Thermon Group Holdings, Inc.
Form 10-Q
November 14, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-35159 (Thermon Group Holdings, Inc.)

Commission File Number: 333-168915-05 (Thermon Holding Corp.)

THERMON GROUP HOLDINGS, INC.

THERMON HOLDING CORP.

(Exact name of registrant as specified in its charter)

Delaware (Thermon Group Holdings, Inc.) **Delaware (Thermon Holding Corp.)** (State or other jurisdiction of incorporation or organization)	**27-2228185 (Thermon Group Holdings, Inc.)** **26-0249310 (Thermon Holding Corp.)** (IRS Employer Identification No.)

100 Thermon Drive, San Marcos, Texas 78666
(Address of principal executive offices)

(512) 396-5801

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Thermon Group Holdings, Inc. x Yes o No **Thermon Holding Corp.** o Yes x No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Thermon Group Holdings, Inc. x Yes o No **Thermon Holding Corp.** o Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Thermon Group Holdings, Inc.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o

Thermon Holding Corp.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Thermon Group Holdings, Inc. o Yes x No **Thermon Holding Corp.** o Yes x No

As of November 11, 2011, each registrant had the following number of shares of common stock outstanding:

Thermon Group Holdings, Inc.: 29,523,641 shares, par value $0.001 per share

Thermon Holding Corp.: 100,000 shares, par value $0.001 per share. Thermon Group Holdings, Inc. is the sole stockholder of Thermon Holding Corp. common stock.

Thermon Holding Corp. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

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EXPLANATORY NOTE

This quarterly report (this quarterly report) combines the Quarterly Reports on Form 10-Q for the quarter ended September 30, 2011 of Thermon Group Holdings, Inc. and Thermon Holding Corp.

Unless stated otherwise or the context otherwise requires, references in this quarterly report to:

- TGH mean Thermon Group Holdings, Inc., a Delaware corporation;

- THC mean Thermon Holding Corp., a Delaware corporation; and

- we, our, us or the Company mean TGH, THC and their consolidated subsidiaries taken together as one company.

TGH was incorporated in Delaware in March 2010 in connection with the acquisition by an affiliate of CHS Capital LLC, or CHS, of a majority interest in us on April 30, 2010, which we refer to, together with certain transactions related to such acquisition described below, as the CHS Transactions. TGH is the sole stockholder of THC.

THC is a direct wholly-owned subsidiary of TGH and was incorporated in Delaware in 2007 in connection with the acquisition by an affiliate of the Audax Group private equity firm, or Audax, of a majority interest in us in August 2007, which we refer to as the Audax Transaction.

TGH is a holding company that conducts all of its business through THC and its subsidiaries. In May 2011, TGH completed an initial public offering (or IPO) of its common stock. In the aggregate, 10,650,000 shares of TGH common stock were sold in the IPO at a price to the public of $12.00 per share. TGH s common stock, which we refer to as our common stock, is listed on the New York Stock Exchange under the symbol THR.

THC owns 100% of the outstanding shares of common stock of Thermon Industries, Inc. (TII), which issued $210,000,000 aggregate principal amount of 9.500% Senior Secured Notes due 2017, which have been registered with the Securities and Exchange Commission (or SEC) under the Securities Act of 1933, as amended (or the Securities Act), and which we refer to as our senior secured notes. THC and the domestic subsidiaries of TII are guarantors of our senior secured notes.

We believe combining the Quarterly Reports on Form 10-Q of TGH and THC into this single report provides the following benefits:

- it enhances investors understanding of TGH and THC by enabling investors to view the business as a whole in the same manner as management views and operates the business;

- it eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both TGH and THC; and

- it creates time and cost efficiencies for both companies through the preparation of one combined report instead of two separate reports.

In order to highlight the differences between TGH and THC, there are sections in this quarterly report that separately discuss TGH and THC, including separate financial statements and notes thereto and separate Exhibit 31 and Exhibit 32 certifications. In the sections that combine disclosure for TGH and THC (*i.e.*, where the disclosure refers to the consolidated company), this quarterly report refers to actions or holdings as our actions or holdings and, unless otherwise indicated, such references relate to the actions or holdings of TGH and THC and their respective subsidiaries, as one consolidated company.

Finally, in connection with the IPO:

- TGH amended its amended and restated certificate of incorporation to increase its authorized capital stock and effect a 192.458681-for-one split of the common stock of TGH, which occurred on March 31, 2011;

- the two classes of TGH common stock were automatically converted into a single class of voting common stock;

- TGH and its stockholders adopted a second amended and restated certificate of incorporation;

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- TGH initially issued and sold 4,000,000 shares of its common stock and subsequently issued and sold 575,098 shares of its common stock pursuant to a partial exercise of the underwriters overallotment option;

- certain stockholders of TGH initially sold 6,000,000 shares of TGH common stock and subsequently sold 74,902 shares of TGH common stock pursuant to a partial exercise of the underwriters overallotment option;

- options to purchase 2,757,524 shares of TGH common stock granted under the Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plan (the 2010 Equity Plan) accelerated and became immediately exercisable; and

- options to purchase 117,600 shares of TGH common stock were granted under the Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (the LTIP).

Unless stated otherwise or the context otherwise requires, all information in this quarterly report gives effect to and assumes the occurrence of the foregoing actions.

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THERMON GROUP HOLDINGS, INC. and THERMON HOLDING CORP. (Combined)

QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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PART I FINANCIAL INFORMATION

Item 1 Financial Statements of Thermon Group Holdings, Inc.

Condensed Consolidated Balance Sheets

(Dollars in Thousands, except share and per share data)

	September 30, 2011 (Unaudited)	March 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 13,192	$ 51,266
Accounts receivable, net of allowance for doubtful accounts of $1,571 and $1,487 as of September 30, 2011 and March 31, 2011, respectively	47,647	40,013
Inventories, net	35,677	31,118
Costs and estimated earnings in excess of billings on uncompleted contracts	1,925	2,063
Income taxes receivable	8,109	2,462
Prepaid expenses and other current assets	7,562	7,633
Deferred income taxes	1,887	2,779
Total current assets	115,999	137,334
Property, plant and equipment, net	24,071	21,686
Goodwill	116,202	120,750
Intangible assets, net	148,534	159,056
Debt issuance costs, net	7,809	11,573
Other noncurrent assets		633
	$ 412,615	$ 451,032
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	$ 19,076	$ 18,573
Accrued liabilities	18,460	28,972
Current portion of long term debt		21,000
Borrowings under revolving lines of credit	6,500	2,063
Billings in excess of costs and estimated earnings on uncompleted contracts	2,426	1,110
Income taxes payable		7,934
Obligations due to settle the CHS Transaction	3,687	4,213
Total current liabilities	50,149	83,865
Long-term debt, net of current maturities	143,410	189,000
Deferred income taxes	48,003	49,809
Other noncurrent liabilities	1,944	1,826
Common stock, 29,523,641 at September 30, 2011 and 24,933,407 at March 31, 2011, shares issued and outstanding $.001 par value, 150,000,000 authorized	30	25
Preferred stock, no shares issued and outstanding $.001 par value, 10,000,000 authorized		
Additional paid in capital	186,270	131,416

Foreign currency translation adjustment		(1,099)		10,031
Accumulated deficit		(16,092)		(14,940)
Shareholders equity		169,109		126,532
	$	412,615	$	451,032

See accompanying notes.

