>) 6% Cumulative Redeemable Preference Shares USD 1 with conversion option in Thermax International Ltd., Mauritius	7.81	7.81	7.81
25 USD 1,14,70,000 (<i>Previous year USD 1,03,45,030</i>) Equity Shares in Thermax (Zhejiang) Cooling and Heating Engineering Co Ltd.	47.65	47.65	42.50
26 15,50,000 (<i>Previous Year 50,000</i>) Equity Shares of Rs.10/- each in Thermax Onsite Energy Solutions Ltd.	1.55	1.55	0.05
27 1,02,00,000 (<i>Previous Year 1,01,59,200</i>) Equity Shares of Rs.10/- each in Thermax SPX Energy Technologies Ltd.	10.20	10.20	10.16
28 3,54,36,465 (<i>Previous Year Nil</i>) Equity Shares of Rs.10/- each in Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	35.43	35.43	—
29 2,05,00,000 (<i>Previous Year Nil</i>) Equity Shares of Euro 1 each in Thermax Netherlands B.V	129.66	134.82	—
Application Money			
Towards Shares / Units		15.87	0.04
	329.19	345.50	98.80
Provision for diminution in value of investments		20.59	20.59
	329.19	324.91	78.21

* The company is in the process of voluntary winding up.

Schedules attached to and forming part of the Balance Sheet as at March 31, 2011

	Face Value Rs. Crore	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
B. Current Investment			
Units - Quoted but not Listed			
Liquid and Liquid Plus			
1 2,52,02,798 (Previous year 15,49,05,165) units of Birla Sunlife Ultra Short Term Fund	25.20	25.20	154.99
2 29,25,236 (Previous year 1,44,93,077) units of ICICI Prudential Floating Rate Plan D	29.25	29.25	144.96
Units - Listed but not Quoted			
Fixed Maturity Plans			
3 2,50,00,000 (Previous Year Nil) units of DSP Fixed Maturity Plan 3 months Series 27 - Dividend of DSP Blackrock Mutual Fund	25.00	25.00	—
Total Current Investment	<u>79.45</u>	<u>79.45</u>	<u>299.95</u>
Total Investment	<u>408.64</u>	<u>404.36</u>	<u>378.16</u>

	As at March 31, 2011		As at March 31, 2010	
	*Cost (Rs. Crore)	Market Value (Rs. Crore)	*Cost (Rs. Crore)	Market Value (Rs. Crore)
Long Term Investments				
Aggregate Value of Quoted / Listed Investments	64.09	65.66	10.15	10.70
Aggregate Value of Un-quoted Investments	281.41	—	88.64	—
Total	<u>345.50</u>	<u>65.66</u>	<u>98.80</u>	<u>10.70</u>
Current Investments				
Fixed Maturity Plans	25.00	25.08	—	—
Liquid & Liquid Plus	54.45	54.45	299.95	299.95
Total	<u>79.45</u>	<u>79.52</u>	<u>299.95</u>	<u>299.95</u>
Grand Total	<u>424.95</u>	<u>145.18</u>	<u>398.75</u>	<u>310.65</u>

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

Schedules attached to and forming part of the Balance Sheet as at March 31, 2011

Following investments were purchased and sold during the year :

Name Units	No of units (in Crore)	Face Value (Rs. Crore)	Cost of Acquisition (Rs. Crore)
Birla Sun Life Cash Plus-Institutional Premium Daily Dividend Reinvestment	2.40	24.00	24.00
Birla Sun Life Ultra Short Term Fund- Institutional Daily Dividend Reinvestment	37.48	375.01	375.01
ICICI Prudential Liquid Super Institutional Plan- Daily Dividend Reinvestment	0.15	15.00	15.00
ICICI Prudential Floating Rate Plan D - Daily Dividend Reinvestment	3.31	331.73	331.04

	Sch 17 Note No. Reference	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
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SCHEDULE 6 INVENTORIES

(As valued and certified by Management)

1(g)

Raw Materials and Components [Including Rs. 4.46 Crore Goods in Transit (Previous year Rs. 10.48 Crore)]	243.95	217.00
Work-in-Progress	23.42	20.00
Finished Goods	8.52	5.72
Stores, Spare Parts and Tools	6.42	3.64
	<u>282.31</u>	<u>246.36</u>

SCHEDULE 7 SUNDRY DEBTORS

1(o)(ii)

Unsecured Debts Outstanding for a period exceeding six months

Considered good	190.92	83.34
Considered doubtful	79.15	83.98
Less : provided for	79.15	83.98
Other Debts	810.34	663.71
	<u>1001.26</u>	<u>747.05</u>

Schedules attached to and forming part of the Balance Sheet as at March 31, 2011

	Sch 17 Note No. Reference	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
SCHEDULE 8			
CASH & BANK BALANCES			
Cash on hand		0.39	0.33
Bank Balances & remittances in transit :			
With Scheduled banks :			
In Current accounts		19.60	12.08
In Deposit accounts		590.23	565.46
With Other Banks in Foreign Currency :			
In Current Accounts			
Bangkok Bank - Bangkok		0.08	0.06
[Maximum balance during the year Rs. 0.17 Crore (Previous year Rs. 0.17 Crore)]			
PT Bank Mandiri - Indonesia		0.08	0.07
[Maximum balance during the year Rs. 0.23 Crore (Previous year Rs. 0.20 Crore)]			
Al Ahli Bank- Kuwait		—	0.66
[Maximum balance during the year Rs. 0.66 Crore (Previous year Rs. 1.10 Crore)]			
Bank Bumiputra - Malaysia		0.02	0.01
[Maximum balance during the year Rs. 0.09 Crore (Previous year Rs. 0.09 Crore)]			
Bank Austria - Moscow		0.05	0.04
[Maximum balance during the year Rs. 0.10 Crore (Previous year Rs. 0.18 Crore)]			
Bank of Baroda - Belgium		0.02	0.15
[Maximum balance during the year Rs. 0.11 Crore (Previous year Rs. 0.27 Crore)]			
HSBC Bank - Dubai		0.42	0.19
[Maximum balance during the year Rs. 0.68 Crore (Previous year Rs. 0.50 Crore)]			
Citi Bank - China		0.01	0.04
[Maximum balance during the year Rs. 0.11 Crore (Previous year Rs. 0.20 Crore)]			
Standard Chartered Grindlays Bank - Bangladesh		0.07	0.01
[Maximum balance during the year Rs. 0.08 Crore (Previous year Rs. 0.09 Crore)]			
City Bank - Egypt		0.11	—
[Maximum balance during the year Rs. 0.25 Crore (Previous year Nil)]			
Remittances in Transit		45.49	26.45
		656.57	605.55

Schedules attached to and forming part of the Balance Sheet as at March 31, 2011

	Sch 17 Note No. Reference	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
SCHEDULE 9			
LOANS & ADVANCES			
Unsecured, considered good			
Advances recoverable in cash or in kind or for value to be received		174.99	138.42
Prepaid Long Term Employee Benefits	1(h)(iii)	1.78	7.86
Advances for Capital Expenditure		4.72	2.67
Loans & Advances to Subsidiary Companies (Net of dues payable Rs. Nil)	13	2.80	2.65
Advances to Staff and Workers [Including Advances to Directors & Officers Rs. Nil (Previous year Rs. Nil)]		6.78	6.85
Balance in Central Excise & Customs Accounts		15.67	34.79
Sundry Deposits [Including Deposits with Directors Rs. 0.58 Crore (Previous year Rs. 0.58 Crore)]		19.90	17.68
[Maximum balance Rs. 0.58 Crore (Previous year Rs.0.58 Crore)]			
Advance Payment of Income Tax and Wealth Tax [Net of Provision of Rs. 897.24 Crore (Previous year Rs. 709.62 Crore)]		81.70	89.43
Advance Payment of Fringe Benefit Tax [Net of Provision of Rs.12.09 Crore (Previous year Rs. 12.09 Crore)]		1.07	1.07
		309.41	301.42
SCHEDULE 10			
CURRENT LIABILITIES			
Acceptances		61.51	24.02
Short-Term Employee Benefits	1(h)(v) & (vi)	65.63	49.80
Employee Retirement & Other Benefits	1(h)(iv)	32.00	27.97
Customer Advances		957.17	1007.62
Sundry Creditors	3	801.61	729.88
Other Liabilities	12	54.04	44.53
Foreign Currency Forward Contract		(5.23)	(16.22)
Trade Deposits		1.94	1.49
Interest accrued but not due on loans		0.11	—
		1968.78	1869.09
SCHEDULE 11			
PROVISIONS			
Proposed Equity Dividend	1(i)	107.24	59.58
Provision for Tax on Dividend		17.40	9.90
Provision for Warranty	25	37.45	38.29
		162.09	107.77

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2011

	Sch 17 Note No. Reference	Year ended March 31, 2011 Rs. Crore	Year ended March 31, 2010 Rs. Crore
SCHEDULE 12			
SALES AND OTHER INCOME			
I. Sales	1(j)		
(i) Domestic		3884.69	2313.84
Less: Excise Duty		144.86	77.70
Net Sales		3739.83	2236.14
Add : Closing Contracts in Progress		192.12	209.70
Less : Opening Contracts in Progress		209.70	13.92
		3722.25	2431.92
(ii) Exports		1001.42	814.46
Add : Closing Contracts in Progress		63.59	(0.91)
Less : Opening Contracts in Progress		(0.91)	157.09
[Including Deemed Exports of Rs 399.76 Crore (Previous Year Rs 100.52 Crore)]		1065.92	656.46
Total Sales	(I)	4788.17	3088.38
II. Other Income from Operations			
(i) Claims and Refunds		0.18	0.09
(ii) Balances earlier Written Off now Recovered		1.42	0.84
(iii) Commission		4.96	5.04
(iv) Sale of Scrap		12.86	8.83
(v) Exchange Difference Income	1(I) & 15	30.87	25.77
(vi) Miscellaneous Income		44.77	56.52
Total Other Income from Operations	(II)	95.06	97.09
III. Other Income From Investments			
(i) Dividend from subsidiaries		—	—
(ii) Dividend - others	1(j)(viii)		
Long-term Investment		0.01	0.58
Current Investment		9.24	7.28
(iii) Interest		42.79	41.00
[Tax deducted at source Rs. 4.21 Crore (Previous year Rs. 4.20 Crore)]			
(iv) Profit/(Loss) on Sale of Investment			
Long-term Investment		0.22	0.90
Current Investment		0.00	0.00
Total Income from Investments	(III)	52.26	49.76
	(I+II+III)	4935.49	3235.23

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2011

	Sch 17 Note No. Reference	Year Ended March 31, 2011 Rs. Crore	Year Ended March 31, 2010 Rs. Crore
SCHEDULE 13			
MATERIALS			
A. Consumption of raw materials and components			
Opening Stocks		210.16	198.28
Add: Purchases		3457.82	2067.19
(Including cost of goods resold)			
		<u>3667.98</u>	<u>2265.47</u>
Less: Closing Stocks		245.91	210.16
(A)		<u>3422.07</u>	<u>2055.31</u>
B. (Increase)/Decrease in stocks			
Opening Stocks:			
Work-in-Progress		20.00	23.33
Finished Goods		5.72	5.55
		<u>25.72</u>	<u>28.88</u>
Less: Closing Stocks:			
Work-in-Progress		23.42	20.00
Finished Goods		8.52	5.72
		<u>31.94</u>	<u>25.72</u>
(B)		<u>(6.22)</u>	<u>3.16</u>
(A)+(B)		<u>3415.85</u>	<u>2058.47</u>
SCHEDULE 14			
PERSONNEL			
	1(h) & 4		
Salaries, wages, bonus and allowances		310.58	251.54
Contribution to Provident and other Funds		40.98	29.24
Staff Welfare Expenses		17.08	11.93
		<u>368.64</u>	<u>292.71</u>

Schedules attached to and forming part of the Profit and Loss Account for the year ended March 31, 2011

	Sch 17 Note No. Reference	Year ended March 31, 2011 Rs. Crore	Year ended March 31, 2010 Rs. Crore
SCHEDULE 15 OTHER EXPENSES			
a. Consumables and Tools		19.30	17.47
b. Power and Fuel		22.71	18.51
c. Drawing, Design and Technical Service Charges		57.35	44.20
d. Site Expenses and Contract Labour Charges		78.00	57.23
e. Rent and Service Charges		7.67	8.83
f. Lease Rentals		0.01	0.02
g. Rates and Taxes		2.82	2.67
h. Insurance		4.59	3.75
i. Repairs and Maintenance:			
Building		5.67	5.36
Plant and Machinery		7.53	6.44
Others		10.78	8.79
j. Communication		7.45	6.65
k. Travelling and Conveyance		46.73	38.47
l. Advertising and Exhibition Expenses		1.17	1.02
m. Freight Outward		91.26	49.19
n. Commission on Sales		15.43	17.07
o. Other Selling and Distribution Expenses		35.95	24.55
p. Free of Cost Supplies and Modifications		24.50	13.25
q. Bank Charges		9.11	9.84
r. Legal & Professional Charges		30.18	40.65
s. Printing and Stationery		3.59	3.14
t. Donations		7.61	1.91
u. Bad Debts		6.40	5.91
v. Provision for Doubtful Debts/Customer Claims	1(o)(ii)	0.11	10.44
w. Liquidated Damages	1(o)(i)	13.48	27.87
x. Loss on Assets sold/discarded (net)		0.60	0.90
y. Additional Sales Tax and Turnover Tax		2.01	3.67
z. Balances Written Off		0.53	0.45
aa. Miscellaneous Expenses		19.44	19.28
ab. Diminution in Value of Long-term Investments	1(f)	—	0.20
		531.98	447.73
SCHEDULE 16 INTEREST			
	1(k)		
Interest on:			
Fixed Period Loans		—	—
Others		2.18	1.52
		2.18	1.52

Schedule forming part of the Accounts

SCHEDULE 17

NOTES TO ACCOUNTS

1. Significant Accounting Policies

a) Basis for Preparation of Financial Statements

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

b) Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

c) Fixed Assets – Tangible and Intangible Assets

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

d) Depreciation

- i. Cost incurred on Leasehold land is amortised over the period of lease.
- ii. Depreciation on all tangible fixed assets is provided by the straight line method in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956, except following :

- in case of data processing equipments/ computers, which are depreciated at a higher rate of 33.33% as compared to 16.21% provided in Schedule XIV.
- certain vehicle related to employee perquisites are depreciated at a higher rate of 15% / 13.45% as compared to 9.50% provided in Schedule XIV.

