1. Corporate information

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

The Company is a public limited company incorporated and domiciled in India. It is listed on the BSE Limited (BSE) and National Stock Exchange Limited (NSE) in India. The address of its registered office is D-13, MIDC Industrial Area, R.D. Aga Road, Chinchwad, Pune- 411019, India. The Board of Directors have authorized to issue these standalone financial statements on June 18, 2020. The CIN of the Company is L29299PN1980PLC022787.

2. Significant accounting policies

2.1. Basis of preparation and measurement

(a) Basis of preparation

These standalone financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS), notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Act) as applicable to the standalone financial statements.

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

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

(b) Basis of measurement

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

- Derivative financial instruments;
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments); and
- Defined benefit plans whereby the plan assets are measured at fair value.

2.2. Changes in accounting policies and disclosures

2.2.1 Ind AS 116 - Leases

The Company has adopted Ind AS 116 w.e.f. April 1, 2019. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Ind AS 116 was issued on March 30, 2019 and supersedes Ind AS 17 on Leases. Ind AS 116 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use (ROU) asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

a. Impact of the new definition of a lease

The Company used the practical expedient available in the transition to Ind AS 116 so as not to reassess whether a contract is or contains a lease. Therefore, the lease definition set out in Ind AS 17 remained applicable to leases contracted or modified prior to April 1, 2019. The Company applied the lease definition and related guidance described in Ind AS 116 to all lease agreements entered or modified on or after April 1, 2019.

Notes to the standalone financial statements for the year ended March 31, 2020

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

b. Impact on Lessee Accounting

Former Operating Leases

Ind AS 116 changes how the Company accounts for leases previously classified as operating leases under Ind AS 17, which were off balance sheet.

Applying Ind AS 116, for all leases, the Company:

(a) Recognises right-of-use assets and lease liabilities in the standalone financial statements of financial position, initially measured at the present value of the future lease payments.

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss.

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the standalone financial statements of cash flows.

Under Ind AS 116, right-of-use assets are tested for impairment in accordance with Ind AS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as laptop, printers, personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by Ind AS 116. This expense is presented within 'other expenses' in profit or loss.

c. Financial impact of the initial application of Ind AS 116

On transition to Ind AS 116, the Company has elected to adopt the modified retrospective approach. Consequently, the Company recorded the lease liability at the value of future lease payment and right of use of asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before the date of initial application. Under this approach, there were no material adjustments required to the retained earnings at April 1, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset and Lease Financial Liability of Rs. 85.34 and Rs. 8.10 respectively.

The following is the summary of practical expedients elected on initial application:

1. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
2. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

2.2.2. Others

Several other amendments and interpretations apply for the first time in the year ended March 31, 2020, but do not have an impact on the standalone financial statements of the Company. The Company has not early adopted any standards or amendments that have been issued but are not yet effective.

2.3 Summary of significant accounting policies

a. Current and non-current classification

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act. Based on the nature of products and services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b. **Foreign currencies**

The Company's standalone financial statements are prepared in INR, which is also the functional currency of the Company.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognized in the Statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

c. **Fair value measurement**

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the standalone financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarizes accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Disclosures for significant judgements, estimates and assumptions (note 3)
- Quantitative disclosures of fair value measurement hierarchy (note 37)
- Financial instruments (including those carried at amortized cost) (note 37)

Notes to the standalone financial statements for the year ended March 31, 2020

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

d. Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognized in the Statement of profit and loss.

e. Property, Plant and Equipment

Property, plant and equipment (PPE) and capital work in progress are stated at cost of acquisition or construction net of accumulated depreciation and impairment loss, if any. All significant costs relating to the acquisition and installation of PPE are capitalised. Subsequent costs/replacement costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of profit and loss during the financial year in which they are incurred.

The Company identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset and has useful life that is materially different from that of the remaining asset.

Depreciation on PPE is calculated on a straight line basis using the rates arrived at, based on the useful lives estimated by the management. The identified components are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset.

The management has estimated, supported by independent assessment by professionals, the useful lives of certain classes of assets. The following useful lives are adopted by the management:

Asset category	Company's estimate of useful life (years)	Useful life as prescribed under Schedule II (years)
Factory buildings	28 to 30	30
Other buildings	58	60
Plant and equipment	5 to 25	15 to 20
Roads	5 to 30	5 to 10
Office equipment	15	15
Furniture and fixtures	15	10
Computers and data processing units	4 to 6	3 to 6
Vehicles	7 to 10	8

The residual values, useful lives and methods of depreciation of PPE are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis.

f. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the Statement of profit and loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of profit and loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses, if any. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of expected future benefit from the related project, i.e., the estimated useful life subject to a maximum of ten years. Amortization is recognized in the Statement of profit and loss unless such expenditure forms part of carrying value of another asset. During the period of development, the asset is tested for impairment annually.

A summary of amortization rates applied to the Company's intangible assets are as below:

Asset category	Life (years)
Technical know how	3 to 6
Computer software	3 to 5

g. Inventories

Raw materials, components, stores and spares are valued at lower of cost and estimated net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Finished goods and work in progress are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost is determined on a weighted average basis.

Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Write down of inventories are calculated based on an analysis of foreseeable changes in demand, technology, market conditions and ageing of inventories.

h. Revenue recognition

i. Revenue from Contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks. The Company collects goods and services tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

The Company has following streams of revenue:

- **Revenue from Engineering, Procurement and Construction contracts**

Engineering, Procurement and Construction (EPC) contracts are contracts (or a group of contracts secured together) specifically negotiated for the construction of an asset which refers to any project for construction of plants and systems, involving designing, engineering, fabrication, supply, erection (or supervision thereof), commissioning, guaranteeing performance thereof etc., execution of which is spread over different accounting periods. The Company identifies distinct performance obligations in each contract. For most of the project contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project or capability. Hence, the entire contract is accounted for as one performance obligation.

The Company may promise to provide distinct goods or services within a contract, in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The Company uses the expected cost plus a margin approach to estimate the standalone selling price of each performance obligation in case of contracts with more than one distinct performance obligations.

The Company assesses for the timing of revenue recognition in case of each distinct performance obligation. The Company first assesses whether the revenue can be recognized over a period of time if any of the following criteria is met:

(a) The customer simultaneously consumes the benefits as the Company performs, or

(b) The customer controls the work-in-progress, or

(c) The Company's performance does not create an asset with alternative use to the Company and the Company has right to payment for performance completed till date.

The Company recognizes revenue over time as it performs because of continuous transfer of control to the customer. For all project contracts, this continuous transfer of control to the customer is supported by the fact that the customer typically controls the work in process as evidenced either by contractual termination clauses or by the rights of the Company to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternative use.

The Company uses cost-based measure of progress (or input method) for contracts because it best depicts the transfer of control to the customer which occurs as it incurs costs on contracts. Under the cost-based measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated profits, are recorded proportionally as costs are incurred.

The Company estimates variable consideration amount which it expects to be entitled under the contract and includes it in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur and when the uncertainty associated with it is subsequently resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available.

Costs associated with bidding for contracts are charged to the Statement of profit and loss when they are incurred. Costs that relate directly to a contract and are incurred in securing the contract are included as part of the contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

Contract modification, when approved by both the parties to the contract, are considered as modification, if it creates new or changes the existing enforceable rights and obligations. Most of the contract modifications are not distinct from the existing contract due to the significant integration service provided under the contract prior to modifications and are therefore, accounted for as part of the existing contract. The effect of a contract modification is recognized as an adjustment to revenue on a cumulative catch-up basis.

When it becomes probable that the total contract costs will exceed the total contract revenue, the Company recognizes the expected losses from onerous contract as an expense immediately.

Penalties for any delay or improper execution of a contract are recognized as a deduction from revenue. In the balance sheet, such provisions are presented on net basis of the contract receivables.

- **Revenue from Sale of goods**

If the criteria for revenue under over-a-period of time as mentioned above are not met, the Company recognizes revenue at a point-in-time. The point-in-time is determined when the control of the goods or services is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Company also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the point in time where control has been transferred. The Company provides for warranty provision for general repairs up to 18 – 24 months on its products sold, in line with the industry practice. A liability is recognized at the time the product is sold. The Company does not provide any extended warranties.

- **Revenue from Sale of services**

Revenue in respect of operation and maintenance contract, awarded on a standalone basis or included in long term contracts and identified as a separate performance obligation, is recognized on a time proportion basis under the contracts.

Contract balances

Contract assets: A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration and are transferred to Trade receivables on completion of milestones and its related invoicing. Contract assets are recorded in balance sheet as unbilled revenue.

Trade receivables: A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Also refer note 2.3(i) below.

Contract liabilities: A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company satisfies the performance obligation. Contract liabilities are recorded in balance sheet as unearned revenue and Customer advances as the case may be.

ii. Interest income

For all debt instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. Interest income is included in finance income in the statement of profit and loss.

iii. Dividend

Revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

iv. Rental income

Rental income from operating leases (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term.

i. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through Profit and Loss, transaction costs that are attributable to the acquisition of the financial asset. For all subsequent measurements, financial assets are classified in following categories by the Company:

i. Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortization is included in finance costs/income in the Statement of profit and loss. The losses arising from impairment are recognized in the Statement of profit and loss.

ii. Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI is classified as FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of profit and loss.

iii. Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to the Statement of profit and loss, even on the sale of the investment. However, the Company may transfer the cumulative gain or loss within equity.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss and credit risk exposure on the financial assets that are debt instruments measured at amortized costs e.g. loans, deposits, trade receivables, contractual receivables and bank balances. The Company follows 'simplified approach' for recognition of impairment allowance. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment allowance based on 12-month. The Company considers current and anticipated future economic conditions relating to industries of the customer and the countries where it operates.

ECL impairment allowance (or reversal) recognized during the period is recognized as income/expense in the Statement of profit and loss under the head 'other expenses'. ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement of financial liabilities depends on their classification as fair value through profit and loss or at amortized cost.

All changes in fair value of financial liabilities classified as FVTPL is recognized in the Statement of Profit and Loss. Amortised cost category is applicable to loans and borrowings, trade and other payables. After initial recognition the financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognized in profit and loss when the liabilities are derecognized as well as through the EIR amortization process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are integral part of EIR. The EIR amortization is included as finance cost in the Statement of Profit and Loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of profit and loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

j. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Statement of profit and loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(i) Fair value hedges

The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the Statement of profit and loss as finance costs. The Company has not undertaken Fair value hedges.

(ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the Statement of profit and loss. The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognized in the Statement of profit and loss.

Amounts recognized in OCI are transferred to the Statement of profit and loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in OCI are transferred to the initial carrying amount of the non-financial asset or liability. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

k. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

l. Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in proportion to the depreciation charged over the expected useful life of the related asset. The Company accounts for export incentives for export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

m. Share capital

Equity shares issued to shareholders are classified as equity. Incremental costs directly attributable to the issue of new equity shares are recognized as a deduction from equity, net of any related income tax effects.

n. Income tax

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Notes to the standalone financial statements for the year ended March 31, 2020

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

Current income tax relating to items recognized outside profit or loss is recognized either in OCI or in equity. Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in OCI or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

p. Leases

Company as a lessee

The Company lease asset classes primarily consist of leases for land, office buildings, guest house and other office equipment, etc. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. Right-of-use assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The Right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at present value of the future lease payments. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

As a practical expedient, Ind AS 116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

q. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses including impairment on inventory are recognized in the Statement of profit or loss.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

r. Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets (or disposal groups), its sale is highly probable; and it will genuinely be sold, not abandoned. Management must be committed to the sale/ distribution expected within one year from the date of classification.

Non-current assets held for sale and disposal groups are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations,
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or;
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of profit and loss.

s. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty related costs is revised annually.

Provision for onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

Decommissioning liability

The Company records a provision for decommissioning costs of its manufacturing facilities. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The unwinding of the discount is expensed as incurred and recognized in the Statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

t. Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the Statement of profit and loss in subsequent periods.

Past service costs are recognized in the Statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation as an expense in the Statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Company presents the leave as a current liability in the balance sheet as it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

u. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Notes to the standalone financial statements for the year ended March 31, 2020

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

The Board of Directors of the Company has identified the Managing Director and Chief Executive Officer as the chief operating decision maker of the Company.

v. Contingent liability

A disclosure for a contingent liability is made where there is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from the past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

w. Earnings Per Share (EPS)

The Company presents the basic and diluted EPS data for its equity shares. Basic EPS is computed by dividing the net profit for the year attributable to the equity shareholders of the Company by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by adjusting the net profit for the year attributable to the equity shareholders and the weighted average number of equity shares considered for deriving basic EPS for the effects of all the equity shares that could have been issued upon conversion of all dilutive potential equity shares (which includes the various stock options granted to employees).

x. Dividends

Dividend to equity shareholders is recognized as a liability in the period in which the dividends are approved by the equity shareholders. Interim dividends that are declared by the Board of Directors without the need for equity shareholders' approvals are recognized as a liability and deducted from shareholders' equity in the year in which the dividends are declared by the Board of directors.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's standalone financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities as at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the standalone financial statements:

i. Revenue from contracts with customers

A significant portion of the Company’s business relates to EPC contracts which is accounted using cost-based input method, recognizing revenue as the performance on the contract progresses. This requires management to make judgement with respect to identifying contracts for which revenue need to be recognised over a period of time, depending upon when the customer consumes the benefit, when the control is passed to customer, whether the asset created has an alternative use and whether the Company has right to payment for performance completed till date, either contractually or legally. The input method requires management to make significant judgements of the extent of progress towards completion including accounting of multiple contracts which need to be combined and considered as a single contract.

ii. Legal contingencies

The Company has received various orders and notices from tax authorities in respect of direct taxes and indirect taxes. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable losses including the estimate of legal expense to resolve such matters. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the company or the disclosure of any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.

iii. Segment reporting

Ind AS 108 'Operating Segments' requires Management to determine the reportable segments for the purpose of disclosure in standalone financial statements based on the internal reporting reviewed by Chief Operating Decision Maker (CODM) to assess performance and allocate resources. The standard also requires Management to make judgments with respect to aggregation of certain operating segments into one or more reportable segment.