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Thermon Group Holdings, Inc.

Condensed Consolidated Statements of Operations (Unaudited)

(Dollars in Thousands, except share and per share data)

	Three Months Ended September 30, 2011 (Successor)	Three Months Ended September 30, 2010 (Successor)	Six Months Ended September 30, 2011 (Successor)	For the Period From May 1, Through September 30, 2010 (Successor)	For the Period From April 1, Through April 30, 2010 (Predecessor)
Sales	$ 68,023	$ 63,451	$ 132,641	$ 100,964	$ 13,063
Cost of sales	36,072	38,119	68,701	63,462	6,447
Gross profit	31,951	25,332	63,940	37,502	6,616
Operating expenses:					
Marketing, general and administrative and engineering	14,687	13,971	44,303	22,522	4,263
Amortization of other intangible assets	2,878	6,300	5,763	11,426	215
Income from operations	14,386	5,061	13,874	3,554	2,138
Other income/(expenses):					
Interest income	76	2	167	3	7
Interest expense	(5,030)	(5,687)	(11,820)	(11,531)	(6,229)
Loss on retirement of debt	(2,336)		(2,966)		
Success fees to owners related to the CHS Transaction				(3,022)	(4,716)
Miscellaneous expense	(1,173)	(938)	(1,187)	(3,638)	(8,901)
Income (loss) before provision for income taxes	5,923	(1,562)	(1,932)	(14,634)	(17,701)
Income tax expense (benefit)	2,109	235	(780)	(664)	(17,434)
Net income (loss)	$ 3,814	$ (1,797)	$ (1,152)	$ (13,970)	$ (267)
Income (loss) per common share:					
Basic	$ 0.13	$ (0.07)	$ (0.04)	$ (0.56)	$ (5.11)
Diluted	$ 0.12	$ (0.07)	$ (0.04)	$ (0.56)	$ (5.11)
Weighted-average shares used in computing net loss per common share:					
Basic	29,523,641	24,875,669	28,640,896	24,875,669	52,253
Diluted	31,262,300	24,875,669	28,640,896	24,875,669	52,253

See accompanying notes.

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Thermon Group Holdings, Inc.

Condensed Consolidated Statement of Cash Flows (Unaudited)

(Dollars in Thousands)

	Six Months Ended September 30, 2011 (Successor)	For the Period From May 1, Through September 30, 2010 (Successor)	For the Period From April 1, Through April 30, 2010 (Predecessor)
Operating activities			
Net loss	$ (1,152)	$ (13,970)	$ (267)
Adjustment to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	7,338	19,812	392
Amortization of debt costs	3,764	2,839	2,586
Stock compensation expense	6,399		
Provision (benefit) for deferred income taxes	(65)	(1,684)	(15,122)
Changes in operating assets and liabilities:			
Accounts receivable	(8,773)	(14,989)	1,365
Inventories	(5,622)	(3,023)	(1,719)
Costs and estimated earnings in excess of billings on uncompleted contracts	(329)	(439)	34
Other current and noncurrent assets	1,289	(2,480)	(3,151)
Accounts payable	1,341	9,168	825
Accrued liabilities and noncurrent liabilities	(5,188)	11,953	9,515
Income taxes payable	(13,784)	(559)	(860)
Net cash (used in) provided by operating activities	(14,782)	6,628	(6,402)
Investing activities			
Purchases of property, plant and equipment	(4,267)	(1,129)	(97)
Cash paid for Thermon Holding Corp. (net of cash acquired of $2,852)	(372)	(313,892)	
Other investing activities			(1,397)
Net cash used in investing activities	(4,639)	(315,021)	(1,494)
Financing activities			
Proceeds from senior secured notes		210,000	
Payments on senior secured notes	(66,590)		
Proceeds from revolving line of credit	6,500	4,599	
Payments on revolving lines of credit and long-term debt	(2,063)	(4,204)	(19,385)
Capital contributions	48,459	129,252	
Premiums paid on redemption of senior secured notes	(3,596)		
Debt issuance costs		(15,473)	
Net cash provided by (used in) financing activities	(17,290)	324,174	(19,385)
Effect of exchange rate changes on cash and cash equivalents	(1,363)	(118)	(14)
Change in cash and cash equivalents	(38,074)	15,663	(27,295)
Cash and cash equivalents at beginning of period	51,266		30,147

Cash and cash equivalents at end of period	$ 13,192	$ 15,663	$ 2,852

See accompanying notes.

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Thermon Group Holdings, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Dollars in Thousands, Except Share Data)

1. Basis of Presentation

On April 30, 2010, a group of investors led by entities affiliated with CHS Capital LLC (CHS) and two other private equity firms acquired a controlling interest in Thermon Holding Corp. and its subsidiaries from Thermon Holdings, LLC (Predecessor) for approximately $321,500 in a transaction that was financed by approximately $129,200 of equity investments by CHS, two other private equity firms and certain members of our current and former management team (collectively, the management investors) and $210,000 of debt raised in an exempt Rule 144A senior secured note offering to qualified institutional investors (collectively, the CHS Transactions). The proceeds from the equity investments and debt financing were used both to finance the acquisition and pay related transaction costs. As a result of the CHS Transactions, Thermon Group Holdings, Inc. became the ultimate parent of Thermon Holding Corp. Thermon Group Holdings, Inc. (TGH) and its direct and indirect subsidiaries are referred to collectively as we , our , the Company or Successor herein. We refer to CHS and the two other private equity fund investors collectively as our private equity sponsors.

In the CHS Transactions, the senior secured notes were issued by Thermon Finance, Inc., which immediately after the closing of the CHS Transactions was merged into our wholly-owned subsidiary Thermon Industries, Inc.

The CHS Transactions were accounted for as a purchase combination. The purchase price was allocated to the assets and liabilities acquired based on their estimated fair values. While the Company takes responsibility for the allocation of assets acquired and liabilities assumed, it consulted with an independent third party to assist with the appraisal process.

Pushdown accounting was employed to reflect the purchase price paid by our new owner.

We have prepared our consolidated financial statements as if TGH had been in existence throughout all relevant periods. The historical financial and other data prior to the closing of the CHS Transactions on April 30, 2010 have been prepared using the historical results of operations and bases of the assets and liabilities of the Predecessor. Our historical financial data prior to May 1, 2010 may not be indicative of our future performance. The CHS Transactions which closed on April 30, 2010, resulted in the liquidation of the equity balances that belonged to the previous owner. Accordingly, the consolidated statement of operations and cash flows are reported separately for the period from April 1, 2010 to April 30, 2010 for the Predecessor. The settlement of equity balances and associated transaction expenses of the Predecessor are reported in the period from April 1, 2010 to April 30, 2010.

In May 2011, Thermon Group Holdings, Inc. completed its initial public offering (IPO) of common shares in which it issued 4,575,098 new common shares and received net proceeds of $48,459, net of underwriting discounts and commissions and offering expenses. Refer to Note 13, Shareholders Equity .

