

20th Annual Report 2003-2004

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Royal Airways Limited

Board of Directors

Mr. Atul Sharma

Mr. B. S. Kansagra

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

Mr. Kishore Gupta

Mr. R. S. Kansagra

Mr. Siddhanta Sharma (Chairman)

Mr. Vijay Kumar

Company Secretary & Compliance Officer

Mr. A. K. Maheshwary

Registrars & Share Transfer AgentsKarvy Computershare Private 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

Notice is hereby given that the Twentieth Annual General Meeting of the members of Royal Airways Limited will be held on July 29, 2004 at 4.00 p.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 2004, 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. Vijay Kumar, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ramesh Shantilal Kansagra, who retires by rotation and, being eligible, offers himself 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.

By Order of the Board of Directors

A K Maheshwary
Company Secretary

Place : New Delhi
Date : 17.06.2004

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 24.07.2004 to 29.07.2004 (both days inclusive).
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.
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 carry their copy of Annual Report in the Meeting as the Annual Report will not be distributed at the venue of AGM.
8. Members whose shareholding is in electronic mode are requested to direct change of address notifications to their respective Depository Participants.
9. **Re-appointment of Directors :**

At the ensuing Annual General Meeting, Mr. Vijay Kumar and Mr. Ramesh Shantilal Kansagra retire by rotation.

Mr. Vijay Kumar is eligible for re-appointment as director liable to retire by rotation.

Mr. Ramesh Shantilal Kansagra, who is a nominee director of Royal Holdings Services Ltd. (RHSL), shall now be appointed as a 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.

Information pertaining to these directors in terms of Clause 49 of the Listing Agreement with the stock exchanges is as follows:

- a) **Mr. Vijay Kumar** aged about 56 years is a Graduate in Electrical Engineering and presently runs his own business. Mr. Kumar was appointed as director on the Board of the Company with effect from 01.06.2001 and has experience in general business management. Mr. Kumar is the Managing Director of Sidh Master Batches Pvt. Ltd.
- b) **Mr. Ramesh Shantilal Kansagra**, aged about 53 years is a Science Graduate from London. He has diversified business interests in many parts of the globe including interest in real estate/ hospitality business. Mr. Kansagra was appointed as director on the Board of the Company with effect from 09.09.2000 and has vast experience in general business management. Mr. Kansagra is on the board of various foreign companies viz. Agri Chemical Limited, Royal Finance Limited, Royal Holdings Services Limited, Solai Holdings Limited, Solai Services Limited and Tradeworth Limited.

Royal Airways Limited**DIRECTORS' REPORT**

Dear Shareholders,

The Directors hereby present the Twentieth Annual Report and the Audited Accounts for the financial year ended May 31, 2004.

FINANCIAL RESULTS

(Rupees in Lacs)

Particulars	Year ended May 31, 2004	Year ended May 31, 2003
Gross Revenue	414.88	218.34
Operating Profit/ (Loss)	(106.20)	(161.50)
Less :		
— Assets write off, devaluation/ obsolescence of inventory and loss on sale of assets	3.88	35.19
— Provision for bad & doubtful debts/ advances	186.74	—
— Bad debts, advances & balances written off	—	—
— Increased liability due to settlement with old creditors	—	588.85
Profit/ (Loss) before depreciation	(276.59)	(785.54)
Less: depreciation	33.73	51.43
Net Profit/ (Loss) for the year	(310.32)	(836.97)

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, 2004.

REVIEW OF PERFORMANCE

Pursuant to the out-of-court settlement reached with the Department of Customs regarding payment of old IATF dues together with interest and penalties for late payment, which were not deposited by the erstwhile management in accordance with the then established procedure, the Company made payments of Rs.610.51 lacs in six monthly installments. As per the No Objection Certificate received from the Department of Customs, the Company can import/ acquire aircraft for starting the airline operations, subject to other regulatory approvals.

The Company is presently working on its business plan in association with industry experts and is in the process of identifying potential investors for further capitalisation of the Company for relaunch of its airline operations.

DELISTING OF SHARES FROM STOCK EXCHANGES

Shares of the Company were delisted from stock exchanges at Ahmedabad, Chennai and Delhi and the delisting confirmation is awaited from the Calcutta Stock Exchange. The shares of the Company continue to be listed at The Stock Exchange, Mumbai.

DIVIDEND

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

DIRECTORS

Mr. Vijay Kumar and Mr. Ramesh Shantilal Kaneagra retire by rotation in the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

PERSONNEL

No employee was paid remuneration in excess of the limit as prescribed under Section-217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended.