- iii. Depreciation in respect of capitalised machinery specific spares whose use is expected to be irregular is charged over the remaining useful life of the related item of plant and machinery. The written down value of such spares is charged to profit and loss account when issued for consumption.
- iv. Intangible assets are amortised by straight line method over the estimated useful life of such asset. The useful life is estimated based on the evaluation of future economic benefits expected of such assets.
- v. Depreciation on the entire plant and machinery of chemical division is charged considering the chemical plant as a "Continuous Process Plant".

e) Asset Impairment

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

f) Investments

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

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary in nature, in the carrying amount of such long term investments.

g) Inventories

- i. Inventories are valued at lower of cost and estimated net realisable value.

- ii. Cost of raw materials, components, consumables, tools, stores & spares is arrived at on the basis of weighted average cost.
- iii. Cost of finished goods & work in progress is arrived at on the basis of weighted average cost of raw materials & the cost of conversion thereof for bringing the inventories upto their present location and condition.
- iv. Inventory obsolescence is provided for on the basis of standard norms.

h) Employee Benefits

- i) **Provident Fund**
Liability on account of the company's obligation under the employee's provident fund, a defined contribution plan, is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary.
- ii) **Superannuation Fund**
Liability on account of the company's obligation under the employee's superannuation fund, a defined contribution plan, is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary.
- iii) **Gratuity**
 - a. Liability on account of company's obligation under the employee gratuity plan, a defined benefit plan, is provided on the basis of actuarial valuation.
 - b. Fair value of plan assets, being the fund balance on the balance sheet date with Life Insurance Corporation under group gratuity-cum-life assurance policy, is recognised as an asset.
 - c. Current service cost, interest cost and actuarial gains and losses are charged to profit and loss account.
 - d. Past service cost/effect of any curtailment or settlement is charged/credited to the profit and loss account, as applicable.
- iv) **Compensated Absences**
Liability on account of the company's obligation under the employee's leave policy is provided on actual basis in respect of leave earned but not availed based on the number of days of carry forward entitlement at balance sheet date.

- v) **Medical and Leave Travel Assistance benefits**

Liability on account of the company's obligation under the employee's medical reimbursement scheme and leave travel assistance is provided on actual basis.

- vi) **Bonus & Employee's Short-Term Incentive Plan**

Liability on account of the company's obligation under the statutory regulations, agreement with trade union and employees short term incentive plan, as applicable, is provided on actual basis as per the relevant terms as determined.

i) Provisions and Contingent Liabilities

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

j) Revenue Recognition

- i. Revenue in respect of products is recognised on dispatch of goods to the customer or when they are unconditionally appropriated to the contract.
- ii. Revenue in respect of projects for construction of plants and systems, involving designing, engineering, fabrication, supply, erection (or supervision thereof), commissioning, guaranteeing performance thereof etc., execution of which is spread over different accounting periods is recognized on the basis of percentage of completion method.
- iii. Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.
- iv. Difference between costs incurred plus recognised profits / less recognised losses and the amount of invoiced sale is disclosed as contract in progress.
- v. Determination of revenues under the percentage of completion method

necessarily involves making estimates by the Company (some of which are of a technical nature) concerning the costs to completion, the expected revenue from the contract (adjusted for probable liquidated damages, if any) and the foreseeable losses to completion.

- vi. Supply of spare parts and services are accounted on 'as billed' basis.
- vii. Revenue in respect of long-term service contracts / maintenance contracts is recognised on the basis of stage of completion.
- viii. Dividend from investments is recognized when the company's right to receive is established.
- ix. Government Grants
 - Government Grant is accounted when there is reasonable certainty of compliance with its conditions and its ultimate collection.
 - Revenue expenses (net of government grants, if any) incurred during research and development phase of internal projects are recognised as and when incurred.
 - Any Intangible asset (net of government grants, if any) arising from the development phase of such projects is recognised to the extent there is reasonable certainty of generating sufficient future economic benefits through commercial exploitation of such asset.

k) Borrowing Costs

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

l) Foreign Currency Transactions

- i. Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.

- ii. Exchange difference on settlement of transactions in foreign currencies is recognised in the profit & loss account.
- iii. Foreign currency monetary items are translated at the closing exchange rates and the resulting exchange difference is recognised in the profit & loss account.
- iv. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- v. Revenue items of foreign branches are translated at average rate.

m) Hedge Accounting

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

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

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

n) Taxes on Income

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

o) Others

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

- ii. Provision for doubtful debts is made on the basis of standard norms in respect of debtors outstanding beyond predefined period and also, where required, on actual evaluation.
- iii. Annual fees payable under a License Agreement for acquisition of a right to use Licensed Marks are recognised and charged to profit and loss account on payment.

2. Contingent Liability

- a) Disputed demands in respect of Excise, Customs Duty and Service Tax Rs. 19.88 Crore (*Previous Year Rs. 22.11 crore*), Sales Tax Rs. 14.41 Crore (*Previous Year Rs. 13.38 Crore*) and other Statutes Rs. 0.09 Crore (*Previous Year Rs. 0.09 Crore*).
- b) Income Tax
 - i) Demands disputed in appellate proceedings Rs. 41.99 Crore (*Previous Year Rs. 34.55 Crore*).
 - ii) References / Appeals preferred by Income Tax department in respect of which, should the ultimate decision be unfavourable to the company, the liability is estimated to be Rs.19.44 Crore (*Previous Year Rs.19.38 Crore*)

- c) Counter Guarantees given by the company to the banks on behalf of group companies : Rs. 64.78 Crore on behalf of Thermax Instrumentation Ltd. (TIL) (*Previous Year Rs. 92.64 Crore for TIL and Rs. 0.34 Crore for Thermax Engineering Construction Co. Ltd.*).
- d) Indemnity Bonds/Corporate Guarantees given by the Company on behalf of group companies : Thermax Denmark ApS, Denmark Rs. 62.84 Crore (*Previous Year Nil*).
- e) Liability for unexpired export obligations Rs. 56.84 Crore (*Previous Year Rs. 48.71 Crore*).
- f) Claims against the company not acknowledged as debts Rs. 9.00 Crore (*Previous Year Rs. 9.45 Crore*).
- g) Bills Discounted with banks Rs.119.43 Crore (*Previous Year Rs. 43.39 Crore*).
- h) Liability in respect of partly paid shares in Parasrampurua Synthetics Ltd. Rs. 0.19 Crore (*Previous Year Rs. 0.19 Crore*).

3. Micro & Small Enterprises

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

Sundry Creditors include following amount due to MSMED parties :

Rs. Crore

Sr. No.	Particulars	20010-11			2009-10		
		Principal	Interest	Total	Principal	Interest	Total
a)	Total Oustandings dues to micro and small enterprises	13.13	0.01	13.14	4.22	0.01	4.23
b)	Principal amount due and Interest thereon remaining unpaid as at end of the year	0.36	0.01	0.37	—	—	—
c)	Amount of Interest paid in terms of Section 16 of MSMED Act alongwith the amount of the payment made to supplier beyond appointed day	9.39	0.09	9.48	2.14	0.03	2.17
d)	Outstanding Interest (where principal amount has been paid off to the supplier but interest amount is outstanding as on March 31)	NA	0.00	0.00	NA	0.00	0.00
e)	Total Interest out standing as on March 31 (Interest in 'b' + interest in 'd' above)	NA	0.01	0.37	NA	0.00	0.00

4. Directors' Remuneration **

	Rs. Crore
	2010 - 11
	2009 - 10
(i) Salaries (including ex-gratia)	1.73 @
(ii) Contribution to Provident & other funds	0.25
(iii) Perquisites in cash or in kind	0.01
(iv) Commission to Non-Executive Directors	0.94

@ includes Rs. 0.55 Crore (Previous Year Rs. 0.42 Crore) commission payable to the Managing Director.

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

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

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

	Rs. Crore
	2010 - 11
	2009 - 10 #
(i) Profit Before Tax and Extra Ordinary Items (i)	572.97
(ii) Add:	
Remuneration to Directors	2.93
Directors sitting fees	0.14
Provision for diminution in investment	—
Loss on discarded assets	0.52
Loss on sale of assets	0.12
Sub total (ii)	3.71
(iii) Less:	
Profit on sale of assets	0.04
Profit on sale of investment	0.22
Write-back of provision for diminution in the value of investments	—
Sub total (iii)	0.26
Net profit as per Sections 349 & 350 of the Companies Act, 1956 (i + ii - iii)	576.42
Remuneration to Whole-time Director(s) restricted to	28.82

On the basis of an expert opinion, for the purpose of Sections 198 and 309 of the Companies Act, 1956, net profits have been computed under Section 349 of the Act, without reducing there from extraordinary item of expense of Rs.114.86 crore (net of tax). Even otherwise, managerial remuneration payable by the company is well within the ceiling laid down under the Act.

5. Auditors' Remuneration & Directors fees

Other expenses include:

	Rs. Crore
	2010 - 11
	2009 - 10
a) Auditors' Remuneration (excluding service tax)	
i) As Auditors	0.52
ii) For Taxation matters (including Tax Audits)	0.32
iii) Certification fees	0.07
iv) Reimbursement of expenses	0.01
b) Directors Sitting fees	0.14

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

A) Production

Particulars	Units	Installed Capacity as on 31.03.2011	Production Quantity	
			2010-11	2009-10
Energy Products & Systems				
a) Boilers Capacity up to 30 MT/ Chillers	Nos.	3,441	2,141	1,881
b) Boilers Capacity above 30 MT	MT	22,410	4,351	4,379
c) Heaters	Mn. Kg Cal	—	35	67
d) Power Plants	MW	—	63	40
Environmental Products & Systems				
a) Air Pollution Control Plants & Systems	Nos.	—	946	834
b) Water and Waste Treatment Plants	Nos.	—	1,256	1,076
c) Ion Exchange Resins & Chemicals	MT	36,161	19,855	18,343

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

B) Value of imported & indigenous raw materials, components & Spare Parts consumed Rs. Crore

Particulars	%	2010-11	%	2009-10
Imported	14	476.42	16	327.97
Indigenous	86	2939.43	84	1730.50
Total	100	3415.85	100	2058.47

C) CIF Value of Imports Rs. Crore

Particulars	2010-11	2009-10
Raw Materials	325.43	189.36
Components & Spares	142.39	100.17
Consumables	8.46	2.79
Capital Goods	1.52	23.06
Total	477.80	315.38

D) Earnings in Foreign Currency (on accrual basis) Rs. Crore

Particulars	2010-11	2009-10
Export of goods on FOB	612.20	700.86
Others	5.40	12.63
Total	617.60	713.49

E) Expenditure in Foreign Currency (on accrual basis) Rs. Crore

Particulars	2010-11	2009-10
Technical Fees	2.46	5.65
Expenses in Foreign Offices	13.53	12.95
Royalty	19.08	12.16
Travelling, Commission, Legal & Professional Charges and Others	29.28	39.48
Capital Expenditure at foreign offices	0.02	—
Out of court settlement of US litigation (net of TDS)	—	155.71
Total	64.37	225.95

7. Contracts in Progress (CIP)

Rs Crore

Particulars	2010-11	2009-10
a) Aggregate amount recognised as Contract Revenue (RR) for the Year	3892.92	2118.08
b) In respect of contracts in progress as on 31st March :		
1. Aggregate amount of costs incurred and recognised profits (less recognised losses)	8434.38	5579.53
2. Amount of Customer Advances received	854.03	932.47
3. Amount of Retentions	249.65	134.68
c) Gross amount due from customers for contract work	357.11	276.17
d) Gross amount due to customers for contract work	101.40	67.38

8. Deferred Tax

Rs. Crore

Particulars	2010-11	2009-10
Major components of deferred tax asset:		
i Provision for Doubtful Debts	12.72	12.98
ii Others	14.00	13.44
Total (A)	26.72	26.42
Major components of deferred tax liability		
i Depreciation on Fixed Assets	46.73	43.46
ii Others	0.12	0.17
Total (B)	46.85	43.63
Net Deferred Tax Assets / (Liability) (A-B)	(20.13)	(17.21)

9. Share Capital

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

10. Extraordinary items of expenses/income

Extraordinary expense for the year ended 31.03.2010, Rs. 174 crore (Rs 114.86 crore, net of tax), represents the rupee equivalent of USD 38 million payable under a business settlement agreement dated 23.02.2010 with Purolite International Ltd., a US competitor, in settlement of a business dispute concerning, inter alia, their trade secrets. As per the agreement, the amount was payable in four instalments of USD 9.5 million each, spread over the calendar year, beginning April 2010.