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of TGH for the year ended March 31, 2011. In our opinion, the accompanying consolidated financial statements reflect all adjustments (consisting only of normal recurring items) considered necessary to present fairly our financial position at September 30, 2011 and March 31, 2011, and the results of our operations for the three months ended September 30, 2011 and 2010, the six months ended September 30, 2011, the period from May 1, 2010 to September 30, 2010 and the period from April 1 through April 30, 2010. Operating results for the period from May 1 through September 30, 2010 and for the period from April 1 through April 30, 2010 are not necessarily indicative of the results that may be expected for the three and six months ended September 30, 2011. Certain reclassifications have been made to the prior period presentation to conform to the current period presentation. All dollar and share amounts are presented in thousands, unless otherwise noted.

2. Recent Accounting Pronouncements

In June 2011, the FASB updated FASB ASC 220, *Comprehensive Income* (FASB ASC 220) that gives an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The update does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The update does not change the option for an entity to present components of other comprehensive income either net of related tax effects or before related tax effects, with one amount shown for the aggregate income tax expense or benefit related to the total of other comprehensive income items. The update does not affect how earnings per share is calculated or presented. The update should be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after

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December 15, 2011. We are currently evaluating the requirements of this update and have not yet determined the impact on our consolidated financial statements.

In September 2011, the FASB updated FASB ASC 350, *Goodwill and Other* (FASB ASC 350) that gives an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendments are effective for annual and interim goodwill impairment test performed for fiscal years beginning after December 15, 2011. We are currently evaluating the requirements of this update and have not yet determined the impact on our consolidated financial statements.

3. Earnings and Net Income (Loss) per Common Share

Basic earnings per share (EPS) and net loss per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during each period. Diluted net loss per share is computed by dividing net loss by the weighted average number of common shares and common share equivalents outstanding (if dilutive) during each period. The number of common share equivalents, which include options and P units, is computed using the treasury stock method.

The reconciliation of the denominators used to calculate basic EPS and diluted EPS for the three months ended September 30, 2011 and 2010, the six months ended September 30, 2011, the period from May 1, 2010 to September 30, 2010 and the period from April 1 through April 30, 2010, respectively, are as follows:

	(Successor)				(Predecessor)
	Three Months Ended Sept. 30, 2011	**Three Months Ended Sept. 30, 2010**	**Six Months Ended Sept. 30, 2011**	**For the period From May 1, 2010 Through Sept. 30, 2010**	**For the Period From April 1, Through April 30, 2010**
Net income (loss)	$ 3,814	$ (1,797)	$ (1,152)	$ (13,970)	$ (267)
Weighted-average common shares outstanding	29,523,641	24,875,669	28,640,896	24,875,669	52,253
Plus: Commons share equivalents Stock options (1)	1,738,659				
Weighted average shares outstanding - dilutive	31,262,300	24,875,669	28,640,896	24,875,669	52,253

(1) For the periods in which the Company was in a net loss position, there was no dilutive effect on net loss per common share as the Class P units issued by the predecessor and options issued by the successor are antidilutive.

4. Inventories

Inventories consisted of the following:

	September 30, 2011	March 31, 2011
Raw materials	$ 11,763	$ 9,847
Work in process	1,652	2,307
Finished goods	23,246	20,669
	36,661	32,823
Valuation reserves	(984)	(1,705)
Net inventory	$ 35,677	$ 31,118

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5. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	September 30, 2011	March 31, 2011
Land, buildings and improvements	$ 13,272	$ 13,495
Machinery and equipment	6,416	7,378
Office furniture and equipment	2,630	2,595
Construction in process	4,677	
	26,995	23,468
Accumulated depreciation	(2,924)	(1,782)
	$ 24,071	$ 21,686

6. Intangibles

Intangible assets at September 30, 2011and March 31, 2011were related to the CHS Transactions and consisted of the following:

	Gross Carrying Amount at September 30, 2011	Accumulated Amortization	Net Carrying Amount at September 30, 2011	Gross Carrying Amount at March 31, 2011	Accumulated Amortization	Net Carrying Amount at March 31, 2011
Trademarks	$ 47,753	$	$ 47,753	$ 49,403	$	$ 49,403
Developed technology	10,943	(850)	10,093	11,321	(600)	10,721
Customer relationships	101,124	(12,144)	88,980	104,319	(7,240)	97,079
Backlog	10,088	(10,088)		10,480	(10,480)	
Certification	498		498	516		516
Other	1,634	(424)	1,210	1,634	(297)	1,337
Total	$ 172,040	$ (23,506)	$ 148,534	$ 177,673	$ (18,617)	$ 159,056

Trademarks and certifications have indefinite lives. Developed technology, customer relationships, and other intangible assets have estimated lives of 20 years, 10 years, and 6 years, respectively. The weighted average useful life for the group is 10 years.

The net carrying amounts of intangible assets are affected by currency translation adjustments. As compared to the net carrying amounts at March 31, 2011, intangible assets at September 30, 2011, were approximately $4.8 million lower due to fluctuations in exchange rates used to value intangible assets carried in foreign currency.

7. Goodwill

The carrying amount of goodwill as of September 30, 2011, is as follows:

		Amount
Balance as of March 31, 2011	$	120,750
Foreign currency translation impact		(4,548)
Balance as of September 30, 2011	$	116,202

The excess purchase price over the fair value of assets acquired is recorded as goodwill. As we have one operating segment, we allocate goodwill to one reporting unit for goodwill impairment testing. Goodwill is tested for impairment on an annual basis, and between annual tests if indicators of potential impairment exist, using a fair-value-based approach based on the market capitalization of the reporting unit. Our annual impairment test will be performed as of January 1, 2012. Goodwill is not deductible for tax purposes.

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8. Accrued Liabilities

Accrued current liabilities consisted of the following:

	September 30, 2011	March 31, 2011
Accrued employee compensation and related expenses	$ 6,943	$ 9,333
Interest	5,376	9,083
Customer prepayment	1,712	6,866
Warranty reserve	595	1,325
Professional fees	918	774
Compliance costs	55	55
Other	2,861	1,536
Total accrued current liabilities	$ 18,460	$ 28,972

9. Related-Party Transactions

We paid management fees including a termination fee in connection with our IPO to our private equity sponsors of $8,120 in the six months ended September 30, 2011. In the prior year periods of May 1 to September 30, 2010 and April 1 to April 30, 2010, we paid management fees (both Successor and Predecessor) of $833 and $79, respectively. Management fees including the termination fee are included as part of Marketing, general and administrative and engineering expense. Additionally, in the prior year periods of May 1 to September 30, 2010 and April 1 to April 30, 2010, we paid success fees to owners (both Successor and Predecessor) of $3,022 and $4,716, respectively.

Included in our consolidated balance sheet is Obligations due to settle the CHS Transaction which totaled $3,687 and $4,213 at September 30, 2011 and March 31, 2011, respectively. These amounts represent amounts due to the Predecessor owners in final settlement of the sale that was completed on April 30, 2010. During the three and six months ended September 30, 2011, we paid $154 and $526, respectively, to the Predecessor owners for cash amounts that were released during the three month period. At September 30, 2011, the amount outstanding represents the estimate of tax refunds due from government entities that have not been received but are related to the final tax periods filed by the Predecessor and remaining encumbered cash to be released as letters of credit expire.

