



Hindustan Aeronautics Limited



58TH ANNUAL
REPORT
2020-21



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Vision

To be a global leader in the Aerospace & Defence Industry



Mission

We are committed to deliver superior technology solutions to the customers by leveraging our infrastructure and Design, Manufacture & Service skills, for achieving business excellence



Chairman's Statement

Dear Shareholders,

It is my privilege to extend a very warm welcome to you all for the 58th Annual General Meeting of your Company.

The financial year 2020-21 was challenging for each one of us. The COVID-19 pandemic has had a significant impact on lives, livelihoods and the business. Due to COVID pandemic situation in the country, the Company's operations was disrupted in the first quarter of the financial year. However, the Company had recovered from the impact in the subsequent quarters of the financial year.

During the period, the Company has made dedicated efforts to extend all possible assistance to the Government bodies, medical units and frontline workers in combating this pandemic. The Company has started free of cost vaccination drive for its employees and their dependent family members. Covid Care Centres have been set-up at various locations in the country.

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 the financial year 2020-21, your Company recorded the turnover of ₹ 22,369 Crore, which is 5% increase from the previous year's ₹ 21,228 Crore. The Profit Before Tax (PBT) saw a growth of 8% from ₹ 3,938 Crore to ₹ 4,271 Crore while the Profit After Tax (PAT) increased by 14% from ₹ 2,842 Crore to ₹ 3,233 Crore. Our Order Book position stood at a healthy ₹ 80,639 Crore as on March 31, 2021.

The Company has paid Dividend of ₹ 30 per share of ₹ 10 each (300%) for the Financial Year 2020-21, totalling to ₹ 1,003.16 Crore.

Our focus on production continues during the year 2020-21, your Company has produced 44 Nos of new Aircraft and Helicopters, covering Su-30 MKI, LCA Tejas, Dornier Do-228, ALH Dhruv, Light Combat Helicopter (LCH) and Chetak helicopter. Additionally, we produced 102 New Engines and Accessories.

Your Company overhauled 198 platforms including both fixed wing and rotary wing aircraft of various types. Further, 506 engines were also overhauled during the year under review.

I am proud of our initiatives to indigenise production and become self-reliant, as set out by the Make in India and Atmanirbhar Bharat mandate.



Significant Achievements

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

- Final Operational Clearance standard LCA Tejas has been inducted into IAF Squadron 'The Flying Bullets' on May 27, 2020, marking another major milestone for HAL.
- Two Light Combat Helicopters (LCH) were deployed for operations at high altitude at short notice to support IAF missions on August 12, 2020.
- Three Light Combat Helicopters (LCH) have been produced and signalled out against the Letter of Intent of IAF.
- Received Initial Operational Clearance (IOC) of Light Utility Helicopter (LUH) for the Indian Army from CEMILAC.
- Received Operational Clearance from CEMILAC for ALH Mk-III for Indian Coast Guard and Indian Navy in January, 2021. The Company handed over three ALH Mk III to the Indian Navy and two ALH to Indian Coast Guard.
- Successfully demonstrated the tail boom folding operation on ALH Mk-III helicopter in November, 2020.
- The first Upgraded ALH Mk III CIVIL helicopter produced in November, 2020.
- The Company has indigenously designed and developed a 60kW Gas Turbine Electrical Generator (GTEG-60), the Auxiliary Power Unit (APU) for the Military Transport aircraft AN-32, which has attained operational clearance on May 28, 2020. The control unit (FADEC) of GTEG-60 is also designed and developed in-house by the Company.



- Successfully integrated and conducted trial of NGARM (New Generation Anti-Radiation Missile) and Precision Guidance Kit for High-Speed Low Drag 500 kg bomb on Su-30MKI aircraft.

New Initiatives

During the year, your Company has taken many new initiatives. Some of the major initiatives are as under:

- ❖ Design and development of Combat Air Teaming System (CATS) with TEJAS-MAX cockpit as the mother-ship platform with the embedded air teaming intelligence concepts to demonstrate the fully integrated as well as autonomous wingman platforms and swarming of drones to engage in the mission.
- ❖ Design and development of Amphibian / Seaplane variant of HAL Do-228 aircraft.
- ❖ To foray into Civil MRO segment, HAL has signed two MoUs with Air Works India (Engineering) Pvt Ltd and Air India Engineering Service Limited.
- ❖ HAL entered into MoU with ADA for Design and Development of Advanced Medium Combat Aircraft (AMCA). AMCA is a twin engine multi role aircraft with fifth generation capabilities and is being developed by ADA for the IAF.
- ❖ MoU signed between HAL and DRDO for Transfer of Technology for Production and Designated HAL as Lead System Integrator of UTTAM Radar, an Active Electronically Scanned Array (AESA) Radar, designed & developed by DRDO for LCA Mk1 & Mk1A aircraft.
- ❖ Your Company has formulated new Vision and Mission statements in order to align HAL's new line of thinking and spirit to achieve business excellence. Accordingly, the Board of Directors of the Company has approved the "Corporate Perspective Plan and Design Prospective Plan 2021- 2030" to address the dynamic changes in external and internal environment conditions and to prepare various strategies and plans to keep the Company in competitive position and achieve significant growth.
- ❖ Your Company has appointed M/s Boston Consulting Group (BCG) for providing strategic advisory services for devising business cum growth plan

Future Outlook

In the past one decade Aerospace and Defence Industry has grown consistently and the trends projected the enhanced growth in this market, until world faced COVID-19 outbreak in the beginning of 2020. The current economic downtrend due to pandemic has impacted the related aircraft manufacturing industry adversely and disrupted the supply chain. The pandemic has resulted in drop in production capability of the manufacturers worldwide.

