

19th Annual Report 2002-2003

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Royal Airways Limited

Board of Directors

Mr. Siddhanta Sharma
(Chairman)

Mr. Atul Sharma

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

Mr. B. S. Kansagra

Mr. Kishore Gupta

Mr. R. S. Kansagra

Mr. Vijay Kumar

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

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

Notice is hereby given that approval is sought from the Members of Royal Airways Limited by way of Postal Ballot in respect of the following business :

Special Resolution for Alteration to Object Clause

1. 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 the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956, the Memorandum of Association of the Company be and is hereby altered by inserting following new sub-clauses numbered 18 & 19 in Part B of Clause III of the Memorandum of Association:

18. To promote, form or acquire any company and to take, purchase, or acquire shares or interest in any company and to transfer to any such company and property of this Company and to take or otherwise acquire, hold and dispose of or otherwise deal in and invest in stocks, shares, debentures, debenture stock, bonds, obligations or other securities in or of any company or companies (including mutual funds) either out of its own funds or out of funds that it might borrow by issue of debentures or from bankers or otherwise howsoever so as to directly or indirectly benefit the Company.
19. To invest and deal with the moneys of the Company not immediately required in such investments and in such manner as may be determined from time to time."



By Order of the Board of Directors

A K Maheshwary
Company Secretary

Place: New Delhi

Dated: 21.10.2003

Notes :

1. An Explanatory Statement, pursuant to section 173 of the Companies Act, 1956, in respect of business under item no. 1 is annexed hereto.
2. Section 192A of the Companies Act, 1956 provides for passing of certain resolutions only by Postal Ballot and the above referred item no.1 requires the consent of the members through Postal Ballot.
3. The resolution, if assented to by the requisite majority shall be taken as passed on November 28, 2003, being the date of the 19th Annual General Meeting, whereat the result of the Postal Ballot will be announced.
4. The Board of Directors in its meeting held on October 21, 2003 has appointed Mr. Mahesh Gupta, Practicing Company Secretary, as Scrutiniser to receive and scrutinise the ballot papers received from the members. Postal Ballot Form along with self addressed (pre-paid) envelope is attached with the Notice for use of members.
5. All documents referred to in the accompanying Notice 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 November 27, 2003.

Explanatory Statement under Section 173(2) of the Companies Act, 1956

The Explanatory Statement for item Nos. 1 of the accompanying Notice set out hereinabove is as under.

Item No.1

It is imperative that short term surplus funds of the Company are invested in various financial instruments to optimize return on funds employed so as to carry on business more economically and efficiently. The Board of the Company has inherent powers to do and perform all such acts and things including investment of short term surplus funds as may, for the time being, be conducive and/or incidental to the attainment of main business of the Company. Nevertheless, it will be appropriate to have such authorisation in terms of stated objects of the Company. Therefore, it is proposed to amend ancillary objects of the Company as proposed in the draft resolution at serial no. 1 of this notice.

Further as per the requirement of Section 192A of the Companies Act, 1956, amendments in the Object Clause of the Memorandum of Association of the Companies is to be carried out through Postal Ballot.

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.

By Order of the Board of Directors

A K Maheshwary
Company Secretary

Place: New Delhi
Dated: 21.10.2003

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Royal Airways Limited

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

NOTICE

Notice is hereby given that the 19th Annual General Meeting of the members of Royal Airways Limited will be held on Friday, the 28th November 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 2003, 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 Mr. Kishore Gupta, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Siddhanta Sharma, who retires by rotation and is eligible for re-appointment.
4. To appoint M/s Khanna & Annadhanam, Chartered Accountants, retiring auditors, as the Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

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By Order of the Board of Directors

A K Maheshwary
Company Secretary

Place: New Delhi

Dated: 17.09.2003

NOTES :

1. 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. However, the instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the commencement of the Annual General Meeting.
2. The Register of Members and Transfer Books of the Company will remain closed from 24.11.2003 to 28.11.2003.
3. All documents referred to in the accompanying Notice 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 the Annual General Meeting
4. 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 Annual General Meeting.
5. 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.

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6. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
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. **Re-appointment of Directors :**

At the ensuing Annual General Meeting, Mr. Kishore Gupta and Mr. Siddhanta Sharma retire by rotation and are eligible for re-appointment. Information pertaining to these directors in terms of Clause 49 of the Listing Agreement with the stock exchanges is as follows :

- a. Mr. Kishore Gupta, aged about 44 years is a Science Graduate and Fellow of the Institute of Cost and Works Accountants of India. He is a Business and Corporate Advisor by profession and brings with him experience in Business Management. Mr. Gupta was appointed as director on the Board of the Company with effect from 27.11.2000. He is the Chairman of Audit Committee and also a member of Share Transfer and Investor Grievance Committee of the Company.
- b. Mr. Siddhanta Sharma, aged about 46 years is a Science Graduate and Fellow of the Institute of Chartered Accountants of India and an Associate of the Institute of Company Secretaries of India. He has vast experience in the field of Accounts, Finance & Corporate affairs and has held senior key positions in various MNCs. Mr. Sharma was appointed as director on the Board of the Company with effect from 31.03.2001. He is the Chairman of the Board and member of Share Transfer and Investors' Grievance Committee and Audit Committee of the Company.