10. Short-Term Revolving Lines of Credit

The Company s subsidiary in the Netherlands has a revolving credit facility in the amount of Euro 4,000 (equivalent to $5,438 USD at September 30, 2011) collateralized by receivables, inventory, equipment, furniture and real estate. No loans were outstanding on this facility at September 30, 2011 or March 31, 2011.

The Company s subsidiary in India has a revolving credit facility in the amount of 80,000 rupees (equivalent to $1,608 USD at September 30, 2011). The facility is collateralized by receivables, inventory, real estate, a letter of credit, and cash. No loans were outstanding under the facility at September 30, 2011 or March 31, 2011.

The Company s subsidiary in Australia has a revolving credit facility in the amount of $325 Australian Dollars (equivalent to $318 USD at September 30, 2011). The facility is collateralized by real estate. The facilities had no loans outstanding as of September 30, 2011 or March 31, 2011.

The Company s subsidiary in Japan has a revolving credit facility in the amount of 45,000 Japanese Yen (equivalent to $587 USD at September 30, 2011). The credit facility is collateralized by a standby letter of credit in the amount of $300 issued as part of the revolving credit facility referred to in Note 11, Long-Term Debt . No loans were outstanding under the Japanese revolving credit facility at September 30, 2011 or March 31, 2011.

11. Long-Term Debt

Long- term debt consisted of the following:

	September 30, 2011	March 31, 2011
9.500% Senior Secured Notes, due May 2017	$ 143,410	$ 210,000
	143,410	210,000
Less current portion		(21,000)
	$ 143,410	$ 189,000

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Revolving Credit Facility and Senior Secured Notes

Revolving credit facility. Simultaneously with the closing of the CHS Transactions and the sale of our senior secured notes, our wholly owned subsidiary, Thermon Industries, Inc., entered into a five-year, $40.0 million senior secured revolving credit facility, which we refer to as our revolving credit facility, of which up to $20.0 million is available to our Canadian subsidiary, subject to borrowing base availability. Availability of funds under our revolving credit facility is determined by a borrowing base equal to the sum of 85% of eligible accounts receivable, plus 60% of eligible inventory, plus 85% of the net orderly liquidation value of eligible equipment, plus 50% of the fair market value of eligible owned real property. In no case shall availability under our revolving credit facility exceed the commitments thereunder. As of September 30, 2011, we had $32.9 million of capacity available under our revolving credit facility after taking into account the borrowing base, outstanding loan advances and letters of credit. In addition to our revolving credit facility, we have various short term revolving lines of credit available to us at our foreign affiliates. At September 30, 2011 we had $6.5 million of outstanding borrowings under the revolving credit facility with an interest rate of 5%.

The revolving credit facility will mature in 2015. Any borrowings on our revolving credit facility will incur interest expense that is variable in relation to the LIBOR rate. Borrowings denominated in Canadian Dollars under the Canadian facility bear interest at a variable rate in relation to the bankers acceptance rate, as set forth in the revolving credit facility. In addition to paying interest on outstanding borrowings under our revolving credit facility, we are required to pay a 0.75% per annum commitment fee to the lenders in respect of the unutilized commitments thereunder and letter of credit fees equal to the LIBOR margin or the bankers acceptance rate, as applicable, on the undrawn amount of all outstanding letters of credit.

Senior secured notes. As of September 30, 2011, we had $143.4 million of indebtedness outstanding under our senior secured notes with annual cash interest expense of approximately $13.6 million. Our senior secured notes mature on May 1, 2017 and accrue interest at a fixed rate of 9.500%. We pay interest in cash semi-annually on May and November 1 of each year. Our senior secured notes were issued in a Rule 144A exempt senior secured note offering to qualified institutional investors. The proceeds were used to fund the purchase price for the CHS Transactions and related transaction costs. In January 2011, we consummated an offer to exchange the old restricted senior secured notes for new, SEC-registered senior secured notes.

During the three and six months ended September 30, 2011, the Company made partial redemptions of the senior secured notes in the amount of $24,590 and $66,590, respectively. In connection with these redemptions, the Company paid cash premiums on redemption of $2,336 and $2,966 for the three and six months ended September 30, 2011, respectively. In addition, the Company accelerated deferred debt amortization of $1,051 and $2,922 for the three and six months ended September 30, 2011, respectively. These expenses were included in interest expense for the periods reported. See Note 19, Subsequent Events regarding the private purchase of additional senior secured notes in October 2011.

Guarantees; security. The obligations under our revolving credit facility and our senior secured notes are guaranteed on a senior secured basis by the Company and each of its existing and future domestic restricted subsidiaries, other than Thermon Industries, Inc., the issuer of the senior secured notes. The obligations under our revolving credit facility are secured by a first priority perfected security interest in substantially all of our and the guarantors assets, subject to certain exceptions, permitted liens and encumbrances reasonably acceptable to the agent under our revolving credit facility. Our senior secured notes and guarantees are also secured by liens on substantially all of our and the guarantors assets, subject to certain exceptions; provided, however, that the liens are contractually subordinated to the liens thereon that secure our revolving credit facility.

Restrictive covenants. The revolving credit facility and senior secured notes contain various restrictive covenants that include restrictions or limitations on our ability to: incur additional indebtedness or issue disqualified capital stock unless certain financial tests are satisfied; pay dividends, redeem subordinated debt or make other restricted payments; make certain investments or acquisitions; issue stock of subsidiaries; grant or permit certain liens on our assets; enter into certain transactions with affiliates; merge, consolidate or transfer substantially all of our assets; incur dividend or other payment restrictions affecting certain of our subsidiaries; transfer or sell assets, including capital stock of our subsidiaries; and change the business we conduct. However, all of these covenants are subject to customary exceptions.

Information about our long-term debt that is not measured at fair value follows:

	September 30, 2011		March 31, 2011		
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**	**Valuation Technique**
Financial Liabilities					
Long-term debt	$ 143,410	$ 149,146	$ 210,000	$ 225,800	Level 2 - Market Approach

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Differences between carrying value and fair value are primarily due to instruments that provide fixed interest rates or contain fixed interest rate elements. Inherently, such instruments are subject to fluctuations in fair value due to subsequent movements in interest rates.

Other Financial Assets and Liabilities

Financial assets and liabilities with the carrying amounts approximating fair value include cash and cash equivalents, accounts receivable, other current assets, current debt, accounts payable and other current liabilities.

12. Commitments and Contingencies

At September 30, 2011, the Company had in place letter of credit guarantees from banks securing performance obligations of the Company. These arrangements totaled approximately $6,983 and related to certain sales contracts and local lines of credit for which $2,262 is secured by cash deposits. Included in prepaid expenses and other current assets at September 30, 2011 and March 31, 2011, was approximately $2,262 and $2,133, respectively, of cash deposits pledged as collateral on performance bonds and letters of credit.

The Company is involved in various legal proceedings that arise from time to time in the ordinary course of doing business and believes that adequate reserves have been established for any probable losses. Expenses related to litigation are included in operating income. We do not believe that the outcome of any of these proceedings would have a significant adverse effect on our financial position, long-term results of operations, or cash flows. It is possible, however, that charges related to these matters could be significant to our results or cash flows in any one accounting period.