Operating segments used to present segment information are identified based on the internal reports used and reviewed by the Managing Director and Chief Executive Officer to assess performance and allocate resources. The management has determined that some of the segments exhibit similar economic characteristics and meet other aggregation criteria and accordingly aggregated into three reportable segments i.e. energy, environment and chemical.

iv. Non-current assets held for disposal and discontinued operations

As part of organisational restructuring, the Board of Directors of the Company at its meeting held on February 8, 2019, had approved the transfer of its Boiler & Heater (B&H) business to Thermax Babcock & Wilcox Energy Solutions Private Limited (TBWES) on a going concern basis through slump sale. This was also approved by the Shareholders on March 27, 2019. The B&H business was transferred to TBWES w.e.f. October 01, 2019. Accordingly, the results of B&H business have been classified as discontinued operations in the standalone financial results in accordance with Ind AS 105 upto the date of such transfer. The management considered the business to meet the criteria to be classified as held for distribution under Ind AS 105.

For more details on discontinued operations, refer note 29

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the standalone financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Estimation of uncertainties relating to the global health pandemic from the Coronavirus disease (COVID-19) :

The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of its assets such as investments, loans, receivables, unbilled revenues and inventories. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company, as at the date of approval of these financial statements has used internal and external sources of information including credit reports and related information, economic forecasts and consensus estimates from market sources on the expected future performance of the Company. The Company has performed sensitivity analysis on the assumptions used and based on current estimates expects the carrying amount of these assets will be recovered. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these standalone financial statements.

Notes to the standalone financial statements for the year ended March 31, 2020

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

i. EPC contracts:

- **Provisions for liquidated damages claims (LDs):** The Company provides for LD claims to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. This requires an estimate of the amount of LDs payable under a claim which involves a number of management judgments and assumptions regarding the amounts to be recognized.
- **Project cost to complete estimates:** At each reporting date, the Company is required to estimate costs to complete on fixed-price contracts. Estimating costs to complete on such contracts requires the Company to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. This estimate will impact revenues, cost of sales, work-in-progress, billings in excess of costs, estimated earnings and accrued contract expenses.
- **Recognition of contract variations:** The Company recognises revenues and margins from contract variations where it is considered probable that they will be awarded by the customer and this requires management to assess the likelihood of such an award being made by reference to customer communications and other forms of documentary evidence.
- **Provision for onerous contracts:** The Company provides for future losses on EPC contracts where it is considered highly probable that the contract costs are likely to exceed revenues in future years. Estimating these future losses involves a number of assumptions about the achievement of contract performance targets and the likely levels of future cost escalation over time. Refer note 19(b) for details for provision for onerous contracts.

ii. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model. The cash flows are derived from the budget for the next five years as approved by the Management and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the terminal growth rate used.

iii. Defined benefit plans - gratuity

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter which is most subjected to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on Indian Assured Lives Mortality (2012-14) Ultimate. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. Further details about gratuity obligations are given in note 34.

iv. Fair value measurement of unquoted financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of assumption is required in establishing fair values. Assumptions include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 37 for further disclosures.

v. Warranty provision

The Company generally offers warranty for its various products. Warranty costs are provided based on a technical estimate of the costs required to be incurred for repairs, replacements, material costs, servicing cost and past experience in respect of warranty costs. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in current period are consistent with those in the prior year. Factors that could impact the estimated claim information include the success of the Company's productivity and quality initiatives. Warranty provisions are discounted using a pre-tax discount rate which reflects current market assessments of time value of money and risks specific to the liability. Refer note 19 for further details.

vi. Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default, expected loss rates and timing of cash flows. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions including those related to the COVID-19 pandemic as well as forward looking estimates at the end of each reporting period.

As a practical expedient, the Company uses a provision matrix to determine ECL impairment allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the Company estimates a default rate of total revenue for trade receivables and contract revenue for contract assets. The Company follows provisioning norms based on ageing of receivables to estimate the impairment allowance under ECL. For retention receivables, the Company additionally categorizes the receivables due from Public Sector Undertakings (PSUs) and Non-PSUs and follows a wider aged bucket provisioning norms as the performance guarantee tests require certain time period after the supplies are completed. Refer note 7 and 9(b) for details of impairment allowance recognized at the reporting date.

vii. Useful lives of property, plant and equipment and intangible assets

The Company determines, based on independent technical assessment, the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates. Refer note 2.3(e) and 2.3(f) above for further details.

viii. Deferred taxes

At each balance sheet date, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the use of significant estimates with respect to assessment of future taxable income. The recorded amount of total deferred tax assets could change if estimates of projected future taxable income or if changes in current tax regulations are enacted. Refer note 10 for further information on potential tax benefits for which no deferred tax asset is recognized.

Notes to the standalone financial statements for the year ended March 31, 2020

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

4 (a) Property, Plant and Equipment

Particulars	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Computer	Furniture and fixtures	Vehicles	Total	Capital work in progress
Gross carrying amount as at April 1, 2018*	**7.36**	**36.59**	**394.13**	**562.68**	**32.14**	**46.52**	**34.58**	**11.58**	**1,125.58**	**92.33**
Additions	-	3.64	94.48	72.17	4.68	6.05	5.15	2.40	188.57	126.52
Disposals/ Transfers/ Adjustment	-	-	-	(4.69)	(0.48)	(2.12)	(1.96)	(1.31)	(10.56)	(188.57)
Reclassified as part of disposal group	-	-	(17.65)	(205.51)	(11.92)	(11.69)	(5.44)	(1.35)	(253.56)	(1.11)
Gross carrying amount as at March 31, 2019	**7.36**	**40.23**	**470.96**	**424.65**	**24.42**	**38.76**	**32.33**	**11.32**	**1,050.03**	**29.17**
Additions	-	-	11.40	21.32	1.23	6.89	2.23	4.83	47.90	74.15
Disposals/ Transfers/ Adjustments	-	(40.23)	(2.21)	(16.31)	(3.64)	(1.56)	(2.06)	(1.80)	(67.81)	(47.90)
Gross carrying amount as at March 31, 2020	**7.36**	-	**480.15**	**429.66**	**22.02**	**44.09**	**32.50**	**14.35**	**1,030.12**	**55.42**
Accumulated depreciation as at April 1, 2018*	-	**3.55**	**80.78**	**312.95**	**15.57**	**40.75**	**20.18**	**6.26**	**480.04**	
Charge for the year		0.62	13.79	32.37	1.91	1.78	0.89	0.69	52.05	
Disposals/ Transfers/ Adjustments	-	-	-	(3.47)	(0.41)	(2.15)	(1.68)	(1.26)	(8.97)	
Reclassified as part of disposal group	-	(0.01)	(2.36)	(148.77)	(5.37)	(10.33)	(3.77)	(0.45)	(171.06)	
Accumulated depreciation as at March 31, 2019	-	**4.16**	**92.21**	**193.08**	**11.70**	**30.05**	**15.62**	**5.24**	**352.06**	
Charge for the year^	-	-	16.29	26.84	1.48	3.26	1.93	1.50	51.30	
Disposals/ Transfers/ Adjustments	-	(4.16)	(1.25)	(13.89)	(2.96)	(1.46)	(1.72)	(1.46)	(26.90)	
Closing accumulated depreciation as at March 31, 2020	-	-	**107.25**	**206.03**	**10.22**	**31.85**	**15.83**	**5.29**	**376.46**	
Net Block as at March 31, 2020	**7.36**	-	**372.90**	**223.63**	**11.80**	**12.24**	**16.67**	**9.06**	**653.66**	**55.42**
Net Block as at March 31, 2019	**7.36**	**36.07**	**378.75**	**231.57**	**12.72**	**8.71**	**16.71**	**6.08**	**697.97**	**29.17**

Capital work in progress majorly includes expenditure towards extension of manufacturing facilities.
The Company has given certain part of its office building on lease to group companies, the value of the same cannot be determined and the amounts are not significant (Refer note 32 B (c) i).
^ Excludes Rs. 6.24 pertaining to discontinued operations

4 (b) Right-of-use assets

Particulars	Leasehold Land	Building	Total
Gross carrying amount as at April 1, 2018	-	-	-
Additions	-	-	-
Disposals/ Transfers/ Adjustment	-	-	-
Reclassified as part of disposal group	-	-	-
Gross carrying amount as at March 31, 2019	-	-	-
Additions	37.01	8.10	**45.11**
Disposals/ Transfers/ Adjustments	40.23	-	**40.23**
Gross carrying amount as at March 31, 2020	**77.24**	**8.10**	**85.34**
Accumulated depreciation as at April 1, 2018	-	-	-
Charge for the year	-	-	-
Disposals/ Transfers/ Adjustments	-	-	-
Reclassified as part of disposal group	-	-	-
Accumulated depreciation as at March 31, 2019	-	-	-
Charge for the year	0.92	0.98	**1.90**
Disposals/ Transfers/ Adjustments	4.16	-	**4.16**
Closing accumulated depreciation as at March 31, 2020	**5.08**	**0.98**	**6.06**
Net Block as at March 31, 2020	**72.16**	**7.12**	**79.28**
Net Block as at March 31, 2019	-	-	-

The Company has taken certain assets on lease which has been accounted in accordance with Ind AS 116-Leases under right of use assets. Refer note 32 (B)(c)for further disclosure on leases.

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

4 (c) Intangible assets

Particulars	Computer Software	Technical know-how#	Total	Intangible assets under development
Gross carrying amount as at April 1, 2018*	**54.75**	**78.86**	**133.61**	**-**
Additions	1.48	-	1.48	1.48
Disposals/ Transfers/ Adjustments	(0.14)	-	(0.14)	(1.48)
Reclassified as part of disposal group	(12.09)	(2.30)	(14.39)	-
Gross carrying amount as at March 31, 2019	**44.00**	**76.56**	**120.56**	**-**
Additions	9.64	-	9.64	9.64
Disposals/ Transfers/ Adjustments	-	-	-	(9.64)
Gross carrying amount as at March 31, 2020	**53.64**	**76.56**	**130.20**	**-**
Accumulated amortisation as at April 1, 2018*	**48.17**	**59.50**	**107.67**	
Charge for the year	4.53	6.90	11.43	
Disposals/ Transfers/ Adjustments	(0.06)	-	(0.06)	
Reclassified as part of disposal group	(11.09)	(2.30)	(13.39)	
Accumulated amortisation as at March 31, 2019	**41.55**	**64.10**	**105.65**	
Charge for the year^	2.87	6.54	9.41	
Disposals/ Transfers/ Adjustments	-	-		
Closing accumulated amortisation as at March 31, 2020	**44.42**	**70.64**	**115.06**	
Net Block as at March 31, 2020	**9.22**	**5.92**	**15.14**	
Net Block as at March 31, 2019	**2.45**	**12.46**	**14.91**	

*The Company had elected to continue with the carrying value of property, plant and equipment and intangible assets as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed cost on the date of transition to Ind AS (i.e. April 1, 2015). The Company has disclosed the gross block and accumulated depreciation / amortisation above, for information purpose only.

Includes internally developed assets of net block Rs. 3.17 (March 31, 2019 Rs 8.06)

^ Excludes Rs. 0.38 pertaining to discontinued operations

4(d) Capitalisation of expenses

During the year, the Company has capitalized the following expenses of revenue nature to the cost of Property, plant and equipment / intangible asset. Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the Company.

Particulars	March 31, 2020	March 31, 2019
Salaries and wages	0.10	1.56
Raw material and components	0.16	5.86
Others	0.74	1.98
Total	**1.00**	**9.40**

Notes to the standalone financial statements for the year ended March 31, 2020

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

5 Investments in subsidiaries

Particulars	Face value per share	Number of shares		Amount	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Investments in equity instruments :					
Investments valued at cost (fully paid)					
Equity shares in subsidiaries (Unquoted)					
Thermax Engineering Construction Company Limited	Rs. 10	4,500,000	4,500,000	4.50	4.50
Thermax Instrumentation Limited	Rs. 10	9,000,000	9,000,000	6.06	6.06
Thermax Onsite Energy Solutions Limited	Rs. 10	18,650,000	18,650,000	18.65	18.65
Thermax Europe Limited	GBP 1	200,000	200,000	1.17	1.17
Thermax International Limited	USD 1	1,695,000	1,695,000	8.22	8.22
Thermax (Zhejiang) Cooling and Heating Engineering Co Ltd.	USD 1	15,470,000	14,470,000	47.51	40.42
Thermax Netherlands B.V.	Eur 1	27,900,000	22,500,000	192.35	148.69
Rifox-Hans Richter GmbH Spezialarmaturen	Eur 1	716,469	716,469	12.04	12.04
Thermax SDN. BHD	RM 1	500,002	500,002	0.87	0.87
Thermax Engineering Singapore Pte. Ltd.	USD 1	22,984,356	22,984,356	153.71	153.71
First Energy Private Limited	Rs. 10	10,234,437	10,234,437	20.94	20.94
Thermax Sustainable Energy Solutions Limited #	Rs. 10	4,750,000	4,750,000	-	-
Thermax do Brasil - Energia e Equipamentos Ltda. #	Real 1	1,087,130	1,087,130	-	-
Thermax Hong Kong Limited. #	HKD 1	5,983,833	5,983,833	-	-
Thermax Babcock & Wilcox Energy Solutions Private Limited	Rs. 10	628,222,500	628,222,500	374.31	374.31
Thermax Cooling Solutions Limited*	Rs. 10	20,000,000	20,000,000	10.20	10.20
Investments in preference shares :					
Investments valued at cost (fully paid)					
Preference shares in Subsidiaries (Unquoted)					
Thermax International Ltd., Mauritius (6% Redeemable with conversion option)	USD 1	1,747,300	1,747,300	7.87	7.87
Share Application money :					
Thermax Netherlands B.V.	Eur 1	-	5,400,000	-	43.66
Total value of investments (A)				**858.40**	**851.31**
Less: Impairment in value of investments					
Thermax (Zhejiang) Cooling and Heating Engineering Co Ltd. (refer note 40)				47.51	40.42
Thermax Netherlands B.V.				126.38	126.38
First Energy Private Limited (refer note 40)				20.94	16.76
Thermax Cooling Solutions Limited				10.20	10.20
Total Impairment in value of investments (B)				**205.03**	**193.76**
Investments in subsidiaries (net) (A-B)				**653.37**	**657.55**
Aggregate amount of quoted investments				-	-
Aggregate amount of unquoted investments				858.40	851.31
Aggregate amount of impairment in the value of investments				205.03	193.76

Deemed cost is considered to be Rs. Nil as on April 1, 2015
* Formerly known as Thermax SPX Energy Technologies Limited

Notes to the standalone financial statements for the year ended March 31, 2020
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

