

ANNUAL REPORT

2005



Taneja Aerospace and Aviation Limited



Taneja Aerospace and Aviation Limited

BOARD OF DIRECTORS (As on 18th July, 2005)	:	MR. KHUSHROO RUSTUMJI - <i>Chairman</i> MR. SALIL TANEJA - <i>Vice Chairman</i> Mr. C.S. KAMESWARAN - <i>Director Finance</i> MR. ASHOK KUMAR JAIN MR. RAKESH SURIE MR. JAGDISH PRASAD SUREKA MR. BALDEV RAJ TANEJA
AUDITORS	:	M/S. HARESH UPENDRA & CO. Chartered Accountants 233, Patil Plaza Business Complex Parvati Pune - 411 009.
BANKERS	:	BANK OF INDIA BANK OF BARODA CANARA BANK STATE BANK OF INDIA
SHARE TRANSFER AGENTS	:	SHAREPRO SERVICES 3, Chintamani Apartments, 824/D Bhandarkar Road, Pune - 411 004. Telephone No. 25662855 / 2856.
REGISTERED OFFICE	:	Lunkad Towers, S No. 199 Plot No. 3, Viman Nagar, Lohegaon Pune - 411 014.
CORPORATE OFFICE	:	Block 'B', 2nd Floor, Akshaya Commercial Complex, 26, Victoria Road, Bangalore - 560 047.
FACTORY	:	Belagondapally - 635 114 Denkanikottai Taluk Dharmapuri Dist. Tamilnadu.

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NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Company will be held at Taj Blue Diamond, 11, Koregaon Road, Pune – 411 001 on 26th the Monday, September 2005 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March, 2005 and Profit and Loss Account for the year ended on that date and to receive and consider the Auditors' Report thereon.
2. To appoint a Director in place of Mr. A.K.Jain, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. J.P.Sureka who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider, and if thought fit, to pass, with or without modifications, the following resolutions.

5. As a Special Resolution

Revision of Professional Fee to Mr. Khushroo Rustumji

"RESOLVED THAT in partial modification of the resolution passed at the Annual General Meeting of the Company held on 27th September 2004 and as approved by the Board of Directors at the meeting held on 18th July, 2005 and pursuant to Section 314 and other applicable provisions, if any, of the Companies Act 1956 and Article 153 of the Articles of Association and subject to approval of Central Government under Section 297 (1) of the Companies Act 1956 and other approvals, if any, consent of the Company be and is hereby accorded to Mr. Khushroo Rustumji, a Director of the Company holding an office or place of profit as Marketing and Commercial Advisor for the period from 1st April, 2005 to 30th November 2006 on a revised professional fee of Rs. 1,50,000/- (Rupees One Lac Fifty Thousand Only) per quarter.

By Order of the Board

Place : Pune
Date : 18th July, 2005

C S Kameswaran
Director - Finance

Taneja Aerospace and Aviation Limited

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in relation to the Special Businesses of the meeting is annexed hereto and forms part of this notice.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 23rd September 2005 to 26th September 2005 (both days inclusive).
4. In all correspondence with the company, members are requested to quote their account/folio number and in case their shares are held in dematerialized form they must quote their DPID and Client ID number.
5. Members are requested to note that copies of Annual Report will not be distributed at the Meeting, as a measure of economy.
6. Members seeking any information with regard to accounts are requested to write to the Company early so as to enable the Company to furnish the information readily.
7. All documents which are referred to in the notice and explanatory statement will be open for inspection at the Registered Office of the Company during office hours between 10.00 A.M. to 4.00 P.M. upto the date of Annual General Meeting on all days except Saturdays and holidays.
8. In terms of clause 49 of the listing agreement with Stock Exchanges, a brief resume of directors who are proposed to be reappointed is given below:
 - a. Mr. A.K.Jain
Born in the year 1954, Mr. A.K.Jain is a Commerce Graduate with Hons. to his distinction. He is an Industrialist with business interests in financial services, mining and mineral processing of Iron Ore, China Clay, Graphite etc in the State of Bihar and West Bengal. Mr. A.K.Jain is also a Director in The Indian Seamless Metal Tubes Limited.
 - b. Mr. J.P.Sureka
Born in the year 1941, Mr. J.P.Sureka is a Commerce Graduate. He is an industrialist based at Calcutta with business interests in Steel, Chemicals and Tea plantations. Mr. J.P.Sureka is also a Director in Shentracon Chemicals Limited, Prismo (India) Limited and The Indian Seamless Metal Tubes Limited.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM 5

Mr. Khushroo Rustumji has been associated with the Company since last eight years. As a Marketing and Commercial Advisor in the last eight years, he has played a very prominent role in promoting aircraft sales and charter business and formulated number of strategies and synergies in marketing and selling. This has enabled the Company to improve its business activities. In view of his greater involvement in the affairs of the Company and to utilize his expertise in further promoting the company's interests, it is proposed to revise his professional fee from Rs. 90,000/- per quarter to Rs. 1,50,000/- per quarter for the balance period from 1st April 2005 to 30th November 2006. This amounts to Mr. Khushroo Rustumji holding an office or place of profit in the Company. This requires consent of the shareholders by a special resolution. Accordingly your Directors recommend the resolution No. 5 of the Notice for approval.