The Company has no outstanding legal matters outside of matters arising in the ordinary course of business, except as described below. We can give no assurances we will prevail in any of these matters.

Asbestos Litigation Since 1999, we have been named as one of many defendants in 16 personal injury suits alleging exposure to asbestos from our products. None of the cases alleges premises liability. Two cases are currently pending. Insurers are defending us in one of the two lawsuits, and we expect that an insurer will defend us in the remaining matter. Of the concluded suits, there were seven cost of defense settlements and the remainder were dismissed without payment. There are no claims unrelated to asbestos exposure for which coverage has been sought under the policies that are providing coverage.

Indian Sales Tax and Customs Disputes Our Indian subsidiary is currently disputing assessments of administrative sales tax and customs duties with Indian tax and customs authorities. In addition, we currently have a customs duty case before the Supreme Court in India, on appeal by custom authorities. We have reserved $375 in estimated settlement of these matters.

Notice of Tax Dispute with the Canada Revenue Agency On June 13, 2011, we received notice from the Canada Revenue Agency (Agency) advising us that they disagree with the tax treatment we proposed with respect to certain asset transfers that was completed in August 2007 by our Predecessor owners. As a result, the Agency proposes to disallow the interest deductions taken in Canada for tax years 2008, 2009 and 2010. In total these interest deductions amounted to $11,640. The statutory tax rate in Canada is approximately 25%, therefore the tax due that is requested by the Agency is approximately $2,910. At September 30, 2011, we have not recorded a tax liability reserve related to this matter with the Agency, as a loss is not probable or estimable. While we will vigorously contest this ruling, we expect that any liability, if any, will be covered under an indemnity agreement with the Predecessor owners.

Building Construction Accident - On July 27, 2011, during construction of the expansion of our manufacturing facility by a third party contractor in San Marcos, Texas, a section of the partially completed steel framework collapsed during erection. One employee of the erection subcontractor to the general contractor was killed. There were no Thermon employees on the construction site at the time of the incident. The cause of the incident is under investigation by OSHA. Present estimates are that completion of the project will be delayed at least three months until the end of the 2012 fiscal year. We do not expect significant adverse effects on our ability to produce and ship product as a result of the incident because we had accumulated inventory in preparation of the manufacturing downtime for the equipment move originally scheduled for October/November 2011.

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Warranty Reserve Changes in the Company s product liability are as follows:

	Six Months Ended Sept. 30, 2011 (Successor)	For the Period From May 1, Through Sept. 30, 2010 (Successor)	For the Period From April 1, Through April 30, 2010 (Predecessor)
Balance at beginning of period	$ 1,325	$ 1,057	$ 699
Provision for warranties issued	38	104	19
Reclassification of other liabilities			339
Settlements	(768)	(436)	
Balance at end of period	$ 595	$ 725	$ 1,057

13. Shareholders Equity

In May 2011, we completed an initial public offering of our common stock. We issued 4,575,098 new common shares for which we received $48,459 after deductions for offering expenses, underwriting discounts and commissions. The gross offering price was $12.00 per share. In addition, some of our stockholders participated in the offering and sold a total of 6,074,902 shares at a gross offering price of $12.00 per share, for which they were paid directly. After completion of the initial public offering and the issuance of 15,136 restricted shares (see note 15, Stock-Based Compensation Expense), Thermon Group Holdings had 29,523,641 shares outstanding out of a total 150,000,000 authorized at September 30, 2011. At September 30, 2011, CHS and two other private equity firms controlled approximately 53.3% of the common stock of Thermon Group Holdings.

Thermon Group Holdings also has 10,000,000 preferred shares authorized with none issued.

14. Comprehensive Income (Loss)

Our comprehensive income (loss) is comprised of net loss, foreign currency translation, unrealized gains and losses on forward and option contracts and securities classified as available for sale. Comprehensive income (loss) for the six month periods ended September 30, 2011 and September 30, 2010 was as follows:

	Six Months Ended Sept. 30, 2011 (Successor)	For the Period From May 1, Through Sept. 30, 2010 (Successor)	For the Period From April 1, Through April 30, 2010 (Predecessor)
Comprehensive Income (Loss):			

Net Loss	$ (1,152)	$ (13,970)	$ (267)
Foreign currency translation gains (losses), net of taxes	(11,130)	(1,780)	(576)
Total comprehensive loss	$ (12,282)	$ (15,750)	$ (843)

15. Stock-Based Compensation Expense

On October 20, 2010, October 27, 2010 and March 1, 2011 our board of directors granted certain employees and directors options to purchase a combined total of 2,757,524 shares of our common stock under the Restricted Stock and Stock Option Plan. The exercise price for these options was $5.20 per share for the grants issued in October and $9.82 for the grants issued in March. All options granted have a ten year term. The options are for the purchase of shares of common stock of Thermon Group Holdings, Inc. At the completion of the IPO, all outstanding options that were granted under our Restricted Stock and Stock Option Plan became vested and could be exercised. While options may be exercised, any shares purchased were subject to certain lock-up restrictions regarding their sale which begin to expire on October 31, 2011. At the date of the IPO on May 5, 2011, the company recorded stock compensation expense of $6,310 which represented all unamortized stock compensation expense related to the outstanding stock options under the Restricted Stock and Stock Option Plan.

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There were no stock compensation awards issued during the three months ended September 30, 2011. On May 5, 2011, 117,600 shares, each with an exercise price of $12.00 per share, were granted under our 2011 Long-Term Incentive Plan for which stock compensation expense was not accelerated. They vest ratably over five years with 20% at each anniversary date of the grant. We valued these options with a Black-Scholes model. Due to the fact that the common stock underlying the options was not publicly traded prior to the IPO, we based the expected volatility on a comparable group of companies. The expected term is based on the simplified method due to the lack of historical exercise data. The risk-free rate for periods within the contractual life of the option is based on the Treasury bill coupon rate for U.S. Treasury securities with a maturity that approximates the expected term. We do not intend to pay dividends on our common stock for the foreseeable future, and accordingly we used a dividend yield of zero. Accordingly the assumptions we used included an estimated volatility of 45%, life of option of 6.66 years, risk free rate of 3.25% and no dividend assumption. The weighted-average estimated grant date fair value for employee stock options granted in fiscal 2012 was $5.99 per share. Excluding the $6,310 stock compensation expense associated with the acceleration of the pre-IPO options, the company recorded stock compensation expense related to unvested awards for the three and six months ended September 30, 2011 of $57 and $80, respectively.

During the six months ended September 30, 2011, the Company issued a total of 15,136 shares of restricted stock to members of its board of directors. The restricted shares vest in one half increments over two years at the anniversary of the grant date. While the restricted shares are considered issued for purposes of total common shares outstanding at the time of the grant, they are subject to restrictions on transfer or sale until each anniversary vesting date. We valued the restricted shares at $11.89 per share, which was the market closing price at the date of the grant. We will expense the value of the restricted shares as stock compensation expense ratably over the vesting period unless any portion is forfeited.

