

***Taneja Aerospace and Aviation Limited*** 

**Annual Report 2011-12**

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## **Company Information**

### **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 upto - March 04, 2012
K Rustumji	Director w.e.f. - May 15, 2012

### **AUDITORS**

M/s. Haresh Upendra & Co.  
Chartered Accountants

### **BANKERS**

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

### **REGISTERED OFFICE & WORKS**

Belagondapalli Village, Thally Road, Denkanikottai Taluk, Krishnagiri District,  
Belagondapalli – 635114, Tamil Nadu

### **REGISTRAR & SHARE TRANSFER AGENT**

Sharepro Services (India) Pvt. Ltd.

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# Taneja Aerospace and Aviation Limited

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## Directors' Report

To the Members of Taneja Aerospace and Aviation Limited

Your Directors present herewith the Twenty-Third Annual Report and the Audited Accounts for the year ended March 31, 2012.

### FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

Particulars	2011-12	2010-11
Gross Income	5,227.73	4,232.62
Expenditure	4,006.32	3,040.94
Finance Charges	494.35	427.67
Depreciation	342.54	328.39
Profit/(Loss) before Tax	384.52	435.62
Provision for Taxation (including Deferred Tax)	-	1.25
Prior Period Items	1.87	(7.94)
Profit/(Loss) after Tax and Prior Period Items	386.39	426.43

### DIVIDEND

Your Directors do not recommend a dividend for the year ended on March 31, 2012, with a view to conserve resources.

### OPERATIONS

The Company has continued to register significant growth in revenue during the year. Revenues in all divisions increased during the year.

### DIRECTORS

Mr. S. K. Newlay, Director of the Company, expired on March 5, 2012. The Board of Directors express grief on the sad demise of Mr. S. K. Newlay and place on record their appreciation for valuable services rendered by him to the Company.

Mr. Khushroo Rustumji was appointed as an Additional Director of the Company on May 15, 2012. He holds office upto the date of the ensuing Annual General Meeting (AGM) of the Company and is eligible for appointment. Members' approval has been sought in the Notice convening AGM for his appointment as a Director of the Company liable to retire by rotation.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr.

Salil Taneja retires by rotation and being eligible, offers himself, 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 COMPANIES

The Central Government has granted general exemption to the holding companies from attaching the Annual Accounts of their subsidiary companies. The Annual Accounts of subsidiary companies 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 & Analysis together with a certificate from the Auditors of the Company on compliance, forming part of the Directors' Report is attached to this report.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo, 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) of the Companies Act, 1956 read with notification dated March 31, 2011 by Ministry of Corporate Affairs (MCA).

### Directors' Report (contd.)

#### DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217(2AA) of the Companies Act, 1956, the Directors confirm:

- 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 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, March 31, 2012 and of the 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.

#### ACKNOWLEDGEMENTS

The Directors express their appreciation for the continued support and encouragement received from our Customers, Bankers, Shareholders, Suppliers, Business Partners, Defence 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  
July 24, 2012

**Salil Taneja**  
Chairman

# Taneja Aerospace and Aviation Limited

## Management Discussion And Analysis

### INDUSTRY STRUCTURE AND DEVELOPMENT

Taneja Aerospace and Aviation Ltd. (TAAL) has two distinct business Segments, Aviation and Engineering Design Services.

Aviation consists of:

- Aircraft Manufacturing Complex (AMC);
- Aircraft Sales & Services (ASSR) and
- Airfield Services (Airfield)

Engineering Design Services consists of: TAAL Technologies.

The AMC division 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. We have recently added a few export customers as well.

The ASSR division focuses on providing consultancy services for the sale of aircraft, on providing maintenance and operations services for General Aviation aircraft and also carries on Charter operations.

The Airfield business refers to income generated from the airfield spreading over 240 acres 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 for maintenance and repair activity and we earn a rental income from this hangar.

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 continues to attract interest 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. With the announcement of the MMRCA contract by the country this process is now gaining momentum. We expect to see some real business fructifying shortly as a result of this.

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 General Aviation division of TAAL earlier represented the Cessna aircraft company for the sales of their aircraft in India. Effective January 2012 we no longer represent Cessna for their aircraft sales. This division is now refocused on General Aviation aircraft maintenance and Charter services. As a result of this change we expect that there will be a drop in sales commission revenues. It will take some time for the other business in this division to grow and fill the gap created by the loss of these revenues.

On the Airfield side we are currently in the midst of negotiating for a second hangar to be given out on lease.

TAAL Technologies has added a number of new customers during the year and there are more in the pipeline.

