

Taneja Aerospace And Aviation Limited 

Annual Report

2011-12

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Annual Report 2006-07**BOARD OF DIRECTORS**

SALIL TANEJA

Chairman

A. K. JAIN

KHUSHROO RUSTUMJI (upto July 31, 2007)

R. SURIE

C. S. KAMESWARAN

Managing Director

S. K. NEWLAY

J. P. SUREKA

B. R. TANEJA

P. GURHA (upto June 28, 2007)

Jt. Managing Director

AUDITORS

M/S HARESH UPENDRA & CO.

Chartered Accountants

BANKERS

Bank of India

Canara Bank

Bank of Baroda

State Bank of India

REGISTERED OFFICE

Lunkad Towers, Viman Nagar,

Pune - 411 014

SHARE TRANSFER AGENTS

Sharepro Services (India) Pvt. Ltd

3, Chintamani Apartments, Lane No. 13,

off V. G. Kale Path, 824/D Bhandarkar Road,

Pune - 411 004

CORPORATE OFFICE

Block 'B', 2nd Floor,

Akshaya Commercial Complex,

26, Victoria Road,

Bangalore - 560 047

WORKS

Belagondapalli - 635 114,

Thally Road, Denkanikottai Taluk,

Krishnagiri Dist.,

Tamilnadu.

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Annual General Meeting at Taj Blue Diamond, Pune on Thursday, 28th February, 2008 at 11.00 a.m.

TANEJA AEROSPACE AND AVIATION LIMITED**DIRECTORS' REPORT**

To the Members

The Directors are pleased to present the eighteenth Annual Report and the Audited Accounts for the fifteen month period ended June 30, 2007.

FINANCIAL HIGHLIGHTS

	(Rs in Lacs)	
	2006-07	2005-06
	(15 month period)	(12 month period)
Gross Sales	2,281.58	2,223.80
Operating Expenditure	1,430.55	1,081.42
Finance Charges	259.69	199.89
Depreciation	187.03	95.03
Prior year Income (Net)	0.65	0.00
Provision for Taxation (including deferred and fringe benefit tax)	162.72	244.16
Profit after tax	242.24	603.30

Your directors wish to report that during the year 2006-07 the company registered a pre-tax profit of Rs 404.30 lacs (Previous year Rs 847.45 lacs).

DIVIDEND

In order to take advantage of the emerging opportunities in the aviation industry, your directors intend to retain the profits in the company and build internal financial resources and hence do not recommend any dividend for the period under review.

OPERATIONS

During the period under consideration, the aircraft and aero structure businesses have contributed significantly to the revenue growth of the Company. In both these business segments, your Company continues to get regular orders and improve its order position.

FINANCE

With a view to address the growing global aviation business requirements, your Company has raised Rs.3,642.50 Lacs through a preferential allotment of 23,50,000 equity shares of Rs. 5/- Each at a premium of Rs 150/- per share. The Company has been able to reduce its long-term liability through on-going repayments, which largely offset the additional interest consequent to increase in the interest rate during the year.

PROJECTS

The Company has successfully completed the extension

of runway, new air traffic controls and maintenance hangar meeting the requirements of Airbus A320 and Boeing 737 facilities.

The Company has also successfully commissioned the plant manufacturing facilities and is in the process of commissioning some more equipments meeting the global requirements.

RESEARCH & DEVELOPMENT

The Company has a continuous R & D program related to the indigenization of components for Civil and Defence Aircraft and to the design of modifications for aircraft or aircraft sub-system. The details of such R & D efforts are described in the Annexure to this Report.

DIRECTORS

Mr Prashant Gurha resigned as Joint Managing Director w.e.f June 28, 2007 and Mr K Rustumji resigned as Director w.e.f July 31, 2007. The Board places on record its appreciation for their valuable contribution made during their tenure.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr B R Taneja and Mr R Surie retire by rotation and being eligible offer themselves for re-appointment.

