

Taneja Aerospace and Aviation Limited 

Annual Report 2010-11

BOARD OF DIRECTORS

Salil Taneja	Chairman
C S Kameswaran	Managing Director
B R Taneja	Director
J P Sureka	Director
A K Jain	Director
R Surie	Director
S K Newlay	Director

AUDITORS

M/S HARESH UPENDRA & CO.
Chartered Accountants

BANKERS

Bank of Baroda	Bank of India
Canara Bank	State Bank of India

REGISTRAR & SHARE TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd.

REGISTERED OFFICE & WORKS

Bellagondapalli Village, Thally Road,
Denakanikotta Taluk, Krishnagiri Dist.,
PIN - 635114, Tamil Nadu

CORPORATE OFFICE

2nd Floor, Panchashila No 42, Dickenson Road
Bangalore – 560 042.

Annual General Meeting at Bellagondapalli Village, Thally Road, Denakanikotta Taluk, Krishnagiri Dist., 635114, Tamil Nadu on Thursday, September 29, 2011 at 2.00 PM

DIRECTORS' REPORT

To the Members of Taneja Aerospace and Aviation Limited

Your Directors present herewith the Twenty-second Annual Report and the Audited Accounts for the year ended March 31, 2011.

FINANCIAL HIGHLIGHTS

	(₹ in Lacs)	
	2010-11 (12 Months)	2009-10 (9 Months)
Gross Income	4232.62	2584.63
Expenditure	3040.94	2124.92
Finance Charges	427.67	245.26
Depreciation	328.39	222.64
Profit-(Loss) before Tax	435.62	(8.19)
Provision for Taxation (including Deferred Tax)	1.25	169.79
Prior Period Items	7.94	78.84
Profit/(Loss) after Tax and Prior Period Items	426.43	(256.82)

DIVIDEND

In line with Company's earlier practice, internal generation have been ploughed back into the business to meet the growing needs of Aviation. Your Directors do not recommend a dividend for the year under review ended on March 31, 2011.

OPERATIONS

The Company has registered a significant growth in revenue during the year. This was made possible by an improvement in business environment and consequential performance from all the business activities. The Company's manufacturing growth was steady as envisaged. Also, there was a significant improvement in Charter Operations and Design Engineering Services.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr J P Sureka and Mr S K Newlay retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

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

SUBSIDIARY COMPANY

As on the date of this report, the Company has one subsidiary company i.e. First Airways Inc (USA). The Central Government has granted general exemption to the Companies from attaching the Annual Accounts of the subsidiary company. The Annual Accounts of the subsidiary company and other relevant information shall be made available for inspection at the Company's Registered Office.

In accordance with the Accounting Standard (AS 21), the audited consolidated financial statement of the Company forming part of this report is attached hereto.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a separate Section on Corporate Governance and Management Discussion and Analysis together with a certificate from the Auditors of the Company on compliance, forming part of the Directors' Report is attached to this report.

DISCLOSURE PARTICULARS

The Particulars in respect of Research and Development, Energy Conservation, Technology Absorption and Foreign Exchange Earning, Outgo etc. as required under Section 217 (1) (e) of the Companies Act, 1956 is given in Annexure I to this report.

PARTICULARS OF EMPLOYEES

There is no employee whose particulars are required to be given under Section 217(2A) (a) of the Companies Act 1956 read with notification dated March 31, 2011 by Ministry of Corporate Affairs (MCA)

DIRECTOR'S 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.
- 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 financial year, and profit of the Company for that period ;
- 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 Directors express their appreciation for the continued support and encouragement received from our Customers, Bankers, Shareholders, Suppliers, Business Partners, Defense Research and Developmental Organizations, Aviation Authorities, Indian Services and Central and State Governments. The Directors express their gratitude and sincere appreciation to all the employees of the Company for their contribution, hard work, and commitment.

For and on behalf of the Board of Directors

Pune, June 29, 2011

Salil Taneja
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

Taneja Aerospace and Aviation Ltd. (TAAL) has four distinct businesses with the aviation space, namely, manufacturing of aerostructures, aircraft modifications and upgrades; General Aviation aircraft sales and service; airfield development; and design engineering.

The manufacturing and modification arm of the business caters to the aerospace community in the country including organizations such as ISRO, Hindustan Aeronautics Ltd. (HAL), Aeronautical Defence Establishment (ADE), National Aerospace Laboratory (NAL), the Indian Navy, and the Indian Air Force. We design, and manufacture components for these organizations and also participate in aircraft modification programs for the defence forces.