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:

- that in the preparation of the accounts for the financial year ended May 31, 2004, except otherwise disclosed, the applicable accounting standards have been followed along with proper explanation relating to material departures;

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- 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, 2004 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.127.81 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. However, the Company has taken loan of USD 14,00,000 from its holding company Royal Holdings Services Ltd. in various tranches for a period of three years to pay outstanding IATT dues of Customs and meet re-launch expenses.

AUDITORS

M/s Khanna & Anandhan, Auditors of the Company, will retire at the forth-coming 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 June 17, 2004 proposed their re-appointment. You are requested to consider their re-appointment.

CORPORATE GOVERNANCE

Pursuant to Clause 48 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
Calcutta Stock Exchange (De-listing approval awaited)	7, Lyons Range, Calcutta - 700 001	31.03.2004
The Stock Exchange, Mumbai	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001.	31.03.2005

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 Company's staff at all levels.

For and on behalf of the Board

Siddhanta Sharma
Chairman

Place: New Delhi
Date: 17.08.2004

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company has the required NOC from the Government of India, which, subject to fulfillment of certain administrative conditions, allow the airline to re-launch its commercial operations as Scheduled Air Transport Service provider in the country.

The Company is presently drawing up strategies and plans for the re-launch of its commercial operations.

World aviation industry has seen the worst during the last three years. Domestic aviation, however, has shown much needed recovery in terms of passengers' number during first six months of the current year.

Royal Airways Limited

OUTLOOK

Domestic market has witnessed aggressive pricing strategies by the present operators that have provided the needed impetus to the growth of domestic travel.

During last year, domestic market witnessed all time high growth of over 10% as compared to previous year. Further, the recent initiatives announced by the government to boost aviation sector has resulted in lower fares and has also improved growth to even higher levels. It is expected that the current trend will witness a growth of over 15% as compared to year 2003.

The prevailing market conditions and improved business environment in the country provide a suitable platform for the re-launch of Company's airline operations.

CORPORATE GOVERNANCE

Brief statement on company's philosophy on Code of Corporate Governance

The Company believes in adopting best corporate practices for ethical conduct of business. In stride for achieving the best corporate governance, the Company has already formed the mandatory committees as required under Companies Act, 1956/ listing agreement.

Board of Directors

Number of Board Meetings

Seven (7) board meetings were held on 30.06.2003, 09.08.2003, 17.09.2003, 21.10.2003, 13.11.2003, 31.12.2003 and 31.03.2004 during the year June 2003-May 2004.

Composition

Details of attendance, other directorships, committee memberships/ chairmanships are as follows :

Name of Director	Attendance particulars		No. of other directorships and committee memberships/ chairmanships		
	Board Meetings	Annual General Meetings	Other directorships	Committee memberships	Committee chairmanships
Atul Sharma	5	Present	1	2	1
B. S. Kansagra	2	Absent	7	1	—
Kishore Gupta	3	Present	—	1	1
R. S. Kansagra	Nil	Absent	6	—	—
Siddhanta Sharma (Chairman)	7	Present	—	2	—
Vijay Kumar	1	Present	1	—	—

All the directors are independent and non-executive.

The Company made a payment of Rs.912,257 to Link Legal, Advocates towards legal and professional charges during the period under review in which one of the directors is a Partner.

No remuneration has been paid to any of the directors during the period ended 31.05.2004. Remuneration committee has not been constituted, being a non-mandatory requirement.

Audit Committee

Terms of Reference

The Committee, constituted on 01.06.2001, oversees and monitors the financials of the Company in order to achieve credible disclosures and transparency. The envisaged role of Audit Committee includes, inter-alia, monitoring financial reporting process, reviewing company's financial and risk management policies and review of accounting policies and systems.

Number of Audit Committee meetings

Three (3) committee meetings were held on 17.09.2003, 31.12.2003 and 31.03.2004 during the year June 2003-May 2004.

Composition

The Audit Committee comprises of four independent non-executive directors. Details of composition and attendance at the Audit Committee meetings are as follows:

Name of Member	Number of Committee Meetings attended
Atul Sharma	3
B. S. Kansagra	1
Kishore Gupta (Chairman)	1
Siddhanta Sharma	3

Share Transfer & Investors' Grievance Committee**Terms of Reference**

The Committee, constituted on 01.06.2001, focuses on investors' relation. The envisaged role of Share Transfer and investors' Grievance Committee includes, inter-alia, transfer of shares, redressal of complaints and other investors' related matters.

Number of Share Transfer and Investors' Grievance Committee meetings

Four (4) committee meetings were held on 30.06.2003, 17.09.2003, 31.12.2003 and 31.03.2004 during the year June 2003-May 2004.