6 (a) Non-current Investments

Particulars	Face value per share/ unit	Number of shares / units		Amount	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Investments in equity shares:					
Investments at Fair value through Profit and Loss					
Quoted equity shares (fully paid up)					
Metroglobal Limited	Rs. 10	2	2	**	**
Sanghvi Movers Limited	Rs. 2	16,453	16,453	0.08	0.18
Quoted equity shares (partly paid up)					
Parasrampuria Synthetics Limited (paid up Rs. 2.50 per share)	Rs. 10	125,000	125,000	**	**
Unquoted equity shares (fully paid up)					
Cosmos Co-operative Bank Limited	Rs. 20	-	1,375	-	**
GSL (India) Limited	Rs. 10	17,539	17,539	**	**
Sicom Limited #	Rs. 10	10,000	10,000	-	-
Total Investment in equity shares				**0.08**	**0.18**
Investment in preference shares					
Investments at Fair value through Profit and Loss					
Unquoted Preference Shares in subsidiaries (fully paid up, redeemable)					
Thermax Sustainable Energy Solutions Limited (6%, Cumulative) #	Rs. 10	4,000,000	4,000,000	-	-
First Energy Private Limited (8%, Cumulative, Redeemable)	Rs. 10	11,999,999	11,999,999	11.93	11.93
Thermax Babcock & Wilcox Energy Solutions Private Limited (8%, Cumulative, Redeemable)	Rs. 10	52,700,000	52,700,000	59.86	55.65
Total investment in preference shares				**71.79**	**67.58**
Investments in mutual funds					
Investments at Fair value through Profit and Loss					
Unquoted					
ABSL Fixed Term Plan - Series OY (1218 Days) Direct Growth	Rs. 10	20,000,000	20,000,000	23.85	21.88
SBI Debt Fund Series C – 7 (1190 Days) - Direct - Growth	Rs. 10	15,000,000	15,000,000	17.77	16.33
SBI Debt Fund Series C – 27 (1260 Days) - Direct - Growth	Rs. 10	15,000,000	15,000,000	17.43	15.89
Total investments in Mutual Funds				**59.05**	**54.10**
Total value of Investments (A)				**130.92**	**121.86**
Less: Impairment in value of investment (refer note 40)					
First Energy Private Limited				11.93	11.93
Total Impairment in value of investments (B)				**11.93**	**11.93**
Total Non-Current Investments (net) (A-B)				**118.99**	**109.93**
Aggregate amount of quoted investments (Book value)				0.08	0.18
Aggregate amount of quoted investments (Market value)				0.08	0.18
Aggregate amount of unquoted investments				130.84	121.68
Aggregate amount of impairment in the value of investments				11.93	11.93

** represents amount less than a lakh rupees

Deemed cost is considered to be Nil as on April 1, 2015

Investments at fair value through profit or loss reflect investment in unquoted equity and debt securities. Refer note 37 for determination of their fair values.

Notes to the standalone financial statements for the year ended March 31, 2020

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

6 (b) Current Investments

Particulars	Face value per share / unit	Number of units		Amount	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Investment in preference shares					
Investments at Fair value through Profit and Loss					
Unquoted Preference Shares (fully paid up, redeemable)					
Thermax Instrumentation Limited (1%, Non cumulative)	Rs. 10	-	10,000,000	-	10.00
Total investment in preference shares				-	**10.00**
Investments in Mutual Funds :					
Investments at Fair value through Profit and Loss					
Liquid/ Liquid Plus and Duration funds (unquoted)					
Aditya Birla Sun Life Money Manager Fund Growth- Regular	Rs. 100	4,866,314	4,866,314	130.98	121.84
Aditya Birla Sun Life Money Market Fund-Growth-Direct Plan	Rs. 100	-	1,917,730	-	48.27
Axis Overnight Fund Direct Growth	Rs. 1,000	238,487	-	25.17	-
DSP Liquidity Fund- Direct Plan - Weekly Dividend	Rs. 1,000	-	50,028	-	5.01
DSP Overnight Fund - Direct - Growth	Rs. 1,000	234,053	-	25.01	-
DSP Overnight Fund - Regular - Growth	Rs. 1,000	531,025	-	56.68	-
HDFC FMP 1167D January 2016 (1) - Direct - Growth - Series - 35	Rs. 10	-	25,000,000	-	32.06
HDFC Liquid Fund - Direct Plan- Growth Option	Rs. 1,000	-	7,372	-	2.71
HDFC Liquid Fund - Direct Plan - Dividend Weekly	Rs. 1,000	-	439,685	-	45.41
HDFC Overnight Fund - Direct Plan - Growth Option	Rs. 1,000	97,110	-	28.83	-
HDFC Overnight Fund - Regular Plan - Growth	Rs. 1,000	33,846	-	10.00	-
ICICI Prudential Liquid Fund -Direct Plan- Growth	Rs. 100	-	156	-	**
ICICI Prudential Money Market Fund - Direct Plan- Growth	Rs. 100	-	1,654,693	-	43.05
ICICI Prudential Money Market Fund - Growth	Rs. 100	4,673,316	4,673,316	129.69	120.96
IDFC Overnight Fund Direct Plan-Growth	Rs. 1,000	93,844	-	10.00	-
IDFC Overnight Fund Regular Plan-Growth	Rs. 1,000	237,787	-	25.30	-
Kotak Liquid Direct Plan Weekly Dividend	Rs. 1,000	-	453,390	-	45.64
Kotak Money Market Scheme - Direct Plan- Growth	Rs. 1,000	-	67,988	-	20.98
Kotak Overnight Fund Direct - Growth	Rs. 1,000	65,684	-	7.00	-
Kotak Overnight Fund Growth (Regular Plan)	Rs. 1,000	394,371	-	42.01	-
L&T Liquid Fund - Direct Plan- Growth	Rs. 1,000	-	4	-	**
L&T Liquid Fund - Direct Plan -Weekly Dividend	Rs. 1,000	-	151,893	-	15.22
Nippon India Overnight Fund Direct Growth Plan	Rs. 100	752,587	-	8.07	-
Reliance Money Market Fund- Direct Growth Plan Growth Option	Rs. 1,000	-	23,805	-	6.76
SBI Overnight Fund Direct Growth	Rs. 1,000	30,748	-	10.00	-
SBI Magnum Ultra Short Duration Fund Direct Growth	Rs. 1,000	-	6,237	-	2.60
SBI Liquid Fund Direct Weekly Dividend	Rs. 1,000	-	145,549	-	15.45
UTI Liquid Cash Plan - Regular Growth Plan	Rs. 1,000	396,606	396,606	128.40	120.96
Total Investments in mutual funds				**637.14**	**646.92**
Total value of Investments				**637.14**	**656.92**
Aggregate amount of quoted investments and market value thereof				-	-
Aggregate amount of unquoted investments				637.14	656.92
Aggregate amount of impairment in the value of investments				-	-

** represents amount less than a lakh rupees

Investments at fair value through profit or loss reflect investment in unquoted equity and debt securities. Refer note 37 for determination of their fair values.

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

7 Trade receivables

(a) Non-current trade receivables

	As at March 31, 2020	As at March 31, 2019
Trade receivables from:		
i) Related parties (note 35)	-	-
ii) Others	92.13	60.55
Total	**92.13**	**60.55**
Sub-classification of trade receivables		
Secured, considered good	-	-
Unsecured, considered good	111.36	93.08
Trade Receivables which have a significant increase in credit risk	-	-
Trade Receivables - credit impaired	-	-
	111.36	**93.08**
Less: Impairment allowance	(19.23)	(32.53)
Total	**92.13**	**60.55**

(b) Current trade receivables

	As at March 31, 2020	As at March 31, 2019
Trade receivables from:		
i) Related parties (note 35)	69.48	45.87
ii) Others	683.88	791.03
Total	**753.36**	**836.90**
Sub-classification of trade receivables		
Secured, considered good	95.25	122.15
Unsecured, considered good	869.69	938.98
Trade receivables which has a significant increase in credit risk	19.04	3.13
Trade receivables - credit impaired	28.08	15.90
	1,012.06	**1,080.16**
Less: Impairment allowance	(258.70)	(243.26)
Total	**753.36**	**836.90**

No trade or other receivables are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade receivables due from firms or private companies respectively in which any director is a partner, a director or a member.

Provision amounting to Rs. 19.04 (March 31, 2019 : Rs 3.13) is already taken in books for trade receivables which has a significant increase in credit risk.

For terms and conditions relating to related party receivables, refer note 35.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Notes to the standalone financial statements for the year ended March 31, 2020

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

8 Loans

(a) Non-current loans

	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
At amortized cost		
Loans to employees	2.80	2.93
Security deposits*	8.70	9.16
Loans to related parties (note 35)	221.00	-
Total	**232.50**	**12.09**

(b) Current loans

	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
At amortized cost		
Loans to employees	1.13	1.68
Loans to related parties (note 35)	80.00	7.50
Security deposits*	3.14	3.36
Total	**84.27**	**12.54**

*Includes lease deposits given to directors of Rs. 0.18 (March 31, 2019 Rs. 0.53). The maximum amount due from directors during the year amounted to Rs. 0.18 (March 31, 2019 Rs. 0.53). This also includes deposits given to various other parties for rent, utilities etc. Refer note 35.

Loans are various kinds of non-derivative financial assets which generate fixed interest income for the Company. The tenure of such loans has different time range based on employee's eligibility.

No loans are due from directors or Key Managerial Personnel of the Company either severally or jointly with any other person or from private companies or firms in which any director is a partner, a director or a member respectively.

For terms and conditions relating to loans given to related parties, refer note 33(a).

9 Financial assets

(a) Other non current assets

	As at March 31, 2020	As at March 31, 2019
Bank deposits with maturity of more than 12 months	0.05	0.05
Total	**0.05**	**0.05**

Above bank deposits are pledged as margin money.

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

(b) **Other current assets**

	As at March 31, 2020	As at March 31, 2019
Derivative instruments at fair value through OCI		
Cash flow hedges		
Foreign exchange forward contracts	1.99	33.41
Derivative instruments at fair value through profit or loss		
Derivative not designated as hedges		
Foreign exchange forward contracts	2.43	5.92
At amortized cost		
Export incentive receivable	24.48	26.38
Interest accrued on bank deposits and others*	7.78	1.08
Unbilled revenue (Contract assets)^	61.74	383.09
Others**	18.50	-
Total	**116.92**	**449.88**

Financial assets at fair value through other comprehensive income reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales and purchases in various foreign currencies.

* Includes Rs 6.14 (March 31, 2019: Rs. 0.17) pertaining to loan given to related parties (Refer note 35)

^ Unbilled revenue is disclosed net of impairment allowance of Rs. 8.75 (March 31, 2019: Rs. 10.12) for contract assets.

** Includes Rs. 14.05 (March 31, 2019: Nil) recoverable from group companies.

10 **Income taxes**

The major components of income tax expense for the year ended March 31, 2020 and March 31, 2019 are:

Statement of profit and loss

Particulars	**March 31, 2020**	**March 31, 2019**
Current tax		
Continuing operations	61.51	106.15
Discontinued operations	17.88	67.65
Deferred tax		
Continuing operations	12.25	3.11
Discontinued operations	20.01	(8.65)
Income tax expense reported in the Statement of profit and loss	**111.65**	**168.26**

Notes to the standalone financial statements for the year ended March 31, 2020
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

Other comprehensive income

Particulars	March 31, 2020	March 31, 2019
Deferred tax related to items recognised in other comprehensive income during the year		
Net gain or loss on revaluation of cash flow hedge	(0.78)	(11.14)
Net gain or loss on remeasurements of defined benefit plans	(2.50)	0.16
Deferred tax credited in other comprehensive income	**(3.28)**	**(10.98)**

Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate for March 31, 2020 and March 31, 2019

Particulars	March 31, 2020	March 31, 2019
Accounting profit before tax (before exceptional items) for continuing operations	250.04	318.13
Accounting profit before tax (before exceptional items) for discontinued operations	90.49	173.22
At India's statutory income tax rate (as per Income Tax Act, 1961) of 25.17% (March 31, 2019: 34.944%)	85.71	171.70
- Dividend income	(3.73)	(4.19)
- Weighted deduction on research and development expenses	-	(2.44)
- Deferred Tax asset written down due to rate change*	36.35	-
- Others (includes adjustment for fair valuation of investments and other permanent differences)	(6.68)	3.19
Effective tax	111.65	168.26
Income tax expense reported in the Statement of profit and loss for continuing operations	**73.76**	**109.26**
Income tax expense reported in the Statement of profit and loss for discontinued operations	**37.89**	**59.00**
Total income tax expense reported in the Statement of profit and loss	**111.65**	**168.26**

Deferred tax

Statement of profit and loss

Particulars	March 31, 2020	March 31, 2019
Deferred tax relates to the following :		
Accelerated depreciation for tax purposes	(16.28)	8.70
Employee benefit obligations	0.76	(1.87)
Provision for doubtful debts and liquidated damages	30.22	(13.42)
Fair value gains on investment classified as fair value through profit and loss	3.20	(14.11)
Temporary differences in accounting treatment as required by Income tax standards	(0.01)	15.12
Items allowed on payment basis / temporary disallowances	(0.60)	(3.06)
Others	(5.04)	3.10
Deferred tax expense/ (income) in the Statement of profit and loss	**12.25**	**(5.54)**
Deferred tax expense reported in the Statement of profit and loss for continuing operations	**12.25**	**3.11**
Deferred tax expense/(income) reported in the Statement of profit and loss for discontinued operations	**20.01**	**(8.65)**

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

Balance sheet

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred tax relates to the following:		
Accelerated depreciation for tax purposes	(45.44)	(61.72)
Revaluation of cash flow hedges	(0.01)	(0.79)
Employee benefit obligations	13.02	11.28
Provision for doubtful debts and liquidated damages	76.59	106.81
Items allowed on payment basis / temporary disallowances	5.75	5.15
Fair value gains on investment classified as fair value through profit and loss	(14.40)	(11.20)
Temporary differences in accounting treatment as required by Income tax standards	2.01	2.00
Others (includes impact on account of temporary differences on accretion of interest on investments)	2.86	(2.18)
Net deferred tax assets	**40.38**	**49.35**

Reconciliation of deferred tax assets (net)

	March 31, 2020	March 31, 2019
Opening balance as at April 1	**49.35**	**104.17**
Tax income during the period recognised in profit or loss	(12.25)	5.54
Tax expense during the period recognised in other comprehensive income	3.28	10.98
Reclassified as a part of disposal group	-	(71.34)
Closing balance as at March 31	**40.38**	**49.35**

*The Company has computed the tax expense of the current financial period as per the tax regime announced under section 115BAA of the Income-tax Act, 1961. Accordingly, (a) the current and deferred tax expense for the year ended March 31, 2020, has been determined at the rate of 25.17% and (b) the deferred tax assets as at April 1, 2019, have been written down considering the enacted rate of 25.17%.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off income tax assets and liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Company has not recognised deferred tax asset on impairment losses.