16. Miscellaneous Income (Expense)

Miscellaneous income (expense) is as follows:

	Three Months Ended Sept. 30, 2011 (Successor)	Three Months Ended Sept. 30, 2010 (Successor)	Six Months Ended Sept. 30, 2011 (Successor)	For the Period May 1 Through Sept. 30, 2010 (Successor)	For the Period Through April 30, 2010 (Predecessor)
Professional fees and expenses related to CHS Transactions	$	$ (690)	$	$ (3,844)	$ (5,660)
Employee bonus payments paid in connection with CHS Transactions					(3,545)
Changes in estimates for compliance fees and costs				600	
Loss on foreign exchange transactions	(1,151)	(171)	(1,242)	(324)	
Other	(22)	(77)	55	(70)	304
Total	$ (1,173)	$ (938)	$ (1,187)	$ (3,638)	$ (8,901)

17. Income Taxes

Our anticipated annual effective tax rate of approximately 36.3% has been applied to our consolidated pre-tax loss for the six month period ended September 30, 2011. Our anticipated annual effective tax rate was different than the U.S. federal statutory rate primarily due to state taxes, a difference in rates between the US and foreign jurisdictions, and certain permanent differences, such as nondeductible compensation expenses. For the six months ended September 30, 2010, the Company s provision for income taxes reflects an effective tax rate of approximately 56.0%. The effective tax rate was higher than the U.S. statutory rate due to deferred taxes released when the outstanding Canadian debt facility was retired. For the three month periods ended September 30, 2011 and 2010, the Company recorded tax expense of $2,109 and $235 on pre-tax income (loss) of $5,923 and $(1,562), respectively. In the six

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month period ended September 30, 2011 and the five month period ended September 30, 2010, the Company recorded approximately $780 and $664 of income tax benefit on pre-tax losses of approximately $(1,932) and $(14,634), respectively.

For the period from April 1 through April 30, 2010 of the Predecessor, an income tax benefit of approximately $17,434 was recorded on a pre-tax loss of $17,701. In connection with the CHS Transactions, the Canadian debt facility was repaid releasing a deferred tax liability of $14,945. Without the benefit of the deferred tax reversal related to the Canadian debt facility, the benefit rate amounted to approximately 14.1%. This benefit rate was increased by foreign tax credits and exchange losses associated with repatriated earnings and decreased by the amount of sellers expense stemming from the CHS Transactions that is anticipated to be non-deductible.

As of September 30, 2011, we have established a long-term liability for uncertain tax positions in the amount of $1,307 and have recognized no material adjustments to the liability recorded as of March 31, 2011. All of our unrecognized tax benefits at September 30, 2011 would affect our effective income tax rate if recognized, though the Company does not expect to recognize any tax benefits in the next twelve months. The Company recognizes related accrued interest and penalties as income tax expense and has accrued $63 for the six months ending September 30, 2011, resulting in a cumulative total accrual of $124.

Tax years 2007 through 2010 generally remain open to examination by the major taxing jurisdictions to which we are subject. The Company s US federal income tax returns are under exam for the Predecessor s tax years ending April 30, 2010 and March 31, 2010, and as of September 30, 2011 no adjustments have been proposed. The Company s Canadian federal income tax returns are under exam for the Predecessor s tax years ending March 31, 2008, 2009 and 2010. See Note 12, Commitments and Contingencies .

18. Geographic Information

We have defined our operating segment based on geographic regions. We sell our products in two geographic regions. Our sales in these regions share similar economic characteristics, similar product mix, similar customers and similar distribution methods. Accordingly we have elected to aggregate these two geographic regions into a single operating segment. Revenue from the sale of our products which are similar in nature and revenue from construction and engineering are reflected as sales in our consolidated statement of operations.

Within its operating segment, the Company has provided further detail for those countries or regions that generate significant revenue and operating income. For purposes of this note, revenue is attributed to individual countries on the basis of the physical location and jurisdiction of organization of the subsidiary that invoices the material and services.

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Total sales and operating income classified by major geographic area in which the Company operates are as follows:

	Three Months Ended Sept. 30, 2011 (Successor)	Three Months Ended Sept. 30, 2010 (Successor)	Six Months Ended Sept. 30, 2011 (Successor)	For the Period From May 1, Through Sept. 30, 2010 (Successor)	For the Period From April 1, Through 30-Apr-10 (Predecessor)
Sales by geographic area:					
Western hemisphere					
United States	$ 23,620	$ 14,972	$ 45,078	$ 26,546	$ 4,959
Canada	21,405	22,349	42,241	33,737	3,992
Elsewhere in the western hemisphere	138	252	513	447	25
Intercompany sales	13,677	13,947	30,999	21,040	3,850
	58,840	51,520	118,831	81,770	12,826
Eastern hemisphere:					
Europe	13,495	18,691	30,008	29,647	2,970
Asia	9,365	7,186	14,801	10,588	1,117
Intercompany sales	851	(91)	1,625	105	51
	23,711	25,786	46,434	40,340	4,138
Eliminations of intercompany sales	(14,528)	(13,855)	(32,624)	(21,146)	(3,901)
	$ 68,023	$ 63,451	$ 132,641	$ 100,964	$ 13,063
Operating income (loss)					
Western hemisphere					
United States	$ 4,229	$ 824	$ 1,111	$ (968)	$ 1,126
Canada	7,308	3,538	13,641	3,879	1,066
Elsewhere in the western hemisphere	(31)	131	86	168	(30)
Eastern hemisphere:					
Europe	1,361	277	4,596	(232)	125
Asia	1,534	790	2,560	1,577	18
Unallocated:					
Management fees	(15)	(499)	(8,120)	(833)	(79)
Other				(37)	(88)
	$ 14,386	$ 5,061	$ 13,874	$ 3,554	$ 2,138

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19. Subsequent Events

Purchase and cancellation of Senior Secured Notes

On October 19, 2011, Thermon Industries, Inc. (a subsidiary of TGH)(the Note Issuer) purchased $4,265 in aggregate principal amount of its outstanding 9.500% Senior Secured Notes due 2017 in a privately negotiated purchase transaction with certain note holders of the Note Issuer at a premium of 105.37% of the principal amount or $229. After the purchase, the Company cancelled the applicable notes.

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PART I FINANCIAL INFORMATION

Item 1(continued) Financial Statements of Thermon Holding Corp.

Condensed Consolidated Balance Sheets

(Dollars in Thousands)

	September 30, 2011 (Unaudited)	March 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 13,192	$ 51,016
Accounts receivable, net of allowance for doubtful accounts of $1,571 and $1,487 as of September 30, 2011 and March 31, 2011, respectively	47,647	40,013
Inventories, net	35,677	31,118
Costs and estimated earnings in excess of billings on uncompleted contracts	1,925	2,063
Income taxes receivable	8,109	2,462
Prepaid expenses and other current assets	7,562	7,633
Deferred income taxes	1,887	2,779
Total current assets	115,999	137,084
Property, plant and equipment, net	24,071	21,686
Goodwill	116,202	120,750
Intangible assets, net	148,534	159,056
Debt issuance costs, net	7,809	11,573
Other noncurrent assets		633
	$ 412,615	$ 450,782
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	$ 19,076	$ 18,573
Accrued liabilities	18,460	28,972
Current portion of long term debt		21,000
Borrowings under revolving lines of credit	6,500	2,063
Billings in excess of costs and estimated earnings on uncompleted contracts	2,426	1,110
Income taxes payable		7,934
Obligations due to settle the CHS Transaction	3,687	4,213
Total current liabilities	50,149	83,865
Long-term debt, net of current maturities	143,410	189,000
Deferred income taxes	48,003	49,809
Other noncurrent liabilities	1,944	1,826
Additional paid in capital	186,300	131,191
Foreign currency translation adjustment	(1,099)	10,031
Accumulated deficit	(16,092)	(14,940)
Shareholders equity	169,109	126,282

	$	412,615	$	450,782

See accompanying notes.