Composition

The Shareholders' Committee comprises of three independent non-executive directors. Details of composition and attendance at Committee meetings are as follows :

Name of Member	Number of Committee Meetings attended
Atul Sharma (Chairman)	4
Kishore Gupta	1
Siddhanta Sharma	4

Mr. A K Maheshwary, Company Secretary is the Compliance Officer.

There were total 284 letters/ complaints received and replied/ redressed to the satisfaction of shareholders during the year June 2003-May 2004. No dematerialisation request was pending for approval as on 31.05.2003.

Disclosures regarding appointment or re-appointment of directors

Resumes of all directors, retiring by rotation and eligible for re-appointment, are provided in the Notice of the 20th Annual General Meeting.

General Body Meetings

Details of last three general body meetings are as follows :

General Body Meeting	Date	Time	Venue
Seventeenth Annual General Meeting	April 18, 2002	11.00 a.m.	Air Force Auditorium, Subroto Park, New Delhi-110010
Eighteenth Annual General Meeting	April 16, 2003	11.00 a.m.	Air Force Auditorium, Subroto Park, New Delhi-110010
Nineteenth Annual General Meeting	November 28, 2003	11.00 a.m.	Air Force Auditorium, Subroto Park, New Delhi-110010

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During the year June 2003 - May 2004 a special resolution was put to vote through postal ballot for amendments in Object Clause of the Memorandum of Association of the Company. The postal ballot exercise was conducted by Mr. Mahesh Gupta of Mahesh Gupta & Company, Practicing Company Secretaries, Delhi who was appointed as scrutiniser by the Company. As per the report dated 27.11.2003 of the scrutiniser details of voting pattern are as under:

S. NO	DESCRIPTION	NO. OF VOTES	NO. OF SHARES	% TO SHARES
1	Total Shares Polled	219	8,75,50,399	
2	Invalid Shares Polled	11	5,000	
3	Valid Shares Polled (1-2)	208	8,75,45,399	
4	Votes in Favour	187	8,75,38,810	99.99 %
5	Votes Against	21	6,589	0.01 %
	Total (4 + 5)	208	8,75,45,399	100.00 %

No resolution is proposed to be passed through postal ballot.

Disclosures

- Disclosures on materially significant related party transaction i.e. transaction of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large:
None of the transactions with any of the related parties were in conflict with the interest of the Company.
- Details of non-compliance by the company, penalties, and strictures imposed on the company by stock exchanges or SEBI or any statutory authority, on any matters related to capital markets, during the last three years:
No such penalties imposed by any authority.

Share Capital Audit

A qualified practicing Company Secretary carried out share capital audit to reconcile the total issued/ listed capital and total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). The audit confirms that the total issued/ paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

Means of Communication

Half Yearly Results : Half yearly results are sent to the stock exchanges for the information of the shareholders as required under the listing agreement.

Quarterly Results : Quarterly un-audited results are sent to the exchange for the information of the shareholders. The results are normally published in Financial Express and Jansatta.

The Management Discussion and Analysis (MD&A), is a part of the Annual Report and is enclosed.

General Shareholder Information

Annual General Meeting	
Venue, date and time	Air Force Auditorium, Subroto Park, New Delhi on July 29 at 4.00 p.m.
Book Closure date	24.07.2004 - 29.07.2004
Dividend payment date	Not Applicable
Financial Calendar (tentative)	
Results for quarter ending August 2004	Last week of September 2004
Results for quarter ending November 2004	Last week of December 2004
Results for quarter ending February 2005	Last week of March 2005
Results for quarter ending May 2005	Last week of June 2005
Stock Exchanges where shares are presently listed	The Stock Exchange, Mumbai. Delisting confirmation awaited from Calcutta Stock Exchange
Stock Code	BSE: 5CJ285
Demat ISIN in NSDL and CDSL	INE285B01017