During the year, the Company has paid dividends to its shareholders. This has resulted in payment of Dividend Distribution Tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence, DDT paid is charged to equity.

11. Other assets

(a) Other non-current assets

	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Advance to suppliers	0.28	4.59
Capital advance	2.50	1.91
Advance to related parties (note 35)	0.72	1.00
Balances with government authorities	57.40	87.42
Prepayments	0.78	36.64
Total	**61.68**	**131.56**

Notes to the standalone financial statements for the year ended March 31, 2020

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

(b) Other current assets

	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Advance to suppliers	47.16	71.03
Advance to employees	3.58	4.67
Advance to related parties (note 35)	32.73	10.52
Prepayments	13.16	5.99
Balances with government authorities	140.19	199.89
Prepaid employee benefits (note 34)	3.52	7.30
Others*	6.87	9.19
Total	**247.21**	**308.59**

*Others includes interest on tax refunds, other recovery of expenses, etc

There were no advances due by directors or officers of the Company or any of them severally or jointly with any other persons or amounts due by firms or private companies respectively in which such director is a partner or a member.

For terms and conditions relating to loans given to related parties, refer note 35.

12 Inventories (Valued at lower of cost and net realizable value)

	As at March 31, 2020	As at March 31, 2019
Raw materials, components and bought-outs**	126.18	115.37
Work-in-progress	90.65	87.00
Finished goods	26.94	17.42
Stores and spares	2.72	1.76
Traded goods	8.52	8.89
Total	**255.01**	**230.44**

**includes goods in transit Rs. 2.90 (March 31, 2019 Rs. 1.61)

For the year ended March 31, 2020 Rs. 2.77 (March 31, 2019 Rs. 5.10) was recognised (net of reversals) as an expense for inventories carried at net realisable value. These were recognised as expense during the year and included in cost of raw materials and components consumed in the Statement of profit and loss.

13 (a) Cash and cash equivalents

	As at March 31, 2020	As at March 31, 2019
Balances with banks		
- in current accounts	34.90	65.12
- in deposits with original maturity of less than three months*	51.10	24.75
Cheques, drafts on hand	0.48	2.69
Cash on hand	0.36	0.32
Total	**86.84**	**92.88**

Short-term deposits are made for varying periods ranging between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and previous periods.

Notes to the standalone financial statements for the year ended March 31, 2020
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

13 (b) Other bank balances

	As at March 31, 2020	As at March 31, 2019
Deposits with original maturity of more than 3 months but less than 12 months*	140.67	24.90
Unpaid dividend account (restricted)	0.97	0.98
Total	**141.64**	**25.88**

*Includes deposits placed with banks amounting to Rs. 10.85 (March 31, 2019: Nil) against grant received.

13 (c) Changes in liabilities arising from financing activities

Particulars	Borrowings	Unpaid dividend	Lease obligation
As on April 1, 2018	**116.49**	**0.81**	**-**
Cash flow	37.14	-	-
Reclassified as part of disposal group	(113.63)	-	-
Other	-	0.17	-
As on March 31, 2019	**40.00**	**0.98**	**-**
Cash flow	32.38	-	-
New leases	-	-	7.12
Other	-	(0.01)	-
As on March 31, 2020	**72.38**	**0.97**	**7.12**

14 Share capital

	As at March 31, 2020	As at March 31, 2019
Authorized shares (Nos)		
37,50,00,000 (March 31, 2019: 37,50,00,000) equity shares of Rs. 2/- each	75.00	75.00
	75.00	**75.00**
Issued, subscribed and fully paid share capital (Nos)		
11,91,56,300 (March 31, 2019: 11,91,56,300) equity shares of Rs. 2/- each	23.83	23.83
Total issued, subscribed and fully paid-up share capital	**23.83**	**23.83**

Notes to the standalone financial statements for the year ended March 31, 2020

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

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year

	No. of shares	Rs.
Equity share of Rs. 2 each issued, subscribed and fully paid		
As at April 1, 2018	119,156,300	23.83
Changes during the year	-	-
As at March 31, 2019	119,156,300	23.83
Changes during the year	-	-
As at March 31, 2020	**119,156,300**	**23.83**

(b) Terms/ rights attached to equity shares

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

(c) Equity share capital held by holding company

	As at March 31, 2020	As at March 31, 2019
Holding company		
RDA Holding and Trading Private Limited, India	12.87	12.87
6,43,28,500 (March 31, 2019: 6,43,28,500) equity shares of Rs. 2/- each fully paid		

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

	As at March 31, 2020	As at March 31, 2019
RDA Holding and Trading Private Limited, India		
%	53.99	53.99
No. of shares	64,328,500	64,328,500
ARA Trusteeship Company Private Limited, India		
%	7.99	7.99
No. of shares	9,520,805	9,520,805

(e) The Company has several trusts (73 nos) set up for welfare of employees and ESOP named Thermax Employee ESOP and Welfare Trust. Such trusts together hold 65,41,440 (March 31, 2019: 65,41,440) equity shares representing 5.49% (March 31, 2019: 5.49%) of equity share in the Company.

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

15 (a) Other equity

	As at March 31, 2020	As at March 31, 2019
Reserves and surplus		
Capital redemption reserve	50.34	50.34
Securities premium	61.13	61.13
Capital reserve	1.92	1.92
General reserve	429.14	429.14
Retained earnings		
Opening balance	2,166.68	1,975.29
Add: Profit for the year (including discontinued operations)	213.99	275.24
Less: Final Dividend paid	(83.41)	(71.49)
Less: Tax on final dividend	(15.22)	(12.64)
Less: Interim Dividend paid	(83.41)	-
Less: Tax on interim dividend	(17.15)	-
Movement during the year	14.80	191.11
Items of other comprehensive income recognised directly in retained earnings:		
Re-measurement (loss)/gain on defined benefit plans, net of tax Rs.2.50 (March 31, 2019 Rs. 0.16)	(10.38)	0.28
Net surplus in the Statement of profit and loss	**2,171.10**	**2,166.68**
Total Reserves and Surplus	**2,713.63**	**2,709.21**
Other Reserves		
Cash flow hedge reserve		
Opening balance	2.81	23.91
Add: Movement during the year (net)	(3.56)	(32.24)
Less: Tax on Movement during the year	0.78	11.14
Closing balance	**0.03**	**2.81**
Total	**2,713.66**	**2,712.02**

Capital redemption reserve

Pertains to reserve created towards redemption of debentures and can be utilised in accordance with the provisions of the Act.

Securities premium

Securities premium is used to record the premium on issue of shares. The reserve can be utilised in accordance with the provisions of the Act.

Capital reserve

Pertains to reserves arising on amalgamations in the past which is required to be maintained as per statute and cannot be distributed to the shareholders.

Notes to the standalone financial statements for the year ended March 31, 2020

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

General reserve

Represents amounts transferred from retained earning in earlier years as per the requirements of the erstwhile Companies Act 1956.

Cash flow hedge reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedge instruments related to hedged transactions that have not yet occurred.

15 (b) Distribution made and proposed

	March 31, 2020	March 31, 2019
Cash dividend on equity shares declared and paid:		
Final dividend for the year 2018-19: Rs. 7 per share (2017-18: Rs. 6 per share)	83.41	71.49
Dividend Distribution Tax on the above	15.22	12.64
Interim dividend for the year 2019-20: Rs. 7 per share	83.41	-
Dividend Distribution Tax on the above	17.15	-
	199.19	**84.13**

Proposed dividend on equity shares are subject to approval at the annual general meeting and are not recognised as a liability (including Dividend Distribution Tax thereon) as at the reporting date.

Proposed dividend on equity shares:		
Proposed dividend for the year 2018-19: Rs. 7 per share	-	83.41
Dividend Distribution Tax on the above	-	17.15
Total	**-**	**100.56**

The Company has taken a set off of Rs. 1.93 (March 31, 2019 Rs 2.05) for Dividend Distribution Tax paid by one of the subsidiary of the Company.

16 Trade payables

(a) Non current trade payables

	As at March 31, 2020	As at March 31, 2019
Trade payables :		
i) Related parties (note 35)	11.06	7.33
ii) Others	34.52	24.45
Total	**45.58**	**31.78**

There are no non-current outstanding dues of micro and small enterprises.

(b) Current trade payables

	As at March 31, 2020	As at March 31, 2019
Total outstanding dues of micro and small enterprises (note 16 (c))	108.78	69.05
Total outstanding dues of creditors other than micro and small enterprises		
i) Related parties (note 35)	55.33	20.43
ii) Others	438.48	709.46
Total	**602.59**	**798.94**

For terms and conditions with related parties, refer note 35.
Trade payables are non-interest bearing and are generally on terms of 30 to 90 days.

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

(c) **Details of dues to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006**

	March 31, 2020	March 31, 2019
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
- Principal amount outstanding (whether due or not) to micro and small enterprises*	108.52	68.93
- Interest due thereon	0.26	0.12
The amount of interest paid by the Company in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	0.21	0.19
The amount of payment made to the supplier beyond the appointed day during the year	70.55	59.50
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	0.55	0.45
The amount of interest accrued and remaining unpaid at the end of each accounting year	0.81	0.57
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	0.38	0.02

* Excludes payable related to discontinued operations Rs. 100.01 as at March 31, 2019

17 Financial liabilities

(a) **Other non current liabilities**

	As at March 31, 2020	As at March 31, 2019
Trade deposits	1.11	1.11
Lease obligation	6.04	-
Total	**7.15**	**1.11**

Notes to the standalone financial statements for the year ended March 31, 2020

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

(b) Other current liabilities

	As at March 31, 2020	As at March 31, 2019
Derivative instruments at fair value through OCI		
Cash flow hedges		
Foreign exchange forward contracts	12.89	21.21
Derivative instruments at fair value through profit or loss		
Derivative not designated as hedges		
Foreign exchange forward contracts	6.76	0.85
At amortized cost		
Current maturities of lease obligation	1.08	-
Employee related payables	38.49	38.39
Payables for PPE and intangible assets	5.81	9.39
Book overdraft	3.41	22.19
Unpaid dividend	0.97	0.98
Other payables *	3.21	2.79
Total	**72.62**	**95.80**

* includes dealer deposits, security deposits, etc.

18 Provisions

(a) Non-current provisions

	As at March 31, 2020	As at March 31, 2019
Provision for warranties	3.90	1.04
Provision for decommissioning liability	7.23	6.45
Total	**11.13**	**7.49**

(b) Current provisions

	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits		
Provision for leave encashment	40.37	35.85
	40.37	**35.85**
Other provisions		
Provision for onerous contracts	12.65	2.58
Provision for warranties	35.60	32.70
	48.25	**35.28**
Total	**88.62**	**71.13**

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

Provision for decommissioning liability

A provision has been recognised for decommissioning costs associated with the property taken on lease by the Company. The Company is committed to restore the site as a result of the conclusion of manufacturing activities. The timing of cash outflows in respect of such provision cannot be reasonably determined.

Provision for warranties

Warranty costs are provided based on a technical estimate of the costs required to be incurred for repairs, replacements, material costs, servicing cost and past experience in respect of such costs. It is expected that this expenditure will be incurred over the contracted warranty period ranging up to 2 years. If warranty claim costs vary by 10% from management's estimate, the warranty provisions would be an estimated Rs. 3.95 higher or lower (March 31, 2019 Rs. 3.37)

Provision for onerous contracts

A provision for expected loss on construction contracts is recognised when it is probable that the contracts costs will exceed total contract revenue. For all other contracts, provision is made when the unavoidable costs of meeting the obligation under the contract exceed the estimated economic benefits. The timing of cash outflows in respect of such provision is over the contract period.

Movement in provisions

	Provision for onerous contracts	Provision for warranties	Provision for decommissioning liability
As at April 1, 2019			
Balance at the beginning	2.58	33.74	6.45
Additional provision recognised	10.90	24.02	-
Unused amounts reversed	-	(15.04)	-
Unwinding of discount	-	2.30	0.78
Utilised during the year	(0.83)	(5.52)	-
As at March 31, 2020	**12.65**	**39.50**	**7.23**
Details of provisions :			
Current	12.65	35.60	-
Non-Current	-	3.90	7.23
Total	**12.65**	**39.50**	**7.23**

Notes to the standalone financial statements for the year ended March 31, 2020

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

19 Other liabilities

(a) Other non-current liabilities

	As at March 31, 2020	As at March 31, 2019
Customer advances (Contract liability)	8.43	18.22
Total	**8.43**	**18.22**

(b) Other current liabilities

	As at March 31, 2020	As at March 31, 2019
Unearned revenue (Contract liability)	271.75	188.89
Customer advances (Contract liability)		
(i) Related Parties (note 35)	2.95	3.79
(ii) Others	461.28	546.87
Statutory dues and other liabilities*	18.07	9.95
Total	**754.05**	**749.50**

* mainly includes tax deducted at source, GST, provident fund, ESIC, government grant received for a research project etc.

For terms and conditions with related parties, refer note 35.

20 Borrowings

Current borrowings

	As at March 31, 2020	As at March 31, 2019
Secured loans from banks	31.38	40.00
Unsecured loans from banks	41.00	-
Total	**72.38**	**40.00**

Secured loans pertains to bills discounted by suppliers amounting to Rs. 31.38 (March 31, 2019: Rs. 40) that are payable by the Company within 60 to 190 days from the invoice date.

These loans are secured by hypothecation of present and future stock of all inventories, stores and spares not related to plant and machinery, book debts and other moveable assets.

Unsecured loans pertains to packing credit of Rs. 41 (March 31, 2019: Rs. Nil) carries an interest rate of 4.5% to 4.65% due for repayment within 90-149 days from date of disbursement or expected shipment date whichever is earlier.

