

18th Annual Report 2001-2002

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Royal Airways Limited

Board of Directors

Mr. Atul Sharma

Mr. B. S. Kansagra

Mr. Kishore Gupta

Mr. R. S. Kansagra

Mr. Siddhanta Sharma (Chairman)

Mr. Vijay Kumar

Mr. Anup Trehan (alternate to Mr. B. S. Kansagra)

Mr. Baljit Sobti (alternate to Mr. R. S. Kansagra)

Company Secretary & Compliance Officer

Mr. A. K. Maheshwary

Registrars & Share Transfer Agents

Karvy Consultants Limited
Karvy House, 46, Avenue 4,
Street no. 1, Banjara Hills
Hyderabad-500034

Banker

The Hongkong & Shanghai
Banking Corporation Ltd.
ECE House,
Kasturba Gandhi Marg
New Delhi

Registered Office

Cargo Complex
Indira Gandhi International Airport
Terminal-I
New Delhi-110037

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ROYAL AIRWAYS LIMITED



ROYAL AIRWAYS LIMITED

Regd. Office: Cargo Complex, Indira Gandhi International Airport, Terminal-1,
New Delhi-110037

NOTICE

Notice is hereby given that the 18th Annual General Meeting of the members of Royal Airways Limited will be held on Wednesday, the 16th day of April, 2003 at 11.00 a.m. at The Air Force Auditorium, Subroto Park, New Delhi, to transact the following business :

Ordinary Business

1. To consider and adopt the Balance Sheet as at 31st May 2002, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri. B. S. Kansagra, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri. Atul Sharma, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

The retiring Auditors M/s S. R. Batliboi & Associates, Chartered Accountants have advised the Company that they do not wish to offer themselves for re-appointment.

The Company has received a Special Notice in writing under Section 225 of the Companies Act, 1956 from a shareholder signifying its intention to move the following resolution:

"Resolved that M/s Khanna & Annadhanam, Chartered Accountants, New Delhi be and are hereby appointed as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company on such remuneration as may be fixed by the Board."

Special Business

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"Resolved that subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 (including any statutory amendments) and the Rules framed thereunder, Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any such authority while granting such approvals, permissions and sanctions, which

ROYAL AIRWAYS LIMITED

may be agreed to by the Board of Directors of the Company (hereinafter referred as "the Board" which term shall include any committee thereof for the time being exercising the powers conferred by the Board), consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from all or any of the Stock Exchanges at Ahmedabad, Chennai, Delhi and Kolkata.

Resolved further that the Board of Directors of the Company be and is hereby authorised to seek voluntary delisting and to take all necessary actions in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, doubt that may arise in this regard and to execute all such deeds, documents as may be necessary and for this purpose to delegate the authority duly vested herein to any of the Directors or the Company Secretary or any other person whom the Board may deem fit to do various acts, deeds and things as required to be done for delisting of shares".

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"Resolved that in accordance with Memorandum and Articles of Association of the Company, listing guidelines and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the guidelines issued by the Securities and Exchange Board of India [hereinafter referred to as "the SEBI], Secretariat of Industrial Assistance/ Foreign Investment Promotion Board/ Reserve Bank of India and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board' which term shall be deemed to include any committee of the Board) at its sole discretion, the Board of Directors of the Company be and is hereby authorised to re-issue upto 18,95,348 forfeited equity shares of the nominal value of Rs.10 each in various tranches, to any one or more person(s) including but not limiting Banks, Financial Institutions, Foreign Institutional Investors, Mutual Funds, Non Resident Indians, Overseas Corporate Bodies on such terms as may be agreed to by the Board.

Resolved further that the equity shares so allotted shall rank pari-passu with the existing equity shares of the Company except that they shall be entitled to dividend, if any, with effect from the date of allotment on pro-rata basis, for the financial year in which they are allotted.