Except Mr. Khushroo Rustumji, none of the Directors of the Company is in anyway concerned or interested in the said resolution.

Annual Report 2004 - 2005**DIRECTORS' REPORT TO THE MEMBERS**

The Directors are pleased to present the Sixteenth Annual Report and the Audited Accounts for the year ended 31st March, 2005.

1. TURNOVER AND PERFORMANCE

	2004-05 Rs. Lacs	2003-04 Rs. Lacs
Gross Income	1346.38	1091.32
Profit after Interest but before Depreciation	273.45	165.14
Depreciation	92.69	92.59
Prior year Income (Net)	139.39	—
Provision for Income Tax	8.00	—
Profit after tax	312.15	72.55

Your Directors wish to report that the year 2004/05 ended with a total income of Rs. 1346.38 lacs registering a growth of over 23% over the previous year. In consistence with the earlier years, your Company continued to earn profit at operating level and also recorded a post-tax profit of Rs. 312.15 lacs as compared to Rs. 72.55 lacs in the previous year.

2. OPERATIONS AND BUSINESSES

During the year under consideration, the Company increased its revenue on account of aircraft sales and aero-structures business.

In the area of aero-structures, your Company improved its order position by securing further orders from VSSC and ADE. Your Company could, also, increase its income by better utilization of its existing facilities for the maintenance and sale of aircraft.

Your Directors are of the opinion that the positive economic trend coupled with the growth that is envisaged for the Civil Aviation Sector would trigger off a growth impetus for the Company. As a consequence, the revenue in the Current Year is likely to improve.

3. FINANCE

The reliefs and concessions on the working capital borrowings requested by the Company have been approved and implemented by the Consortium Member Banks, thus bringing one-time interest relief and reduction in cost of funds.

4. DIRECTORS

In accordance with Articles of Association of the Company, Mr. A.K.Jain and Mr. J.P.Sureka retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

5. AUDITORS

Hareh Upendra & Co., Chartered Accountants retire as Auditors of the company at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

6. STATUTORY PARTICULARS

The Particulars in respect of Conservation of Energy and Research and Development activities as required under Section 217(1)(E) of the Companies Act, 1956 are given in Annexure A to this report. The Company has not accepted any deposits from the public.

7. DIRECTORS RESPONSIBILITY STATEMENT

As required by Section 217(2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is given in Annexure B to this report.

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8. CORPORATE GOVERNANCE

The Company continues to comply with the requirements of the Listing Agreement with the Stock Exchanges where the Company's shares are listed. The Management Discussion and Analysis and the report on Corporate Governance are included as a part of the Directors' Report.

Efforts are underway to appoint the required number of Independent Directors to strengthen the Board professionally and people with aviation background are being identified. However, a suitable person has not been identified as yet.

A certificate from the auditors of the company regarding compliance of the conditions of corporate governance as stipulated by Clause 49 of the listing agreement is attached to this report.

9. ACKNOWLEDGMENT

The Board gratefully acknowledges the valuable support given by Bankers, Shareholders, Developmental Organizations, Business Associates, and Employees of the Company and looks forward to their continued support.

On behalf of the Board

Place : Pune
Date : 18th July, 2005

Khushroo Rustumji
Chairman



Annual Report 2004 - 2005**ANNEXURE 'A' TO DIRECTORS' REPORT**

INFORMATION UNDER SECTION 217(1)(E), READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTOR'S REPORT.

A. CONSERVATION OF ENERGY

The company is basically a low energy consumer and in spite of that is continuing with its efforts, to conserve and utilize energy more efficiently.

B. RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND INNOVATION

1. Efforts are being made for the indigenization of components on a continuous basis for Civil and Defence Aircraft.
2. Continuous improvement in the process of design, development and fabrication of components jointly with various Developmental Agencies and Laboratories connected with aviation field.
3. Modification and assembly of Thorp T-211 aircraft.
4. Development of Auxiliary Fuel Tank for Advanced Light Helicopter (ALH).
5. Development of sound proofing panels for Navy.
6. Development of interiors for Pawan Hans helicopters.
7. Development of body structure for Cheetah Helicopter.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	2004-05 Rs. Lacs	2003-04 Rs. Lacs
1. Earnings	34.85	—
2. Spending	99.30	39.92

ANNEXURE 'B' TO DIRECTORS' REPORT

(INFORMATION AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956)

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956.

The directors hereby state:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. that the Directors have selected 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 year 31st March, 2005 and of the Profit and Loss of the company for the year ended 31st March 2005;
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors have prepared the annual accounts on a going concern basis.