21 Revenue from operations

(a) Revenue from contracts with customers

	March 31, 2020	March 31, 2019
Revenue from projects and products	2,810.22	3,164.95
Revenue from services	387.01	323.47
Total revenue from contracts with customers	**3,197.23**	**3,488.42**

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

(b) **Other operating revenue**

	March 31, 2020	March 31, 2019
Export incentives	23.96	35.69
Sale of Scrap	8.26	9.45
Commission income	2.46	3.17
Exchange fluctuation gain/(loss) (net)*	(19.66)	1.52
Royalty income	2.83	2.85
	17.85	**52.68**

* Includes mark to market loss on forward contracts not subjected to hedge accounting Rs.4.34 (March 31, 2019: gain Rs. 5.07)

Total revenue from operations	**3,215.08**	**3,541.10**

(c) **Disclosure pursuant to Ind AS 115: Revenue from Contracts with Customers**

i) **Revenue by category of contracts:**

	March 31, 2020	March 31, 2019
Over a period of time basis	1,716.81	1,990.01
At a point-in-time basis	1,480.42	1,498.41
Total revenue from contracts with customers	**3,197.23**	**3,488.42**

Revenue by geographical market:

	March 31, 2020	March 31, 2019
Within India	2,438.23	2,427.05
Outside India	759.00	1,061.37
Total revenue from contracts with customers	**3,197.23**	**3,488.42**

Revenue by segment :

	March 31, 2020			
	Energy	Environment	Chemical	Total
Revenue from contracts with customers				
External Revenue	2,142.57	717.12	392.71	3,252.39
Inter segment	3.93	46.25	4.99	55.16
Total revenue from contracts with customers	**2,138.64**	**670.86**	**387.72**	**3,197.23**
Other operating income	8.51	4.86	4.48	17.85
Total revenue from operations	**2,147.15**	**675.72**	**392.21**	**3,215.08**

Notes to the standalone financial statements for the year ended March 31, 2020

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

	March 31, 2019			
	Energy	Environment	Chemical	Total
Revenue from contracts with customers				
External Revenue	2,354.46	824.37	378.78	3,557.61
Inter segment	0.54	62.86	5.79	69.19
Total revenue from contracts with customers	**2,353.92**	**761.51**	**372.99**	**3,488.42**
Other operating income	43.92	3.93	4.83	52.68
Total revenue from operations	**2,397.84**	**765.44**	**377.82**	**3,541.10**

ii) Contract balances:

The following table provides information about contract balances from contracts with customers as at the reporting date:

	March 31, 2020	March 31, 2019
Trade receivables (note 7)	845.49	897.45
Unbilled revenue (Contract asset) (note 9(b))	61.74	383.09
Unearned revenue (Contract liability) (note 19(b))	271.75	188.89
Customer advances (Contract liability) (note 19)	472.66	568.88

Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date from projects and customised contracts. The Contract assets are transferred to Trade receivables on completion of milestones and its related invoicing.

The contract liabilities relate to unearned revenue and customer advances where performance obligations are yet to be fulfilled as per the contracts. The fulfilment of the performance obligations will extinguish these liabilities and revenue will be recognised, with no impact on the Company's cash positions on specific projects.

iii) Revenue recognised in the reporting period that was included in the contract liabilities balance at the beginning of the year:

	March 31, 2020	March 31, 2019
Unearned revenue^	106.12	118.99
Customer advance#	315.91	238.04

^Excludes Rs 25.51 pertaining to discontinued operations for the period ended March 31, 2019

Excludes Rs 386.74 pertaining to discontinued operations for the period ended March 31, 2019

iv) Changes in unbilled revenue and unearned revenue for the year:

The explanation of the significant changes in the unbilled and unearned balances during the reporting period is presented in the table below

	March 31, 2020		March 31, 2019	
Opening unbilled revenue (refer note 9(b))	**383.09**		**461.85**	
Opening unearned revenue (refer note 19(b))	**188.89**	**194.20**	**234.84**	**227.01**
- Transfer of contract assets to receivable from opening unbilled revenue	(374.72)		(409.53)	
- Increase in revenue as a result of changes in the measure of progress from the opening unearned revenue	106.12		144.50	
- Transfer of contract assets to receivables	(1,747.69)		(2,592.47)	
- Increase in revenue as a result of changes in the measure of progress	1,610.69		3,427.24	
- Others*	1.39		(19.87)	
- Reclassified as part of disposal group	-	(404.21)	(582.68)	(32.81)
Closing unbilled revenue (refer note 9(b))	**61.74**		**383.09**	
Closing unearned revenue (refer note 19(b))	**271.75**	**(210.01)**	**188.89**	**194.20**

* includes adjustments on account of onerous contracts, impairment allowance for the year etc.

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

v) Performance obligations

Performance obligation in a project or a group of projects which are contracted at or near same time with the same or related parties and negotiated simultaneously, are combined for the purpose of evaluation. The Company has estimated that multiple commitments pertaining to engineering procurement and commissioning of such projects is a single performance obligation which is spread over different accounting periods.

Performance obligation for products are evaluated on standalone basis, recognised at a point in time. Generally, performance obligations for such contracts have an original expected duration of one year or less.

There are no major contracts with customers which have significant financing component included within them and therefore there is no difference between the timing of satisfaction of performance obligation vis a vis the timing of the payment.

Remaining performance obligations:

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

The Company applies practical expedient included in para 121 of Ind AS 115 and does not disclose information about its remaining performance obligations for contracts that have an original expected duration of one year or less.

	March 31, 2020	March 31, 2019
Amount of revenue yet to be recognised for contracts in progress	2,046.56	1,573.87

The Company expects that a significant portion of the remaining performance obligation will be completed in next 1 to 2 years.

vi) Reconciliation between revenue recognised in Statement of profit and loss and contract price

There is no significant variation between revenue recognised in Statement of profit and loss and contract price except price variation claims, which are considered to be part of contract price.

22 Other income

	March 31, 2020	March 31, 2019
Interest income from financial assets carried at amortized cost		
Loan to subsidiary	13.53	0.34
Bank deposits	4.84	0.93
Interest income from financial assets at fair value through profit and loss		
Loan to subsidiary (preference shares)	4.21	6.19
Other interest income	5.95	8.10
Dividend income from investments designated at fair value through profit and loss	5.50	2.00
Dividend income from equity investments carried at cost	9.33	10.00
Fair value gain on financial instrument at fair value through profit and loss (net)	39.13	71.97
Liabilities no longer required written back	5.84	7.86
Miscellaneous income^^	16.07	15.41
Total	**104.40**	**122.80**

^^Includes rent income of Rs 3.01 (March 31, 2019; Rs 0.76); refer note 32 B (c)(i)

Notes to the standalone financial statements for the year ended March 31, 2020
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

23 Cost of raw material and components consumed

	March 31, 2020	March 31, 2019
Inventories at the beginning of the year	115.37	92.02
Add: Purchases	1,771.35	2,140.94
	1,886.72	**2,232.96**
Inventories at the end of the year	(126.18)	(115.37)
	1,760.54	**2,117.59**
Less: capitalised during the year (refer note 4 (d))	(0.16)	(5.86)
Total	**1,760.38**	**2,111.73**

24 (Increase) in inventories of finished goods, work-in-progress and traded goods

	March 31, 2020	March 31, 2019
Inventories at the beginning of the year		
Work-in-progress	87.00	64.01
Finished goods	17.42	22.45
Traded goods	8.89	9.96
	113.31	**96.42**
Less: inventories at the end of the year		
Work-in-progress	90.65	87.00
Finished goods	26.94	17.42
Traded goods	8.52	8.89
	126.11	**113.31**
Total	**(12.80)**	**(16.89)**

25 Employee benefits expense

	March 31, 2020	March 31, 2019
Salaries and wages	373.66	342.45
Contribution to provident and other funds	26.55	24.74
Gratuity expense (note 34)	6.61	4.82
Staff welfare expenses	24.22	22.89
	431.04	**394.90**
Less: capitalised during the year (refer note 4 (d))	(0.10)	(1.56)
Total	**430.94**	**393.34**

Notes to the standalone financial statements for the year ended March 31, 2020
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

26 Finance costs

	March 31, 2020	March 31, 2019
Interest expense	2.15	3.73
Unwinding of discount	3.08	1.53
Total	**5.23**	**5.26**

27 Depreciation and amortization expense

	March 31, 2020	March 31, 2019
Depreciation of property, plant and equipment (note 4 (a))	51.30	52.05
Depreciation of right-of-use assets (note 4 (b))	1.90	-
Amortization of intangible assets (note 4 (c))	9.41	11.43
Less: expense related to discontinued operations	-	(13.35)
Total	**62.61**	**50.13**

28 (a) Other expenses

	March 31, 2020	March 31, 2019
Consumption of stores and spare parts	42.94	46.17
Power and fuel	30.40	32.42
Freight and forwarding charges (net)	56.55	60.59
Site expenses and contract labour charges	306.87	284.89
Drawing, design and technical service charges	9.50	9.19
Sales commission	14.60	18.15
Advertisement and sales promotion	11.21	4.98
Rent (note 32 B (ii))	10.42	11.70
Rates and taxes	12.13	5.97
Insurance	4.53	3.91
Repairs and maintenance:		
Plant and machinery	16.99	13.95
Buildings	3.90	4.93
Others	27.39	22.12
Travelling and conveyance	52.17	55.79
Legal and professional fees (includes payment to auditor; refer note 28 (b))	55.38	45.85
Director sitting fees	0.44	0.50
Bad debts/ advances written off	16.21	8.23
Provision for impairment allowance of financial assets (net)	0.77	27.08
Warranty expenses (net)	18.89	11.02
Loss on sale/ discard of assets (net)	1.56	1.03
CSR expenditure (note 28 (c))	7.47	7.60
Miscellaneous expenses (includes printing, communication, postage, security expense, etc.)	23.97	16.93
	724.29	693.00
Less: capitalised during the year (refer note 4 (d))	(0.74)	(1.98)
Total	**723.55**	**691.02**

Notes to the standalone financial statements for the year ended March 31, 2020

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

(b) **Payment to auditors**

	March 31, 2020	March 31, 2019
As auditor		
Audit and limited review fee	1.26	1.33
In other capacity		
Taxation matters	-	-
Other services	0.14	0.12
Reimbursement of expenses	0.07	0.08
Total	**1.47**	**1.53**

(c) **Corporate Social Responsibility (CSR)**

	March 31, 2020	March 31, 2019
Gross amount required to be spent by the Company during the year	7.46	7.48
Total	**7.46**	**7.48**

Amount spent during the year

	In Cash	Yet to spent in cash	Total
During the year ended March 31, 2020			
a. Construction/ acquisition of any asset	-	-	-
b. On purposes other than (a) above^	7.47	-	7.47
	7.47	**-**	**7.47**
During the year ended March 31, 2019			
a. Construction/ acquisition of any asset	-	-	-
b. On purposes other than (a) above^	7.60	-	7.60
	7.60	**-**	**7.60**

^The amount is contributed to Thermax Foundation, India . Refer note 35.

29 Discontinued Operation

As part of organisational restructuring the Board of Directors and Shareholders of the Company, approved the transfer of Boiler & Heater (B&H) business of Thermax Limited to Thermax Babcock & Wilcox Energy Solutions Private Limited (TBWES), a wholly owned subsidiary on a going concern basis through slump sale. The B&H business was transferred to TBWES w.e.f. October 01, 2019. Accordingly, the results of B&H business were classified as discontinued operations in the standalone financial statements in accordance with Ind AS 105 upto the date of such transfer. The financial parameters in respect of discontinued operations are stated below:

Notes to the standalone financial statements for the year ended March 31, 2020
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

a) **Financial performance and cash flow information**

	September 30, 2019^	March 31, 2019
Revenue including other income (excluding sales made to continuing operations Rs. 139.88 (March 31, 2019 Rs. 312.46)	949.56	1,648.00
Expenses*	859.07	1,474.78
Profit before income tax	**90.49**	**173.22**
Income Tax	37.89	59.00
Profit after income tax	**52.60**	**114.22**
Other comprehensive income	(2.44)	(7.57)
Total comprehensive income	**50.16**	**106.65**
Net cash flow from operating activities	(60.50)	72.37
Net cash flow from investing activities	(1.53)	(12.90)
Net cash flow from financing activities	(68.65)	38.64
Net cash generated from discontinued operation	**(130.68)**	**98.11**

^ Upto the date of slump sale

* The Company had continued to charge depreciation on asset held as part of disposal, as these were proposed to be transferred to wholly owned subsidiary.

b) **The carrying amount of assets and liabilities are as follows:**

	As at March 31, 2019
Assets	
Property, plant and equipment	82.50
Capital work-in-progress	1.11
Intangible assets	1.00
Trade receivables	420.89
Loans	3.61
Inventories	237.38
Cash and bank balances*	100.06
Other financial assets	667.35
Other assets	123.43
Deferred Tax	71.34
Total assets	**1,708.67**
Liabilities	
Borrowings	113.63
Trade payables	464.18
Provisions	56.11
Other financial liabilities	26.68
Other liabilities	917.41
Total liabilities	**1,578.01**
Net Assets/ (liabilities)	**130.66**

*Includes balances with restricted usage Rs. 26.53 as at March 31, 2019

Refer note 32 A(e) for contingent liabilities pertaining to discontinued operations

Notes to the standalone financial statements for the year ended March 31, 2020

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

30 Earnings per share

	March 31, 2020	March 31, 2019
Net profit after tax attributable to the Equity shareholders		
Continuing Operations	161.39	161.02
Discontinued Operations	52.60	114.22
Total	**213.99**	**275.24**
Weighted average number of Equity shares of Rs.2/- each	**119,156,300**	**119,156,300**
Basic and diluted Earning per share (Rs.)		
Continuing Operations	13.54	13.51
Discontinued Operations	4.41	9.59
Total	**17.95**	**23.10**

31 Components of Other Comprehensive Income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

For the year ended March 31, 2020

	Cash flow hedge reserve	Retained Earnings	Total
Foreign exchange forward contracts	(4.39)	-	(4.39)
Reclassified to Statement of profit or loss (Net)	1.61	-	1.61
Re-measurement gains on defined benefit plans	-	(10.38)	(10.38)
Total	**(2.78)**	**(10.38)**	**(13.16)**

For the year ended March 31, 2019

	Cash flow hedge reserve	Retained Earnings	Total
Foreign exchange forward contracts	(40.05)	-	(40.05)
Reclassified to Statement of profit or loss (Net)	18.95	-	18.95
Re-measurement gains on defined benefit plans	-	0.28	0.28
Total	**(21.10)**	**0.28**	**(20.82)**

32 Contingent liabilities and commitments

A Contingent liabilities

a) Taxes*

	March 31, 2020	March 31, 2019
Excise, Customs Duty and Service tax	158.97	1,402.68
Sales tax	61.38	63.59
Income tax demands disputed in appellate proceedings	24.36	104.05
References/appeals preferred by the Income tax department in respect of which, should the ultimate decision be unfavourable to the Company	9.87	41.19
Others	0.10	0.10

* Excluding of interest and penalty thereon

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

b) **Guarantees on behalf of subsidiaries**

	March 31, 2020	March 31, 2019
Counter corporate guarantees issued to banks (Also refer note 33)	418.48	39.29
Indemnity bonds, letter of support/comfort and corporate guarantees (Also refer note 33)	2074.39	253.86

The Company has issued various guarantees for performance, deposits, tender money, advances, etc. The management has considered the probability for outflow of the same to be remote and accordingly no amount has been disclosed here.

c) **Others**

	March 31, 2020	March 31, 2019
Liability for export obligations	6.60	78.82
Claims against the Company not acknowledged as debt	3.33	3.02

The timing and amount of the cash flow which will arise from these matters, will be determined by the relevant authorities on settlement of the cases or on receipt of claims from customers.

d) There are certain law suits, disputes, warranty claims, etc., including commercial matters that arises from time to time in the ordinary course of business for which amounts are not quantifiable by the management. However, based on management's assessment under Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets", that the claims against the Company are not tenable/ probability of final outcome against the Company is low and therefore not disclosed as contingent liability.

e) There are certain cases that are not a part of contingent liability disclosed above, which pertains to the discontinued operation. Such cases have been transferred along with the discontinued operation as per indemnification agreement.