The General Aviation aircraft sales and service division represents the Cessna Aircraft Company of the USA for the sales and service of their Citation range of Business Jets, and the 14 seat, Cessna Caravan utility aircraft in India. This is an agency type of business where your company receives a commission for the sale of aircraft to a customer in India. This division also provides maintenance support to Cessna aircraft for which it is separately compensated. In this business we compete with companies such as Hawker, Bombardier, and Embraer that also sell their Business Jets in India. Cessna has an extremely strong global position in the light and mid-sized Business Jet segment. The Caravan is similarly a near monopoly product in its class. These factors stand us in good stead while selling aircraft in India.

The airfield business refers to income generated from the 235 acre airfield that TAAL owns at Hosur in Tamil Nadu. We have currently leased a large hangar (that can accommodate a 737 or A320 type of aircraft) to Airworks and we earn a rental income from this hangar. In addition, we also earn landing fees from customers who use our airfield to access the local area.

TAAL Technologies is the design engineering wing of TAAL. This division provides off-shore and on-shore design support to companies outside India. In this segment we compete with the likes of TCS, Mahindra Satyam, CADES, and Quest.

Opportunities and Threats

Each area of our business faces a different set of opportunities and threats.

The manufacturing side of the business is seeing a large opportunity as a result of the "Offset Policy" introduced by the government of India whereby any foreign manufacturer of aviation hardware that sells to the government owned Indian aviation industry is required to source upto 30% of the sales value from India. As a result of this clause, many foreign manufacturers are looking to source components and services from India. We have signed a number of MoUs and Agreements with such companies and we expect this opportunity to start translating into real business over the next two to three years. The other large opportunity relates to the upgrade of Indian military aviation hardware. TAAL has unique capabilities and infrastructure to offer for such work. We have already started participating in these programs and are also party to many tenders that have yet to open. In addition to this there is a general increase in sourcing from our existing client base, that is, HAL, ISRO, ADE etc., and we expect the business from these organizations to grow steadily. Currently, we are one of the only private players in these businesses in India. However, a number of new entrants such as Tatas, Mahindras, and L&T have entered the business. Our view is that there is ample opportunity for all players at this time and that in the long run the entry of new players will actually grow the size of the market.

The fortunes of the aircraft sales and service business are tied to the general condition of the economy with aircraft sales rising when there is a general sense of optimism within the country. Over the last three years business jet sales have risen significantly. In addition, we are now beginning to see an increase in the sales of Cessna Caravan aircraft, a turbo-prop utility aircraft that is particularly well suited to the regional air-taxi market. A number of new regional air-taxis have are set to launch in the country over the coming year. Some of these companies have already ordered Cessna Caravans and others are in the process of doing so. The biggest potential threat in this business is an economic down-cycle. However, given the growth in Indian aviation we believe that the chances of a drastic downturn in this business segment are limited.

On the Airfield side we currently earn income from one hangar that we have leased to Airworks Ltd. We also earn landing fees from companies that use our airfield. We are currently looking to develop the airfield into an Aviation Park and encourage other companies with complementary activities to set up their facilities within our airfield. We are currently negotiating with a few parties in this regard.

As previously mentioned, TAAL Technologies is the design engineering wing of TAAL. This division provides off-shore and on-shore design support to companies outside India. In this segment we compete with the likes of TCS, Mahindra Satyam, CADES, and Quest. The Offset opportunity discussed earlier on is also an impetus for growth in this sector. We are currently seeing a very significant increase in demand for our services in this sector and are gearing ourselves for fast growth. We have an advantage over many of our competitors in that we can provide design as well as manufacturing support. The real challenge in this sector is the availability of high quality trained manpower. We are therefore focusing on various strategies to mitigate this challenge and seize the growth opportunity.

Activity wise Performance

	(₹ in Lacs)	
	2010-11 (12 Months)	2009-10 (9 Months)
Manufacturing	2449.06	1575.14
General Aviation & Air Management	885.73	495.84
Airport Infrastructure	476.52	322.61
Design Engineering	309.48	65.92
Total	4120.79	2459.51

Outlook

As discussed above, with the combination of an increase in Defence spending, the introduction of an "Offset Policy", the general growth in Civil Aviation in India, and the growth in demand for Design services, we foresee a consistent growth in our business over the coming years.

Risks and Concerns

Any slowdown in the implementation of Government projects, shortfalls in defence expenditure, impediments in outsourcing policies, and general delays in decision making could have a direct impact on the activities of the Company and consequently on its revenues. Similarly, any slowdown in the nation's industrial and economic growth could have an adverse impact on the aircraft sales businesses. In addition to the above direct business risks, factors such as natural disasters, economic/geopolitical problems, could impact some of the Company's business activities.