Resolved further that the Board of Directors of the Company be and is hereby authorised to re-issue forfeited equity shares and to take all necessary actions in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, doubt that may arise in this regard and to execute all such deeds, documents as may be necessary and for this purpose to delegate the authority duly vested herein to any of the Directors or the Company Secretary or any other person whom the Board may deem fit to do various acts, deeds and things as required to be done for reissuing forfeited equity shares".

By Order of the Board of Directors.

A K Maheshwary
Company Secretary

Place : New Delhi
Dated : 08.03.2003

ROYAL AIRWAYS LIMITED**NOTES :**

1. Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of business under item nos. 5 and 6 is annexed hereto.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than fortyeight (48) hours before the commencement of the meeting.
3. The Register of Members and Transfer Books of the Company will remain closed on 16.04.2003.
4. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturday/ Sunday and other holidays, between 1:00 p.m. and 3:00 p.m. upto the date of AGM.
5. Members desiring any information as regards the Accounts are requested to write to the Company in advance so as to enable the Management to keep the information ready at the meeting.
6. Corporate members/ Trusts/ Societies are requested to send a duly certified copy of the Board/ Managing Committee Resolution authorising their representative to attend and vote at the Annual General Meeting.
7. Members are requested to bring their copy of Annual Report in the Meeting as the Annual Report will not be distributed at the venue of AGM.
8. Members/ Proxies should fill the Attendance Slip for attending the meeting.
9. **Re-appointment of Directors :**

At the ensuing AGM, Shri B. S. Kansagra and Shri Atul Sharma retire by rotation and are eligible for re-appointment.

Shri B. S. Kansagra, who is a nominee director of Royal Holdings Services Ltd. (RHSL), shall now be appointed as director not liable to retire by rotation in terms of Article 109 of the Articles of Association of the Company subject to provisions of Section 255 of the Companies Act, 1956.

Shri Atul Sharma is eligible for re-appointment as director liable to retire by rotation

Information for the above said directors in accordance with the Corporate Governance Code is as follows :

- a. Shri B. S. Kansagra, aged 46 years is an Economics Graduate from Harrow College of Further Education. He runs a business house and brings with him vast experience in Business Management. Mr. Kansagra was appointed as director on the Board of the Company with effect from 09.09.2000. He is a member of Audit Committee of the Company. Mr. Kansagra is on the Board of various companies viz. Agri Chemical Ltd., Bishopswood Estates Ltd., Royal Finance Ltd., Royal Holdings Services Ltd., Solai Holdings Ltd., Solai Services Ltd. and Tradeworth Ltd.
- b. Shri Atul Sharma, aged 47 years is a Graduate in Arts and Law from Delhi University. Mr. Sharma is an advocate by profession and brings with him rich experience in corporate legal matters. He was appointed as director on the Board of the Company with effect from 27.11.2000. He is a chairman of Share Transfer and Investors' Grievance Committee and member of Audit Committee of the Company. Mr. Sharma is also a director of IT & T Limited and a member of its Audit Committee.

ROYAL AIRWAYS LIMITED**Explanatory Statement under Section 173(2) of the Companies Act, 1956**

The Explanatory Statement for item Nos. 5 and 6 of the accompanying Notice set out hereinabove is as under.

Item No.5

Presently shares of the Company are listed on five Stock Exchanges namely The Stock Exchange, Ahmedabad (ASE), The Calcutta Stock Exchange Association Ltd. (CSE), The Delhi Stock Exchange Association Ltd. (DSE), Regional Madras Stock Exchange Ltd. (MSE) and The Stock Exchange, Mumbai (BSE). With the introduction of electronic trading system, investors have access to online trading nationwide. Further, trading in the shares of the Company is largely carried only at BSE which has nationwide trading terminals. Thus no particular benefit is available to the investors of the Company by continuing the listing of the shares of the Company on ASE, CSE, DSE and MSE.

Further as per latest guidelines issued by SEBI on delisting of Securities, company can delist its shares from stock exchange(s) without giving exit option to shareholders provided the shares of the Company continue to be listed at a stock exchange having nationwide trading terminals. The Company shall continue to be listed at BSE. As per the guidelines, delisting from ASE, CSE, DSE and MSE is possible with the approval of shareholders by passing a special resolution.