CHANGE OF REGISTERED OFFICE OF THE COMPANY

Your directors would like to inform the members that the Company Law Board, Western Regional Bench has passed an Order dated January 17, 2008 in respect of the change of Registered Office of the Company from the State of Maharashtra to the State of Tamil Nadu. It would become effective on completion of all formalities with respective Registrar of Companies of Pune and Coimbatore and on receipt of the order confirmation from the Registrar of Companies at Coimbatore.

SALE / TRANSFER OF AIRPORT BUSINESS

The Board of Directors of the Company have decided to sell / transfer the airfield located at Hosur, hangars, associated buildings and equipments, related licenses etc. (Airport Business) of the Company to a wholly owned subsidiary by way of Stump sale. The Postal Ballots is being sent to all the members for their approval in terms of section 192 A of the Companies Act, 1956 and rules made there under.

AUDITORS

M/s. Haresh Upendra & Co., Chartered Accountants retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

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Accounting Policies and Notes on Accounts are self-explanatory and therefore do not call for any further comments.

FIXED DEPOSITS

The Company has not accepted any deposits from the public.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance and Management Discussion and Analysis together with a Certificate from the Company's Auditors on compliance, forms a part of the Directors' Report.

STATUTORY PARTICULARS

The Particulars in respect of Conversion of Energy, Research and Development activities as required under Section 217(1) (e) of the Companies Act, 1956 are given in Annexure to this report.

There are no employees whose particulars are required to be given under section 217 (2A) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217 (2AA) of the Companies Act, 1956 the Directors' Responsibility Statement is given hereunder:

- 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 for the period ended June 30, 2007 and of the Profit and Loss of the Company as on that date.
- iii) that the Directors 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 the Directors have prepared the annual accounts on a going concern basis.

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.

Salil Taneja
Chairman

Registered Office :

Lunkad Towers
Viman Nagar
Pune 411014

Pune, January 23, 2008

Annexure to Directors Report

Information as per section 217 (1) (e) of the companies act, 1956 read with companies (disclosure of particulars in the report of the board of directors) rules 1988 and forming part of the director's report for the period from 1st April 2006 to 30th June, 2007.

I. Conservation of Energy:

The Company is basically a low energy consumer. During the period 5,79,557 units were consumed, which work out to Rs. 29.14 lacs. However, the Company is continuing with its efforts to conserve and utilize energy more efficiently.

II. Technology Absorption:

Efforts made in technology absorption as per Form B of the Annexure to the Rules.

Form B**Research & Development (R & D)**

1. Specific areas in which R & D is carried out by the Company and Future plans of action.
 - a) Efforts are being made for the indigenisation of components on a continuous basis for Civil and Defence aircraft
 - b) Development in the process of design, development and fabrication of components jointly with various Developmental Agencies and Laboratories connected with Aviation field on a continuous basis.
 - c) Development of Armoured panel.
 - d) Development of window glasses for Airforce as part of their indigenisation Programme.
 - e) Development

2. Expenditure on R & D

(Rs. In Lacs)
Financial Year ended 30.6.2007

i)	Capital- Catia, Autocad 2008, Delcam softwares	21,86,827
ii)	Recurring	4,75,207
iii)	Total	26,62,034
iv)	Total R & D as a % of turnover	1.16%

B. Technology Absorption, Adaptation and Innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation. Absorption of technology for manufacture of "HANSA" all composite aircraft is in process and Thorp-T211.

2. Benefits derived as a result of the above efforts: Benefits derived by the Company are in the form of orders received from various customers for such type of jobs.

3. Imported Technology:

In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.

- a) Technology imported: NIL
- b) Year of import: NA
- c) Has technology been fully absorbed? N.A
- d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action N.A

III. Foreign Exchange Earnings & Outgo:

- a) Activities relating to exports, initiatives taken to increase export, development of new export market and new products through product focus strategy: Trial order received from Nord micro and MTU.