	March 31, 2020
Excise, Customs Duty and Service tax	1,245.67
Sales tax	3.37
Liability for export obligations	65.29

B Capital and other commitments

a) Liability in respect of partly paid shares Rs. 0.09 (March 31, 2019 Rs.0.09)

` b) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs. 26.84 (March 31, 2019 Rs. 18.64). This excludes Rs 2.00 pertaining to discontinued operations as on March 31, 2019

c) **Lease commitments**

i. Operating lease: Company as lessor

The Company has leased certain parts of its surplus office and buildings. The tenure of such lease agreements ranges from 1 to 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. For nature of assets refer note 4(a)

	March 31, 2020	March 31, 2019
Lease received for the year *	3.01	0.76

* Lease received excludes Rs.0.20 (March 31, 2019: 1.49) pertaining to discontinued operations

Notes to the standalone financial statements for the year ended March 31, 2020
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

ii. **Where the Company is lessee**

The Company has taken land, office buildings, factory sheds, guest house, warehouse, vehicles, printers and other office equipments on lease for a tenure of 1 to 99 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. There are no variable lease payments and residual value guarantees for these leases. The leases are renewable on mutually agreeable terms. At the expiry of the lease term, either party has an option to terminate the agreement or extend the term by giving notice in writing. The Company also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Refer note 2.2 in significant accounting policies relating to adoption of Ind AS 116

Carrying amounts of lease liabilities and the movements during the year.

	March 31, 2020
As at 1 April, 2019	8.10
Additions	-
Accretion of interest	-
Payments made	0.98
As at 31 March 2020	**7.12**
Current portion	1.08
Non-current portion	6.04
Total*	**7.12**

* Pertains to offices taken on lease

Details of amounts recognised in statement of profit and loss

	March 31, 2020
Depreciation expense of right-of-use assets	1.90
Interest expense on lease liabilities	-
Expense relating to short-term leases (included in other expenses and staff welfare expenses)	12.58
Expense relating to leases of low-value assets (included in other expenses)	0.97
Total amount recognised in statement of profit or loss*	**15.45**

* Excludes Rs. 8.53 pertaining to discontinued operations

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

iii. **Details of lease payments where Company is lessee (disclosure pursuant to erstwhile Ind AS 17):**

(a) Amounts payable under Operating lease

	March 31, 2019
Lease payments for the year	11.7

	March 31, 2019
Future minimum lease rental payables under non-cancellable operating leases are as follows:*	
Within one year	0.86
After one year but not more than five years	0.26
More than five years	-

*Future minimum lease rental payables under non-cancellable operating leases for the year ended March 31, 2019 excludes Rs. Nil pertaining to discontinued operations

33 Disclosure required under Section 186(4) of Companies Act, 2013

a) Loans to related parties includes loan given to a subsidiary. The particulars of which are disclosed below as required by Sec 186(4) of Companies Act, 2013.

Name of the party	Rate of interest (p.a.)	Due date and amount payable	Purpose	March 31, 2020 Amount	March 31, 2019 Amount
Thermax Engineering Construction Company Limited	Nil (March 31, 2019: 10.05%)	Not Applicable, the loan has been repaid by subsidiary	The loan has been granted to the subsidiary for working capital requirements.	-	7.50
Thermax Babcock & Wilcox Energy Solutions Private Limited	SBI Base rate plus 1%, currently 9.45% (March 31, 2019: Nil)	The principal amount shall be repaid within a period one year, subject to mutual extension. The interest is payable on a quarterly basis by the 15th day of the next month.	The loan has been granted to the subsidiary for funding for business acquisitions,working capital requirements etc.	301.00	-
First Energy Private Limited*	SBI Base rate plus 1%, currently 9.45% (March 31, 2019: Nil)	The loan shall be repaid within a period of one year	The loan has been granted to the subsidiary for working capital requirements.	3.62	-

*Loan amounting to Rs. 3.62 has been written off in the books

Notes to the standalone financial statements for the year ended March 31, 2020

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

b) The Company has issued guarantees on behalf of subsidiaries to banks. Details as below

Name of the party	March 31, 2020		March 31, 2019	
	Foreign currency (million)	Amount	Foreign currency (million)	Amount
Thermax Instrumentation Limited	-	12.88	-	18.37
Thermax Instrumentation Limited	USD 1.3	9.83	USD 2.65	18.32
Thermax Onsite Energy Solutions Limited	-	4.23	-	2.60
Thermax Babcock & Wilcox Energy Solutions Private Limited	-	391.54	-	-
Total		**418.48**		**39.29**

Purpose : Bank guarantees issued favouring end customers on behalf of the subsidiaries

c) The Company has issued indemnity bonds, letter of support/comfort and corporate guarantees, counter corporate guarantees on behalf of subsidiaries. Details are given below:

Name of the party	March 31, 2020		March 31, 2019	
	Foreign currency (million)	Amount	Foreign currency (million)	Amount
Thermax Instrumentation Limited		42.00		30.00
Thermax Engineering Construction Company Limited		69.00		90.00
Thermax Babcock & Wilcox Energy Solutions Private Limited		1,615.00		-
Thermax Cooling Solutions Limited		35.00		-
Thermax Engineering Singapore Pte. Ltd.	USD 10	75.65		-
Danstoker A/S	USD 7.2	54.47		-
Thermax (Zhejiang) Cooling & Heating Engineering Company Ltd.	USD 6	45.39	USD 6	41.49
PT Thermax International Indonesia	USD 11.4	86.24	USD 6.4	44.26
Rifox-Hans Richter GmbH Spezialarmaturen	EUR 0.45	3.75	EUR 0.45	3.49
Thermax Denmark ApS	EUR 5.75	47.89	EUR 5.75	44.62
Total		**2,074.39**		**253.86**

The above guarantees have been issued for the purpose of various banking facilities for the subsidiaries.

34 Gratuity

The Company operates a defined benefit plan viz. gratuity for its employees. Under the gratuity plan, every employee who has completed at least specified years of service gets a gratuity on departure at 15 days (minimum) of the last drawn salary for each completed year of service. The scheme is funded with an insurance Company in the form of qualifying insurance policy. The fund has formed a trust and it is governed by the Board of Trustees.

The fund is subject to risks such as asset volatility, changes in assets yields and asset liability mismatch risk. In managing the plan assets, Board of Trustees reviews and manages these risks associated with the funded plan. Each year, the Board of Trustees reviews the level of funding in the gratuity plan. Such a review includes asset-liability matching strategy and investment risk management policy (which includes contributing to plans that invest in risk-averse markets). The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed) will arise.

Notes to the standalone financial statements for the year ended March 31, 2020

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

I **Changes in the net benefit obligation and fair value of plan assets are as follows:**

Particulars	Present value of obligation	Fair value of plan assets	Net amount
April 1, 2018	**83.80**	**(93.55)**	**(9.75)**
Current service cost	8.26	-	8.26
Interest expense/(income)	6.00	(7.17)	(1.17)
Total amount recognised in Profit or Loss*	**14.26**	**(7.17)**	**7.09**
Experience adjustments	(0.47)	-	(0.47)
Actuarial loss from change in financial assumptions	0.05	-	0.05
Return on plan assets (income)	-	(0.02)	(0.02)
Total amount recognised in Other Comprehensive (Income) / Loss*	**(0.42)**	**(0.02)**	**(0.44)**
Employer contributions	-	(4.20)	(4.20)
Benefits paid	(10.80)	10.80	-
Reclassified as part of disposal group	(27.93)	27.93	-
March 31, 2019	**58.91**	**(66.21)**	**(7.30)**
Current service cost	8.02	-	8.02
Interest expense/(income)	6.19	(7.60)	(1.41)
Total amount recognised in Profit or Loss	**14.21**	**(7.60)**	**6.61**
Experience adjustments	4.67	-	4.67
Actuarial loss from change in financial assumptions	8.59	-	8.59
Demographic adjustments	(1.29)	-	(1.29)
Return on plan assets (income)	-	0.91	0.91
Total amount recognised in Other Comprehensive (Income) / Loss*	**11.97**	**0.91**	**12.88**
Employer contributions	-	(15.71)	(15.71)
Benefits paid	(11.75)	11.75	-
Reclassified as a part of disposal group	(1.90)	1.90	-
March 31, 2020	**71.44**	**(74.96)**	**(3.52)**

*Includes Rs. 2.27 in Profit or Loss and Rs.0.14 in Other Comprehensive Income pertaining to discontinued operations. As the liability at the year end is computed on consolidated basis, combined disclosure for continuing and discontinued operations has been presented.

II **The net liability disclosed above relates to funded plans are as follows:**

Particulars	March 31, 2020	March 31, 2019
Present value of funded obligation	71.44	58.91
Fair value of plan assets	(74.96)	(66.21)
Surplus of funded plan	**(3.52)**	**(7.30)**

Notes to the standalone financial statements for the year ended March 31, 2020

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

III Significant assumptions

The principal actuarial assumptions were as follows :

Particulars	March 31, 2020	March 31, 2019
Discount rate	6.04%	7.64%
Salary growth rate	7.00%	7.00%
Normal retirement age	60 years	60 years
Mortality table	Indian Assured Lives Mortality (2012-14) Ultimate	Indian Assured Lives Mortality (2012-14) Ultimate
Employee turnover	5% to 10%	5% to 10%

IV Sensitivity analysis

The sensitivity of defined obligation to changes in the weighted principal assumptions is:

Assumption	Impact on defined benefit obligation	
	March 31, 2020	**March 31, 2019**
Discount rate		
1.00% increase	Decrease by 5.08	Decrease by 5.01
1.00% decrease	Increase by 5.76	Increase by 5.65
Future salary increase		
1.00% increase	Increase by 5.26	Increase by 5.20
1.00% decrease	Decrease by 4.73	Decrease by 4.70
Attrition rate		
1.00% increase	Increase by 0.52	Increase by 0.15
1.00% decrease	Decrease by 0.58	Decrease by 0.18

The above sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous periods.

The following are the expected cash flows to the defined benefit plan in future years:

Particulars	March 31, 2020	March 31, 2019
Within next 12 months	11.19	10.46
Between 2-5 years	27.67	37.57
Next 5 years	23.31	29.37

The average duration of the defined benefit plan obligation at the end of the reporting period is 9 years (March 31, 2019: 9 years)

V The major categories of plan assets are as follows:

Particulars	March 31, 2020	March 31, 2019
Investments with Insurer (LIC of India)	100.00%	100.00%

Notes to the standalone financial statements for the year ended March 31, 2020

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

35 Related party disclosures

A Subsidiaries

Unless otherwise stated, the subsidiaries have share capital consisting solely of equity shares that are held directly or indirectly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Sr. No.	Name of the entity	Place of business/ Country of incorporation	Ownership interest March 31, 2020	Ownership interest March 31, 2019
1	Thermax Onsite Energy Solutions Limited	India	100%	100%
2	Thermax Instrumentation Limited	India	100%	100%
3	Thermax Engineering Construction Company Limited	India	100%	100%
4	Thermax Sustainable Energy Solutions Limited	India	100%	100%
5	Thermax International Limited	Mauritius	100%	100%
6	Thermax Europe Ltd.	United Kingdom	100%	100%
7	Thermax Inc.*	U.S.A.	100%	100%
8	Thermax do Brasil Energia-e Equipamentos Ltda.	Brazil	100%	100%
9	Thermax (Zhejiang) Cooling & Heating Engineering Company Ltd.	China	100%	100%
10	Thermax Netherlands B.V.	Netherlands	100%	100%
11	Thermax Denmark ApS*	Denmark	100%	100%
12	Danstoker A/S*	Denmark	100%	100%
13	Ejendomsanpartsselskabet Industrivej Nord 13*	Denmark	100%	100%
14	Boilerworks A/S*	Denmark	100%	100%
15	Boilerworks Properties ApS Industrivej*	Denmark	100%	100%
16	Danstoker Poland S.p.Z.o.o. *	Poland	100%	100%
17	Rifox-Hans Richter GmbH Spezialarmaturen	Germany	100%	100%
18	Thermax SDN. BHD	Malaysia	100%	100%
19	Thermax Engineering Singapore Pte. Ltd.	Singapore	100%	100%
20	PT Thermax International*	Indonesia	100%	100%
21	Thermax Hong Kong Limited	Hong Kong	100%	100%
22	Thermax Senegal S.A.R.L.*	Senegal	100%	100%
23	First Energy Private Limited	India	76%	76%
24	Thermax Energy and Environment Philippines Corporation *	Philippines	100%	100%
25	Thermax Energy & Environment Lanka (Private) Limited *	Sri Lanka	100%	100%
26	Thermax Nigeria Limited*	Nigeria	100%	100%
27	Thermax Babcock & Wilcox Energy Solutions Private Limited	India	100%	100%
28	Thermax Cooling Solutions Limited	India	100%	100%
29	Thermax Engineering Construction FZE *	Nigeria	100%	100%
30	Thermax International Tanzania Limited#	Tanzania	100%	NA
31	Thermax (Thailand) Limited##	Thailand	100%	NA
32	Thermax Employee ESOP and Welfare Trust**	India	-	-

* Held indirectly

\# Incorporated on December 7, 2019

\## Incorporated on March 9, 2020

** The Company has all ESOP trust and Employee Welfare Trusts set up for the welfare of the employees. Pursuant to the arrangement between the Trusts and the Company, the Company has determined that it has power to direct the relevant activities of the trust while being exposed to variable returns from its involvement with these entities.