11. Secured Loan

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

12. Other Liabilities

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

	As at 31.03.11	As at 31.03.10
i) Unclaimed Dividend on Equity	0.57	0.56
ii) Unclaimed Dividend on Redeemable Preference Share (RPS)	0.01	0.02
iii) RPS Redemption Amount	0.10	0.10

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

Loans and advances in the nature of loans to subsidiaries:

Name of subsidiary	Balance Outstanding as at		Maximum Balance Outstanding During the Year	
	March 31, 2011	March 31, 2010	2010-11	2009-10
Thermax Sustainable Energy Solutions Ltd.	2.80	2.65	2.80	2.65

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

15. Foreign Exchange Transactions

The year end foreign exposures in respect of monetary items that have not been hedged by a derivative instrument or otherwise are given below:

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

Particulars	Amount in Rs. Crore	Amount in Foreign Currency
Export of Goods	0.06	USD 13,982
Export of Goods	1.30	GBP 182,430
Import of Goods	(0.54)	Euro 85,482
Import of Goods	(0.00)	YEN 22,000

16. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs.13.49 Crore (*Previous year Rs. 15.57 Crore*).

17. Capitalisation of expenses

Raw materials, labour and overheads capitalised in respect of Plant & Machinery Rs. 0.18 Crore (*Previous Year Rs.3.07 Crore*).

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

	Rs. Crore
Labour Charges	0.07
Other Miscellaneous Expenses	0.06

19. Companies acquired during the year

During the year, the company, through its wholly owned subsidiary Thermax Denmark ApS, acquired 100% stake in Danstoker A/S, Denmark and Ejendomsanpartsselskabet Industrivej Nord 13 (EIN), Denmark. In turn, Danstoker A/S has wholly owned subsidiaries namely Omnical Kessel & Apparatebau GmbH, Germany and Danstoker (UK) Ltd., UK. As a result of these acquisitions, the company now owns boiler manufacturing facilities in Denmark and Germany.

20. Segment Reporting

- i The Company has disclosed Business Segment as the primary segment. Segments have been identified by the management taking into account the nature of the products, manufacturing process, customer profiles, risk and reward parameters and other relevant factors.

The Company's operations have been mainly classified between two primary segments, 'Energy' and 'Environment'. Composition of business segments is as follows:

Segment	Products Covered
a) Energy	Boilers and Heaters, Absorption Chillers/Heat Pumps, Power Plants
b) Environment	Air Pollution Control Equipments/ Systems, Water & Waste Recycle Plants, Ion Exchange Resins & Performance Chemicals.

- ii Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis.
- The expenses, which are not directly attributable to the business segment, are shown as unallocated cost.
- Assets and Liabilities that cannot be allocated between the segments are shown as a part of unallocated Assets and Liabilities respectively.
- iii Secondary segments have been identified with reference to geographical location of external customers. Composition of secondary segments is as follows:
- India
 - Outside India
- iv Inter-segment transfer price is arrived at on the basis of cost plus a reasonable mark-up.

I) Information about Primary Business Segments :

Rs. Crore

Particulars	2010-11			2009-10		
	Energy	Environment	Total	Energy	Environment	Total
Revenue :						
Gross Revenue	3907.15	1147.21	5054.36	2408.20	840.99	3249.19
Less : Intersegment Revenue	0.29	170.84	171.13	0.89	62.83	63.72
Net Revenue	3906.86	976.37	4883.23	2407.31	778.16	3185.47
Result :						
Segment Result	415.97	147.58	563.55	287.34	117.34	404.68
Unallocated expenses net of unallocated income			(11.60)			11.22
Operating Profit			575.15			393.46
Interest expenses			2.18			1.52
Taxation for the year			190.55			135.64
Profit after taxation and before exceptional items			382.42			256.30
Extra-ordinary items of expenses			—			114.86
Net Profit			382.42			141.44
Other Information :						
Segment Assets	1550.33	505.37	2055.70	1444.59	363.40	1807.99
Unallocated Corporate Assets			1179.98			1028.07
Total Assets			3235.68			2836.06
Segment Liabilities	1379.83	364.93	1744.76	1265.41	262.12	1527.53
Unallocated Corporate Liabilities			198.58			257.74
Total Liabilities			1943.34			1785.27
Capital Expenditure	45.48	9.04	54.52	73.75	14.12	87.87
Depreciation	34.45	8.74	43.19	32.08	8.34	40.42
Non-cash expenses other than depreciation	—	—	—	—	—	—

II) Information about Secondary Segments :

Rs. Crore

Particulars	2010-11	2009-10
Revenue :		
India	4217.08	2629.53
Outside India	666.15	555.94
Total Revenue	4883.23	3185.47
Carrying Amount of Segment Assets :		
India	1942.47	1755.87
Outside India	113.23	52.12
Addition to Fixed Assets :		
India	54.49	87.71
Outside India	0.03	0.16

21. Related Party Disclosures

Related party disclosures as required under Accounting Standard 18 issued by The Institute of Chartered Accountants of India are given below:

Relationship :

- A) Holding Company
RDA Holding & Trading Pvt. Ltd.
- B) Enterprises controlled by the Company :
Subsidiary Companies:
- i. **Domestic:**
 Thermax Sustainable Energy Solutions Ltd. Thermax Instrumentation Ltd.
 Thermax Engineering Construction Co. Ltd. Thermax Onsite Energy Solutions Ltd.
 Thermax SPX Energy Technologies Ltd. (Joint venture with SPX Netherlands BV)
 Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. (Joint Venture with Babcock & Wilcox India Holdings Inc.)
- ii. **Overseas:**
 Thermax Europe Ltd., U.K. Thermax do Brasil Energia-e Equipamentos Ltda., Brazil
 Thermax International Ltd., Mauritius Thermax Inc., USA
 Thermax Hong Kong Ltd., Hong Kong
 Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd., China
 Thermax Netherlands BV., Netherlands Thermax Denmark ApS, Denmark
 Danstoker A/S, Denmark Danstoker (UK) Ltd., UK
 Ejendomsanpartsselskabet Industrivej Nord 13 (EIN), Denmark
 Omnical Kessel & Apparatebau GmbH, Germany
- C) Individuals having control or significant influence over the Company by reason of voting power, and their relatives:
 Mrs. Meher Pudumjee – Chairperson
 Mrs. Anu Aga – Director
 Mr. Pheroze Pudumjee – Director
- D) Enterprise, over which control is exercised by individuals listed in 'C' above
 Thermax Social Initiative Foundation
- E) Key Management Personnel:
 Mr. M S Unnikrishnan – Managing Director

The following transactions were carried out during the year with related parties in the ordinary course of business.

Rs. Crore

Details of Transactions with Subsidiary Companies [Refer Note 21 (B) and (D)]

Particulars	2010-11	2009-10
I Sales, Service, Other income		
Sales of Goods		
i Thermax Europe Ltd.	17.80	10.97
ii Thermax Inc.	31.43	38.73
iii Others	1.75	1.03
Total	50.98	50.73
Rendering of Services	1.23	1.52
Interest Income	0.16	0.16

	2010-11	Rs. Crore 2009-10
Reimbursement of Expenses / cost of material / Stores		
i Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	11.68	—
ii Thermax Engineering Construction Co Ltd.	1.97	0.86
iii Others	0.68	—
Total	14.33	0.86
Sale of Fixed Assets		
i Thermax Onsite Energy Solutions Ltd.	2.82	—
II Purchase of Material / Services		
Purchase of Goods / Services		
i Thermax Engineering Construction Co Ltd.	54.59	70.75
ii Thermax Instrumentation Ltd.	17.98	23.34
iii Thermax SPX Energy Technologies Ltd.	7.48	—
iv. Thermax (Zhejiang) Cooling & Heating Eng. Co. Ltd.	3.65	1.47
Total	83.70	95.56
III Expenses		
Receiving of Services	0.19	0.35
Liquidated Damages	0.06	0.73
Reimbursement of Expenses	2.52	4.14
FOC Modification / Warranty Expenses:		
i Thermax Europe Ltd.	—	0.01
Deputation of employees	0.09	0.07
Donation to Thermax Social Initiative Foundation	7.59	1.81
IV Finance (Including Loan / Equity Contribution)		
Equity Contribution		
i Thermax SPX Energy Technologies Ltd.	—	10.20
ii Thermax Sustainable Energy Solutions Ltd.	—	4.00
iii Thermax do Brasil - Energia e Equipamentos Ltda.	—	0.17
iv Thermax (Zhejiang) Cooling & Heating Eng. Co. Ltd.	5.12	—
v Thermax Babcock Wilcox Energy Solutions Pvt. Ltd.	49.21	—
vi Thermax Netherlands BV.	129.66	—
vii Thermax Onsite Energy Solutions Ltd.	3.60	0.05
viii Others	—	0.15
Total	187.59	14.57
Diminution in value of Investments Provided		
i Thermax Hong Kong Ltd.	—	0.03
ii Thermax do Brasil - Energia e Equipamentos Ltda.	—	0.17
Total	—	0.20
Loans / Advances given Recived		
i Thermax Instrumentation Ltd.	—	1.27

	2010-11	Rs. Crore 2009-10
V Guarantee / Bond / Collateral Given on behalf of subsidiaries and out standing as on 31st March		
i Thermax Instrumentation Ltd.	64.78	92.64
ii Thermax Engineering Construction Co. Ltd.	–	0.34
iii Thermax Denmark ApS.	62.84	–
Total	<u>127.62</u>	<u>92.98</u>
VI Amount Outstanding - Loan / Advances, Receivable		
Loan / Advances Outstanding		
i Thermax Sustainable Energy Solutions Ltd.	2.80	2.65
Account Receivable		
i Thermax Inc.	12.72	11.72
ii Thermax Europe Ltd.	4.11	1.47
iii Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.	6.99	–
iv Others	0.94	2.07
Total	<u>24.76</u>	<u>15.26</u>
Trade Advances		
i Thermax Engineering Construction Co Ltd.	0.28	2.13
ii Thermax Instrumentation Ltd.	1.39	1.86
iii Thermax SPX Energy Technologies Ltd.	0.51	1.08
iv Thermax (Zhejiang) Cooling & Heating Eng. Co. Ltd.	0.05	–
Total	<u>2.23</u>	<u>5.07</u>
VII Amount Outstanding - Payable		
Accounts Payable		
i Thermax Engineering Construction Co Ltd.	13.98	7.78
ii Thermax Instrumentation Ltd.	2.72	3.62
iii Thermax Inc.	0.37	0.76
iv Thermax SPX Energy Technologies Ltd.	3.75	–
v Others	0.44	0.21
Total	<u>21.26</u>	<u>12.37</u>

Details of Transactions relating to the Persons [Refer Note 21 (C) and (E)]

Managerial Remuneration	1.99	1.60
Director's Sitting Fees	0.07	0.07
Rent Paid to Directors	0.28	0.28
Commission paid to Directors	0.42	0.26
Loans, Advance / Deposit outstanding at the end of the year	0.58	0.58

22. Defined Benefit Plans for Employees (AS 15)

As per Actuarial valuation as on March 31, 2011 and recognised in financial statements in respect of Gratuity schemes:

	2010-11	Rs. Crore 2009-10
i Components of Employer expense		
a Current service cost	3.73	3.22
b Interest Cost	2.51	1.88
c Expected Return on Plan Assets	(3.70)	(2.90)
d Actuarial (Gain) / Loss	13.10	5.75
e Total Expense recognised in the Profit and Loss Account	15.64	7.95

	2010-11	Rs. Crore 2009-10
ii Net Assets / (Liability) recognised in Balance Sheet as at 31 st March		
a Present Value of Obligation	49.87	32.94
b Fair Value of Plan Assets	51.65	40.80
c (Asset)/Liability recognised in the Balance Sheet	(1.78)	(7.86)
iii Change in Gratuity Obligation during the year		
a Present Value of Obligation as at 31 st March	32.94	25.34
b Current Service Cost	3.73	3.22
c Interest Cost	2.51	1.88
d Actuarial (Gain)/ Loss	13.75	6.20
e Benefit Paid	(3.06)	(3.70)
f Present Value of Obligation as at 31 st March	49.87	32.94
iv Changes in the Fair Value of Plan Assets		
a Present Value of Plan Assets as 31 st March	40.80	31.67
b Expected Return on Plan Assets	3.70	2.90
c Actual Company Contribution	6.50	5.86
d Benefits Paid	Nil	(0.09)
e Actuarial Gain / (Loss)	0.65	0.45
f Present Value of Plan Assets as 31 st March	51.65	40.80
v Actuarial Assumptions		
a Discount Rate	8% p.a.	8% p.a.
b Expected Rate of Return	8% p.a.	8% p.a.

23. Earnings Per Share (EPS)

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

Particulars	2010-11	2009-10
Profit After Tax but before Extraordinary items (Rs. Crore)	382.42	256.30
Weighted average number of Equity shares of Rs. 2 each	11,91,56,300	11,91,56,300
Basic & Diluted EPS before Extraordinary items (Rs.)	32.09	21.51
Profit After Tax and after Extraordinary items (Rs. Crore)	382.42	141.44
Basic & Diluted EPS after Extraordinary items (Rs.)	32.09	11.87

24. Disclosure, as required by AS - 28 (Impairment of Assets)

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

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

Rs. Crore

Particulars	Warranty Provision	
	2010-11	2009-10
Opening Balance (as on 1st April)	38.29	40.70
Additions during the year	26.54	27.92
Utilisation during the year	10.35	9.54
Reversals during the year	17.03	20.79
Closing Balance (as on 31st March)	37.45	38.29

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

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

Expenses included in respective category of Schedule 13, 14, 15 & 16, incurred for the purpose of in-house Research and Development activity.