Existing manufacturing facilities are being augmented to cater to high demand for aero-structure products in global market. The Company received AS 9100B accreditation in January 2007 after setting up quality management system meeting international standard.

- b) The information on foreign exchange earnings and outgo is contained in Note No. 17 of Notes on Accounts.

Salil Taneja
Chairman

Registered Office :

Lunkad Towers
Viman Nagar
Pune 411014

Pune, January 23, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

The overall economic and industrial environment is favourable to the growth of the industry in which TAAL is located. Industrial growth is creating an increasing demand for Business Aircraft and Business Aviation services. Simultaneously, the boom in commercial aviation is creating a demand for MRO services. Similarly, on the aerostructures front, the offset policies introduced by the Commerce and Defence Ministries have created a potentially enormous market for aerostructure products from the country. Given such conditions we hope to see a growth in all sectors of the Company's business.

Opportunities

Aircraft Sales

The perception of Business Aircraft has changed from being a luxury item to being a business tool. This trend is pushing sales of privately owned aircraft in India and we expect it to gain momentum through the foreseeable future. Given TAAL's positioning in this market, mainly as sole representative of Cessna Business Jets in India, we expect the Company to benefit from this market phenomenon.

Aerostructures

As suggested previously, there are three distinct factors that are creating a demand for aerostructures: (i) the need to reduce costs at major aircraft manufacturers such as Airbus and Boeing (ii) the capability within India and with TAAL to supply these components and (iii) the policy that the suppliers of aircraft would be obliged to offset a part of their supplies to India with the purchase of aviation industry products from the country. In addition to this, organizations such as HAL and VSSC are increasingly looking at outsourcing their products and TAAL has not only acquired the technological capabilities to manufacture aerostructures but has also gained the required credibility in the international aviation fraternity to grow its business in this segment.

Aircraft MRO

TAAL is looking to create an MRO park at its airfield in Hosur. The first step in this direction has been taken by entering into an agreement with Airworks to lease land and hangar space to them where they will be setting

up an MRO facility. Also, TAAL has been certified as a Cessna 'Authorised Service Facility' for the maintenance of Cessna Aircraft in India. In addition, TAAL is exploring a number of specialist MRO ventures for component maintenance which should materialize in the coming year.

Other Opportunities

TAAL is on a constant look out for opportunities that emerge in the aviation sector. Given the Company's competencies and facilities it is uniquely positioned to cater to the existing and emerging requirements of the Indian Aviation Sector. One such possible area for future growth includes the development of the Company's airfield at Hosur. TAAL is in discussions with a number of parties for such development

Product-wise Performance

The product wise performance is given herein below.

	2006-07	Rs. in Lacs
	(15 month period)	(12 month period)
Aero Structure	1136.69	1545.00
Agency Sales	452.92	408.32
Air Management	432.88	143.89
Total	2022.49	2097.21

Outlook

The aviation industry in India has been catapulted into the limelight all over the world as numerous airlines have announced ambitious aircraft acquisition plans. Also, private participation in the development of some of the Indian airports is catalyzing the growth of aviation infrastructure in the country. TAAL with its unique aviation and manufacturing facilities is in an advantageous position to capitalize on the opportunities that are surfacing. TAAL has embarked on a program to expand its facilities to benefit from this enabling business environment. The airfield and associated facilities are being upgraded so that they are capable of receiving and maintaining B-737/A320 class of aircraft. In addition, the existing manufacturing facilities are being augmented in respect of capabilities, technology, systems and processes to cater to the high demand for aerostructure products from domestic and global markets. The organization structure has been significantly strengthened to support this growth and TAAL has also embarked on a AS9100 accreditation process to enhance Quality standards.

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Risks and Concerns

Availability and price of aviation fuel, the deployment of the policy on offset, and the availability of appropriately qualified personnel can have a direct or indirect impact on the performance of the Company.