Internal Control Systems and Adequacy

We believe that TAAL has adequate internal control systems in place. An Internal Audit system is in place to conduct a regular check and review accounting methodologies with a view to improving the control systems.

Financial Performance

The Financial performance for the year ended on March 31, 2011 as compared to the previous period is given below:

	(₹ in lacs)	
	2010-11 (12 months)	2009-10 (9 months)
Gross Income	4232.62	2584.63
Profit after Interest but before Depreciation	764.01	214.46
Less:- Depreciation	328.39	222.64
Profit(Loss) before Tax	435.62	(8.19)
Provision for Taxation (including Deferred and Fringe Benefit Tax)	1.25	169.79
Less:- Prior Period Items	7.94	78.84
Profit/(Loss) after Tax and Prior Period Items	426.43	(256.82)

Material Developments in Human Resources / Industrial Relations

The Company maintained good industrial relations with its employees and staff. Human Resources remained a key focus area for your Company during the year under review.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's 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 material prices, changes in Government regulations, tax regime, 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 has a strong value system comprising of honesty, integrity, secularity and equal opportunity for all. The Company strives to provide its stakeholders with maximum information relating to the affairs of the Company with an attempt to bring about total transparency in our working. We believe that good governance is the corner stone of any successful organization and we continuously endeavor to improve our standards of governance.

BOARD OF DIRECTORS

The names and categories composition of the Board of Directors, their attendance at Board Meetings held during the period and at the last Annual General Meeting and the number of directorships in other public companies and memberships in various committees across all Public companies as on March 31, 2011 are as follows:

		Attendance at		As on Date		
Name of the Director	Category	Board Meetings	Last AGM	No. of Directorships in other public companies*	Committee positions in other public companies	
					Member	Chairman
Mr. Salil Taneja	NED	5	No	2	-	-
Mr. A K Jain	Independent-NED	5	Yes	1	-	1
Mr. S K Newlay	Independent-NED	6	Yes	1	-	-
Mr. J P Sureka	Independent-NED	6	Yes	3	1	-
Mr. R Surie	Independent-NED	4	Yes	-	-	-
Mr. B R Taneja	NED	4	No	1	-	-
Mr. C S Kameswaran	MD	6	Yes	-	-	-

NED – Non Executive Director

MD – Managing Director

* This does not include Directorships in Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

During the period under review six Board Meetings were held on:

Sr. No.	Date of Meeting
1	May 15, 2010
2	August 30, 2010
3	September 29, 2010
4	October 22, 2010
5	November 15, 2010
6	February 11, 2011

The composition of the Board is in conformity with the stipulations in Clause 49 of the Listing Agreement.

The Board has complete access to all the relevant information available within the Company.

APPOINTMENT/RE-APPOINTMENT OF DIRECTORS

In terms of the Articles of Association of the Company and the relevant provisions of the Companies Act, 1956, Mr J P Sureka and Mr S K Newlay will retire by rotation and being eligible, offer themselves for re-appointment in the ensuing Annual General Meeting.

Brief resume of the Directors proposed to be appointed/ re-appointed is given in the notice of convening the Annual General Meeting.

AUDIT COMMITTEE

The composition of Audit Committee and the details of meetings attended by its members are given below :-

Name of Director	Chairman / Member	No. of Meetings Attended
Mr. S.K. Newlay	Chairman	5
Mr. J.P. Sureka	Member	5
Mr. A.K. Jain	Member	4

All members of the Committee are Independent Directors. Mr S K Newlay is the Chairman of the Committee.

During the year under review Five Audit Committee Meetings were held as detailed below under:

Sr. No.	Date of Meeting
1	May 15, 2010
2	August 30, 2010
3	October 22, 2010
4	November 15, 2010
5	February 11, 2011

Mr. S K Newlay, the Chairman of the Audit Committee was present at the last Annual General Meeting.

The Audit Committee invites Managing Director and such of the Executives, as it considers appropriate to be present at its meetings.

The terms of reference of the Audit Committee are in conformity with the provisions of Section 292A of the Companies Act, 1956 and the stipulations of Clause 49 of the Listing Agreement with the Stock Exchanges.