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Thermon Holding Corp.

Condensed Consolidated Statements of Operations (Unaudited)

(Dollars in Thousands)

	Three Months Ended September 30, 2011 (Successor)	Three Months Ended September 30, 2010 (Successor)	Six Months Ended September 30, 2011 (Successor)	For the Period From May 1, Through September 30, 2010 (Successor)	For the Period From April 1, Through April 30, 2010 (Predecessor)
Sales	$ 68,023	$ 63,451	$ 132,641	$ 100,964	$ 13,063
Cost of sales	36,072	38,119	68,701	63,462	6,447
Gross profit	31,951	25,332	63,940	37,502	6,616
Operating expenses:					
Marketing, general and administrative and engineering	14,687	13,971	44,303	22,522	4,263
Amortization of other intangible assets	2,878	6,300	5,763	11,426	215
Income from operations	14,386	5,061	13,874	3,554	2,138
Other income/(expenses):					
Interest income	76	2	167	3	7
Interest expense	(5,030)	(5,687)	(11,820)	(11,531)	(6,229)
Loss on retirement of debt	(2,336)		(2,966)		
Success fees to owners related to the CHS Transaction				(3,022)	(4,716)
Miscellaneous expense	(1,173)	(938)	(1,187)	(3,638)	(8,901)
Income (loss) before provision for income taxes	5,923	(1,562)	(1,932)	(14,634)	(17,701)
Income tax expense (benefit)	2,109	235	(780)	(664)	(17,434)
Net income (loss)	$ 3,814	$ (1,797)	$ (1,152)	$ (13,970)	$ (267)

See accompanying notes.

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Thermon Holding Corp.

Condensed Consolidated Statement of Cash Flows (Unaudited)

(Dollars in Thousands)

	Six Months Ended September 30, 2011 (Successor)	For the Period From May 1, Through September 30, 2010 (Successor)	For the Period From April 1, Through April 30, 2010 (Predecessor)
Operating activities			
Net loss	$ (1,152)	$ (13,970)	$ (267)
Adjustment to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	7,338	19,812	392
Amortization of debt costs	3,764	2,839	2,586
Stock compensation expense	6,399		
Provision (benefit) for deferred income taxes	(65)	(1,684)	(15,122)
Changes in operating assets and liabilities:			
Accounts receivable	(8,773)	(14,989)	1,365
Inventories	(5,622)	(3,023)	(1,719)
Costs and estimated earnings in excess of billings on uncompleted contracts	(329)	(439)	34
Other current and noncurrent assets	1,289	(2,480)	(3,151)
Accounts payable	1,341	9,168	825
Accrued liabilities and noncurrent liabilities	(5,188)	11,953	9,515
Income taxes payable	(13,784)	(559)	(860)
Net cash (used in) provided by operating activities	(14,782)	6,628	(6,402)
Investing activities			
Purchases of property, plant and equipment	(4,267)	(1,129)	(97)
Cash paid for Thermon Holding Corp. (net of cash acquired of $2,852)	(372)	(313,892)	
Other investing activities			(1,397)
Net cash used in investing activities	(4,639)	(315,021)	(1,494)
Financing activities			
Proceeds from senior secured notes		210,000	
Payments on senior secured notes	(66,590)		
Proceeds from revolving line of credit	6,500	4,599	
Payments on revolving lines of credit and long-term debt	(2,063)	(4,204)	(19,385)
Capital contributions	48,709	129,252	
Premiums paid on redemption of senior secured notes	(3,596)		
Debt issuance costs		(15,473)	
Net cash provided by (used in) financing activities	(17,040)	324,174	(19,385)
Effect of exchange rate changes on cash and cash equivalents	(1,363)	(118)	(14)
Change in cash and cash equivalents	(37,824)	15,663	(27,295)
Cash and cash equivalents at beginning of period	51,016		30,147
Cash and cash equivalents at end of period	$ 13,192	$ 15,663	$ 2,852

See accompanying notes.

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Thermon Holding Corp.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Dollars in Thousands)

1. Basis of Presentation

On April 30, 2010, a group of investors led by entities affiliated with CHS Capital LLC (CHS) and two other private equity firms acquired a controlling interest in Thermon Holding Corp. and its subsidiaries from Thermon Holdings, LLC (Predecessor) for approximately $321,500 in a transaction that was financed by approximately $129,200 of equity investments by CHS, two other private equity firms and certain members of our current and former management team (collectively, the management investors) and $210,000 of debt raised in an exempt Rule 144A senior secured note offering to qualified institutional investors (collectively, the CHS Transactions). The proceeds from the equity investments and debt financing were used both to finance the acquisition and pay related transaction costs. As a result of the CHS Transactions, Thermon Group Holdings, Inc. became the ultimate parent of Thermon Holding Corp. Thermon Holding Corp. (THC) and its direct and indirect subsidiaries are referred to collectively as we , our , the Company or Successor herein. We refer to CHS and the two other private equity fund investors collectively as our private equity sponsors.

In the CHS Transactions, the senior secured notes were issued by Thermon Finance, Inc., which immediately after the closing of the CHS Transactions was merged into our wholly-owned subsidiary Thermon Industries, Inc.

The CHS Transactions were accounted for as a purchase combination. The purchase price was allocated to the assets and liabilities acquired based on their estimated fair values. While the Company takes responsibility for the allocation of assets acquired and liabilities assumed, it consulted with an independent third party to assist with the appraisal process.

Pushdown accounting was employed to reflect the purchase price paid by our new owner.

We have prepared our consolidated financial statements as if THC. had been in existence throughout all relevant periods. The historical financial and other data prior to the closing of the CHS Transactions on April 30, 2010 have been prepared using the historical results of operations and bases of the assets and liabilities of the Predecessor. Our historical financial data prior to May 1, 2010 may not be indicative of our future performance. The CHS Transactions which closed on April 30, 2010, resulted in the liquidation of the equity balances that belonged to the previous owner. Accordingly, the consolidated statement of operations and cash flows are reported separately for the period from April 1, 2010 to April 30, 2010 for the (Predecessor). The settlement of equity balances and associated transaction expenses of the Predecessor are reported in the Period from April 1, 2010 to April 30, 2010.

In May 2011, our parent, Thermon Group Holdings, Inc. completed its initial public offering (IPO) of common shares in which it received net proceeds of $48,459, net of underwriting discounts and commissions and estimated offering expenses. These proceeds were contributed to the

Company and were recorded as Additional paid in capital on our consolidated balance sheet at June 30, 2011. See Note 12, Shareholder s Equity .