The business of your Company is mainly concentrated to Defence Services which is highly technology intensive. The Company has a vision to expand the revenue sources in the domestic and international market. This is mainly to boost the growth of the Company. External environment is full of challenges in the future. HAL has laid down roadmap to enable company, not only to sustain the challenges but also to grow consistently. Even though Indian Defence market is more secured compared to the civil, focusing on market segments other than Indian Defence and allied diversification in product and service segments is crucial for the company in this decade. Our goal is to enhance export market significantly.

Collaboration with compatible OEMs is one of the important strategic aspects to make headway in the niche areas and diversification as well. Digitization across company, AI, Automation and Industry-4.0 are the important technologies which we are emphasizing to benchmark our performance with leading companies and achieve operational excellence.

HAL has been developing aerospace ecosystem in the country to boost the growth of industry in line with "Atmanirbhar Bharat Abhiyan". HAL is also playing a pioneer role in capability development and extended employment generation in Aerospace & Defence by handholding the vendors and suppliers.

While the Indian Defence market will continue to be prime revenue source, due to projects like LCA Mk1A, LCH, LUH, HTT-40 we need to prepare ourselves during this period to have differentiated products and services, required in future, make our systems more agile, effective and cost efficient, to face the market challenges. The futuristic projects on the anvil such as LCA MkII, Advance Medium Combat Aircraft (AMCA), Indian Multirole Helicopter (IMRH), Twin Engine Deck Based Fighter (TEDBF), Aero Engines Development etc., will ensure technological lead of your Company in the years to come. HAL is focusing Short Term and Long Term Strategy to meet UAV requirements of the Indian Defence Forces through indigenous efforts and the business collaborations with the global OEMs.

Research and Development (R&D)

R&D has been the main focus area of your Company for increasing indigenisation and value addition in our products / systems. During the year, the Company has continued to focus its efforts towards new platforms development, technology development, and activities to enhance its capability with a view to bring technological superiority to its products and in order to cope up with the future technological challenges that require the Company to develop new products and go in for Product Enhancements. Towards the progress of the R&D efforts, the Company has incurred a total expenditure of ₹ 1,687 Crore for the year 2020-21 which is 8% of the Turnover. The Company has transferred a sum of ₹ 296 Crore (10% of Operating PAT) to R&D reserve for contribution to R&D corpus during the year 2020 -21.



The continued efforts of the Company to Design and Develop new platforms/ products have resulted in achieving operational clearance for ALH MKIII Navy/ CG and Light Utility Helicopter (LUH) – Army, completion of User Assisted Technical Trial phase-I and 8 turn spin trial of HTT-40. The Company is also progressing with the development of 10 ton class Indian Multi Role Helicopter (IMRH), Turbo fan Engine HTFE-25 and Turbo shaft engine HTSE-1200. These efforts are going to add new revenue lines and enhance the product mix of the Company.

Corporate Governance

Your Company always strives to attain highest standard of Corporate Governance practice. The Company has complied 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 in line with schedule VII of the Companies Act, 2013. During the year, an amount of ₹ 90.52 Crore has been spent on CSR activities.

Your Company has donated Ambulances, C.T. Scan Machine, Haemodialysis Machines, Deep Freezers for storage of COVID-19 Vaccines, Aerosol Boxes, Personal Protection Equipments, etc. to the Government Bodies to combat against

the global pandemic COVID -19. The Company has established a 180 bed COVID-19 Care Centre at Bengaluru with an approx. cost of ₹ 90 Lakhs and also established one COVID Testing Facility at Kargil, Ladakh in association with CSIR-IIIM, Jammu.

Acknowledgement

Your Company 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



R. Madhavan

Place : Bengaluru

Date : August 30, 2021

Chairman and Managing Director



Corporate Information

BOARD OF DIRECTORS

Shri R Madhavan

Chairman & Managing Director (CMD)

Shri Arup Chatterjee

Director (Engineering and R&D)

Shri C B Ananthakrishnan

Director (Finance) & CFO

Shri M.S. Velpari

Director (Operations)

Shri Alok Verma

Director (Human Resources)

Shri Chandraker Bharti

Joint Secretary (Aerospace)

Ministry of Defence

Govt. Nominee Director

Dr. Tessy Thomas

Director General (Aeronautical System)

Aeronautical Development Establishment (ADE)

Govt Nominee Director

Rear Admiral K C Sekhar AVSM, VSM (Retd)

Independent Director

Dr. S Malla Reddy

Independent Director

Dr. J K Bajaj

Independent Director

(Ceased on 10.09.2020)

