

***Taneja Aerospace and Aviation Limited***



**Annual Report 2013-14**



## COMPANY INFORMATION

### BOARD OF DIRECTORS

Salil Taneja	Chairman
C. S. Kameswaran	Managing Director
B. R. Taneja	Director
J. P. Sureka	Director
R. Surie	Director
K. Rustumji	Director

### COMPANY SECRETARY

Priya Nair

### AUDITORS

M/s. Hareesh Upendra & Co.  
Chartered Accountants

### BANKERS

Canara Bank  
Vijaya Bank

### REGISTERED OFFICE & WORKS

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

Phone : 04347 - 233508, Fax : 04347 - 233414

E-mail : [secretarial@taal.co.in](mailto:secretarial@taal.co.in) Website : [www.taal.co.in](http://www.taal.co.in)

CIN : L62200T21988PLC014460

### CORPORATE OFFICE

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

### REGISTRAR & SHARE TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd.

# Taneja Aerospace and Aviation Limited

## Directors' Report

To the Members of Taneja Aerospace and Aviation Limited

Your Directors present herewith the Twenty-fifth Annual Report and the Audited Accounts for the year ended March 31, 2014.

### FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

Particulars	2013-14	2012-13
Gross Income	5472.05	5422.45
Expenditure	4705.98	4575.54
Finance Charges	543.27	455.95
Depreciation	352.43	361.40
Profit/(Loss) before Tax	(129.63)	29.56
Provision for Taxation (including Deferred Tax)	-	-
Prior Period Items	2.46	(0.57)
Profit/(Loss) after Tax and Prior Period Items	(132.10)	28.99

### DIVIDEND

With a view to conserve resources, your Directors do not recommend dividend for the year ended on March 31, 2014.

### OPERATIONS

The overall business was negatively impacted by depressed economic conditions, denting the top line and bottom line of the Company.

### AUDITORS

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

Pursuant to the provisions of Section 139 of the Act and the Rules framed thereunder, it is proposed to appoint Haresh Upendra & Co., Chartered Accountants as Statutory Auditor of the Company for a period of one year from the conclusion of the forthcoming AGM until the conclusion of 26<sup>th</sup> AGM of the Company.

### COST AUDIT

The Central Government had approved the appointment of J. H. & Associates, Cost Accountants, as Cost Auditor of the Company for the Financial Year 2013-14.

As per Companies (Cost Accounting Records) Rules, 2011,

the Cost Compliance Report for the Financial Year 2012-13 was due on September 28, 2013 and was filed with the Ministry of Corporate Affairs on September 26, 2013.

### SUBSIDIARY COMPANIES

During the year under review, TAAL Aerosystems Private Limited, ceased to be a subsidiary of the Company.

As on date of this report, the Company has three subsidiaries.

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.

### 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.

### 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:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

## Directors' Report (Contd.)

- 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, 2014 and of the loss 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, May 28, 2014

**Salil Taneja**  
Chairman

# Taneja Aerospace and Aviation Limited

## Management Discussion and Analysis

### INDUSTRY STRUCTURE AND DEVELOPMENT

During the last decade, the Aviation industry in India has grown rapidly in a new wave of expansion driven by liberalisation in Foreign Direct Investments, low cost carriers, modern airports, a growing emphasis on No-Frills Airports and regional connectivity. Further boost is expected in the domestic aerospace manufacturing, research and development and MRO. It is expected that private sector would play a greater role in defence procurement. A significant initiative of the government has been the introduction of defense offset policy with effect from 2008, which mandates foreign aircraft original equipment manufacturer (OEMs) to outsource a minimum of 30% of defence procurement to Indian companies, in the areas of infrastructure, technology sharing, components or services, followed by liberalisation in investment norms.

India has potential of becoming the third largest aviation market by 2020 and the largest by 2030, thereby creating tremendous growth opportunities in the aviation and associated industry.

During the Financial Year 2013-14, consequent upon transfer of Engineering Design Business, with effect from August 1, 2013, the Company's businesses were focused on the following activities:

1. Aircraft Manufacturing and Maintenance (AMM)
2. Airfield Services (Airfield)
3. Air Charter Services (Aircharter)

The AMM division is associated with the manufacturing of aerospace components & structures. From the concept development to design and manufacturing of tailor made components, the division derives major revenue from supplies to Indian and international defense forces, & participating in their up-gradation programme.