REMUNERATION COMMITTEE

a) Remuneration Committee:

The composition of Remuneration Committee, details of meeting attended by its members are given below:

Name of Director	Chairman / Member	No. of Meetings Attended
Mr. J.P. Sureka	Chairman	1
Mr. S.K. Newlay	Member	1
Mr. A.K. Jain	Member	1

b) Remuneration Policy:

Based on the recommendations of the Remuneration Committee, the remuneration payable to the Whole Time Director is decided by the Board of Directors which inter-alia is based on the criteria such as industry bench-marks, financial performance of the Company, performance of the Whole Time Director, etc.

The Company pays remuneration by way of salary, perquisites and allowance to its Whole Time Director. No remuneration is paid by way of commission to any Non- Executive Director.

No remuneration is paid to any Non-Executive Director other than sitting fee of Rs. 10,000/- each for attending Board and Committee Meetings by Non-Executive Directors.

There has been no change in the Remuneration Policy of the Company

c) Remuneration to Directors:

A statement on the remuneration paid to the Whole Time Director and sitting fees paid to Non Executive Directors and shareholding of Directors during the year under review are given

Name of Director	Salary & Perquisites p.a (Rs)	Sitting fees (Rs)	Shareholding of Director
Salil Taneja	-	50000	3200
AK Jain	-	130000	192100
S K Newlay	-	160000	-
J P Sureka	-	160000	250
B R Taneja	-	40000	300
R Surie -	-	40000	22800
C S Kameswaran	2564000	-	-
Total	2564000	580000	-

Note: Salary and perquisites include other allowances, contribution to Provident Fund and Superannuation, Leave Travel Allowance, Medical Reimbursement.

SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

This composition of Shareholders Grievance Committee and attendance of each member is indicated alongside their names:-

Name Of Director	Chairman / Member	No. of Meetings Attended
Mr. A K Jain	Chairman	3
Mr. J P Sureka	Member	4
Mr. S K Newlay	Member	4

During the year under review Four Shareholders Grievance Committee Meetings were held as detailed below:

Sr. No.	Date of Meeting
1	May 15, 2010
2	October 22, 2010
3	November 15, 2010
4	February 11, 2011

During the period under review all the complaints/ grievances that were received from the shareholders/ investors, were attended to and satisfactorily resolved. No valid transfer/ transmission of shares were pending as on March 31, 2011.

Details of Investor complaints received and redressed are as follows:

Nature of Complaints	No. of Complaints received during the period under review	No. of Complaints redressed during the period under review
Non receipt of shares after transfer	Nil	Nil
Non receipt of demat credit	Nil	Nil

The Company has paid Listing Fees for the financial year 2011-12 to the Bombay Stock Exchange Limited where the Equity Shares of the Company are Listed.

COMPLIANCE OFFICER:

Mr C S Kameswaran, Managing Director of the Company is the Compliance Officer of the Company to ensure compliance requirements of Listing Agreement with the Stock Exchange and under SEBI (Prohibition of Insider Trading), Regulations 1992 as amended from time to time.

CODE OF CONDUCT

The Board has laid down a code of conduct to all Board Members and Senior Management Personnel of the

Company. The code of conduct is posted on the website of the Company. (www.taal.co.in)

CORPORATE SOCIAL RESPONSIBILITY

As part of Corporate Social Welfare, in a modest way, the company has taken up the responsibility of providing regular Health check ups; and Conducive Education Environment Distribution of Uniforms and other study materials, to the Government School Children at Belagondapalli Village. Your Company also participates in Village Developmental Programs in association with Government of Tamilnadu. Number of Education and Training programs have been designed and implemented mainly for Aeronautical Engineering stream in conjunction with academic studies. As part of Socio Economic Fabric, Villages are encouraged in both employment and self employment programs.

OTHER DISCLOSURES

- Details of related party transaction are furnished in Note No.10 of Schedule 15 under Notes on Accounts.
- There were no instances of material non-compliances and no strictures or penalties imposed on the Company either by SEBI, Stock Exchanges or any other statutory authorities on any matter related to capital markets during the last three years.

CEO/CFO CERTIFICATION:

In accordance with Clause 49(V) of the Listing Agreements, the Chairman and MD have given their certificate to the Board and forms part of this Report.

MEANS OF COMMUNICATION

The Quarterly results are published in one English Daily News Paper and one Vernacular (Tamil) Daily News Paper. The Quarterly Results are also displayed on the website of the Company (www.taal.co.in) and on BSE website (bseindia.com – Scrip code 522229).

No presentations were made to Institutional Investors or to the Analysts during the year under review.

