



Hindustan Aeronautics Limited



56th
Annual Report
2018-19

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VISION

To become a significant global player in the aerospace industry.



MISSION

To achieve self reliance in design, development, manufacture, upgrade and maintenance of aerospace equipment, diversifying into related areas and managing the business in a climate of growing professional competence to achieve world-class performance standards for global competitiveness and growth in exports.





Chairman's Statement



Dear Shareholders,

It is my privilege to extend a very warm welcome to you all for the 56th Annual General Meeting of your Company.

I take this opportunity to share the performance highlights during the year and future outlook for the Company.

Financial and Performance Highlights of the Year

In 2018-19, we recorded the highest ever Turnover of ₹ 19,704.55 Crore, which is a 7.8 % increase from the previous year ₹ 18,283.86 Crore. The Profit Before Tax saw a growth of 12% from ₹ 3,239.85 Crore to ₹ 3,627.64 Crore while the Profit After Tax (PAT) increased by 14.8 % from ₹ 1,987.42 Crore to ₹ 2,282.44 Crore. Our Order Book position stood at a healthy ₹ 58,588 Crore, as on 31st March, 2019.

We paid an Interim Dividend of ₹ 19.80 per share of ₹ 10 each (198 %) for the Financial Year 2018-19, totalling to ₹ 662.09 Crore, excluding Dividend Distribution Tax of ₹ 136.09 Crore.

Our focus on production continues and during the year 2018-19, your Company produced 41 new Aircraft and Helicopters. Additionally, we produced 102 New Engines and Accessories. I am proud of our initiatives to indigenise production and become self-reliant, as set out by the Make in India mandate.

Significant Achievements

Your Company has witnessed several significant achievements during the year, few of which are highlighted as under:

- The LCA Tejas, which is a single-seat single-engine aircraft, successfully completed mid-air refuelling trial by Wet (actual) engagement on 10th September, 2018.

- Astra Missile was successfully test fired by the IAF on 26th September, 2018.
- The third Prototype (PT3) of the Light Utility Helicopter (LUH) made its successful maiden flight on 14th December, 2018.
- The Initial Operational Clearance (IOC) of the LCH Army version Helicopter was accorded by CEMILAC on 15th February, 2019.
- The Final Operational Clearance (FOC) of the LCA aircraft was received on 20th February, 2019 from ADA.
- We successfully accomplished 100 % running of HTFE-25 core-2 Engine with Inlet Guide Vane (IGV) modulation in March, 2019.

New Initiatives

As always, new initiatives have been a part of our endeavours and this year too, we have pursued several of them:

- During Aero India 2019, the Company had displayed the Naval Utility Helicopter (NUH) with Tail Boom Folding and Main Rotor folding, as a Technology Demonstrator. The NUH is a version of the Advanced Light Helicopter (ALH) Dhruv, customised to meet the operational requirements of the Navy.
- The Company also unveiled the Supersonic Omni Role Trainer Aircraft (SPORT) Simulator in Aero India 2019. We have been keen to launch the indigenous development of SPORT (Aircraft) with 4+ generation or equivalent capabilities to bridge the gap in pilot training to command front line fighters. The SPORT aircraft will be utilised for fighter training beyond the Advanced Jet Training stage and before inducting pilots into a front line fighter squadron.



- MoU with the Government of Arunachal Pradesh was signed in November, 2018 for the deployment of Do-228 aircraft and ALH Dhruv Helicopter for inter and intra-State connectivity.
- Consortium Agreement was signed with Larsen & Toubro Ltd. (L&T), Mumbai on 7th December, 2018, as industry-driven prime partners to ISRO, towards manufacturing and delivery of the Launch Vehicles. The Company and L&T will support ISRO in the integration of Launch Vehicles as per their requirement.

Future Outlook

- We have been seeing a continued increase in passenger travel and demand increase in global military expenditure. This bodes well for the global aerospace and defence industry. The trend is likely to continue in the coming year also. In recent times, geopolitical security threats have intensified global tensions leading to boost in defence expenditure by countries such as the USA, China, India and Japan.
- By 2025, we expect India to be the third largest aviation market, with a demand forecast for over 2,000 new aircraft in the next two decades, a majority of these being single-aisle planes.
- The growth of India's defence sector is expected to continue, supported by an increase in India's defence budget for 2019-20, at 9.31% over the previous year. The fund allocation for defence expenditure stands at ₹ 3,05,296 Crore. The increase in budget is towards modernising the Armed Forces, to strengthen their position for better managing the geo-political tension and potential security threats. Over the years, our Government has undertaken various initiatives to improve the business environment, with policy reforms to provide the required boost to the Indian Aerospace & Defence Industry. We can expect more foreign investment and an increase in export opportunity.
- Considering the changing economic and business environment, the Company has formulated strategies that are aligned to the Government's initiatives and market trend. We are implementing them to maximise the benefits for the Company and to support the development of Indian Aerospace and Defence Manufacturing Industry.