The Directors recommend the resolution for your approval.

None of the Directors of the Company are in any way concerned or interested in the resolution.

Item No.6

18,95,348 equity shares of the Company were forfeited on account of non-payment of call money due. The Board has decided to re-issue these shares at a price not lower than the face value of each share i.e. Rs.10 per share. The re-issue of these forfeited shares would also help the Company in part financing the requirements of funds to relaunch airline operations of the Company.

It may further be noted that 18,95,348 forfeited shares proposed to be re-issued, constitute 1.33 percent of the equity capital of the Company.

The Directors recommend the resolution for your approval.

None of the Directors of the Company are in any way concerned or interested in the resolution except to the extent of shares, which may be subscribed by them.

By Order of the Board of Directors

A K Maheshwary
Company Secretary

Place: New Delhi
Dated: 08.03.2003

ROYAL AIRWAYS LIMITED**DIRECTORS' REPORT**

The Directors hereby present the Eighteenth Annual Report and the audited accounts for the financial year ended 31st May, 2002

FINANCIAL RESULTS

(Rupees in Lacs)

Particulars	Year ended May 31, 2002	Year ended May 31, 2001
Gross Revenue	437.47	376.43
Operating Profit/ (Loss)	(987.59)	(914.20)
Less :		
- Assets write off, devaluation/ obsolescence of inventory and loss on sale of assets	72.35	221.41
- Provision for bad & doubtful debts/ advances	278.26	445.51
- Bad debts, advances & balances written off	56.63	1.62
- Increased liability due to settlement with old creditors	801.06	295.47
Profit/ (Loss) before depreciation	(2195.89)	(1878.21)
Less: depreciation	73.55	49.84
Net Profit/ (Loss) for the year	(2269.44)	(1928.05)

Explanations to various comments made by the Auditors in their Report to the members are contained in the Notes to the Accounts, which form part of the Balance Sheet for the financial year ended on 31st May, 2002.

REVIEW OF PERFORMANCE

It may be recalled that during the year 2000-01, Royal Holdings Services Ltd., a NRI OCB infused over Rs. 81 crores in the Company and was allotted 8,10,77,500 equity shares which amounts to approximately 57% of the paid-up capital of the Company. These funds have been used to settle pending government creditors, a pre-condition imposed by the Ministry of Civil Aviation in its No Objection Certificate (NOC), and also to meet necessary expenditure to relaunch airline operations of the Company. Till date the Company has settled with all government creditors except Customs Department.

The Company's proposal for settlement of its outstanding dues with the Customs Department did not evoke any response. The Company, therefore, was constrained to file an application in the High Court of Delhi. The High Court of Delhi passed an interim order on 30.07.2002, inter-alia, directing the Customs Department to issue NOC to the Company that they have no objection to relaunch of airline operations by the Company subject to the Company complying with certain directions as contained in the said order. The Company has complied and continues to comply with these directions. However, the Customs Department has filed a Special Leave Petition (SLP) in the Supreme Court of India against the said interim Order of the High Court of Delhi.

The time schedule of re-launch of airline operations by the Company now depends on outcome of the above SLP.

ROYAL AIRWAYS LIMITED**DIVIDEND**

In view of no operations and losses during the financial year under review, your Directors do not recommend any dividend.

DIRECTORS

Mr. B. S. Kansagra and Mr. Atul Sharma retire by rotation and are eligible for reappointment.

Mr. Mansukhlal Kotecha resigned from the directorship of the Company during the financial year under review. The Board expresses its gratitude for the valuable association of Mr. Kotecha with the Company.