On behalf of the Board

Place : Pune
Date : 18th July, 2005

Khushroo Rustumji
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW

In the midst of a challenging business climate, the Company has improved its revenue and doubled its net profit. This is significant considering the mixed trends throughout the year.

KEY BUSINESS HIGHLIGHTS

Improvement in economic conditions coupled with a spurt in industrial (particularly aviation) activities enabled a number of players to enter the Indian skies through schedule operations, making air travel an affordable mode of travel for those for whom it was hitherto out of reach. This has led to a situation whereby many global aircraft manufacturers are turning towards India, looking to establish a base with the main objective of capturing a share of the growing travel market. TAAL, being a long standing aviation company with necessary infrastructure facilities, is in an advantageous position to leverage its position.

Air travel has gained importance amongst corporates in view of the time and cost savings that it generates and, as in the West, has picked up momentum. Against this background, it is anticipated that the air-charter and sale of small aircraft for private ownership would grow as a consequence as well as to support the industrial and economic growth in India.

Outsourcing being the order of the day, establishments like HAL & VSSC are looking for private players to offload some of their activities. TAAL, a company with necessary approvals and domain expertise expects that it will have a prominent role to play to meet their demands. Also, from the global cost perspective, technical capabilities, and use of English as a business language, (being the three most influential factors in favour of India), there would be many opportunities for TAAL especially in the field of manufacture of aircraft parts, assemblies and manufacture of full aircraft in the foreseeable future.

OUTLOOK

Pilot Training

Multi-engine Pilot training has gained momentum in recent times to meet the shortage of Pilots. The entry of many players in the schedule operations has generated a huge demand for trained pilots and TAAL is a leading player in this field.

Aircraft Sales

There is an increasing acceptance amongst the business community about time being an economic resource and consequently, the usage of aircraft for business travel is expected to gain importance in the years to come. Present trends indicate that there would be an increasing demand for the kind of aircraft manufactured by the Company. The Company is focused to produce six-seater aircraft; two-seater all composite trainer aircraft (HANSA) for the domestic market and two-seater sports aircraft (Thorpe - 211) for US market. TAAL would, also, continue its association with the developmental project of 14 seater multi-role transport aircraft (SARAS) developed by NAL. Also, being the sole Authorized Sales Representative for Cessna Business Jet aircraft in India, TAAL expects a favourable market for such aircraft from the larger Corporates.

Air-Charter

Since, air travel is becoming an increasingly favorable mode of travel amongst Indians, the air-charter business should gain further momentum amongst corporates and other segments in the years to come.

Aero- Structures

Domestic industry is in an expansion mode and foreign players are looking at India as a low cost country. TAAL - with necessary approvals, infrastructure facilities, and meeting the required quality requirements - is ideally placed to capitalize on this situation. Towards this objective, action has been initiated to augment its manufacturing facilities to meet the time schedule and volume requirements, particularly for Defence Establishments. A number of foreign players are, also, visiting TAAL periodically and many of them have expressed an intention of offloading some of their business with the Company.

Other Opportunities

TAAL is examining its capabilities vis-a-vis the opportunities that are emerging in the aviation sector. The possible areas of new activities are: maintenance of large aircraft; supply of assemblies to foreign aircraft manufacturers; providing hanger facilities to new airline operators in the country; and developing state of the art composite parts manufacturing facility. While all these opportunities offer a potential, TAAL would take up activities with a medium and long term perspective and which can be built up and nurtured on the core competence that the Company has already acquired.

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INTERNAL CONTROL SYSTEMS AND ADEQUACY

The company has adequate internal control systems with regard to operations, financial reporting and compliances of rules and regulations. The Company, also, recognizes the need to stabilize the control systems on a continuous basis and towards these objective, necessary steps have been taken by the appointment of a senior internal auditor.

DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS

During the year, the company continued to have normal relationship with its employees. The Company's human resources activities are focused on building talent to meet the future challenges. A 3 year 7 months wages agreement was recently signed with the workers union.

Financial Performance

The financial performance for the financial year 2004/2005 as compared to the previous year is given below :

	2004-05 Rs. lacs	2003-04 Rs. lacs
Gross Income	1346.38	1091.32
Profit after Interest but before Depreciation	273.45	165.14
Depreciation	92.69	92.59
Prior year Income(Net)	139.39	—
Provision for Income Tax	8.00	—
Profit after Tax	312.15	72.55

During the year the Company has registered more than 23% year-on-year growth in revenue and earned a post-tax profit of Rs.312.15 lacs.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's projections, estimates, expectations or predictions are 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include demand-supply conditions, raw materials prices, changes in Government regulations, tax regimes, economic developments within the country and other factors such as litigation and labour negotiations.

On behalf of the Board

Place : Pune
Date : 18th July, 2005

Khushroo Rustumji
Chairman