DIRECTORS' REPORT

Dear Shareholders,

The Directors hereby present the Nineteenth Annual Report and the Audited Accounts for the financial year ended May 31, 2003.

FINANCIAL RESULTS

(Rupees in Lacs)

Particulars	Year ended May 31, 2003	Year ended May 31, 2002
Gross Revenue	160.80	383.44
Operating Profit/ (Loss)	(161.50)	(1,240.98)
Less :		
— Assets write off, devaluation/ obsolescence of inventory and loss on sale of assets	35.19	72.36
— Provision for bad & doubtful debts/ advances	—	278.26
— Bad debts, advances & balances written off	—	56.63
— Increased liability due to settlement with old creditors	588.85	547.66
Profit/ (Loss) before depreciation	(785.54)	(2195.89)
Less: depreciation	51.43	73.55
Net Profit/ (Loss) for the year	(836.97)	(2269.44)

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 May 31, 2003.

REVIEW OF PERFORMANCE

Sincere and persistent efforts have enabled the Company to reach an out-of-Court settlement with the Department of Customs regarding payment of old IATT dues together with interest and penalties for late payment, which were not deposited by the erstwhile management in accordance with the then established procedure. As per the settlement, the Company has to, inter-alia, make payment of Rs. 610.51 lacs in six monthly installments. The Company has already made payment of first installment to the Department of Customs, which has subsequently issued a letter confirming that it has no objection for re-launch of airline operations of the Company.

With this, the Company has reached settlement with all government creditors, which was one of the pre-condition imposed by the Ministry of Civil Aviation in the NOC dated 29th February 2000 (as extended) for re-launch of airline operations of the Company.

DELISTING OF SHARES FROM STOCK EXCHANGES

The Company has initiated the process of delisting its shares from the stock exchanges at Ahmedabad, Chennai, Delhi and Kolkata in terms of shareholders approval at the Eighteenth Annual General Meeting held on 16.04.2003. The shares shall continue to be listed at The Stock Exchange, Mumbai.

SHARE CAPITAL

The Company has placed 18,95,348 forfeited equity shares on private placement basis at a price of Rs.10 per share aggregating to Rs.1,89,53,480 in terms of authority given to the Board by the shareholders at the Eighteenth Annual General Meeting held on 16.04.2003.

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As explained in the Note 5.1 of Notes to the Accounts for the current year, three investment companies of erstwhile promoter were allotted equity shares issued at Rs.10 each at a premium of Rs.30 per share in the rights issue of 1995. It is clarified that the share so allotted were 1,16,24,472 shares and not 1,15,49,272 shares.

DIVIDEND

In the absence of any operations and losses during the financial year under review, your Directors do not recommend any dividend.

DIRECTORS

Mr. Kishore Gupta and Mr. Siddhanta Sharma retire by rotation and are eligible for re-appointment.

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 May 31, 2003, 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 May 31, 2003 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

The Company had no foreign exchange earnings while the outgoings were Rs.1411.88 lacs during the year under review.

DEPOSITS/ BORROWINGS

The Company has not accepted any deposit under provisions of Section 58A of the Companies Act, 1956 during the year under review. Post close of financial year under review; the Company has taken a loan of USD 200,000 from its holding company Royal Holdings Services Ltd. for a period of three years to meet re-launch and other establishment expenses.

AUDITORS

M/s Khanna & Annadham, Auditors of the Company, will retire at the forthcoming Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(1-B) of the Companies Act, 1956. On the recommendation of the Audit Committee, the Board in its meeting held on 17th September, 2003 proposed their re-appointment. You are requested to consider their re-appointment.

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 presently 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	31.03.2004
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.	31.03.2004
The Stock Exchange, Mumbai	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001.	31.03.2004

ACKNOWLEDGEMENT

The Directors thank all government and regulatory bodies and shareholders for their consistent support in the process of revival of the airline operations of the Company.

The Directors also sincerely acknowledge 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: 17.09.2003

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, 2003.

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	Sr. Vice President (Operations)	37,98,003	M. Sc	52 years	32 years	01.06.2001	Jet Airways Limited/ 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	Chief Executive Officer	24,92,207	Hons. Degree in Physics	57 years	31 years	01.07.2001	Speedwing Intl. Pte. Ltd./ Vice President-Sales & Marketing

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.