Rs. Crore

Particulars	2010-11	2009-10
Material Cost	6.21	1.76
Employee Cost	6.68	6.71
Consumable & Maintenance Cost	0.85	0.61
Drawing Design, License fees & Professional fees	1.92	1.32
Site Expenses	1.05	0.34
Labour Charges	0.29	0.22
Traveling Expenses	0.69	0.71
Other Costs	0.76	0.69
Depreciation	0.81	0.52
Less : Government Grants	(5.88)	—
Total	13.38	12.88

B) Fixed Assets schedule of R&D assets.

Fixed Assets included in respective category of Schedule 4, used for the purpose of in-house R&D activity.

Rs. Crore

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1.4.2010	Additions/ Adjustments during the year	Deductions during the year	Total Cost as at 31.3.2011	Upto 31.3.2010	Deductions/ Adjustments during the year	Provisions during the year	Total as at 31.3.2011	As at 31.3.2011	As at 31.3.2010
TANGIBLE:										
Building	0.64	—	—	0.64	0.28	—	0.01	0.29	0.35	0.36
Plant & Machinery	0.40	0.77	—	1.17	0.20	—	0.06	0.26	0.91	0.20
Electrical Installation	0.07	0.10	—	0.17	0.00	—	0.01	0.01	0.16	0.07
Furniture, Fixtures, Office Equipment & Computer	0.17	0.85	—	1.02	0.03	—	0.12	0.15	0.87	0.14
R & D Equipments	2.90	0.41	0.18	3.13	1.37	0.16	0.19	1.40	1.73	1.53
Vehicles	—	0.09	—	0.09	—	—	0.01	0.01	0.08	—
INTANGIBLE:										
Software	0.95	0.60	—	1.55	0.28	—	0.41	0.69	0.86	0.67
Total	5.13	2.82	0.18	7.77	2.16	0.16	0.81	2.81	4.96	2.97
Previous Year	5.17	1.35	1.39	5.13	2.98	1.34	0.52	2.16	2.97	2.19
Capital W.I.P									5.87	—

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

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

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

I. Registration Details

Registration No. : 0 2 2 7 8 7 State Code : 1 1
Balance Sheet Date : 3 1 0 3 1 1

II. Capital raised during the Year (Amount in Rs. Thousand)

Public Issue : N I L Rights Issue : N I L
Bonus Issue : N I L Private Placement (including share premium) : N I L

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

Total Liabilities : 3 5 9 2 7 8 8 4
Total Assests : 3 5 9 2 7 8 8 4

Sources of Funds

Paid up Capital : 2 3 8 3 1 3
Reserves & Surplus : 1 2 6 8 5 0 9 2
Secured Loans : 4 8 0 4 4 7 Unsecured Loans : N I L

Application of Fund

Net Fixed Assets : 5 1 6 3 4 1 8
Investments : 4 0 4 3 6 4 1
Net Current Assets : 4 3 9 8 1 1 3
Misc. Expenditure : N I L Accumulated Losses : N I L

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

Total Revenue : 4 9 3 5 4 9 2 5
Total Expenditure : 4 3 6 2 5 2 2 9
Profit Before Tax / Loss (-) : 5 7 2 9 6 9 6
Profit After Tax / Loss (-) : 3 8 2 4 1 8 7
Earning Per Share in Rs. : 3 2 . 0 9 Dividend Rate % : 4 5 0

V. Generic Name of Three Principal Product / Services of Company (As per monetary terms)

Item Code No. (ITC Code) : 8 4 0 2 . 1 0
Product Description : S T E A M O R O T H E R V A P O U R
G E N E R A T I N G B O I L E R S
Item Code No. (ITC Code) : N O T A P P L I C A B L E
Product Description : P O W E R P L A N T
Item Code No. (ITC Code) : 8 4 2 1 . 1 0
Product Description : P U R I F Y I N G M A C H I N E R Y
F O R L I Q U I D O R G A S E S

As per our report of even date

For B. K. Khare & Co.

Chartered Accountants

Firm Reg. No. 105102W

H. P. Mahajani

Partner

Membership No. 30168

Pune, May 3, 2011

For and on behalf of the Board

Meher Pudumjee

Chairperson

Gopal Mahadevan

Executive Vice President

& Chief Financial Officer

M. S. Unnikrishnan

Managing Director

Sunil Lalai

Company Secretary

Pune, May 3, 2011

CASH FLOW STATEMENT

	2010-11	Rs. Crore 2009-10
A Cash flow from Operating Activities		
Net profit before tax	572.97	391.94
Add Adjustments for		
Depreciation	43.19	40.42
Net Provision for Doubtful Debts	(4.83)	24.71
Interest (expense)	2.18	1.52
Lease rentals Paid	0.01	0.02
Leave Encashment Provision	4.02	2.30
Provision for Long term Investments	—	0.20
Less Adjustments for		
Interest / Dividend / Brokerage Income	(52.04)	(48.87)
(Profit) / Loss on sale of Investment	(0.22)	(0.90)
(Profit) / Loss on sale of assets	0.60	0.90
Operating profit before working capital changes	565.88	412.24
Adjustments for		
Trade and other receivables	(317.86)	138.47
Inventories	(35.95)	20.07
Trade payables	284.64	203.26
Contract in Progress	(46.92)	(37.78)
Cash generated from operations (Before Extra Ordinary Items)	449.79	736.26
Adjustment for Extra Ordinary Items		
Amount (Gross of with holding tax) payable under out of court settlement	(155.71)	(174.00)
Not due till year end	—	155.71
Cash generated from operations	294.08	717.97
Direct taxes paid	(179.89)	(134.61)
Net cash from operating activities	114.19	583.36
B Cash flow from Investing activities		
Purchase of Fixed Assets (Net)	(55.11)	(88.77)
Advance for Capital Expenditure	(2.06)	0.73
Investments in Subsidiaries / Group Companies	(192.74)	(14.57)
Purchase of other Investments	(829.53)	(620.86)
Proceeds from sale of Investments	996.29	434.41
Advance to Subsidiaries	(0.15)	1.00
Interest / Dividend / Brokerage received	43.64	40.66
Net cash from Investing activities	(39.66)	(247.40)

	2010-11	Rs. Crore 2009-10
C Cash flow from Financing Activities		
Redemption of Preference Shares	(0.00)	(0.01)
Proceeds from Borrowings	48.04	-
Lease rentals paid	(0.01)	(0.02)
Interest paid	(2.08)	(1.52)
Dividend paid and Tax thereon	(69.46)	(69.64)
Net cash from Financing activities	(23.51)	(71.19)
Net (decrease)/increase in cash & cash equivalents	51.02	264.77
Opening cash & bank balances	605.55	340.78
Closing cash & bank balances	656.57	605.55

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

For and on behalf of the Board
Meher Pudumjee
Chairperson

M. S. Unnikrishnan
Managing Director

H. P. Mahajani
Partner
Membership No. 30168

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

Sunil Lalai
Company Secretary

Pune, May 3, 2011

Pune, May 3, 2011

Thermax Limited

Consolidated

Financial Statements

Auditors' Report

Auditors' report to the Board of Directors of Thermax Limited on the Consolidated Financial Statements of Thermax Limited and its Subsidiaries

1. We have examined the attached Consolidated Balance Sheet of Thermax Limited and its subsidiaries (therein referred to as "Thermax group") as at 31st March 2011, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date.
2. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the eleven foreign subsidiaries, whose financial statements reflect total assets of Rs. 517.15 Crore as at 31st March 2011 and total revenues of Rs. 247.07 Crore for the year then ended and cash flows amounting to Rs. 6.14 Crore for the year then ended and the loss of Rs.4.91 Crore for the year then ended (before giving effect to the consolidation adjustments). These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it related to the amounts included in respect of subsidiaries, is based solely on the report of the other auditor.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 – Consolidated Financial Statements, as notified by the Companies (Accounting Standard) Rules, 2006 and on the basis of the separate audited financial statements of Thermax Limited and its subsidiaries included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit report of the individual financial statements of Thermax Limited and its subsidiaries, we are of the opinion:
 - (a) the Consolidated Balance Sheet, gives a true and fair view of the consolidated state of affairs of Thermax Group as at 31st March 2011;
 - (b) the Consolidated Profit and Loss Account, gives a true and fair view of the consolidated results of operations of Thermax Group for the year ended on that date; and
 - (c) the Consolidated Cash Flow Statement, gives a true and fair view of the consolidated cash flows for the year ended on that date.

For B.K. Khare & Company
Chartered Accountants
Firm Regn. No. 105102W

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

Place: Pune
Date : May 3, 2011

Consolidated Balance Sheet as at March 31, 2011

	Schedule	Sch. 19 Note No. Reference	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
SOURCES OF FUNDS				
Shareholders' Funds :				
Share Capital	1		23.83	23.83
Reserves & Surplus	2		1291.11	1054.38
			<u>1314.94</u>	<u>1078.21</u>
Loan Funds :				
Secured Loans	3		147.55	7.96
Unsecured Loans	4		0.39	—
			<u>147.94</u>	<u>7.96</u>
Minority Interest		3(c)(iii)	51.97	9.38
Deferred Tax Liability:				
Deferred Tax Liability		5	58.77	44.05
Deferred Tax Asset			(28.93)	(29.66)
			<u>29.84</u>	<u>14.39</u>
Total Funds Employed			<u>1544.69</u>	<u>1109.94</u>
APPLICATION OF FUNDS				
Fixed Assets	5			
Gross Block			1067.68	741.75
Less : Depreciation			282.35	204.84
Net Block			<u>785.33</u>	<u>536.91</u>
Capital Work in Progress			35.44	11.47
Investments	6		241.47	370.33
Current Assets, Loans & Advances :				
Inventories	7		365.67	256.34
Contracts in Progress		3(l)(iv)	381.61	318.09
Sundry Debtors	8		1067.20	798.40
Cash & Bank Balances	9		749.62	670.21
Other Current Assets			73.07	59.37
Loans & Advances	10		359.64	328.19
			<u>2996.81</u>	<u>2430.60</u>
Less : Current Liabilities & Provisions :				
Current Liabilities	11		2219.28	2048.78
Contracts in Progress		3(l)(iv)	131.80	82.86
Provisions	12		163.31	107.77
			<u>2514.39</u>	<u>2239.41</u>
Net Current Assets			<u>482.42</u>	<u>191.19</u>
Miscellaneous Expenditure [to the extent not written off or adjusted]	13		0.03	0.04
Total Funds Applied			<u>1544.69</u>	<u>1109.94</u>
Notes to Accounts	19			

As per our report of even date

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

H. P. Mahajani
Partner
Membership No. 30168
Pune, May 3, 2011

For and on Behalf of the Board

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

M. S. Unnikrishnan
Managing Director

Sunil Lalai
Company Secretary

Pune, May 3, 2011

Consolidated Profit and Loss Account for the year ended March 31, 2011

	Schedule	Sch. 19 Note No. Reference	Year Ended March 31, 2011 Rs. Crore	Year Ended March 31, 2010 Rs. Crore
INCOME				
Sales and Other Income	14		5395.05	3422.19
EXPENDITURE				
Materials	15		3624.61	2027.05
Personnel	16		459.73	329.95
Other Expenses	17		678.16	616.13
Excise Duty (Net)			0.68	2.44
Depreciation		3(e)	54.09	44.20
Interest	18		4.10	2.03
			<u>4821.37</u>	<u>3021.80</u>
Profit Before Tax and Extraordinary items			573.68	400.39
Extraordinary Items of Expenses		6	—	114.86
Profit before Tax and after Extraordinary Items			573.68	285.53
Provision for Taxation				
Current Tax		3(p)(i)	(195.32)	(142.41)
Deferred Tax		3(p)(ii)	(1.37)	0.78
Profit After Tax			376.99	143.90
Less: Minority Interest		3(c)(iii)	(4.69)	(0.41)
Profit After Tax and Minority Interest			381.68	144.31
Balance carried forward from last year			609.34	549.21
Profit available for appropriation			<u>991.02</u>	<u>693.52</u>
Appropriations				
Proposed Equity Dividend			107.24	59.58
Tax on Dividend			17.40	9.90
General Reserve			41.00	14.70
Balance carried to Balance Sheet			825.38	609.34
			<u>991.02</u>	<u>693.52</u>
Basic / Diluted Earnings Per Share (EPS) - Rs. [Equity Shares of Rs.2/- each]		11		
-Before Extra Ordinary Items			32.03	21.75
-After Extra Ordinary Items			32.03	12.11
Weighted Average number of Equity Shares			11,91,56,300	11,91,56,300

Notes to Accounts

19

As per our report of even date

For and on Behalf of the Board

For B. K. Khare & Co.