PERSONNEL

As required under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended the names and other particulars of the employees are set out in the annexure to the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the operating management, confirm:

- i. that in the preparation of the accounts for the financial year ended 31st May 2002, except otherwise disclosed, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. that except otherwise disclosed in the Notes to the Accounts, they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii. that, except otherwise disclosed in the Notes to the Accounts, they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that they have prepared the annual accounts for the financial year ended 31st May 2002 on a going concern basis.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Particulars as required under section 217(1) (e) of the Companies Act, 1956, relating to conservation of energy and technology absorption are not applicable for the year under review, and hence not furnished.

FOREIGN EXCHANGE EARNINGS & OUTGO (Rs. Lacs)

Earnings	Nil
Outgo	551.49

DEPOSITS

The Company has not accepted any deposits during the year under review.

AUDITORS

M/s S. R. Batliboi & Associates, retiring Auditors have advised the Company that they do not wish to offer themselves for re-appointment at the ensuing Annual General Meeting. The Board places on record its appreciation for the assistance given by M/s S. R. Batliboi & Associates during their tenure as Auditor of the Company.



ROYAL AIRWAYS LIMITED

The Company has received a Special Notice under Section 225 of the Companies Act, 1956 from a shareholder proposing the name of M/s Khanna & Annadhanam, Chartered Accountants, New Delhi for appointment as Auditors of the Company.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding Compliance with the Code of Corporate Governance are made part of the Annual Report.

INFORMATION AS REQUIRED UNDER THE LISTING AGREEMENT

Shares of the Company are listed on the following Stock Exchanges and the status of payment of Listing Fee is as under:

Stock Exchange	Address	Fees paid upto
Delhi Stock Exchange	3/1, Asaf Ali Road, New Delhi - 110002	31.03.2005
Calcutta Stock Exchange	7, Lyons Range, Calcutta - 700 001	31.03.2002
Madras Stock Exchange	Exchange Building, Post Box No. 183, 11, Second Line Beach, Chennai - 01	31.03.2003
The Stock Exchange, Ahmedabad	Kamdhenu Complex, Opp. Sahajanand College, Panjarapole, Ahmedabad-380015.	31.03.2003
The Stock Exchange, Mumbai	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001.	31.03.2003

ACKNOWLEDGEMENT

Your Directors thank all government and regulatory bodies for their support and guidance in the process of revival of the Airline operations of the Company.

The Directors also thank the business associates, major suppliers and commercial banks for the faith reposed in your company and its management.

The Directors place on record their deep appreciation for the dedication and commitment of your company's staff at all levels.

For and on behalf of the Board

Siddhanta Sharma
Chairman

Place : New Delhi
Dated : 08.03.2003

ROYAL AIRWAYS LIMITED**Annexure to the Directors' Report of Royal Airways Limited**

Particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report for the year ended May 31, 2002.

A. Employees who were employed throughout the Financial Year and were in receipt of remuneration in aggregate of not less than Rs. 24,00,000 per annum.

Name	Designation	Remuneration (Rs.)	Qualification	Age	Experience	Joining date	Previous Employer/ Designation held
J. S. Dhillon	Senior Vice President-Operations	74,24,804	M. Sc	51 yrs	31 yrs	01-06-2001	Jet Airways Ltd/ Chief Pilot

B. Employees who were employed for part of the Financial Year and were in receipt of remuneration in aggregate of not less than Rs. 2,00,000 per month.

Name	Designation	Remuneration (Rs.)	Qualification	Age	Experience	Joining date	Previous Employer/ Designation held
Andreas Christou	CEO	1,14,86,454	Hons. Degree in Physics	56 yrs	30 Yrs	01-07-2001	Speedwing Intl. Pte. Ltd./ V.P. Sales & Marketing
Roger Page	E.V.P	47,44,858	Aeronautical Engineer	57 yrs	42 Yrs	01-07-2001	Region Air Pte Ltd., Singapore/ Technical & Quality Assurance-Director

Note : Remuneration includes Salary, Bonus, Commission, Allowances, Rent for Residential Accommodation, Company's contribution to Provident Fund, Superannuation Fund and other facilities & benefits wherever applicable, monetary value of which has been evaluated on the basis of Income Tax Rules.