

Taneja Aerospace and Aviation Limited 

Annual Report 2012-13

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 (up to April 12, 2013)
R. Surie	Director
K. Rustumji	Director (w.e.f. May 15, 2012)

COMPANY SECRETARY

Nilesh Jain (up to May 27, 2012)
Priya Nair (w.e.f. July 24, 2012)

AUDITORS

M/s. Haresh Upendra & Co.
Chartered Accountants

BANKERS

Canara Bank
Vijaya Bank

REGISTERED OFFICE & WORKS

Belagondapalli Village, Thally Road, Denkanikottai Taluk, Krishnagiri District,
Belagondapalli – 635114, Tamil Nadu
Website : www.taal.co.in

CORPORATE OFFICE

GGR Towers, 2nd Floor, Sy # 18/2b, Sarjapur Road
Bangalore – 560 103, Karnataka

REGISTRAR & SHARE TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd.

Directors' Report

To the Members of Taneja Aerospace and Aviation Limited

Your Directors present herewith the Twenty-fourth Annual Report and the Audited Accounts for the year ended March 31, 2013.

FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Gross Income	5,422.45	5,225.51
Expenditure	4,575.54	4,004.10
Finance Charges	455.95	494.35
Depreciation	361.40	342.54
Profit/(Loss) before Tax	29.56	384.52
Provision for Taxation (including Deferred Tax)	-	-
Prior Period Items	(0.57)	1.87
Profit/(Loss) after Tax and Prior Period Items	28.99	386.39

DIVIDEND

With a view to conserve resources, your Directors do not recommend dividend for the year ended on March 31, 2013.

OPERATIONS

During the year, while general economic slowdown impacted operations in the aviation segment of the Company, the revenues from the engineering design services segment accelerated, thereby ensuring that the overall revenue growth of the Company for the year remained positive.

DIRECTORS

Mr. A. K. Jain, Director of the Company, expired on April 12, 2013. The Board of Directors express grief on his sad demise and places on record its sincere appreciation for valuable services rendered by him during his long association with the Company.

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

Mr. C. S. Kameswaran is being re-appointed as a Whole Time Director designated as Managing Director for a period of one year from December 01, 2012 to November 30, 2013.

The approval of Members for the re-appointment of the aforementioned Directors is being sought in the forthcoming Annual General Meeting.

AUDITORS

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

SUBSIDIARY COMPANIES

During the year under review, TAAL Tech India Private Limited was incorporated as a Wholly Owned Subsidiary of the Company. As on date of this report, the Company has three direct subsidiaries i.e. First Airways Inc., TAAL Aerosystems Private Limited and TAAL Tech India Private Limited.

The Central Government has granted general exemption to the holding Companies from attaching the Annual Accounts of their subsidiary companies. The Annual Accounts of these 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.

TRANSFER OF ENGINEERING DESIGN SERVICES SEGMENT OF THE COMPANY TO ITS WHOLLY OWNED SUBSIDIARY – TAAL TECH INDIA PRIVATE LIMITED

In order to facilitate independent growth and diversification of its Business, the Engineering Design Services Segment of the Company was transferred to a Wholly Owned Subsidiary Company, TAAL Tech India Private Limited w.e.f. August 1, 2013.

Pursuant to the provisions of Section 293(1)(a) and Section 192A of the Companies Act, 1956 read with the Companies (passing of the resolution by postal ballot) Rules, 2011, the aforesaid transfer was approved by the shareholders vide an Ordinary Resolution passed through the Postal Ballot process, results of which were declared on August 5, 2013.

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 hereto.

Taneja Aerospace and Aviation Limited

Directors' Report (Contd.)