Research and Development (R&D)

During the year, the Company continued to focus its efforts towards development of new platform, technology and activities to enhance its capability with a view to bring technological superiority to its products and in order to cope with the future technological challenges. Towards the progress of the R&D efforts, the Company has incurred a total expenditure of

₹ 1,464.40 Crore for the year 2018-19 which is 7.43 % of the Turnover. Further, an amount of ₹ 214.88 Crore has been transferred to the R&D reserve during the year.

Corporate Governance

The Company is complying with the Guidelines on Corporate Governance framed by the Department of Public Enterprises (DPE) and SEBI Listing Regulations. The Company has established Systems and Procedures to ensure that its Board of Directors is well informed about the Policies of the Company, to enable them to discharge their responsibilities and to enhance the overall value of all stakeholders. We are constantly reviewing the Policies and Procedures of the Company, and updating them to ensure transparency in all aspects of the Company's working.

Corporate Social Responsibility and Sustainability Development

As always, your Company is committed to social responsibility. We have undertaken various programmes and projects towards integrating our social and business goals, and in a sustainable manner. During the year, an amount of ₹ 72.46 Crore has been spent on CSR activities.

Acknowledgement

We continue, and will continue to pursue global standards, and I am confident that the Company will achieve many milestones. We hope to attain all round success with the continued support and guidance of all our stakeholders.

I take this opportunity to extend my sincere gratitude to the Department of Defence Production, the Defence Acquisition Council, Defence Finance, Department of Civil Aviation and our valuable customers viz., the Indian Air Force, Army, Navy, Coast Guard, Border Security Force, ISRO and other Global Aviation Companies.

I also thank DGAQA, CEMILAC, Principal Controller of Defence Accounts, Principal Director of Commercial Audit, C&AG, Statutory & Branch Auditors, Bankers, Legal Advisors, Collaborators, Suppliers, Shareholders and other Agencies and acknowledge their contributions in our achievements.

I am grateful to my colleagues on the Board for their valuable guidance, and acknowledge the immense contribution and dedication of the employees of the Company at all levels.

JAI HIND



Place : Bengaluru
Date : 29th July, 2019

R. Madhavan
Chairman & Managing Director



Significant Achievements



Maiden Flight of third Prototype (PT3) of Light Utility Helicopter (LUH) was conducted successfully on 14th December, 2018.



LCA Tejas successfully completed mid-air refuelling trial on 10th September, 2018.



Astra Missile integrated in Su-30 MKI Aircraft & test fired on 26th September, 2018.



The LCA Naval Prototype 2 (NP2), safely executed the first contact of the arrestor hook system with Arresting wire at moderate taxi-in speeds on location at the Shore Based Test Facility, INSHansa, Goa, on 2nd August, 2018.



The Light Utility Helicopter (LUH) made its maiden flight on 29th December, 2018.



The Light Combat Helicopter (LCH) project was accorded Initial Operational Clearance (IOC) for the Army version by RCMA (H/c) on 15th February, 2019.



The first green helicopter earmarked for Indian Coast Guard completed its build with installation of basic systems and had a successful maiden ground run at Helicopter Complex, Bengaluru on 28th June, 2018.



The LCA Tejas Division produced 16th LCA of IOC contract as per the target till 31st March, 2019.



LCH fires BNG Missile at Integrated Test Range, Chandipur in January 2019.



Significant Events



Shri R Madhavan, CMD inaugurated a 8.4 MW wind energy power plant in Bagalkot district, Karnataka on 23rd January, 2019.



HAL signed a Consortium Agreement with Larsen & Toubro Ltd, Mumbai on 7th December, 2018 in Bengaluru on an industry driven prime partners to ISRO to manufacture and deliver PSLV.



The handing over ceremony of first Do-228 aircraft to Indian Navy against the order of 12 aircraft was held at Transport Aircraft Division, Kanpur on 28th January, 2019. Rear Admiral Mukul Asthana, NM, ACNS (Air) graced the occasion and accepted symbolic key and aircraft acceptance certificate.



HAL handed over the first three ALHs as part of the 22 ALH MK III contract to the Indian Army during the Aero India, 2019 on 22nd February, 2019.



Shri Mohammed Ahmed Al Bowardi Al Falacy, Ministry of State for Defence Affairs, UAE visited HAL facilities in Bengaluru on 17th October, 2018



Auxiliary Fuel Tank Integrated on Light Combat Helicopter.



Glimpse of Aero India 2019 held at Bengaluru



Army Chief flies HAL's Light Combat Helicopter during Aero India, 2019



Naval Utility Helicopter demonstrating tail boom and main rotor folding during Aero India-2019.



The Defence Minister, Ms Nirmala Sitharaman visited HAL Stall during the Aero India 2019 on February 20, 2019 and evinced keen interest in HAL products displayed at the stall.



Participation in Foreign Airshow



HAL participated in LIMA 2019 wherein Malaysian PM Dr Mahathir Mohamad visited LCA Tejas Aircraft