Meher Pudumjee

M. S. Unnikrishnan

Chartered Accountants

Chairperson

Managing Director

Firm Reg. No. 105102W

H. P. Mahajani

Gopal Mahadevan

Sunil Lalai

Partner

Executive Vice President

Company Secretary

Membership No. 30168

& Chief Financial Officer

Pune, May 3, 2011

Pune, May 3, 2011

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2011

	Sch. 19 Note No. Reference	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
37,50,00,000 Equity Shares of Rs. 2/- each		75.00	75.00
Issued, Subscribed & Paid Up			
11,91,56,300 Equity Shares of Rs. 2/- each, fully paid-up		23.83	23.83
		23.83	23.83
SCHEDULE 2			
RESERVES & SURPLUS			
a. Capital Redemption Reserve			
Per last Balance Sheet		50.34	50.34
b. Capital Reserve			
Per last Balance Sheet		13.10	13.10
c. Capital Reserve on Consolidation			
Capital Reserve (on investment in Subsidiaries)		4.71	4.71
d. Share Premium			
Per last Balance Sheet		61.13	61.13
e. Hedging Reserve	3(o)		
Per last Balance Sheet		19.81	2.87
Profit / (Loss) - Cash Flow Hedging		(15.38)	16.94
		4.43	19.81
f. General Reserve			
Per last Balance Sheet		291.94	277.24
Add: Transferred from Profit and Loss A/c		41.00	14.70
		332.94	291.94
g. Foreign Currency Translation Reserve	3(d)	(0.92)	4.01
h. Balance in Profit and Loss A/c		825.38	609.34
		1291.11	1054.38

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2011

	Sch. 19 Note No. Reference	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
SCHEDULE 3 SECURED LOANS			
a. Borrowing from Banks for Working Capital (including Working Capital Term Loans)	7	66.12	7.96
b. Other Secured Loans		81.43	-
		147.55	7.96

**SCHEDULE 4
UNSECURED LOANS**

a. Bank Loans and Overdrafts		0.39	-
		0.39	-

**SCHEDULE 5
FIXED ASSETS**

[Refer Note No. 3(e) & (f) of Schedule 19]

Rs. Crore

Particulars	Gross Block					Depreciation					Net Block	
	Cost as at 1.4.2010	Adjustments on account of acquisition	Additions / Adjustments during the year	Deductions / Adjustments during the year	Total Cost as at 31.3.2011	Upto 31.3.2010	Adjustments on account of acquisition	Deductions / Adjustments during the year	Provisions during the year	Total as at 31.3.2011	As at 31.3.2011	As at 31.3.2010
TANGIBLE:												
Land-Freehold	7.36	-	-	-	7.36	-	-	-	-	-	7.36	7.36
Land-Leasehold	30.03	-	45.64	0.51	75.16	-	-	-	0.42	0.18	74.98	30.03
Building	184.60	67.66	33.86	0.56	285.56	21.56	13.98	0.01	7.20	42.73	242.83	163.04
Plant & Machinery	343.96	18.37	15.35	26.10	351.58	103.21	13.21	0.68	20.97	136.71	214.87	240.75
Electrical Installation	31.65	-	1.58	-	33.23	7.21	-	0.02	1.89	9.08	24.15	24.44
Furniture, Fixtures, Computers & Office Equipment	84.81	4.96	13.61	1.57	101.81	45.49	3.47	1.29	9.45	57.12	44.69	39.32
R & D Equipments	2.90	-	0.41	0.18	3.13	1.37	-	0.16	0.19	1.40	1.73	1.53
Vehicles	17.53	0.61	7.24	3.58	21.80	6.58	0.35	2.26	2.55	7.22	14.58	10.95
INTANGIBLE:												
Goodwill	-	-	118.15	-	118.15	-	-	(0.05)	2.41	2.46	115.69	-
Software	22.08	-	4.01	0.20	25.89	13.85	-	0.02	4.28	18.11	7.78	8.23
Technical Knowhow	16.83	-	33.39	6.21	44.01	5.57	-	2.96	4.73	7.34	36.67	11.26
Total	741.75	91.60	273.24	38.91	1067.68	204.84	31.01	7.35	54.09	282.35	785.33	536.91
Previous Year	661.49	-	92.73	12.47	741.75	170.36	-	9.49	44.20	204.84	536.91	491.13
Capital WIP											35.44	11.47

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2011

	Sch. 19 Note No. Reference	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
SCHEDULE 6			
INVESTMENTS	3(g)		
A) Non Trade (Long Term)			
a. Units		15.35	10.00
b. Quoted Equity Shares (fully paid up)		0.03	0.09
c. Quoted Equity Shares (partly paid up)		0.06	0.06
d. Unquoted Equity Shares (fully paid up)		0.07	0.07
e. Unquoted Preference Shares (fully paid up)		0.02	0.02
f. Equity in Subsidiary Companies (fully paid up)		7.08	7.08
g. Preference Shares in Subsidiary Companies (fully paid up)		7.58	7.58
		<u>30.19</u>	<u>24.90</u>
Provision for Diminution in value of long-term investments		14.85	14.85
	(A)	<u>15.34</u>	<u>10.05</u>
B) Current Investments			
Units	(B)	226.13	360.28
	(A+B)	<u>241.47</u>	<u>370.33</u>
SCHEDULE 7			
INVENTORIES	3(h)		
(As valued & certified by management)			
a. Raw Material & Components		262.02	217.85
b. Work in Progress		71.69	21.79
c. Finished Goods		25.17	11.56
d. Stores, Spare Parts & Tools		6.79	5.14
		<u>365.67</u>	<u>256.34</u>
SCHEDULE 8			
SUNDRY DEBTORS	3(q)(ii)		
Unsecured Debts Outstanding for a period exceeding six months			
Considered good		232.25	94.84
Considered doubtful		82.66	86.71
Less: Provided for		82.66	86.71
Other Debts		834.95	703.56
		<u>1067.20</u>	<u>798.40</u>

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2011

	Sch. 19 Note No. Reference	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
SCHEDULE 9			
CASH & BANK BALANCES			
A. Cash on Hand		0.47	0.35
B. Bank Balances & Remittances in Transit			
With Scheduled Banks			
a. In Current Accounts		75.17	33.71
b. In Deposit Accounts		613.61	598.31
With Non-scheduled bank / Foreign Banks			
a. In Current Accounts		8.32	6.07
b. In Deposit Accounts		5.27	5.31
Remittances in Transit		46.78	26.46
		749.62	670.21
SCHEDULE 10			
LOANS & ADVANCES			
Unsecured, considered good			
a. Advances recoverable in Cash or in Kind		193.93	146.20
b. Prepaid Long Term Employee Benefits	3(j)(iii)	1.78	7.90
c. Advances for Capital Expenditure		4.82	2.67
d. Advances to Staff & Workers		7.97	8.19
e. Balance in Central Excise & Customs Accounts		21.70	34.79
f. Sundry Deposits		20.41	17.88
g. Advance Payment of Income Tax		107.54	108.58
h. Advance Payment of Fringe Benefit Tax		(0.25)	1.16
i. Others		1.74	0.82
		359.64	328.19
SCHEDULE 11			
CURRENT LIABILITIES			
a. Acceptances		61.51	36.78
b. Customer Advances		1065.73	1108.48
c. Sundry Creditors		892.21	758.30
d. Other Liabilities		98.16	79.01
e. Foreign Currency Forward Contracts		(5.23)	(16.22)
f. Trade Deposits		1.94	1.49
g. Short Term Employee Benefits	3(j)(v) & (vi)	68.40	51.94
h. Interest Accrued but not due on loans		0.11	—
i. Employee Retirement & Other Benefits	3(j)(iv)	36.45	29.00
		2219.28	2048.78

Schedules attached to and forming part of the Consolidated Balance Sheet as at March 31, 2011

	Sch. 19 Note No. Reference	As at March 31, 2011 Rs. Crore	As at March 31, 2010 Rs. Crore
SCHEDULE 12			
PROVISIONS	3(k)		
a. Proposed Equity Dividend		107.24	59.58
b. Tax on Dividend		17.40	9.90
c. Provision for Warranty		37.45	38.29
d. Provision for contingency		1.22	—
		163.31	107.77
SCHEDULE 13			
MISCELLANEOUS EXPENDITURE	3(i)		
(To the extent not written off or adjusted)			
Preliminary Expenses			
Per last Balance Sheet		0.04	0.05
Add : Incurred during the year		0.00	0.01
		0.04	0.06
Less : Amortised during the year		0.01	0.01
		0.03	0.04

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2011

	Sch. 19 Note No. Reference	Year ended March 31, 2011 Rs. Crore	Year ended March 31, 2010 Rs. Crore
SCHEDULE 14			
SALES AND OTHER INCOME			
I. Sales & Services	3(I)		
a. India		4191.69	2417.17
Less : Excise Duty		144.86	77.70
		4046.83	2339.47
Add : Closing Contracts in Progress		186.22	236.14
Less : Opening Contracts in Progress		236.14	19.37
		3996.91	2556.24
b. Outside India		1185.69	878.36
Add : Closing Contracts in Progress		63.59	(0.91)
Less : Opening Contracts in Progress		(0.91)	157.09
		1250.19	720.36
c. Outside India - Trading		0.30	-
Total Sales & Services	(I)	5247.40	3276.60
II. Other Income from Operations			
a. Claims & Refunds		0.36	0.30
b. Balances earlier written off now recovered		2.82	0.84
c. Profit on Sale of Assets		0.04	0.01
d. Commission		5.11	5.04
e. Sale of Scrap		14.49	9.60
f. Interest Income		0.34	0.00
g. Exchange Difference (net)	3(n)	30.87	25.63
h. Balances/Excess Provision written back		0.92	0.06
i. Lease Rentals		0.54	-
j. Miscellaneous Income		34.24	52.21
Total Other Income from Operations	(II)	89.73	93.69
III. Other Income From Investments			
a. Dividend - Long term Investment	3(I)(viii)	0.63	0.83
b. Dividend - Current Investment		12.49	8.49
c. Interest		44.28	41.39
d. Profit on Sales of Long Term Investments		0.22	0.90
e. Profit on Sales of Current Investments		0.00	0.08
f. Other Income From Investment		0.30	0.21
Total Other Income from Investment	(III)	57.92	51.90
	(I+II+III)	5395.05	3422.19

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2011

	Sch. 19 Note No. Reference	Year ended March 31, 2011 Rs. Crore	Year ended March 31, 2010 Rs. Crore
SCHEDULE 15			
MATERIALS			
(A) Consumption of Raw Material & Components			
Opening Stock		211.01	199.66
Add : Stock of Subsidiaries Acquired during the year		16.95	—
Add : Purchases		3684.61	2031.65
		<u>3912.57</u>	<u>2231.31</u>
Less : Closing Stock		263.98	211.01
	(A)	<u>3648.59</u>	<u>2020.30</u>
(B) (Increase) / Decrease in stock			
Opening Stock :			
Work-in-Progress		21.79	24.09
Finished Goods		13.07	17.52
Stock of Subsidiaries Acquired during the year		38.39	—
		<u>73.25</u>	<u>41.61</u>
Less : Closing Stock			
Work-in-Progress		71.69	21.79
Finished Goods		25.54	13.07
		<u>97.23</u>	<u>34.86</u>
	(B)	<u>(23.98)</u>	<u>6.75</u>
	(A+B)	<u>3624.61</u>	<u>2027.05</u>
SCHEDULE 16			
PERSONNEL			
	3(j)		
a. Salaries, Wages, Bonus and Allowances		397.02	285.86
b. Contribution to Provident & Other Funds		43.06	30.69
c. Staff Welfare Expenses		19.65	13.40
		<u>459.73</u>	<u>329.95</u>

Schedules attached to and forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2011

	Sch. 19 Note No. Reference	Year ended March 31, 2011 Rs. Crore	Year ended March 31, 2010 Rs. Crore
SCHEDULE 17			
OTHER EXPENSES			
a. Consumables and Tools		22.83	18.10
b. Power and Fuel		26.04	18.97
c. Drawing, Design and Technical Service Charges		59.17	44.43
d. Site Expenses and Contract Labour Charges		95.52	66.02
e. Erection, Fabrication Charges		84.43	137.56
f. Rent and Service Charges		8.78	9.68
g. Lease Rentals		3.65	0.73
h. Rates and Taxes		3.29	3.32
i. Insurance		7.84	6.28
j. Repairs and Maintenance :			
Building		6.17	5.37
Plant & Machinery		8.55	6.50
Others		11.96	9.40
k. Communication		9.38	7.60
l. Travelling and Conveyance		53.31	41.88
m. Advertisement and Exhibition		1.63	1.25
n. Freight Outward		93.49	50.40
o. Commission on Sales		16.48	17.88
p. Other Selling and Distribution Expenses		37.19	25.56
q. Free of Cost Supplies and Modifications		26.72	13.36
r. Bank Charges		10.16	10.95
s. Legal and Professional Charges		37.37	42.88
t. Printing & Stationery		3.86	3.34
u. Donations		7.61	1.91
v. Bad Debts		6.74	6.45
w. Doubtful Debts		3.31	12.59
x. Liquidated Damages	3(q)(i)	19.83	29.73
y. Loss on Asset Discarded		0.61	0.92
z. Additional Sales Tax and Turnover Tax		2.01	3.67
aa. Balances Written Off		0.53	0.45
ab. Miscellaneous Expenses		7.86	18.66
ac. Diminution in Value of Long Term Investments	3(g)	-	0.20
ad. Loss On Exchange Fluctuations	3(n)	1.84	0.09
		678.16	616.13
SCHEDULE 18			
INTEREST			
3(m)			
Interest on :			
a. Fixed Period Loan		1.52	0.53
b. Others		2.58	1.50
		4.10	2.03

Schedules forming part of the Consolidated Accounts

SCHEDULE 19

NOTES TO ACCOUNTS

1. The Consolidated Financial Statements (CFS) pertains to Thermax Ltd. and its seventeen subsidiaries of which eleven are overseas subsidiaries. In the CFS, the term "Parent" refers to Thermax Ltd. and "Group" refers to the Parent along with its subsidiaries.
2. The CFS envisage combining of financial statements of Thermax Ltd. and its following domestic and foreign subsidiaries:

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	% voting power held by Parent as on March 31, 2011
1	Thermax Sustainable Energy Solutions Limited	India	100
2	Thermax Engineering Construction Co. Ltd	India	100
3	Thermax Instrumentation Limited	India	100
4	Thermax Onsite Energy Solutions Limited	India	100
5	Thermax SPX Energy Technologies Limited	India	51
6	Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.*	India	51
7	Thermax International Limited	Mauritius	100
8	Thermax Europe Limited	UK	100
9	Thermax Inc.	USA	100
10	Thermax do Brasil-Energia e Equipamentos Ltda.	Brazil	100
11	Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd.	China	100
12	Thermax Netherlands B.V.*	Netherlands	100
13	Thermax Denmark ApS, Denmark*	Denmark	100
14	Danstoker A/S #	Denmark	100
15	Ejendomsanpartsselskabet Industrivej Nord 13 (EIN) #	Denmark	100
16	Danstoker (UK) Ltd. #	UK	100
17	Omnical Kessel & Apparatebau GmbH #	Germany	100

* Incorporated during the year.