Notes to the standalone financial statements for the year ended March 31, 2020

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

B Holding Company

Sr. No.	Name of the entity	Place of business/ Country of incorporation	Ownership interest	
			March 31, 2020	March 31, 2019
1	RDA Holdings Private Limited	India	53.99%	53.99%

C Individuals having significant influence over the Company by reason of voting power and their relatives:

1 Mrs. Meher Pudumjee - Chairperson

2 Mrs. Anu Aga - Relative of Chairperson / Director

3 Mr. Pheroz Pudumjee - Director

4 Mr. Zahaan Pudumjee - Relative of Chairperson / Director

D Key Management Personnel:

1 Mr. M S Unnikrishnan - Managing Director and Chief Executive Officer

2 Dr Valentin A. H. von Massow - Independent Director

3 Dr Jairam Varadaraj - Independent Director

4 Mr. Nawshir Mirza - Independent Director

5 Mr. Harsh Mariwala - Independent Director

6 Mr. Sashishekhar Balakrishna (Ravi) Pandit - Independent Director

7 Mrs. Rajani Kesari-Independent Director

8 Mr. Amitabha Mukhopadhyay - Chief Financial Officer (Resigned on May 31, 2019)

9 Mr. Rajendran Arunachalam - Chief Financial Officer (w.e.f June 1, 2019)

10 Mr. Kedar Phadke - Company Secretary

E Enterprises with whom transactions have taken place during the year, over which control is exercised by individuals listed in 'C' and 'D' above:

1 Thermax Foundation, India

2 ARA Trusteeship Company Private Limited, India

3 Marico Limited, India

4 Elgi Ultra Industries Limited, India

5 Elgi Equipments Limited, India

6 The Akanksha Foundation, India

7 Festo India Private Limited, India

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

F Transactions with related parties for the year ended March 31, 2020:

	Subsidiaries		Enterprises over which control is exercised by Individuals having Significant influence over the company and Key Management Personnel		Key Management Personnel and Individuals having Significant influence over the company mentioned in D		Total	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
a. Transactions during the year								
Revenue from contracts with customers	214.39	9.04	0.68	-	-	-	215.07	9.04
Commission income	0.22	-	-	-	-	-	0.22	-
Miscellaneous income	9.94	0.39	-	-	-	-	9.94	0.39
Interest income	13.53	-	-	-	-	-	13.53	-
Dividend income	9.33	-	-	-	-	-	9.33	-
Recovery of expenses	23.36	0.37	-	-	-	-	23.36	0.37
Purchase of raw material and components	81.93	12.28	0.35	-	-	-	82.28	12.28
Site expenses and contract labour charges	58.78	1.56	-	-	-	-	58.78	1.56
Reimbursement of expenses^	11.01	1.05	-	-	-	-	11.01	1.05
Rendering of support services	3.11	-	-	-	-	-	3.11	-
Other expenses	1.61	0.03	0.01	-	-	-	1.62	0.03
Remuneration to Key Management Personnel*	-	-	-	-	6.93	-	6.93	-
Donation	-	-	7.47	-	-	-	7.47	-
Purchase of property, plant and equipment	0.86	-	-	-	-	-	0.86	-
Investment in equity shares	7.09	-	-	-	-	-	7.09	-
Redemption in Preference shares	10.00	-	-	-	-	-	(10.00)	-
Loans given	304.62	-	-	-	-	-	304.62	-
Loan Recovered#	9.30	-	-	-		-	9.30	-
Director's sitting fees	-	-	-	-	0.44	-	0.44	-
Commission paid	-	-	-	-	3.72	-	3.72	-
Rent paid	0.63	-	-	-	0.51	-	1.13	-
Consideration received towards sale of B&H business	350.74	-	-	-	-	-	350.74	-

* Does not include gratuity and leave encashment since the same is calculated for all employees of the company as a whole.

^ Includes free of cost supplies of Rs. Nil (March 31, 2019: 4.61)

Includes Rs. 1.8 (March 31, 2019: Nil) on account of loan recovered from Thermax Sustainable Energy Solutions Limited which was written off in the books in previous periods.

Note: Dividend paid to RDA Holdings Private Limited, India is Rs. 90.06 and to Employee welfare and ESOP trusts Rs 9.16, including interim dividend for the year 2019-20

Transactions carried out in the capacity of agent with TBWES:

Description	Total
Revenue from contracts with customers	178.29
Purchase of raw material and components	47.76

(March 31, 2019: Nil)

Receivables and Payables arising in the capacity of agent with TBWES have been presented on a net basis in the financial statements

Notes to the standalone financial statements for the year ended March 31, 2020

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

	Subsidiaries	Enterprises over which control is exercised by Individuals having Significant influence over the company and Key Management Personnel	Key Management Personnel and Individuals having Significant influence over the company mentioned in D	Total
b. Balances as at reporting date				
Trade receivables^	69.48	**	-	**69.48**
Interest accrued	6.14	-	-	**6.14**
Advances given	33.45	-	-	**33.45**
Loans given (including security deposit)*	304.62	-	0.53	**305.15**
Other Assets	14.40	-	-	**14.40**
Trade payables	66.38	0.02	-	**66.39**
Advances received	2.95	-	-	**2.95**
Guarantee /letter of comfort given on behalf of subsidiaries	2,492.87	-	-	**2,492.87**

** represents amount less than a lakh rupees

^ Before impairment provision Rs. 2.67 (March 31, 2019: Nil)

* Before impairment provision Rs. 3.62 (March 31, 2019: Nil)

G Transactions with related parties for the year ended March 31, 2019:

	Subsidiaries		Joint Ventures		Enterprises over which control is exercised by Individuals having Significant influence over the company and Key Management Personnel		Key Management Personnel and Individuals having Significant influence over the company mentioned in D		Total	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
a. Transactions during the year										
Revenue from contracts with customers	149.23	1.11	-	-	1.07	-	-	-	**150.30**	**1.11**
Commission income	0.21	-	-	-	-	-	-	-	**0.21**	**-**
Miscelleneous income	0.77	0.95	-	0.36	-	-	-	-	**0.77**	**1.31**
Interest income	0.34	-	-	-	-	-	-	-	**0.34**	**-**
Dividend income	10.00	-	-	-	-	-	-	-	**10.00**	**-**
Recovery of expenses	10.31	3.21	-	-	-	-	-	-	**10.31**	**3.21**
Purchase of raw material and components	0.91	5.77	15.16	-	-	-	-	-	**16.07**	**5.77**
Site expenses and contract labour charges	23.44	15.66	-	-	-	-	-	-	**23.44**	**15.66**
Reimbursement of expenses^	10.34	6.21	-	-	-	-	-	-	**10.34**	**6.21**
Rendering of support services	2.43	-	-	-	-	-	-	-	**2.43**	**-**
Remuneration to key management personnel*	-	-	-	-	-	-	6.17	-	**6.17**	**-**
Donation	-	-	-	-	7.60	-	-	-	**7.60**	**-**
Purchase of property, plant and equipment	-	0.28	-	-	-	-	-	-	**-**	**0.28**
Investment in Equity shares	138.60	-	-	-	-	-	-	-	**138.60**	**-**
Investment in Preference shares	52.70	-	-	-	-	-	-	-	**52.70**	**-**
Loan given	6.00	-	-	-	-	-	-	-	**6.00**	**-**
Director's sitting fees	-	-	-	-	-	-	0.50	-	**0.50**	**-**
Commission paid	-	-	-	-	-	-	3.46	-	**3.46**	**-**
Rent paid	0.63	-	-	-	-	-	0.44	-	**1.07**	**-**

* Does not include gratuity and leave encashment since the same is calculated for all employees of the company as a whole.

^ Includes free of cost supplies of Rs. 4.61.

Note: Dividend paid to RDA Holdings Private Limited, India is Rs. 38.60 and to Employee welfare and ESOP trusts Rs 3.92

Notes to the standalone financial statements for the year ended March 31, 2020
(All amounts are in Rupees Crore, except per share data and unless stated otherwise)

	Subsidiaries		Joint Ventures		Enterprises over which control is exercised by Individuals having Significant influence over the company and Key Management Personnel		Key Management Personnel and Individuals having Significant influence over the company mentioned in D		Total	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
b. Balances as at reporting date										
Trade receivables	45.80	4.09	-	-	0.07	-	-	-	**45.87**	**4.09**
Interest accrued	0.17	-	-	-	-	-	-	-	**0.17**	**-**
Advances given	11.52	2.66	-	-	-	-	-	-	**11.52**	**2.66**
Loans given (including security deposit)	7.50	-	-	-	-	-	0.53	-	**8.03**	**-**
Trade payables	27.76	5.93	-	-	-	-	-	-	**27.76**	**5.93**
Advances received	3.79	-	-	-	-	-	-	-	**3.79**	**-**
Guarantee /letter of comfort given on behalf of subsidiaries and joint ventures	293.15	-	-	-	-	-	-	-	**293.15**	**-**

H Related party transactions include transactions pertaining to the following parties with whom the transactions are considered to be individually significant (percentage of the transactions being 10% or more of the total of transactions given in note 'F' and 'G' above

Particulars	March 31, 2020	March 31, 2019
Transactions during the year		
Revenue from contracts with customers		
Thermax Inc., U.S.A.	91.20	93.02
Thermax Europe Limited., U.K	32.10	25.43
Thermax Onsite Energy Solutions Limited, India	28.47	11.91
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	35.41	0.63
PT Thermax International, Indonesia	33.71	13.15
Commission income		
Thermax Engineering Construction Company Limited, India	0.13	0.12
Thermax Instrumentation Limited, India	0.09	0.08
Miscellaneous income		
Thermax Engineering Construction Company Limited, India	0.00	0.87
Thermax Instrumentation Limited, India	0.61	0.61
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	9.30	0.08
Interest income		
Thermax Engineering Construction Company Limited, India	0.27	0.34
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	13.25	-
Dividend income		
Thermax Engineering Construction Company Limited, India	-	10.00
Thermax Onsite Energy Solutions Limited, India	9.33	-
Recovery of expenses		
Thermax Engineering Construction Company Limited, India	0.63	2.90
Thermax Instrumentation Limited, India	5.93	5.64
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	13.16	0.90

Notes to the standalone financial statements for the year ended March 31, 2020

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

Particulars	March 31, 2020	March 31, 2019
Purchase of raw material and components		
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	87.41	5.77
Thermax Cooling Solutions Limited, India	2.54	15.16
Site expenses and contract labour charges		
Thermax Engineering Construction Company Limited, India	1.56	12.56
Thermax Instrumentation Limited, India	58.42	23.40
Reimbursement of expenses		
Thermax Engineering Construction Company Limited, India	0.24	4.46
Thermax Europe Limited., U.K	5.95	1.89
Thermax SDN BHD, Malaysia	1.82	2.92
Thermax Inc., U.S.A.	0.54	4.93
Rendering of support services		
Thermax Energy and Environment Philippines Corporation	3.11	2.43
Other expenses:		
Thermax SDN BHD, Malaysia	1.32	-
Remuneration to Key Management Personnel, excluding commission		
Mr. M. S. Unnikrishnan	4.00	3.63
Mr. Amitabha Mukhopadhyay	1.26	2.23
Mr. Rajendran Arunachalam	1.27	-
Donation		
Thermax Foundation, India	7.47	7.60
Purchase of property, plant and equipment		
Thermax Engineering Construction Company Limited, India	-	0.28
Thermax Babcock & Wilcox Energy Solutions Private Ltd., India	0.86	-
Investment in equity shares		
Thermax Babcock & Wilcox Energy Solutions Private Ltd., India	-	50.34
Thermax Engineering Singapore Pte. Ltd., Singapore	-	37.35
Thermax Netherlands B.V.	-	43.66
Thermax (Zhejiang) Cooling & Heating Engineering Company Ltd.	7.09	-
(Redemption)/Investment in Preference share		
Thermax Babcock & Wilcox Energy Solutions Private Ltd., India	-	52.70
Thermax Instrumentation Limited, India	(10.00)	-
Loans given		
Thermax Engineering Construction Company Limited, India	-	6.00
Thermax Babcock & Wilcox Energy Solutions Private Ltd., India	301.00	-

Notes to the standalone financial statements for the year ended March 31, 2020

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

Particulars	March 31, 2020	March 31, 2019
Loans recovered		
Thermax Engineering Construction Company Limited, India	7.50	-
Thermax Sustainable Energy Solutions Limited	1.80	-
Directors sitting fees		
Mrs. Meher Pudumjee	0.06	0.07
Mr. Pheroz Pudumjee	0.08	0.09
Dr Valentin A. H. von Massow	0.06	0.07
Dr Jairam Varadaraj	0.07	0.08
Mr. Nawshir Mirza	0.06	0.06
Mr. Ravi Pandit	0.06	0.02
Commission paid		
Mrs. Meher Pudumjee	0.45	0.45
Mr. Pheroz Pudumjee	0.20	0.20
Dr Valentin A. H. von Massow	0.37	0.30
Dr Jairam Varadaraj	0.20	0.15
Mr. Nawshir Mirza	0.35	0.35
Mr. Harsh Mariwala	0.25	0.20
Mr Ravi Pandit	0.15	0.15
Mrs. Rajani Kesari	0.15	0.06
M. S. Unnikrishnan	1.60	1.60
Rent paid		
Mrs. Meher Pudumjee	0.14	0.13
Mrs. Anu Aga	0.24	0.18
Mr. Pheroz Pudumjee	0.14	0.13
Thermax Instrumentation Limited, India	0.63	0.63

Particulars	March 31, 2020	March 31, 2019
Balances as at year end		
Trade receivables		
Thermax Inc., U.S.A.	14.96	15.70
Thermax Europe Limited., U.K	0.02	12.95
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	32.43	1.30
PT Thermax International, Indonesia	9.87	3.61
Interest accrued		
Thermax Engineering Construction Company Limited, India	-	0.17
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	6.14	-
Advances given		
Thermax Instrumentation Limited, India	4.69	10.71
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	22.49	1.50
Loans given (including security deposit)		
Thermax Engineering Construction Company Limited, India	-	7.50
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	301.00	-

Notes to the standalone financial statements for the year ended March 31, 2020

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

Particulars	March 31, 2020	March 31, 2019
Other Assets:		
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	14.05	-
Trade payables		
Thermax Instrumentation Limited, India	28.18	16.43
Thermax Engineering Construction Company Limited, India	-	4.08
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	27.01	1.29
Advances received		
Thermax Onsite Energy Solutions Limited, India	2.40	1.16
PT Thermax International, Indonesia	0.19	2.63
Thermax Babcock & Wilcox Energy Solutions Private Limited, India	0.36	-
Guarantee/ Letter of comfort given on behalf of subsidiaries*	2,492.87	293.15

* For details of guarantee/ letter of comfort given on behalf on subsidiaries, refer note 33

J **Loans and advances in the nature of loans given to subsidiaries and firms/ Companies in which directors are interested:**

Particulars	March 31, 2020	March 31, 2019
Thermax Engineering Construction Company Limited, India		
Balance outstanding	-	7.50
Maximum amount outstanding during the year	7.50	7.50
Thermax Babcock & Wilcox Energy Solutions Private Limited, India		
Balance outstanding	301.00	-
Maximum amount outstanding during the year	301.00	-
First Energy Private Limited, India		
Balance outstanding	3.62	-
Maximum amount outstanding during the year	3.62	-

K **Terms and conditions of related party transactions**

The sales to and purchases from related parties are assessed to be at arm's length transactions by the management. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. Refer note 33(a) for terms and conditions for loans to related parties.