DESIGNATED EXCLUSIVE EMAIL ID OF THE COMPANY

The Company has designated the following E-mail ID exclusively for investor servicing:
"secretarial@taal.co.in"

GENERAL BODY MEETINGS

Location and time of General Meetings held in last 3 years:

Year	Type	Date	Venue	Time	No. of Special Resolutions passed
2009-10	AGM	29/09/10	Regs. Off.- Belagondapalli Village, Thally Road, Denakanikotta Taluk, Krishnagiri District, Belagondapalli- 635114 Tamil Nadu	11:00AM	1
2008-09	AGM	31/12/09	Regs. Off.- Belagondapalli Village, Thally Road, Denakanikotta Taluk, Krishnagiri District, Belagondapalli- 635114 Tamil Nadu	11:00AM	-
2007-08	AGM	30/9/08	Regs. Off.- Belagondapalli Village, Thally Road, Denakanikotta Taluk, Krishnagiri District, Belagondapalli- 635114 Tamil Nadu	11:00AM	1

All Special Resolutions moved at the Annual General Meeting (AGM) were passed unanimously by show of hands.

Pursuant to the provisions of Section 192A of the Companies Act, 1956, No Postal Ballot was conducted during the year under review.

GENERAL SHAREHOLDERS INFORMATION

AGM Date and Time	September 29, 2011 - 02-00 PM
Venue	Belagondapalli Village, Thally Road, Denkanikotta Taluk, Krishnagiri District, Belagondapalli- 635114 Tamil Nadu
Financial Period	April 01, 2010 to March 31, 2011
Date of Book Closure	September 26, 2011 to September 29, 2011 (both days inclusive)
Equity Share Listed on	Bombay Stock Exchange Limited
GDR Listed on	Luxembourg Stock Exchange
Security Code (BSE)	522229
ISIN No Allotted to Equity Shares	INE 692C01020
Luxembourg Stock Exchange Security Code	US 8753891089
Registered Office & Plant Location	Belagondapalli Village, Thally Road, Denkanikotta Taluk, Krishnagiri District, Belagondapalli- 635114, Tamil Nadu
Address for Correspondence	2nd Floor, Panchashila No. 42, Dickenson Road, Bangalore - 560 042

STOCK MARKET DATA AND SHARE PRICE PERFORMANCE AT BOMBAY STOCK EXCHANGE LIMITED

The performance of the Company's scrip on the BSE as compared to the BSE 500 Index is as under:

Month	Share Price		BSE 500 Index	
	High Rs.	Low Rs.	High	Low
April 2010	47.30	39.00	7,140.21	6,863.81
May 2010	41.70	34.70	7,028.13	6,396.74
June 2010	42.65	29.85	7,119.58	6,634.30
July 2010	44.25	37.25	7,321.41	7,009.83
August 2010	46.80	38.15	7,514.63	7,227.39
September 2010	49.65	39.60	8,064.87	7,322.52
October 2010	53.25	43.00	8,344.12	7,950.12
November 2010	56.70	38.50	8,434.05	7,411.68
December 2010	47.95	40.40	7,975.22	7,421.12
January 2011	49.90	40.05	8,038.74	6,999.44
February 2011	43.90	35.15	7,222.02	6,647.92
March 2011	40.50	31.50	7,471.35	6,888.55

Source: BSE Website

Dematerialization of Shares

Nearly 94.70 % of Equity Shares are held in demat form with NSDL and CDSL as on March 31, 2011.

Share Transfer System

The Equity Shares of the Company are traded compulsorily in Demat segment on the Stock Exchange. Shares received for transfer in physical mode are processed and valid transfers are approved within prescribed time limit. Duly transferred share certificates are generally dispatched within 30 days from the date of receipt.

Pursuant to Clause 47 (c) of the Listing Agreement with the Stock Exchange, certificate on half yearly basis were filed with the Stock Exchanges for due compliance of share transfer formalities by the Company. In terms of guidelines issued by SEBI, the Secretarial Audit Report for all the quarters were filed with the Stock Exchanges, which inter-alia gives details about the reconciliation of Share Capital (both physical and demat).

Distribution of Shareholding of the Company as on March 31, 2011:

Share holding of nominal value of Rs.	No. of Share Holder(s)	% to Total	No. of Shares	% to Total
Up to 5,000	16549	94.023	2926651	11.739
5,001 10,000	438	2.489	687524	2.758
10,001 20,000	275	1.562	782753	3.140
20,001 30,000	124	0.705	615283	2.468
30,001 40,000	43	0.244	303327	1.217
40,001 50,000	38	0.216	361300	1.449
50,001 1,00,000	66	0.375	958375	3.844
1,00,001 and above	68	0.386	18295523	73.385
Total	17601	100.00	24930736	100.00