Acquired during the year. Accordingly the financial statements of these companies have been consolidated w.e.f. from November 1, 2010.

3. Significant Accounting Policies

a. Basis for Preparation of Financial Statements

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

b. Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

c. Principles of Consolidation

- i) The financial statements of the Parent and its Subsidiaries have been consolidated on a line-by-line basis by adding together the book value of like item of assets, liabilities, income and expenses, after eliminating intra group balance and unrealised profit / losses on intra group transaction, and are presented to the extent possible, in the same manner as the Parent's independent financial statements.
- ii) The excess / deficit of cost to the Parent of its investment over its portion of equity in the Subsidiary at the respective dates on which the investment in such Subsidiary was made is recognised in CFS as goodwill / capital reserve.
- iii) Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the date on which investment are made by the company in the subsidiary companies and further movement in their share in the equity, subsequent to the date of investment.

d. Foreign Currency Translation

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

e. Fixed Assets – Tangible and Intangible Assets & Depreciation

- i) Tangible fixed assets are stated at cost (net of refundable taxes and levies) and include any other attributable cost for bringing the assets to working condition for their intended use.
- ii) Borrowing costs, if any, attributable to fixed assets, are capitalised.
- iii) Expenditure incurred on acquisition or development of goodwill, technical know how, software, patents, research and development and such other intangibles are recognised as Intangible Asset, if it is expected that such assets will generate sufficient future economic benefits.
- iv) Cost incurred on leasehold land is amortised over the period of lease.
- v) Depreciation on all fixed assets is provided by the domestic companies on straight line method at the rates and in the manner prescribed by Schedule XIV of the Companies Act, 1956 / the economic useful life of the asset, to the extent relevant and applicable.
- vi) Depreciation has been provided by overseas subsidiaries on method and at rate required / permissible by the local laws so as to write off the assets over the useful life.

f. Assets Impairment

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

g. Investments

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

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary in nature, in the carrying amount of such long term investments.

h. Inventories

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

i. Deferred Revenue Expenditure

Deferred revenue expenditure, are being amortised over a period of time (maximum six years) depending upon the nature of the expenditure and evaluation of future benefits there from.

j. Employee Benefits

i) Provident Fund

Liability on account of obligation under the employee's provident fund, a defined contribution plan, is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary.

ii) Superannuation Fund

Liability on account of obligation under the employee's superannuation fund, a defined contribution plan is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary.

iii) Gratuity

- a. Liability on account of obligation under the employee gratuity plan, a defined benefit plan, is provided on the basis of actuarial valuation.
- b. Fair value of plan assets, being the fund balance on the balance sheet date with Insurance Companies under group gratuity-cum-life assurance policy, is recognised as an asset.
- c. Current service cost, interest cost and actuarial gains and losses are charged to profit and loss account.
- d. Past service cost/effect of any curtailment or settlement is charged/credited to the profit and loss account, as applicable.

iv) Compensated Absences

Liability on account of obligation under the employee's leave policy is provided on actual basis in respect of leave earned but not availed based on the number of days of carry forward entitlement at each balance sheet date.

v) Medical and Leave Travel Assistance benefits

Liability on account of obligation under the employee's medical reimbursement scheme and leave travel assistance is provided on actual basis.

vi) Bonus & Employee's Short Term Incentive Plan

Liability on account of obligation under the statutory regulations, agreement with trade union and employee short-term incentive plan, as applicable, is provided on actual basis as per the relevant terms as determined.

k. Provisions and Contingent Liabilities

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

l. Revenue Recognition

- i) Revenue in respect of products is recognized on dispatch of goods to the customer or when they are unconditionally appropriated to the contract.
- ii) Revenue in respect of projects for construction of plants and systems, involving designing, engineering, fabrication, supply, erection (or supervision thereof), commissioning, guaranteeing performance thereof etc., execution of which is spread over different accounting periods is recognized on the basis of percentage of completion method.
- iii) Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract costs.
- iv) Difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sale is disclosed as contract in progress.
- v) Determination of revenues under the percentage of completion method necessarily involves making estimates (some of which are of a technical nature) concerning the costs to completion, the expected revenue from the contract (adjusted for probable liquidated damages, if any) and the foreseeable losses to completion.
- vi) Supply of spare parts and services are accounted on 'as billed' basis.
- vii) Revenue in respect of long-term service contracts / maintenance contracts is recognized on the basis of stage of completion.
- viii) Dividend from investments is recognized when the right to receive the dividend is established.
- ix) Government Grants
 - a. Government Grant is accounted when there is reasonable certainty of compliance with its conditions and its ultimate collection.
 - b. Revenue expenses (net of government grants, if any) incurred during research and development phase of internal projects are recognised as and when incurred.
 - c. Any Intangible asset (net of government grants, if any) arising from the development phase of such projects is recognised to the extent there is reasonable certainty of generating sufficient future economic benefits through commercial exploitation of such asset.

m. Borrowing Costs

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

n. Foreign Currency Transactions

- i) Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.

- ii) Exchange difference on settlement of transactions in foreign currencies is recognized in the profit & loss account.
- iii) Assets (other than fixed assets) and liabilities denominated in foreign currency are translated at the closing exchange rates, or in cases covered by forward exchange contracts, at the spot exchange rate prevailing at the inception of the forward exchange contract.
- iv) Revenue items of foreign branches are translated at average rate.

o. Hedge Accounting

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

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

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

p. Taxes on Income

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

q. Others

- i) Liability for liquidated damages is recognised when it is deducted/claimed by the customer or when a reasonable estimate of the likely obligation can be made.
- ii) Provision for doubtful debts is made on the basis of standard norms in respect of debtors outstanding beyond predefined period and also, where required, on actual evaluation.
- iii) Annual fees payable under a License Agreement for acquisition of a right to use Licensed Marks are recognised and charged to profit and loss account on payment.

4. Contingent Liabilities not provided for

- a) Disputed demands in respect of Excise, Customs Duty & Service Tax Rs. 19.88 crore (*Previous year Rs. 22.11 crore*), Sales Tax Rs. 14.50 crore (*Previous year Rs. 13.56 crore*) and other Statutes Rs. 0.09 crore (*Previous year Rs.0.09 crore*)
- b)
 - i) Income Tax demands disputed in appellate proceedings Rs. 44.04 crore (*Previous year Rs.36.72 crore*)
 - ii) References / Appeals preferred by Income Tax department in respect of which, should the ultimate decision be unfavorable to the Group, the liability is estimated to be Rs. 20.82 crore (*Previous year Rs.20.76 crore*)
- c) Liability for unexpired export obligations Rs. 56.84 crore (*Previous year Rs.48.71 crore*)
- d) Claims against Group not acknowledged as debts Rs. 9.00 crore (*Previous year Rs.9.45 crore*)
- e) Bills Discounted with banks Rs. 119.43 crore (*Previous year Rs.43.39 crore*)
- f) Liability in respect of partly paid shares Rs. 0.19 crore (*Previous year Rs.0.19 crore*)
- g) Future Lease obligations payable on non-cancelable operating leases Rs. 2.11 crore (*Previous year Rs. 1.96 crore*)

5. Deferred Taxation

Rs. Crore

Particulars	2010-11	2009-10
Major components of deferred tax asset are:		
i) Provision for Doubtful Debts	13.62	13.84
ii) Others	15.31	15.82
Total	28.93	29.66
Major components of deferred tax liability are :		
i) Depreciation on Fixed Assets	48.55	43.46
ii) Others	10.22	0.59
Total	58.77	44.05

Deferred tax debit for the year of Rs. 1.37 crore (*previous year credit of Rs. 0.78 crore*) has been recognised in the Profit & Loss Account of the year.

6. Extra-ordinary items of Expenses

Extraordinary expense for the year ended 31.03.2010, Rs. 174 crore (Rs 114.86 crore, net of tax), represents the rupee equivalent of USD 38 million payable under a business settlement agreement dated 23.02.2010 with Purolite International Ltd., a US competitor, in settlement of a business dispute concerning, inter alia, their trade secrets. As per the agreement, the amount was payable in four instalments of USD 9.5 million each, spread over the calendar year, beginning April 2010.

7. Secured Loans

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

8. Companies acquired during the year

During the year, the company, through its wholly owned subsidiary Thermax Denmark ApS, acquired 100% stake in Danstoker A/S, Denmark and Ejendomsanpartsselskabet Industrivej Nord 13 (EIN), Denmark. In turn, Danstoker A/S has wholly owned subsidiaries namely Omnical Kessel & Apparatebau GmbH, Germany and Danstoker (UK) Ltd., UK. As a result of these acquisitions, the company now owns boiler manufacturing facilities in Denmark and Germany.

9. Segment Reporting

- a) The Group has disclosed Business Segment as the primary segment. Segments have been identified by the Management taking in to account the nature of the products, manufacturing process, customer profiles, risk and reward parameters and other relevant factors.

The Group's operations can be mainly classified into two primary segments, 'Energy' and 'Environment'. Composition of business segments is as follows:

Segment	Products Covered
a) Energy	Boilers and Heaters, Absorption Chillers/Heat Pumps, Power Plants.
b) Environment	Air Pollution Control Equipments/ Systems, Water & Waste Recycle Plants, Ion Exchange Resins & Performance Chemicals.

- b) Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis.

The expenses, which are not directly attributable to the business segment, are shown as unallocated cost.

Assets and Liabilities that can not be allocated between the segments are shown as a part of unallocated Assets and Liabilities respectively.

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

India

Outside India

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

I) Information about Primary Business Segments :

Rs. Crore

Particulars	2010-11				2009-10			
	Energy	Environment	Others	Total	Energy	Environment	Others	Total
Revenue :								
Gross Revenue	4333.65	1168.35	6.26	5508.26	2575.96	857.41	0.65	3434.02
Less : Intersegment Revenue	0.29	170.84	–	171.13	0.89	62.84	–	63.73
Net Revenue	4333.36	997.51	6.26	5337.13	2575.07	794.57	0.65	3370.29
Result :								
Segment Result	414.77	145.76	(0.71)	559.82	292.44	121.18	(2.27)	411.35
Unallocated expenses net of unallocated income				(17.96)				8.93
Operating Profit				577.78				402.42
Interest expenses				4.10				2.03
Taxation for the year				196.69				141.63
Profit after taxation and before exceptional items				376.99				258.76
Extra-ordinary items of expenses				–				114.86
Net Profit				376.99				143.90
Other Information :								
Segment Assets	2131.46	521.70	10.85	2664.01	1650.72	371.95	14.81	2037.48
Unallocated Corporate Assets				1039.37				1035.70
Total Assets				3703.38				3073.18
Segment Liabilities	1655.95	370.01	3.09	2029.05	1456.71	264.29	2.73	1723.73
Unallocated Corporate Liabilities				307.42				261.86
Total Liabilities				2336.47				1985.59
Capital Expenditure	133.80	9.52	4.12	147.44	69.25	14.22	0.33	83.80
Depreciation	44.98	8.86	0.25	54.09	35.75	8.44	0.01	44.20
Non-cash expenses other than depreciation	–	–	–	–	–	–	–	–

II) Information about Secondary Segments :

Rs. Crore

Particulars	2010-11	2009-10
Revenue :		
India	4477.94	2858.69
Outside India	859.19	511.60
Total Revenue	5337.13	3370.29
Carrying Amount of Segment Assets :		
India	2166.40	1890.42
Outside India	497.61	147.06
Addition to Fixed Assets :		
India	145.67	88.68
Outside India	1.77	(4.88)

10. Related Party Disclosures :

Related party disclosures, as required under Accounting Standard 18 issued by The Institute of Chartered Accountants of India, are given below:

Relationship :

- i) Holding Company : RDA Holding & Trading Pvt. Ltd.
- ii) Individuals having control or significant influence over the Group by reason of voting power, and their relatives :
 - a) Mrs. Anu Aga b) Mrs. Meher Pudumjee c) Mr. Pheroze Pudumjee
- iii) Enterprise, over which control is exercised by individuals listed in '(ii)' above
Thermax Social Initiative Foundation
- iv) Key Management Personnel : Mr. M S Unnikrishnan

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

Nature of Transactions	2010-11	2009-10
		Rs. Crore
Rent Paid	0.28	0.28
Managerial Remuneration	1.99	1.60
Sitting Fees	0.07	0.07
Commission	0.42	0.26
Loan, Advance/ Deposits Outstanding at the end of the year	0.58	0.58
Donation paid to Thermax Social Initiative Foundation	7.59	1.81

11. Earnings Per Share

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

Particulars	2010-11	2009-10
Net Profit before extra-ordinary items available for Equity Shareholders (Rs. Crore)	381.68	259.17
Weighted average number of Equity shares of Rs. 2/- each	11,91,56,300	11,91,56,300
Basic & Diluted EPS before Extra-ordinary items (Rs.)	32.03	21.75
Profit After Tax and after Extra-ordinary items available for Equity Shareholders (Rs. Crore)	381.68	144.31
Basic & Diluted EPS after Extra-ordinary items (Rs.)	32.03	12.11

12. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs.133.95 crore (Previous year Rs. 16.44 crore).