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of TGH for the year ended March 31, 2011. In our opinion, the accompanying consolidated financial statements reflect all adjustments (consisting only of normal recurring items) considered necessary to present fairly our financial position at September 30, 2011 and March 31, 2011, and the results of our operations for the three months ended September 30, 2011 and 2010, the six months ended September 30, 2011, the period from May 1, 2010 to September 30, 2010 and the period from April 1 through April 30, 2010. Operating results for the period from May 1 through September 30, 2010 and for the period from April 1 through April 30, 2010 are not necessarily indicative of the results that may be expected for the three and six months ended September 30, 2011. Certain reclassifications have been made to the prior period presentation to conform to the current period presentation. All dollar and share amounts are presented in thousands, unless otherwise noted.

2. Recent Accounting Pronouncements

In June 2011, the FASB updated FASB ASC 220, *Comprehensive Income* (FASB ASC 220) that gives an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The update does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The update does not change the option for an entity to present components of other comprehensive income either net of related tax effects or before related tax effects, with one amount shown for the aggregate income tax expense or benefit related to the total of other comprehensive income items. The update does not affect how earnings per share is calculated or presented. The update

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should be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We are currently evaluating the requirements of this update and have not yet determined the impact on our consolidated financial statements.

In September 2011, the FASB updated FASB ASC 350, *Goodwill and Other* (FASB ASC 350) that gives an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendments are effective for annual and interim goodwill impairment test performed for fiscal years beginning after December 15, 2011. We are currently evaluating the requirements of this update and have not yet determined the impact on our consolidated financial statements.

3. Inventories

Inventories consisted of the following:

	September 30, 2011	March 31, 2011
Raw materials	$ 11,763	$ 9,847
Work in process	1,652	2,307
Finished goods	23,246	20,669
	36,661	32,823
Valuation reserves	(984)	(1,705)
Net inventory	$ 35,677	$ 31,118

4. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	September 30, 2011	March 31, 2011
Land, buildings and improvements	$ 13,272	$ 13,495
Machinery and equipment	6,416	7,378
Office furniture and equipment	2,630	2,595
Construction in process	4,677	
	26,995	23,468
Accumulated depreciation	(2,924)	(1,782)
	$ 24,071	$ 21,686

5. Intangibles

Intangible assets at September 30, 2011and March 31, 2011were related to the CHS Transactions and consisted of the following:

	Gross Carrying Amount at September 30, 2011	Accumulated Amortization	Net Carrying Amount at September 30, 2011	Gross Carrying Amount at March 31, 2011	Accumulated Amortization	Net Carrying Amount at March 31, 2011
Trademarks	$ 47,753	$	$ 47,753	$ 49,403	$	$ 49,403
Developed technology	10,943	(850)	10,093	11,321	(600)	10,721
Customer relationships	101,124	(12,144)	88,980	104,319	(7,240)	97,079
Backlog	10,088	(10,088)		10,480	(10,480)	
Certification	498		498	516		516
Other	1,634	(424)	1,210	1,634	(297)	1,337
Total	$ 172,040	$ (23,506)	$ 148,534	$ 177,673	$ (18,617)	$ 159,056

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Trademarks and certifications have indefinite lives. Developed technology, customer relationships, and other intangible assets have estimated lives of 20 years, 10 years, and 6 years, respectively. The weighted average useful life for the group is 10 years.

The net carrying amounts of intangible assets are affected by currency translation adjustments. As compared to the net carrying amounts at March 31, 2011, intangible assets at September 30, 2011, were approximately $4.8 million lower due to fluctuations in exchange rates used to value intangible assets carried in foreign currency.

6. Goodwill

The carrying amount of goodwill as of September 30, 2011, is as follows:

		Amount
Balance as of March 31, 2011	$	120,750
Foreign currency translation impact		(4,548)
Balance as of September 30, 2011	$	116,202

The excess purchase price over the fair value of assets acquired is recorded as goodwill. As we have one operating segment, we allocate goodwill to one reporting unit for goodwill impairment testing. Goodwill is tested for impairment on an annual basis, and between annual tests if indicators of potential impairment exist, using a fair-value-based approach based on the market capitalization of the reporting unit. Our annual impairment test will be performed as of January 1, 2012. Goodwill is not deductible for tax purposes.

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7. Accrued Liabilities

Accrued current liabilities consisted of the following:

	September 30, 2011	March 31, 2011
Accrued employee compensation and related expenses	$ 6,943	$ 9,333
Interest	5,376	9,083
Customer prepayment	1,712	6,866
Warranty reserve	595	1,325
Professional fees	918	774
Compliance costs	55	55
Other	2,861	1,536
Total accrued current liabilities	$ 18,460	$ 28,972

8. Related-Party Transactions

We paid management fees including a termination fee in connection with our IPO to our private equity sponsors of $8,120 in the six months ended September 30, 2011. In the prior year periods of May 1 to September 30, 2010 and April 1 to April 30, 2010, we paid management fees (both Successor and Predecessor) of $833 and $79, respectively. Management fees including the termination fee are included as part of Marketing, general and administrative and engineering expense. Additionally, in the prior year periods of May 1 to September 30, 2010 and April 1 to April 30, 2010, we paid success fees to owners (both Successor and Predecessor) of $3,022 and $4,716, respectively.

Included in our consolidated balance sheet is Obligations due to settle the CHS Transaction which totaled $3,687 and $4,213 at September 30, 2011 and March 31, 2011, respectively. These amounts represent amounts due to the Predecessor owners in final settlement of the sale that was completed on April 30, 2010. During the three and six months ended September 30, 2011, we paid $154 and $526, respectively, to the Predecessor owners for cash amounts that were released during the three month period. At September 30, 2011, the amount outstanding represents the estimate of tax refunds due from government entities that have not been received but are related to the final tax periods filed by the Predecessor and remaining encumbered cash to be released as letters of credit expire.

9. Short-Term Revolving Lines of Credit

The Company s subsidiary in the Netherlands has a revolving credit facility in the amount of Euro 4,000 (equivalent to $5,438 USD at September 30, 2011) collateralized by receivables, inventory, equipment, furniture and real estate. No loans were outstanding on this facility at September 30, 2011 or March 31, 2011.

The Company s subsidiary in India has a revolving credit facility in the amount of 80,000 rupees (equivalent to $1,608 USD at September 30, 2011). The facility is collateralized by receivables, inventory, real estate, a letter of credit, and cash. No loans were outstanding under the facility at September 30, 2011 or March 31, 2011.

The Company s subsidiary in Australia has a revolving credit facility in the amount of $325 Australian Dollars (equivalent to $318 USD at September 30, 2011). The facility is collateralized by real estate. The facilities had no loans outstanding as of September 30, 2011 or March 31, 2011.

The Company s subsidiary in Japan has a revolving credit facility in the amount of 45,000 Japanese Yen (equivalent to $587 USD at September 30, 2011). The credit facility is collateralized by a standby letter of credit in the amount of $300 issued as part of the revolving credit facility referred to in Note 11, Long-Term Debt . No loans were outstanding under the Japanese revolving credit facility at September 30, 2011 or March 31, 2011.

10. Long-Term Debt

Long- term debt consisted of the following:

	September 30, 2011	March 31, 2011
9.500% Senior Secured Notes, due May 2017	$ 143,410	$ 210,000