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' 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 Accounting Policies and applied them consistently and made judgements 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, 2013 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 co-operation received by the Company from its Customers, Bankers, Shareholders, Suppliers, Business Partners, Defence Research and Developmental Organizations, Aviation Authorities and other Indian Services and the Central and State Governments. The Directors also 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
August 05, 2013

Salil Taneja
Chairman

Management Discussion and Analysis

INDUSTRY STRUCTURE AND DEVELOPMENT

During the Financial Year 2012-13, the Company had two distinct business Segments:

- 1) “Aviation”, which consisted of :
 - Aircraft Manufacturing and Maintenance (AMM)
 - Airfield Services (Airfield)
 - Air Charter Services (Aircharter) and
- 2) “Engineering Design Services” under the banner of “TAAL Technologies”.

The AMM division is associated with major Indian Aviation and Aerospace organizations, the Indian Navy and the Indian Air Force. The division’s capability covers concept development, design and manufacture of components specific to these customers. Added to this, the division plays a vital role in the upgradation program of Indian Defence Forces Helicopters and Aircraft. In the recent times the division has added a few global customers.

The Airfield activities mainly represent revenue generation from aviation related infrastructure facilities like runway, hangar etc. The revenue is in the form of landing, parking charges and hangar lease rentals.

The Aircharter services take care of revenue stream from charter operations.

The Engineering Design Services which comprises of TAAL Technologies provides off- shore and on-shore design support to many corporates outside India covering industrial, automotive, aerospace, information technology, oil and gas sectors.

OPPORTUNITIES AND THREATS

The Company is always looking out for opportunities in aviation sector. Given the Company’s competence and facilities, it is uniquely positioned to cater to existing and emerging requirements of Indian Aviation and Aerospace Organizations. 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.

On the Airfield front, the second hangar tied up with Airworks for maintenance and repair activity is under construction and is expected to be operational during the current year.

The Engineering Design Services Segment has opened up promising growth opportunities both in India and abroad. The Company does not perceive any immediate threat to its operations.

SEGMENT WISE PERFORMANCE

(Rs. in Lakhs)

Particulars	2012-13	2011-12
AMM	2,058.19	2,795.33
Aircharter	662.46	894.42
Airfield	650.26	518.62
Aviation Segment – Total (A)	3,370.91	4,208.37
TAAL Technologies	1,995.73	836.52
Engineering Design Services Segment – Total (B)	1,995.73	836.52
Grand Total (A+B)	5,366.64	5,044.89

OUTLOOK

The overall outlook for the Company remains positive but depends largely on the general economic climate in the country and the Company’s ability to secure a larger share of the growing opportunities for civil aviation in India.

RISKS AND CONCERNS

General economic slowdown coupled with delays in implementation of Government projects and shortfalls in defence expenditure can have an impact on the operations and revenues of the Company. Another area of concern is technological obsolescence since technological advancements play an important role in aviation industry. Apart from these, other risks relate to natural disasters, economic and geopolitical problems.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

We believe that given the size and nature of the Company’s operations, there are adequate control systems in place to ensure that cash flows are fully accounted for, the monies are spent as per management instructions and that sufficient and timely cost information is available to assist in decision making process. The Company also recognizes the need to strengthen the control systems on a continuous basis and takes necessary steps towards this objective.

Taneja Aerospace and Aviation Limited

Management Discussion and Analysis (Contd.)

FINANCIAL PERFORMANCE

The financial performance of the Company for FY2012-13 as compared to the previous year is given below :

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Gross Income	5,422.45	5,225.51
Expenditure	4,575.54	4,004.10
Profit/ Loss before Interest, Tax, Depreciation and Amortization	846.91	1,221.41
Profit/ (Loss) after Interest, Tax, Depreciation and Extraordinary Items	28.99	386.39
Earnings Per Share	0.12	1.55

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. As on March 31, 2013, the Company had 555 employees.

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 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 the Board Meetings held during the year and at the last Annual General Meeting, as also the number of Directorships in other public companies and memberships in various committees across all public companies as on March 31, 2013 are as follows :

Name of the Director	Category	Financial Year 2012-13 Attendance at		No. of Directorships in other public companies*	Committee positions in other public companies**	
		Board Meetings	Last AGM		Member	Chairman
Salil Taneja	NED	6	No	2	1	1
A. K. Jain***	Independent - NED	1	No	1	-	1
J. P. Sureka	Independent - NED	5	No	3	4	-
R. Surie	Independent - NED	5	Yes	-	-	-
B. R. Taneja	NED	4	No	1	-	-
K. Rustumji	Independent - NED	1	No	-	-	-
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.