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

As per our report of even date

For and on behalf of board

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

Meher Pudumjee
Chairperson

M S Unnikrishnan
Managing Director

H.P. Mahajani
Partner
 Membership No. : 30168

Gopal Mahadevan
*Exe. Vice President
& Chief Financial Officer*

Sunil Lalai
Company Secretary

Pune, May 3, 2011

Pune, May 3, 2011

CONSOLIDATED CASH FLOW STATEMENT

Rs. Crore

	2010-11	2009-10
A Cash flow from Operating activities		
Net profit before tax and Extraordinary items	573.68	400.39
Add Adjustments for		
Depreciation	51.63	44.20
Amortisation of deferred revenue expenses	0.02	0.02
Amortisation of Goodwill	2.46	—
Provision for Doubtful Debts	(4.31)	26.48
Interest paid	4.10	2.03
Lease rentals Paid	1.09	0.73
Diminution in value of Investments	—	0.20
Less Adjustments for		
Interest / Dividend / Brokerage (Income received)	(57.68)	(50.92)
(Profit)/Loss on sale of Investment	(0.22)	(0.97)
(Profit)/Loss on sale of assets	0.57	0.91
Lease Rentals Received	(0.54)	—
Operating profit before working capital changes	570.80	423.07
Adjustments for		
Trade and Other Receivables	(297.61)	184.06
Inventories	(53.10)	24.18
Trade Payables	274.31	221.41
Contracts in Progress	(14.58)	(58.77)
Cash generated from Operations (Before Extra Ordinary Items)	479.82	793.95
Adjustment for Extra Ordinary Items		
Amount payable under out of court settlement	(155.71)	(174.00)
Outstanding at year end	—	155.71
Cash generated from Operations (After Extra Ordinary Items before tax)	324.11	775.66
Direct taxes paid	(191.10)	(143.85)
Net cash from operating activities (after tax)	133.01	631.81

Rs. Crore

	2010-11	2009-10
B Cash flow from Investing Activities		
Purchase of Fixed Assets	(150.65)	(83.97)
Purchase of Investments	(867.20)	(660.73)
Acquisition of Subsidiary	(183.48)	—
Proceeds from sale of Investments	996.29	434.41
Payment towards Deferred revenue Expenditure	(0.01)	(0.01)
Exchange Rate Fluctuation	(4.99)	(4.87)
Minority Interest Contribution	47.28	9.80
Interest / Dividend / Brokerage received	49.28	42.70
Lease Rentals Received	0.54	—
Net cash from Investing activities	(112.94)	(262.67)
C Cash flow from Financing activities		
Increase/(Decrease) in borrowings	116.64	3.87
Lease rentals paid	(1.09)	(0.73)
Interest paid	(4.10)	(2.03)
Dividend paid and Tax thereon	(69.46)	(69.65)
Net cash from Financing activities	41.99	(68.54)
Net (decrease)/increase in cash & cash equivalents	62.06	300.60
Opening cash & bank balances	670.21	369.61
Opening cash & bank balances of Acquired Subsidiaries	17.35	—
Closing cash & bank balances	749.62	670.21

As per our report of even date

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

H. P. Mahajani
Partner
Membership No. 30168

Pune, May 3, 2011

For and on behalf of the Board

Meher Pudumjee
Chairperson

Gopal Mahadevan
Executive Vice President
& Chief Financial Officer

M. S. Unnikrishnan
Managing Director

Sunil Lalai
Company Secretary

Pune, May 3, 2011

THERMAX LIMITED

THIRTIETH ANNUAL REPORT 2010-2011

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

Sr.No.	Particulars	Thermax Sustainable Energy Solutions Ltd.	Thermax Engineering Construction Co. Ltd.	Thermax Instrumentation Ltd.	Thermax Onsite Energy Solutions Ltd.	Thermax SPX Energy Technologies Ltd.	Thermax Babcock Wilcox Energy Solutions Pvt. Ltd.	Thermax International Ltd. (Mauritius)	Thermax Europe Ltd. (U.K.)	Thermax Inc. (U.S.A.)	Thermax doBrasil Energia e Equipamentos Ltda. (Brazil)	Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd. (China)
		2010-11	2010-11	2010-11	2010-11	2010-11	2010-11	2010-11	2010-11	2010-11	2010-11	2010#
1	Capital	4.75	4.50	9.00	3.65	20.00	96.48	14.39	1.43	2.23	2.97	50.87
2	Reserves	(3.62)	16.01	13.10	0.52	(1.23)	(9.19)	(12.11)	13.76	6.36	(2.68)	(24.40)
3	Total Assets	3.75	67.65	115.27	6.19	11.79	86.90	0.06	21.82	27.30	0.37	52.16
4	Total Liabilities	4.03	57.49	130.01	2.02	4.43	37.62	0.01	6.70	18.71	0.08	25.69
5	Investments											
	A) Long Term (Non-Trade Investments)	-	-	-	-	5.00	-	2.23	0.07	-	-	-
	B) Current Investments											
	a. Unquoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-
	b. Quoted Equity Shares	-	-	-	-	-	-	-	-	-	-	-
	c. Units	1.41	10.35	36.84	-	6.41	38.01	-	-	-	-	-
	Total Current Investments	1.41	10.35	36.84	-	6.41	38.01	-	-	-	-	-
	Total Investments (A+B)	1.41	10.35	36.84	-	11.41	38.01	2.23	0.07	-	-	-
6	Turnover	0.26	120.14	236.53	6.14	9.17	0.51	-	30.95	58.22	0.31	21.27
7	Profit Before Tax	(1.23)	9.43	5.05	0.90	(1.07)	(9.19)	(0.03)	4.08	0.75	0.05	(8.00)
8	Provision for Tax	-	(3.03)	(1.68)	(0.30)	0.69	-	-	(1.15)	(0.58)	(0.02)	-
9	Profit After Tax	(1.23)	6.40	3.37	0.60	(0.38)	(9.19)	(0.03)	2.93	0.17	0.03	(8.00)
10	Proposed Dividend (Excluding Tax on Dividend)	-	-	-	-	-	-	-	-	-	-	-
11	Original Currency	INR	INR	INR	INR	INR	INR	USD	GBP	USD	Brazilian Real	Yuan
12	Exchange rate as on 31st March 2011 in INR	-	-	-	-	-	-	44.59	71.48	44.59	27.33	6.78*

Notes :

- The annual accounts of the above Subsidiary Companies are open for inspection by any investor at the Company's Corporate Office and the Registered Office of the respective subsidiary companies.
- Thermax Energy Performance Service Ltd. has been referred for voluntary winding up hence not included in the above statement.
- Thermax Hong Kong Ltd. has been registered for dormancy as per laws of Hongkong hence not included in the above statement.
- Thermax Netherlands B.V. and Thermax Denmark ApS, have been incorporated in the month of November 2010, the first financial year of these Companies will end on September 30, 2011 hence not included in the above statement.
- Danstoker A/S, Ejendomsanpartsselskabet Industrivej Nord 13 (EIN), Danstoker (UK) Ltd. and Omnical Kessel & Apparatebau GmbH have been acquired in the month of November 2010. Their financial year is September 30. Hence, these companies have not been included in the above statement.

For the year ended December 31, 2010

* Exchange Rate as on December 31, 2010

THERMAX LIMITED - FINANCIALS AT A GLANCE

Rs. Crore										
PARTICULARS	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Domestic Sales (excluding excise duty)	3722	2432	2299	2479	1735	1157	740	446	398	333
Export (Including Deemed Export)	1066	656	912	678	402	308	176	118	116	107
% to Total Sales	22%	21%	28%	21%	19%	21%	19%	21%	22%	24%
Total Sales	4788	3088	3211	3157	2137	1465	916	564	514	440
% Growth	55%	(4%)	2%	48%	46%	60%	62%	10%	17%	(1%)
Other Income	147	147	92	89	73	33	25	40	39	36
Total Income	4935	3235	3303	3246	2210	1498	941	604	552	476
Total Expenses	4317	2801	2850	2795	1894	1289	848	516	473	422
Profit before Depreciation, Interest, Extra Ordinary Items and Tax	618	434	453	451	316	209	93	87	80	54
(% to Total Income)	13%	13%	14%	14%	14%	14%	10%	14%	14%	11%
Depreciation	43	40	32	22	19	15	9	9	10	12
Interest	2	2	3	1	1	1	1	0	1	3
Extra-ordinary Items of Expenses	0	115	(1)	(2)	5	0	0	6	6	7
Profit before Tax/Loss	573	277	419	430	291	193	83	72	64	31
(% to Total Income)	12%	9%	13%	13%	13%	13%	9%	12%	11%	6%
Tax	191	136	132	150	103	69	28	18	15	7
Profit after Tax/ Loss	382	141	287	281	188	123	55	54	48	24
(% to Total Income)	8%	4%	9%	9%	8%	8%	6%	9%	9%	5%
Gross Block	717	688	603	419	279	243	177	165	166	167
Net Block	516	505	458	326	170	138	102	83	81	87
Investments	404	378	176	580	578	417	316	276	240	189
Current Assets	2082 [®]	1663 [®]	1287 [®]	1008	929	533	368	265	201	232
Current Liabilities	2232	2044	1270	1163	1087	600	368	227	150	145
Net Current Assets	(150) [®]	(381) [®]	17 [®]	(155)	(158)	(67)	(0)	38	51	88
Deffered Revenue Expenses	0	0	0	0	0	0	1	1	8	14
Capital Employed	1340	1051	962	736	579	474	402	383	356	344
Equity Share Capital	24	24	24	24	24	24	24	24	24	24*
Preference Share Capital [§]	0	0	0	0	0	0	48	48	0	0
Reserves and Surplus	1268	1027	938	712	555	450	332	312	340	324
Networth	1292	1051	962	736	579	474	355	335 [#]	356	333
Loan Funds	48	0	0	0	0	0	0	0	0	11
Fixed Asset Turnover Ratio	9.27	6.12	7.02	9.68	12.60	10.64	9.01	6.80	6.33	5.07
Working Capital Turnover Ratio	0.00	0.00	187.74	0.00	0.00	0.00	0.00	14.74	9.98	5.03
Debt-Equity Ratio	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03
Current Ratio	0.93	0.81	1.01	0.87	0.85	0.89	1.00	1.17	1.34	1.60
Return on Capital Employed	43%	37%	44%	58%	51%	41%	21%	21%	20%	12%
Return on Net Worth	30%	13%	30%	38%	32%	24%	15%	16%	14%	7%
Cash Earnings per Share (Rs.) **	35.72	15.26	26.81	25.39	17.34	10.97	5.14	5.13	4.86	3.05
Earnings per Share **	32.09	11.87	24.11	23.56	15.76	9.69	4.37	4.40	4.05	2.02
Dividend(%)	450%	250%	250%	400%	300%	170%	120%	120%	120%	50%
Book Value per Share (Rs.) **	108	88	81	62	49	40	30	28	30	28

* During the year the company had allotted 5,81,250 equity shares of face value Rs.10/- each to the Trustees of Thermax ESOP Trust for implementing ESOP scheme in the Company.

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

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

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

@ Adjusted for Fixed Deposits with Banks.

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

THERMAX GROUP - FINANCIALS AT A GLANCE

	Rs. Crore									
PARTICULARS	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Domestic Sales (excluding excise duty)	3997	2557	2445	2718	1849	1214	895	570	501	436
Export	1250	720	959	715	441	393	352	207	198	151
% to Total Sales	24%	22%	28%	21%	19%	24%	28%	27%	28%	26%
Total Sales	5247	3277	3404	3433	2290	1606	1247	777	699	587
% Growth	60%	(4%)	(1%)	50%	43%	29%	60%	11%	19%	
Other Income	148	145	97	93	73	34	34	51	42	40
Total Income	5395	3422	3501	3525	2363	1640	1281	829	741	627
Total Expenses	4763	2975	3038	3055	2038	1449	1165	721	641	562
Profit before Depreciation, Interest, Extra Ordinary Items and Tax	632	447	463	471	325	190	117	108	100	66
(% to Total Income)	12%	13%	13%	13%	14%	12%	9%	13%	14%	10%
Depreciation	54	44	35	23	19	16	12	12	14	18
Interest	4	2	4	2	2	2	1	1	1	4
Extra-ordinary Items of Expenses	0	115	(1)	(2)	5	0	0	6	6	8
Profit before Tax/Loss	574	286	425	448	298	173	104	89	79	36
(% to Total Income)	11%	8%	12%	13%	13%	11%	8%	11%	11%	6%
Tax	197	142	136	157	105	70	37	23	20	8
Profit after Tax/ Loss before Minority	377	144	289	291	194	103	67	65	59	28
Minority Interest	(5)	0	-	-	-	-	(1)	3	3	0
Profit after Tax/ Loss after Minority	382	144	289	291	194	103	68	62	56	28
(% to Total Income)	7%	4%	8%	8%	8%	6%	5%	8%	8%	4%
Gross Block	1068	742	661	433	292	253	232	207	215	216
Net Block	821	548	509	349	179	144	134	102	102	110
Investments	241	370	143	560	574	397	318	287	242	170
Current Assets	2383 [@]	1832 [@]	1402 [@]	1119	1024	590	536	379	270	309
Current Liabilities	2514	2239	1372	1259	1178	655	519	321	210	201
Net Current Assets	(131) [@]	(407) [@]	30 [@]	(140)	(154)	(66)	17	58	59	108
Deferred Revenue Expenses	0	0	0	4	0	0	1	1	8	15
Capital Employed	1515	1096	995	756	592	462	455	434	388	367
Equity Share Capital	24	24	24	24	24	24	24	24	24	24
Preference Share Capital [§]	0	0	0	0	0	0	48	48	0	0
Reserves and Surplus	1291	1054	967	736	566	431	378	337	357	333
Networth	1315	1078	991	756	590	455	401	377	386	352
Minority Interest	52	9	0	0	0	0	0	17	13	10
Loan Funds	148	8	4	0	2	7	7	9	2	16
<i>Fixed Asset Turnover Ratio</i>	6.39	5.98	6.69	9.85	12.80	11.16	9.32	7.60	6.87	5.33
<i>Working Capital Turnover Ratio</i>	0.00	0.00	113.89	0.00	0.00	0.00	74.19	13.34	11.81	5.43
<i>Debt-Equity Ratio</i>	0.11	0.01	0.00	0.00	0.00	0.02	0.02	0.02	0.00	0.04
<i>Current Ratio</i>	0.95	0.82	1.02	0.89	0.87	0.90	1.03	1.18	1.28	1.54
<i>Return on Capital Employed</i>	38%	37%	43%	59%	52%	38%	23%	22%	22%	13%
<i>Return on Net Worth</i>	29%	13%	29%	38%	33%	23%	17%	16%	14%	8%
<i>Cash Earnings per Share (Rs.) **</i>	36.57	15.82	27.20	26.34	17.89	9.30	6.46	6.11	5.89	3.86
<i>Earnings per Share (Rs.) **</i>	32.03	12.11	24.25	24.40	16.26	7.96	5.46	5.07	4.67	2.32
<i>Dividend(%)</i>	450%	250%	250%	400%	300%	170%	120%	120%	120%	50%
<i>Book Value per Share (Rs.) **</i>	110	90	83	63	49	38	34	32	32	30