For the year ended March 31, 2020, the Company has recorded an impairment of receivables amounting to Rs. 2.67 and impairment of loan amounting to Rs. 3.62 relating to amounts owed by related parties (March 31, 2019: Rs. Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. All outstanding balances are unsecured and repayable in cash.

36 **Segment information**

In accordance with para 4 of Ind AS 108 "Operating Segments", the Company has disclosed segment information in the consolidated financial statements.

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

37 Fair value measurements

a) Category of financial instruments and valuation techniques

i) Financial assets

Details of financial assets carried at amortised cost

	As at March 31, 2020	As at March 31, 2019
Trade receivables	845.49	897.45
Loans	316.77	24.63
Other financial assets	112.55	410.60
Cash and cash equivalents	86.84	92.88
Bank balances other than cash and cash equivalents (includes deposits with maturity of more than 3 months but less than 12 months)	141.64	25.88
Total	**1,503.29**	**1,451.44**
Current assets	1,178.61	1,378.75
Non-current assets	324.68	72.69
Total	**1,503.29**	**1,451.44**

The management has assessed that the carrying amounts of the above financial instruments approximate their fair values.

Details of financial assets carried at fair value through profit and loss

	As at March 31, 2020	As at March 31, 2019
Investments	756.13	766.85
Total	**756.13**	**766.85**
Current assets	637.14	656.92
Non-current assets	118.99	109.93
Total	**756.13**	**766.85**

The fair values of the quoted shares and mutual funds are based on price quotations at the reporting date.

Details of derivative assets

	As at March 31, 2020	As at March 31, 2019
Derivative instruments		
Cash flow hedges		
Foreign exchange forward contracts	1.99	33.41
Derivative not designated as hedges		
Foreign exchange forward contracts	2.43	5.92
Total	**4.42**	**39.33**
Current assets	4.42	39.33
Non-current assets	-	-
Total	**4.42**	**39.33**

Notes to the standalone financial statements for the year ended March 31, 2020

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

(ii) Financial liabilities

Details of financial liabilities carried at amortised cost

	As at March 31, 2020	As at March 31, 2019
Borrowings	72.38	40.00
Trade payable	648.17	830.72
Employee related payables	38.49	38.39
Other liabilities	21.63	36.46
Total	**780.67**	**945.57**
Current liabilities	727.94	912.68
Non current liabilities	52.73	32.89
Total	**780.67**	**945.57**

The management has assessed that the carrying amounts of the above financial instruments approximate their fair values.

Details of derivative liabilities

	As at March 31, 2020	As at March 31, 2019
Derivative instruments		
Cash flow hedges		
Foreign exchange forward contracts	12.89	21.21
Derivative not designated as hedges		
Foreign exchange forward contracts	6.76	0.85
Total	**19.65**	**22.06**
Current liabilities	19.65	22.06
Non-current liabilities	-	-
Total	**19.65**	**22.06**

The Company enters into derivative financial instruments with banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs which captures credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies and currency basis spreads between the respective currencies. The company has a practice to settle all derivative contracts on or before its maturity using the sanctioned finance limits with banks, thereby eliminating both counterparty and the Company's own non-performance risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

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

b) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2020

	Date of valuation	Level 1	Level 2	Level 3*
Financial assets				
Investments				
Equity instruments	March 31, 2020	0.08	-	-
Preference shares	March 31, 2020	-	-	59.86
Mutual funds	March 31, 2020	-	696.19	-
Derivative financial assets	March 31, 2020	-	4.42	-
Financial liabilities				
Derivative financial liabilities	March 31, 2020	-	19.65	-

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2019

	Date of valuation	Level 1	Level 2	Level 3*
Financial assets				
Investments				
Equity instruments	March 31, 2019	0.18	-	-
Preference shares	March 31, 2019	-	-	65.65
Mutual funds	March 31, 2019	-	701.02	-
Derivative financial assets	March 31, 2019	-	39.33	-
Financial liabilities				
Derivative financial liabilities	March 31, 2019	-	22.06	-

There has been no transfer between Level 1 and Level 2 during the year and during the previous year.

Valuation of financial assets in Level 3 has been done based on discounting of future cash flows. There are no changes from previous year.

* The movement in Level 3 is on account of Redemption of Preference shares and Interest accretion.

38 (a) Financial risk management

The Company's principal financial liabilities, other than derivatives, comprise trade and other payables and borrowings. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables and cash and cash equivalents that derive directly from its operations. The Company also holds FVTPL investments and enters into derivative transactions.

Risk is inherent in the Company's activities but it is managed through a process of on going identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to market risk, credit risk and liquidity risk.

The Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No significant changes were made in the risk management objectives and policies during the years ended March 31, 2020 and March 31, 2019. The management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

Notes to the standalone financial statements for the year ended March 31, 2020

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

I **Market risk**

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

a **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed significantly to such risk.

b **Foreign currency risk**

Foreign exchange risk arises when future commercial transactions and relevant assets and liabilities are denominated in a currency that is not the Company's functional currency. Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk is managed on the basis of limits determined by management and a continuous assessment of current and expected exchange rate movements and entering into derivative contracts (foreign currency forward contracts) that hedge the maximum period of exposure of underlying transactions (i.e. highly probable forecast sales and purchases).

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD, SEK and EUR exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives not designated as cash flow hedge and foreign currency derivatives with underlying foreign currency monetary assets/liabilities designated as cash flow hedge. The impact on the Company's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

	Impact on profit before tax		Impact on other components of equity	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
USD Sensitivity				
INR/ USD - Increase by 1%	(1.44)	0.01	(1.11)	(1.25)
INR/ USD - Decrease by 1%	1.44	(0.01)	1.11	1.25
SEK Sensitivity				
INR/ SEK - Increase by 1%	0.15	0.02	0.09	0.14
INR/ SEK - Decrease by 1%	(0.15)	(0.02)	(0.09)	(0.14)
EURO Sensitivity				
INR/ EUR - Increase by 1%	(0.35)	(0.07)	(0.01)	(0.18)
NR/ EUR - Decrease by 1%	0.35	0.07	0.01	0.18

Favourable impact shown as positive and adverse impact as negative.

The exposure to other foreign currencies is not significant to the Company's financial statements.

c Price risk

The Company's equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. These securities are unquoted. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions. The Company is not currently exposed significantly to such risk.

II Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables and contract assets) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous group and assessed for impairment collectively. The calculation is based on losses as per historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in notes 7 and 9(b) above. The charge of impairment to Statement of profit and loss is disclosed in note 28(a) above. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and bank deposits

Credit risk from balances with banks, mutual funds, loans and other financial assets are managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties having a good market reputation and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company’s maximum exposure to credit risk for bank balances and deposits as at March 31, 2020 and March 31, 2019 is the carrying amounts as disclosed in Note 9(a) and 13, maximum exposure relating to financial guarantees is disclosed in note 33 and financial derivative instruments in notes 9(b) and 17(b) to the financial statements.

III Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at operating segments level in the Company in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting future cash flows and considering the level of liquid assets necessary to meet these and monitoring balance sheet liquidity ratios against internal requirements.

Notes to the standalone financial statements for the year ended March 31, 2020

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

(i) Maturities of financial liabilities

The tables below summarises the Company's financial liabilities into relevant maturity profile based on contractual undiscounted payments:

March 31, 2020	< 1 year	1 to 3 years	> 3 years
Non- derivative			
Borrowings	72.38	-	-
Trade Payables	602.59	45.58	-
Other financial liabilities			
Unpaid dividend	0.97	-	-
Lease obligation	1.08	2.25	3.79
Other payables	50.92	1.11	-
Derivatives (net settled)			
Foreign exchange forward contracts	19.65	-	-

March 31, 2019	< 1 year	1 to 3 years	> 3 years
Non- derivative			
Borrowings	40.00	-	-
Trade Payables	798.94	31.78	-
Other financial liabilities			
Unpaid dividend	0.98	-	-
Other payables	72.76	1.11	-
Derivatives (net settled)			
Foreign exchange forward contracts	22.06	-	-

38 (b) Hedging activities and derivatives

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales in USD, EUR, SEK and forecast purchases in USD, SEK, JPY. These forecast transactions are highly probable, and cover the Company's expected future sales and future purchases based on the orders received.

While the Company also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

Particulars	March 31, 2020		March 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Fair Value of Foreign exchange forward contracts designated as hedging instruments	4.42	(19.65)	39.33	(22.06)

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arise requiring recognition through profit or loss. Notional amounts are as mentioned below.

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

Particulars	March 31, 2020		March 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedge				
Foreign exchange forward contracts	318.46	(35.39)	488.86	(256.12)
Derivatives not designated as hedges				
Foreign exchange forward contracts	234.29	(77.46)	207.65	(20.00)

All the derivative contracts mature within the next 12 months.

The cash flow hedges of the expected future sales and purchases were assessed to be highly effective and following net unrealised gain / (loss) with a deferred tax asset/ (liability) relating to the hedging instruments, is included in OCI.

Particulars	March 31, 2020		March 31, 2019	
	Expected future sales	Expected future purchases	Expected future sales	Expected future purchases
Unrealised gain/ (loss)	(9.55)	11.96	13.32	(11.42)
Deferred tax asset/ (liability)	2.40	(3.01)	(4.65)	3.99
	(7.14)	**8.95**	**8.66**	**(7.43)**

The amounts retained in OCI at March 31, 2020 are expected to mature and affect the statement of profit and loss during the year ended March 31, 2021.

Reclassifications to profit or loss during the year gains or losses included in OCI are shown in Note 31.

39 Capital Management

The Company's objective for capital management is to maximise shareholder value, safeguard business continuity and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long- term and other strategic investment plans. The funding requirements are met through equity and operating cash flows generated. No changes were made in the objectives, policies or processes during the years ended March 31, 2020 and March 31, 2019. Capital represents equity attributable to equity holders of the Parent Company.

	March 31, 2020	March 31, 2019
Borrowings	72.38	40.00
Trade payables	648.17	830.72
Book overdraft	3.41	22.19
Less: Cash and cash equivalents(includes deposits with maturity of more than 3 months but less than 12 months)	(228.48)	(118.76)
Net debt	**495.48**	**774.15**
Equity	2,737.49	2,735.85
Capital and net debt	**3,232.97**	**3,510.00**
Gearing ratio	**1:6.52**	**1:4.53**

Notes to the standalone financial statements for the year ended March 31, 2020

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

40 Exceptional Item

	March 31, 2020	March 31, 2019
Impairment in subsidiaries*		
Thermax (Zhejiang) Cooling and Heating Engineering Co Ltd.	7.09	15.42
Thermax Netherlands B.V.	-	126.38
First Energy Private Limited - Equity shares	4.18	0.76
First Energy Private Limited - Preference shares	-	11.93
First Energy Private Limited - Loan	3.62	-
Thermax Cooling Solutions Limited	-	5.20
Reversal of Impairment in subsidiaries		
Thermax Babcock & Wilcox Energy Solutions Private Limited #	-	(111.84)
	14.89	**47.85**

* Considering the current market scenario and performance of certain subsidiaries, the Company has accounted for impairment on certain investments in subsidiaries.

Subsequent to the acquisition of TBWES, as part of organisational restructuring the Board of Directors of the Company at its meeting held on February 8, 2019, subject to share holders approval, had approved the transfer of Boilers & Heaters (B&H) division of the Company to TBWES on a going concern basis through slump sale. The consideration for the transaction was at book value of B&H division. In view of the expected business synergies, available order book and current and expected performance of B&H business, management had assessed the carrying value of Investments in TBWES in financial statements and have accordingly reversed the earlier impairment loss of Rs 111.84 (disclosed as exceptional item) in the previous year.

41 Impact of COVID-19

World Health Organisation (WHO) declared outbreak of Coronavirus Disease (COVID-19) a global pandemic on March 11, 2020. Consequent to this, Government of India declared a national lockdown on March 24, 2020 and which has been extended from time to time . The Coronavirus is significantly impacting on business operation of the companies, by way of interruption in production, supply chain disruption, unavailability of personnel, closure / lock down of production facilities etc. The Company is monitoring the situation closely and operations are being resumed in a phased manner considering directives from the Government. The Company has evaluated its liquidity position and recoverability and carrying values of trade receivables, contract balances and inventories as at March 21, 2020 and has concluded that no material adjustments are required at this stage.

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

per Tridevlal Khandelwal
Partner
Membership No. 501160

Place : Pune
Date : June 18, 2020

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

Meher Pudumjee
Chairperson
DIN: 00019581

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

Rajendran Arunachalam
Executive Vice President
and Group Chief Financial Officer

Kedar Phadke
Company Secretary

Place: Pune
Date: June 18, 2020