Shri Anil Kumar

Independent Director

(Ceased on 04.03.2021)

Shri Siddharth

Independent Director

(Ceased on 04.03.2021)

Shri Neelakanta Iyer R

Independent Director

(Ceased on 04.03.2021)

COMPANY SECRETARY

Shri G. V. Sessa Reddy

Executive Director

(Company Secretary)



Bankers

State Bank of India
Punjab National Bank
Indian Bank
Indian Overseas Bank
Bank of Baroda
Syndicate Bank
Union Bank of India

Statutory Auditor

M/s. Maharaj NR Suresh and Co.,LLP
Chartered Accountants, Bengaluru

Branch Auditors

M/s. S Srivastava & Co.,
Chartered Accountants, Luknow

M/s. Desai Associates
Chartered Accountants, Mumbai

M/s. Sarath & Associates
Chartered Accountants, Hyderabad

M/s. Rodi Dabir & Co.,
Chartered Accountants, Bengaluru

M/s. RKJS & Co., LLP,
Chartered Accountants, Cuttack

M/s. Abhijit Dutt & Associates
Chartered Accountants, Kolkata

M/s. Prakash & Santhosh
Chartered Accountants, Kanpur

M/s. Suresh & Co.,
Chartered Accountants, Bengaluru

M/s. Manohar & Venkata
Chartered Accountants, Bengaluru

M/s. Sekharan Associates
Chartered Accountants, Bengaluru

M/s. A Sachdev & Co.,
Chartered Accountants, Luknow

M/s. SSB & Associates
Chartered Accountants, Bengaluru

M/s. BN Subramanya & Co.,
Chartered Accountants, Bengaluru

M/s. P.K. Rungta & Co.,
Chartered Accountants, Bengaluru

M/s. YCRJ & Associates
Chartered Accountants, Bengaluru

Ms. P.V. Menon & Associates
Chartered Accountants, Bengaluru

M/s. A.P. Kunjithaya & Co.,
Chartered Accountants, Bengaluru

M/s. K. P. Rao & Co.,
Chartered Accountants, Bengaluru

Cost Auditor

M/s. GNV & Associates,
Cost & Management Accountants, Bengaluru

Legal Advisors

M/s. Sundaraswamy & Ramdas,
Advocates, Bengaluru

Tax Consultant

Price Waterhouse Coopers Pvt. Ltd.

Credit Rating Agency

ICRA

CARE



Board of Directors (as on 16th July, 2021)



Shri R. Madhavan
Chairman and Managing Director

Shri R. Madhavan was appointed as Chairman and Managing Director (CMD) of the Hindustan Aeronautics Limited (HAL) with effect from September 1, 2018. He is a graduate in Mechanical Engineering from NIT, Raipur and also holds post graduate degree of M. Tech from IIT Madras. He joined HAL as a Management Trainee (Technical) in July, 1982 and has been associated with the company for over 39 years.

Prior to his elevation as CMD of HAL, Shri. Madhavan held the position of Executive Director, Accessories Division at Lucknow. He spearheaded successful absorption of technology for production of Su-30 Airframe & Engine accessories from raw material phase. During his tenure, the division was awarded the best performing Division (Customer Services) award in company-wide competition during January 2016.

With his rich and varied experience, Shri. Madhavan has provided solutions related to intricate technical problems and strategic issues. He has given valuable inputs as a member of Tri-service committee for high altitude operation of Helicopters and had overseen successful launch of export of Engine sets to USA while in Engine Division, Bangalore, which led to considerable improvement in the Division's process to meet the international standards.

Under his leadership, the Quality team at Corporate Office bagged the prestigious Platinum Technology award for the company at Berlin.

He had also extensively contributed to GOI's "Make in India" strategy by developing MSME sector vendors for Aerospace Manufacturing and had set roadmap for enhancing self-reliance & self-sufficiency through indigenization efforts for obsolescence management and for developing alternate technology leading to product improvement & reduction in cost. Under Shri Madhavan's leadership, HAL has earmarked Indigenization as "Key Thrust Area" and over a period has refined its internal machinery and policy for indigenisation of components, accessories and systems required for manufacturing as well as repair & overhaul of aircraft, engine and equipment.

A very important aspect towards development of engineering and technology in aerospace industry is availability of skilled manpower. Shri Madhavan in the capacity of Chairman of Aerospace & Aviation sector skill council is contributing immensely to meet the challenge of skill development. As part of Government of India's ambitious programme to encourage innovation, Mr. Madhavan is appointed as one of the Director of Defence Innovation Organisation (DIO) which is doing pioneering work in providing impetus to technology start-ups in the country in Aerospace and Aviation sector.

Shri Madhavan had also taken several e-initiatives, implementation of which have brought in systemic changes, transparency & process improvements. Under his leadership, HAL is embarking upon a major e-initiative called "Project Parivartan" in a journey to revive company's ERP system to increase operational efficiencies.

An avid reader and active in professional societies, Shri. Madhavan is a member of Aeronautical Society of India. He is also a member of Governing Council of CMTI and CSIR-NAL.