Specially with respect to the aerostructures business, the concern is that the export business appears to have a longer gestation period than earlier envisaged by the company.

Therefore the investments that the company has made to cater to this market are taking longer to yield returns.

Apart from these the other risks relate to natural disasters and geopolitical problems.

Internal Control Systems and Adequacy

The Company has adequate internal control systems with regard to operations, financial reporting and compliances of rules and regulations. They are strengthened periodically through internal audit and review.

Financial Performance

The financial performance for the fifteen months period ended June 30, 2007 as compared to the previous year is given below;

	Rs. in Lacs	
	2006-07	2005-06
	(15 month period)	(12 month period)
Gross Income	2281.58	2223.80
Profit after Interest but before Depreciation	591.33	942.49
Depreciation	187.03	95.03
Prior year Income(Net)	0.65	-
Provision for Income Tax (Including deferred and fringe benefit tax).	162.72	244.16
Profit after Tax	242.23	603.30

Development in Human Resources / Industrial Relations

During the year, the Company continued to have normal relationship with its employees. The Company's human resource activities are focused on building talent to meet future challenges.

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.

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to good corporate governance by being transparent with high level of integrity, accountability and social responsibility. This report is prepared in conforming with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges.

BOARD OF DIRECTORS

The composition of the Board, attendance at Board Meetings held during the year and at the last Annual General Meeting, number of Directorships in other public limited companies and committees across all public limited companies of which the Director is a Member/ Chairman are given below:

Name of the Director	Category	Financial Year 2006-07 (Fifteen month period ended June 30, 2007) attendance at		As on Date		
		Board Meetings	Last AGM	No. of Directorships in other public companies	Committee positions	
					As Member	As Chairman
Mr Salil Taneja	Promoter Non Executive	4	Yes	1	--	--
Mr A K Jain	Non Executive Independent	3	No	1	3	1
Mr S K Newlay	Non Executive Independent	7	Yes	1	3	1
Mr K Rustumji*	Non Executive Independent	5	No	1	3	3
Mr J P Sureka	Non Executive Independent	4	No	3	3	1
Mr Rakesh Surie	Non Executive Independent	--	No	--	3	--
Mr B R Taneja	Promoter Non Executive	5	Yes	1	--	--
Mr C S Kameswaran	Executive	6	Yes	--	--	--
Mr Prashant Gurha**	Executive	4	Yes	--	--	--

* Ceased to be Director w.e.f July 31, 2007.

** Ceased to be Director w.e.f June 28, 2007.

The Company has a Non Executive Chairman and the number of Independent Directors are as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges.

During the year under review seven Board Meetings were held i.e on 30th June 2006, 29th July 2006, 14th October 2006, 31st October 2006, 20th November 2006, 24th January 2007 and 28th June 2007.

Brief resumes of the Directors proposed to be appointed / re-appointed at the ensuing Annual general Meeting:

Mr. B. R. Taneja, had promoted The Indian Seamless Metal Tubes Limited (ISMTL) in 1977 primarily for making seamless tubes. Under the stewardship of Mr. Taneja, ISMTL has grown rapidly over the years to become the market leader in Seamless Tubes. Mr. Taneja also promoted Taneja Aerospace and Aviation Ltd (TAAL). It is the first and only private sector company in India to manufacture civil aircrafts. Mr. B. R. Taneja is a Director in ISMT Limited, Knox Investments Pvt. Ltd., Klapa Investments Pvt. Ltd. and Fair Millennium Investment & Trading Pvt. Ltd.

Mr. R Surie is a B Tech from IIT, Kanpur and has done his Master in Business Administration from Harvard School of Management. He is a Consultant by profession with rich experience in Aviation related businesses. He has been associated with the company since 1997.