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

*** Expired on April 12, 2013.

Taneja Aerospace and Aviation Limited

Corporate Governance Report (Contd.)

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

Sr. No.	Date of Meeting
1	May 15, 2012 (Two Meetings)
2	July 24, 2012
3	November 08, 2012
4	January 25, 2013
5	February 14, 2013

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.

RE-APPOINTMENT OF DIRECTORS

In terms of the Articles of Association of the Company and the relevant provisions of the Companies Act, 1956, Mr. Rakesh Surie and Mr. B. R. Taneja will retire by rotation in the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. C. S. Kameswaran is being re-appointed as a Whole Time Director designated as Managing Director for a period of one year from December 01, 2012 to November 30, 2013.

Brief resume of the Directors proposed to be 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
R. Surie @	Chairman (Independent)	4
J. P. Sureka	Member (Independent)	4
A. K. Jain *	Member (Independent)	1
K. Rustumji \$	Member (Independent)	1

@ Member w.e.f. May 15, 2012

* Expired on April 12, 2013

\$ Member w.e.f. May 15, 2012

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

Sr. No.	Date of Meeting
1	May 15, 2012
2	July 24, 2012
3	November 08, 2012
4	February 14, 2013

Mr. R. Surie, 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 Director of the Company from time to time including the annual increase in his remuneration.

Composition, Meetings and Attendance during the year :

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

Name of Director	Chairman / Member	No. of Meeting attended
J.P. Sureka	Chairman	1
R. Surie @	Member	1
A.K. Jain*	Member	1
K. Rustumji \$	Member	-

@ Member w.e.f. May 15, 2012

* Expired on April 12, 2013

\$ Member w.e.f. May 15, 2012

During the year under review, One Remuneration Committee Meeting was held on November 8, 2012.

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.

Corporate Governance Report (Contd.)

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.

Non-Executive Director is paid sitting fee of Rs. 10,000/- each for attending Board and Committee Meetings.

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 (Rs.)	Sitting fees (Rs.)
Salil Taneja	-	70,000
A. K. Jain	-	40,000
J. P. Sureka	-	1,30,000
R. Surie	-	1,00,000
B. R. Taneja	-	40,000
K. Rustumji	-	30,000
C. S. Kameswaran	25,63,992	-
Total	25,63,992	4,10,000

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

Service of the Whole Time Director may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof. There is no separate provision for payment of severance fees.

Details of shares of the Company held by its Non-Executive Directors as on March 31, 2013 are given below :

Name of Director	Number of Equity Shares
Salil Taneja	3,200
A. K. Jain	1,57,800
J. P. Sureka	250
R. Surie	1,54,562
B. R. Taneja	300
K. Rustumji	200

SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

The Company has a Shareholders'/ Investors' Grievance Committee of Directors to look into the redressal of shareholders' 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
A. K. Jain*	Chairman	1
J. P. Sureka	Member	3
K. Rustumji ^s	Member	1
Salil Taneja**	Member	1

* Expired on April 12, 2013

\$ Member w.e.f. May 15, 2012

** Member only for meeting held on February 14, 2013

During the year under review, Three Investors' Grievance Committee Meetings were held as under :

Sr. No.	Date of Meeting
1	July 24, 2012
2	November 08, 2012
3	February 14, 2013

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, 2013.

COMPLIANCE OFFICER

Mr. Nilesh Jain, Company Secretary was the Compliance Officer of the Company up to May 27, 2012. Ms. Priya Nair, Company Secretary is the Compliance Officer of the Company with effect from July 24, 2012 for ensuring compliance with the requirements of the Listing Agreement with the Stock Exchanges and under SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended from time to time.

Details of Investor Complaints received and redressed during the Financial Year 2012-13 are as follows :

There were no investor complaints pending at the beginning and at the close of the year. During the year, 1 (One) investor complaint was 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.