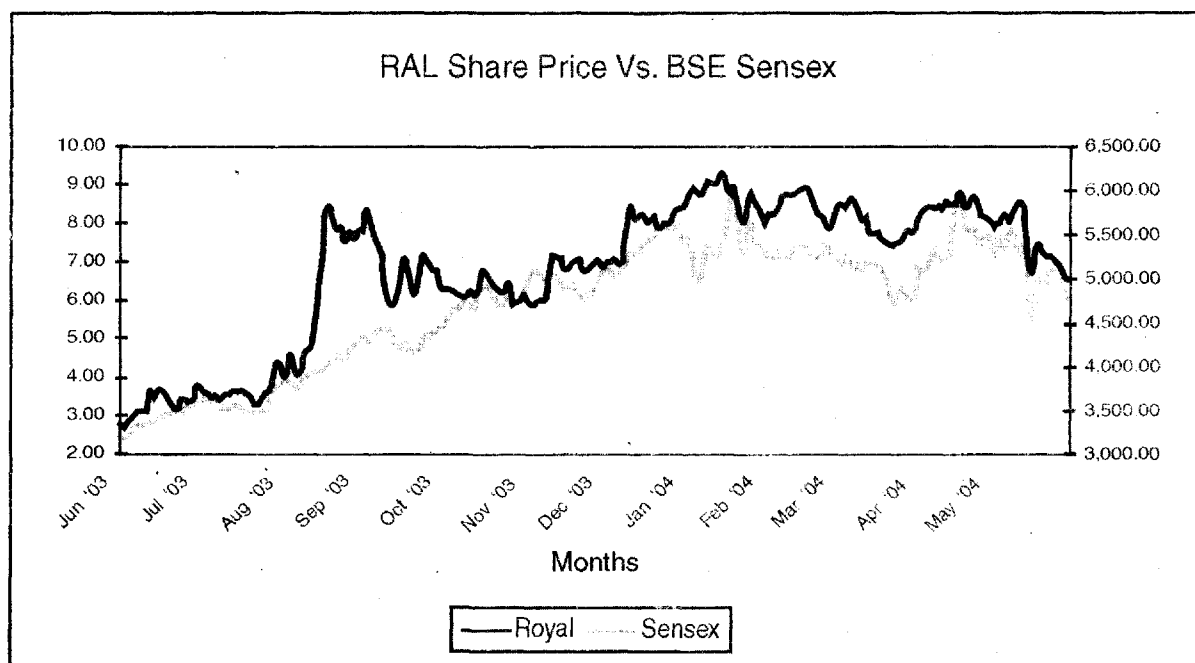
Market Price Data*: Bombay Stock Exchange

Month	High Price (Rs.)	Low Price (Rs.)
June 2003	4.05	2.53
July 2003	5.14	2.90
August 2003	9.90	3.90
September 2003	8.80	5.36
October 2003	7.10	5.70
November 2003	7.77	5.76
December 2003	8.90	6.25
January 2004	9.45	6.25
February 2004	8.16	6.75
March 2004	8.25	5.35
April 2004	9.49	6.52
May 2004	9.41	6.05

* Source: www.bseindia.com

Performance in comparison to broad-based indices - BSE Sensex

Royal Airways Limited (RAL) price performance relative to BSE Sensex based on share price during June 01, 2003 to May 31, 2004



Royal Airways Limited

Registrar and Transfer Agents

Karvy Computershare Private Limited
'Karvy House', 46 Avenue 4,
Street No. 1, Banjara Hills
Hyderabad - 500 034

Share Transfer System : The shares of the Company are traded in compulsory demat segment. However share transfers which are received in physical form are processed and the share certificate are returned within 25 to 30 days from the date of receipt, provided the documents submitted are valid and complete in all respect.

Shareholding pattern as on 31.05.2004

S. No.	Category	No. of shares	% to total
1	Resident Individuals	24,439,329	16.92
2	NRIs/OCBs/FIIs	91,130,480	63.08
3	Bodies Corporate	27,698,670	19.17
4	Banks/ Mutual Funds	554,000	0.38
5	Others	649,021	0.45
	Total	144,471,500	100.00

Dematerialisation of shares and liquidity : Over 23% of the outstanding shares have been dematerialised upto May 31, 2004. The highest trading activity is witnessed at BSE.

Outstanding GDR/ Warrants and Convertible Bond : The Company has not issued any such instruments

Plant Locations : Not applicable

Address for correspondence

A. For shares in physical/ demat mode

Karvy Computershare Private Limited
'Karvy House', 46 Avenue 4,
Street No. 1, Banjara Hills
Hyderabad - 500 034
www.karvy.com

B. Any query on Annual Report

Legal & Secretarial Department
Royal Airways Limited
Cargo Complex, Terminal-1, Indira Gandhi International Airport,
New Delhi-110037

COMPLIANCE CERTIFICATE FROM THE AUDITORS OF THE COMPANY

To the Members of ROYAL AIRWAYS LIMITED

We have reviewed the compliance of conditions of Corporate Governance by Royal Airways Limited, for the year ended on 31st May 2004, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

We have conducted our review on the basis of the relevant records and documents maintained by the Company for the year ended 31st May 2004 and furnished to us for the purpose of the review and the information and explanations given to us by the Company during the course of such review.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Khanna & Annadhanam
Chartered Accountants

(K. A. Balasubramanian)
Partner

Place: New Delhi
Date: June 17, 2004