§ Issued bonus 6% redeemable preference share (RPS) of face value Rs. 10 each in the ratio of two RPS for every equity share held.

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

@ Adjusted for fixed deposits with bank.

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

NOTES

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NOTES

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THERMAX

**Sustainable Solutions
Energy & Environment**



THERMAX LIMITED

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

Corp. Office: Thermax House, 14 Mumbai-Pune Road, Wakdevadi, Pune 411 003.

NOTICE

NOTICE is hereby given that the Thirtieth Annual General Meeting of THERMAX LIMITED ('the Company') will be held on Friday, July 22, 2011 at 11.30 a.m. at Yashwantrao Chavan Academy of Development Administration, MDC (Auditorium) Building, Raj Bhavan Complex, Baner Road, Pune – 411 007, 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 March 31, 2011, the Balance Sheet as at that date, together with the reports of the Auditors and Board of Directors, thereon.
2. To declare dividend.
3. To appoint a Director in place of Mrs. A. R. Aga, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. Tapan Mitra who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. B.K. Khare & Co., Chartered Accountants, as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting upto the conclusion of the

next Annual General Meeting and to authorise the Audit Committee of the Board to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT Mr. Nawshir Mirza, who was appointed as an Additional Director at the Meeting of the Board of Directors held on May 3, 2011 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 a notice 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.”

By Order of the Board of Directors

Place: Pune
Dated: May 3, 2011

Sunil Lalai
Company Secretary

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING ON A POLL AND 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 i.e. by 11.30 a.m. on July 20, 2011.

2. The explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 (the Act) in respect of the special business is annexed hereto.
3. Corporate Members are requested to send duly certified copy of Board resolution, pursuant to Section 187 of the Act authorizing their representative to attend and vote at the Annual General Meeting.
4. **Book Closure & Dividend:**

- (a) The Register of Members and Transfer Books of the Company will be closed from Monday, July 11, 2011 to Friday, July 22, 2011 (both days inclusive).
- (b) 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 July 22, 2011. 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 July 9, 2011.

5. **National Electronic Clearing Service (NECS):**

The Company has provided facility to the Members for receiving 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 approved by Reserve Bank of India from time to time and covers most of the cities and towns.

- Members holding shares in *physical form* and wish to avail 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 & 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 *dematerialised* (electronic) form are requested to note 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 your Depository Participant (DP) only, which would be downloaded and updated in the Company's records for disbursement of dividend.

6. Members/Proxies are requested to bring the Attendance Slip duly completed for attending the meeting. Signatures on the attendance slip should match the specimen signature(s) registered with the Company. Members holding shares in dematerialised form are requested to bring their Client ID and DP ID details for identification.

7. **Unclaimed Dividend:**

Unclaimed dividend, declared by the Company on July 27, 2004 for the financial year 2003-2004, is due for transfer to the Investor Education and Protection Fund (the IEPF) on September 2, 2011 pursuant to the provisions of Section 205A(5) of the Act. Members who have not encashed their dividend warrants pertaining to the year 2003-2004 and/or any subsequent years that still remains outstanding are requested to lodge their claims with Karvy Computershare Pvt. Ltd., the Company's Registrar & Transfer Agent, for obtaining payments thereof.

*Members are advised that in terms of Section 205C of the Act, no claim shall lie with respect to unclaimed dividend after it is transferred to the IEPF. **During the year, the Company has already transferred the unclaimed dividend declared for the financial year 2002-03 to the IEPF.***

8. **Email Address:**

In order to communicate the important and relevant information and events to the members in a cost efficient manner, including quarterly results, members are encouraged to register their e-mail addresses with the Registrar & Share Transfer Agent in case of shares held in physical form and with their respective DP in case of dematerialised holdings.

9. **Queries related to accounts:**

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.

10. The accounts for the financial year ended March 31, 2011 could also be viewed on the Company's website www.thermaxindia.com.

DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING [Pursuant to Clause 49(IV)(G) of the Listing Agreement]

Mrs. A. R. Aga

Mrs. A.R. Aga, 68, Director of the Company, began her industry career at Thermax, in 1982. She was the Chairperson of the Board of the Company from February 1996 to October 2004.

Mrs. Aga has done her B.A. in Economics and holds a post graduate degree in medical and psychiatric social work from Tata Institute of Social Sciences (TISS). She was selected for the Fullbright Scholarship for social workers to study for four months in the U.S.

She has been very active in various national and local associations like Confederation of Indian Industries (CII) and had served as the Chairperson of CII's Western Region. She has written extensively and given talks on the subjects of corporate governance, corporate social responsibility, communal harmony, role of women and education.

Mrs. Aga is the Chairperson of the Thermax Social Initiative Foundation, formed to drive Thermax's corporate social responsibility initiative. The Foundation supports two schools for gifted children from the underprivileged sections of society. She is also closely associated with the Teach for India initiative which partners with corporates to make a difference in the quality of education in India.

In March 2010, the Government of India conferred upon Mrs. Aga the Padma Shri Award for her distinguished service in the field of social work.

Mrs. A.R. Aga holds directorship on the Board of following companies:

- a) The Indian Hotels Company Limited
- b) RDA Holding & Trading Pvt. Limited
- c) Thermax Social Initiative Foundation
- d) Give India

She is also a Chairperson of the Human Resources Committee of the Company.

Mrs. Aga holds 68,88,305 shares of the Company.

Mr. Tapan Mitra

Mr. Tapan Mitra, 72, Director of the Company from January 15, 2001, is a Fellow of The Institute of Chartered Accountants of India and holds a Masters degree in Business Administration from the University of Geneva. Mr. Mitra has served as Chairman of Confederation of Indian Industries (CII), Eastern Region, as well as on a number of National Committees of CII.

Mr. Tapan Mitra holds directorship and is also Chairman/ Member of Committees on the Board, of the following companies:

Directorships	Chairmanship(s) and Membership(s) of Committees
Essel Propack Limited	Audit Committee - Chairman Remuneration Committee - Member
West Bengal State Electricity Distribution Co. Limited	Audit Committee - Chairman HR & Remuneration Committee - Chairman
West Bengal State Electricity Transmission Co. Limited	Audit Committee - Member HR & Remuneration Committee - Chairman
West Bengal Power Development Co. Limited	Audit Committee - Chairman HR & Remuneration Committee - Chairman

As an independent Director on the Company's Board he also serves on three Board appointed Committees viz. as Chairman of the Audit Committee and as Member of the Human Resources Committee and the International Investment Committee.

Mr. Tapan Mitra does not hold any shares of the Company.

Mr. Nawshir Mirza

Mr. Nawshir Mirza, 61, is a Fellow of the Institute of Chartered Accountants of India having qualified in the year 1973. He spent most of his career with Ernst & Young and its Indian member firm, S. R. Batliboi & Co., Chartered Accountants, and its predecessor firm, Arthur Young, being a partner from 1974 to 2003.

He has contributed to the accounting profession, being a speaker or the chairperson at a large number of professional conferences in India and abroad.

As a philanthropist, he is actively involved with Childline, an all-India NGO for abused and distressed children.

He is also Honorary Treasurer of the Indian Red Cross, Maharashtra and a trustee of the Narielvala Fire Temple in Mumbai.

Since 2003, Mr. Mirza has been involved in the movement for improved governance in the corporate sector. He is also involved in propagating knowledge of the threat to humankind from climate change and an appropriate response to it.

Mr. Nawshir Mirza holds directorship and is also Chairman/Member of Committees on the Board of the following companies:

Directorships	Chairmanship(s) and Membership(s) of Committees
Coastal Gujarat Power Limited	Audit Committee - Chairman
Esab India Limited	Audit Committee - Chairman Investor Grievance Committee - Chairman
Food World Supermarkets Limited	Audit Committee - Member
Mphasis Limited	Audit Committee - Chairman
Tata Power Co. Limited	Remuneration Committee - Chairman
Health & Glow Retailing Private Limited	Audit Committee - Chairman

As an independent Director on the Company's Board, Mr. Mirza is also a member of the Audit Committee.

Mr. Nawshir Mirza does not hold any shares of the Company.

By Order of the Board of Directors

Place: Pune

Dated: May 3, 2011

Sunil Lalai

Company Secretary

EXPLANATORY STATEMENT

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

Item No. 6

Mr. Nawshir Mirza was appointed as an Additional Director of the Company at the Board Meeting held on May 3, 2011. The term of his office extends upto the date of Annual General Meeting. The Company has received Notice in writing from a member under the provision of Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Nawshir Mirza for the office of Director of the Company.

A brief resume of Mr. Mirza is given in the Notes to the Notice of this Annual General Meeting.

No Director other than Mr. Nawshir Mirza is concerned or interested in the resolution.

Your Directors recommend the resolution for your approval.

IMPORTANT COMMUNICATION TO SHAREHOLDERS

The Ministry of Corporate Affairs has introduced a 'Green Initiative in Corporate Governance' by allowing paperless compliances by companies. It has issued circulars stating that documents including Annual Report can be sent by e-mail to its shareholders. Your company welcomes this green initiative for paperless communication, which is in line with its focus on eco friendly and sustainable products and services.

To support this green initiative in full measure, shareholders who have not registered their e-mail addresses, so far, are requested to do so in respect of electronic holdings with the Depository through their concerned Participants. Shareholders who hold shares in physical form are requested to fill and send the e-Communication Registration Form to the company which is available on Thermax's website www.thermaxindia.com or its Registrar & Transfer Agent, Karvy Computershare Private Limited, Hyderabad. Thermax has already sent a separate communication to its shareholders in this regard on May 16, 2011.



THERMAX LIMITED

Regd. Office: D-13, MIDC Industrial Area, R. D. Aga Road, Chinchwad, Pune 411 019.
Corp. Office: Thermax House, 14, Mumbai-Pune Road, Wakdewadi, Pune 411 003.

ATTENDANCE SLIP

30TH ANNUAL GENERAL MEETING

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE

DP. Id*	Name & address of the registered shareholder
Client Id*	
Regd. Folio No.	

* Applicable for shareholding in electronic form.

I certify that I am a registered shareholder / proxy for the registered shareholder of the Company.

I hereby record my presence at the 30th Annual General Meeting of the Company held on Friday, July 22, 2011 at 11.30 a.m. at Yashwantrao Chavan Academy of Development Administration, MDC (Auditorium) Building, Raj Bhavan Complex, Baner Road, Pune – 411 007.

Signature of the Member/Proxy

NOTE: 1. Members/Proxy holders are requested to bring this Attendance Slip duly filled in and signed with them when they come to the meeting. No Attendance Slip will be issued at the venue of the meeting.
2. Road map to the venue of the meeting is given overleaf.

FORM OF PROXY



THERMAX LIMITED

Regd. Office: D-13, MIDC Industrial Area, R. D. Aga Road, Chinchwad, Pune 411 019.
Corp. Office: Thermax House, 14, Mumbai-Pune Road, Wakdewadi, Pune 411 003.

30TH ANNUAL GENERAL MEETING

I/We of..... being a member / members of THERMAX LIMITED, hereby appoint of or failing him of as my/our Proxy to vote for me/us and on my/our behalf at the 30th Annual General Meeting of the Company to be held on Friday, July 22, 2011 and at any adjournment thereof.

AS WITNESS my/our hand(s) thisday of July 2011.

Signature of the Member

Affix
15 paise
Revenue
Stamp

Registered Folio No.DP Id*.....Client Id*.....

* Applicable for shareholding in electronic form.

NOTE : 1. The Proxy need not be a Member.
3. The Proxy Form must be submitted so as to reach the Corporate Office of the Company not less than **48 hours** before the time for holding the aforesaid meeting.