CEO/CFO CERTIFICATION

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

Taneja Aerospace and Aviation Limited

Corporate Governance Report (Contd.)

GENERAL BODY MEETINGS

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

Year	Type	Date	Location	Time	Number of Special Resolution passed
2011-12	AGM	September 28, 2012	Registered office and Works at Belagondapalli	2.00 PM	-
2010-11	AGM	September 29, 2011	Registered office and Works at Belagondapalli	2.00 PM	-
2009-10	AGM	September 29, 2010	Registered office and Works at Belagondapalli	11.00 AM	1

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

POSTAL BALLOT

No postal ballot was conducted during the Financial Year 2012-13.

DISCLOSURES

Details of related party transaction are furnished under Notes to Financial Statement.

There were no instances of material non-compliances and no strictures or penalties imposed on the Company either by SEBI, Stock Exchanges or any statutory authorities on any matter related to capital markets during the last three years.

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.

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

DESIGNATED EXCLUSIVE E-MAIL ID OF THE COMPANY

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

GENERAL SHAREHOLDERS' INFORMATION

AGM Date and Time	Monday, September 30, 2013 at 2.00 P.M.
Venue	Registered office and Works at Belagondapalli
Financial Year	April 1 to March 31
Date of Book Closure	Thursday, September 26, 2013 to Monday, September 30, 2013 (both days inclusive)
Listed on Stock Exchange	Bombay Stock Exchange Limited (Equity), Luxembourg Stock Exchange (GDR)
Security Code (BSE)	522229
Security Code (Luxembourg)	US 8753891089
ISIN Number allotted to equity shares	INE692C01020
Registered Office & Works / Plant Location	Belagondapalli Village, Thally Road, Denkanikottai Taluk, Krishnagiri District, Belagondapalli- 635114, Tamil Nadu
Address for Correspondence	Belagondapalli Village, Thally Road, Denkanikottai Taluk, Krishnagiri District, Belagondapalli- 635114, Tamil Nadu

The Company has paid Listing Fees for the Financial Year 2013-14 to the Bombay Stock Exchange Limited where the Equity Shares of the Company are listed.

STOCK MARKET DATA AND SHARE PRICE PERFORMANCE

BOMBAY STOCK EXCHANGE LIMITED (BSE) :

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

(Rs.)

Month	Market price		BSE 500 INDEX	
	High	Low	High	Low
April 2012	49.85	38.80	6887.06	6585.99
May 2012	41.95	28.00	6741.87	6129.37
June 2012	33.85	28.00	6686.19	6088.62
July 2012	34.75	25.35	6797.05	6407.78
August 2012	29.35	23.10	6848.80	6560.62
September 2012	32.00	21.10	7243.40	6582.88
October 2012	31.50	23.15	7364.54	7070.76
November 2012	27.40	23.00	7478.35	7057.34
December 2012	30.45	23.55	7627.07	7460.59
January 2013	25.75	19.50	7792.70	7600.10
February 2013	23.70	17.00	7697.72	7138.74
March 2013	19.50	15.75	7478.62	6976.75

Source : BSE website.

REGISTRAR AND SHARE TRANSFER AGENT

Shareholders may contact Registrar and Share Transfer Agent at the following addresses :

Sharepro Services (India) Private Limited 13, AB Samhita Warehousing Complex, 2nd Floor, Saki Naka Telephone Exchange Lane, Off. Andheri Kurla Road, Saki Naka, Andheri East, Mumbai - 400 072 Tel.: 91 - 022- 67720300/400 Fax.- 022- 28591568 e-mail: sharepro@shareproservices.com
Sharepro Services (India) Private Limited 3, Chintamani Apartments, Lane No.13, Off V. G. Kale Path 824/D, Bhandarkar Road Pune - 411 004 Tel. +91-20-25662855 e-mail: sharepropune@vsnl.net

As regard to the shareholding in electronic form shareholders are requested to write to their respective Depository Participant and provide Bank Mandate details, N-ECS particulars, email