### ACTIVITYWISE PERFORMANCE

(Rs. in Lakhs)

Division	2011-12	2010-11
AMC	2,795.33	2,449.06
ASSR	894.42	885.73
Airfield	518.62	476.52
TAAL Technologies	836.52	309.48
<b>Total</b>	<b>5,044.89</b>	<b>4,120.79</b>

**Management Discussion And Analysis (Contd.)****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.

**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.

# Taneja Aerospace and Aviation Limited

## 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 its 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 composition of the Board of Directors, their attendance at Board Meetings held during the year 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, 2012 are as follows:

Name of the Director	Category	Financial Year 2011-12 Attendance at		No. of Directorships in other public companies*	Committee positions in other public companies**	
		Board Meetings	Last AGM		Member	Chairman
Mr. Salil Taneja	NED	5	No	3	2	-
Mr. A K Jain	Independent-NED	3	No	1	-	1
Mr. S K Newlay***	Independent-NED	5	Yes	-	-	-
Mr. J P Sureka	Independent-NED	5	No	3	5	-
Mr. R Surie	Independent-NED	5	Yes	-	-	-
Mr. B R Taneja	NED	4	No	1	-	-
Mr. C S Kameswaran	MD	4	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.

\*\* This includes only Audit and Shareholders'/ Investors' Grievance Committees.

\*\*\* Ceased to be a Director w.e.f March 5, 2012.



## Corporate Governance Report (Contd.)

During the year under review, Five Board Meetings were held as under:

Sr.No.	Date of Meeting
1	May 10, 2011
2	June 29, 2011
3	September 02, 2011
4	November 08, 2011
5	February 04, 2012

The composition of the Board is in conformity with 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

The Board of Directors in their Meeting held on May 15, 2012 had appointed Mr. Khushroo Rustumji as an Additional Director effective May 15, 2012. Mr. Khushroo Rustumji holds office upto the date of the forthcoming Annual General Meeting and is eligible for appointment.

In terms of the Articles of Association of the Company and the relevant provisions of the Companies Act, 1956, Mr. Salil Taneja will retire by rotation in the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

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

### AUDIT COMMITTEE

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 Exchange.

#### Composition, Meetings and Attendance during the year:

The composition of Audit Committee and attendance of each member is indicated alongside their names:

Name of Director	Chairman/Member	No. of Meetings Attended
Mr. S.K. Newlay	Chairman (Independent)	5
Mr. J.P. Sureka	Member (Independent)	5
Mr. A.K. Jain	Member (Independent)	3

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

Sr. No.	Date of Meeting
1	May 10, 2011
2	June 29, 2011
3	September 02, 2011
4	November 08, 2011
5	February 04, 2012

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.

### REMUNERATION COMMITTEE

The Company has a Remuneration Committee of Directors.

The Remuneration Committee is empowered to fix, review and recommend the remuneration payable to the Whole Time Directors of the Company from time to time including the annual increase in their remuneration.

#### Composition, Meetings and Attendance during the year:

The composition of Remuneration Committee is as follows. During the year under review, no Remuneration Committee Meeting was held.

Name of Director	Chairman/Member
Mr. J.P. Sureka	Chairman
Mr. S.K. Newlay	Member
Mr. A.K. Jain	Member

The Company does not have any Employee Stock Option Scheme.

### REMUNERATION POLICY

Based on the recommendations of 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.

# Taneja Aerospace and Aviation Limited

## Corporate Governance Report (Contd.)

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.

### REMUNERATION TO DIRECTORS:

A statement on the remuneration paid to the Whole Time Director and sitting fees paid to Non-Executive Directors during the year under review is given below:

Name of Director	Salary & Perquisites	Sitting fees (Rs.)
Salil Taneja	-	50000
A K Jain	-	80000
S K Newlay	-	140000
J P Sureka	-	140000
B R Taneja	-	40000
R Surie	-	50000
C S Kameswaran	25,63,992	-
<b>Total</b>	<b>25,63,992</b>	<b>500000</b>

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

Details of shares of the Company held by its Non-Executive Directors as on March 31, 2012 are given below:

Name of Director	Number of Equity Shares
Salil Taneja	3200
A K Jain	157800
S K Newlay	-
J P Sureka	250
B R Taneja	300
R Surie	22800

### SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

The Company has a Shareholders'/ Investors' Grievance Committee of Directors to look into the redressal of shareholder and investors complaints like transfer or credit of shares, non-receipt of Annual Reports/ dividends etc.

#### Composition, Meetings and Attendance during the year:

The composition of Shareholders'/Investors' 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	2
Mr. J P Sureka	Member	4
Mr. S K Newlay	Member	4

During the year under review, Four Meetings were held as under:

Sr. No.	Date of Meeting
1	May 10, 2011
2	September 02, 2011
3	November 08, 2011
4	February 04, 2012

During the year 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, 2012.

### COMPLIANCE OFFICER

Mr. C.S.Kameswaran, Managing Director, was the Compliance Officer of the Company during the period from April 1, 2011 to November 1, 2011 and Mr. Nilesh Jain, Company Secretary was the Compliance Officer of the Company for the remaining part of FY 2011-2012 for ensuring compliance with the requirements of the Listing Agreement with the Stock Exchange and under SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended from time to time.

### DETAILS OF INVESTOR COMPLAINTS RECEIVED AND REDRESSED DURING THE FY 2011-12 ARE AS FOLLOWS:

There were no investor complaints pending at the beginning & at the close of the year. During the year, 3 investor complaints were received and redressed.

### CODE OF CONDUCT

The Board has laid down a code of conduct for 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](http://www.taal.co.in)).

### CEO/CFO CERTIFICATION

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