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AUDIT COMMITTEE

The Audit Committee comprised of Mr Khushroo Rustumji, Chairman, Mr S K Newlay and Mr Rakesh Surie as Members upto July 31, 2007. The Committee was reconstituted on July 31, 2007 with Mr S K Newlay as Chairman, Mr J P Sureka and Mr AK Jain as Members.

The terms of reference to Audit Committee covers the areas mentioned as per the provisions of Section 292 A of the Companies Act, 1956 and the duties and functions generally mentioned under Clause 49 of the Listing Agreement with the Stock Exchanges.

During the period under review, five Audit Committee Meetings were held on 30th June 2006, 29th July 2006, 31st October 2006, 24th January 2007 and 28th June 2007. All meetings were attended by Mr K Rustumji and Mr S K Newlay. Mr R Surie did not attend any of these meetings.

The Chairman of the Audit Committee was present at the last Annual General Meeting.

MANAGERIAL REMUNERATION

a) Remuneration Committee:

The Remuneration Committee comprised of Mr Khushroo Rustumji, Chairman, Mr S K Newlay and Mr Rakesh Surie as Members upto July 31, 2007. The Committee was reconstituted on July 31, 2007 with Mr J P Sureka as Chairman, Mr S K Newlay and Mr A K Jain as members. During the period under review one Remuneration Committee was held on 28th June 2007 which was attended by Mr K Rustumji and Mr S K Newlay. Mr R Surie did not attend the meeting.

The Remuneration Committee is empowered to fix, review, approved and recommend the remuneration payable to Whole Time Directors. During the period under review there were no Remuneration Committee Meetings held.

b) Remuneration Policy :

The remuneration of the Whole Time Directors is decided by the Board of Directors based on the recommendations of the Remuneration Committee Meeting, which inter-alia is based on the criteria such as industry bench-marks, Company's performance, performance of the Whole Time Directors. The Company pays remuneration by way of salary, perquisites and allowances to its Whole Time Directors.

No remuneration is paid to any other Non Executive Director. The Non Executive Directors are paid sitting fees of Rs 5,000/- for Board Meeting and Rs 2,500/- for Committee Meeting.

c) Remuneration to Directors :

A statement on the remuneration paid to the Whole Time

Directors and sitting fees paid to Non Executive Directors during the 15 month period ended June 30, 2007 is given below.

Name of Director	Salary & Perquisites (Rs)	Sitting fees (Rs)
S Taneja	--	20,000
A K Jain	--	15,000
S K Newlay	--	55,000
Khushroo Rustumji	--	45,000
J P Sureka	--	20,000
Rakesh Surie	--	--
B R Taneja	--	25,000
C S Kameswaran	17,50,000	--
Prashant Gurha	19,97,672	--

Note: Salary and perquisites include other allowances, contribution to Provident Fund and Superannuation, Leave Travel Allowance, medical reimbursement and accommodation provided.

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The Shareholders' / Investors' Grievance Committee of Board of Directors comprised of Mr K Rustumji Chairman, Mr R Surie and Mr S K Newlay as Members upto July 31, 2007. The Committee was reconstituted on July 31, 2007 with Mr A K Jain as Chairman, Mr S K Newlay and Mr J P Sureka as members. During the period under review three meetings were held on 29th July 2006, 31st October 2006 and 24th January 2007. The meetings were attended by Mr K Rustumji and Mr S K Newlay. Mr R Surie did not attend any of these meetings.

Nature of Complaints	No. of Complaints received as on 30.06.2007	No. of Complaints redressed as on 30.06.2007
Non receipt of shares after transfer	39	39
Non receipt of demat credit	16	16

The Company has paid listing fees for the financial year 2007-08 to The Bombay Stock Exchange Limited and Pune Stock Exchange Limited.

CODE OF CONDUCT

The Board has laid down a code of conduct for all Board Members and senior management personnel of the Company, which is available on the website of the Company.

OTHER DISCLOSURES

Details of related party transaction are furnished in Note