The airfield services, which originally was set up to complement the aircraft manufacturing operations of the company has now evolved as an independent revenue generating arm. It derives income from aviation related infrastructure facilities including runway and hangars.

The Air Charter Services division is an independent activity which derives its revenue by providing customized and cost-effective service of hiring the aircraft. The general economic growth post liberalization has created an active market for Air Charter Services for use by Corporates.

### DIVISION WISE PERFORMANCE

(Rs. in Lakhs)

Particulars (TOTAL REVENUE)	2013-14	2012-13
AMM	2,668.71	2,058.19
Airfield	724.85	650.26
Aircharter	802.58	662.46
<b>Total</b>	<b>4,196.14</b>	<b>3,370.91</b>

### OPPORTUNITIES AND THREATS

With the economy showing signs of recovery and the Government likely to give impetus to the aviation sector in the days to come, the Company with its knowledge and expertise, is in a good position to capitalize on this opportunity.

### 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.

### FINANCIAL PERFORMANCE

The financial performance of the Company for FY2013-14 as compared to the previous period is given below :

(Rs.in lakhs)

Particulars	2013-14	2012-13
Gross Income	5,472.05	5,422.45
Expenditure	4,705.98	4,575.54
Profit/ Loss before Interest, Tax, Depreciation and Amortization	766.07	846.91
Profit/ (Loss) after Interest, Tax, Depreciation and Extraordinary Items	(132.10)	28.99
Earnings Per Share	(0.53)	0.12

### **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, 2014, the Company had 410 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.

# 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 Board consists of 6 Directors of which 3 Directors are independent as on March 31, 2014.

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, 2014 are as follows :

Name of the Director	Category	Financial Year 2013-14 Attendance at		No. of Directorships in other public companies*	Committee positions in other public companies**	
		Board Meetings	Last AGM		Member	Chairman
Salil Taneja	NED	4	No	1	-	-
J. P. Sureka	Independent –NED	3	No	3	6	-
R. Surie	Independent -NED	4	Yes	-	-	-
B. R. Taneja	NED	4	No	1	-	-
K. Rustumji	Independent -NED	4	No	-	-	-
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.



## Corporate Governance Report (Contd.)

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

Sr. No.	Date of Meeting
1	May 28, 2013
2	August 05, 2013
3	November 13, 2013
4	February 14, 2014

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

Mr. C. S. Kameswaran was re-appointed as a Whole Time Director designated as Managing Director for a period of one year from December 01, 2013 to November 30, 2014.

### 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)	3
K. Rustumji	Member (Independent)	4

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

Sr. No.	Date of Meeting
1	May 28, 2013
2	August 05, 2013
3	November 13, 2013
4	February 11, 2014

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.

### MANAGERIAL REMUNERATION

#### (a) 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
K. Rustumji	Member	1

During the year under review, One Remuneration Committee Meeting was held on November 13, 2013.

The Company does not have any Employee Stock Option Scheme.

#### (b) 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.

Non-Executive Directors are 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	-	40,000
J. P. Sureka	-	1,00,000
R. Surie	-	90,000
B. R. Taneja	-	40,000
K. Rustumji	-	1,20,000
C. S. Kameswaran	26,75,733	-
<b>Total</b>	<b>26,75,733</b>	<b>3,90,000</b>

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, 2014 are given below :

# Taneja Aerospace and Aviation Limited

## Corporate Governance Report (Contd.)

Name of Director	Number of Equity Shares
Salil Taneja	3,200
J. P. Sureka	250
R. Surie	1,81,054
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 relating to 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
J. P. Sureka	Member	3
K. Rustumji	Member	3
C. S. Kameswaran	Member	2

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

Sr. No.	Date of Meeting
1	May 28, 2013
2	August 05, 2013
3	November 13, 2013

### COMPLIANCE OFFICER

Ms. Priya Nair, Company Secretary is the Compliance Officer of the Company 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.

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, 2014.

#### Details of investor complaints received and redressed during the financial year 2013-14 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

### GENERAL BODY MEETINGS

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

Year	Type	Date	Location	Time	Number of Special Resolution passed
2012-13	AGM	September 30, 2013	Registered office and Works at Belagondapalli	2.00 PM	1
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	-

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

### POSTAL BALLOT

In May 2013, the Company had sought to obtain the approval of its Members vide Section 192A of the Companies Act, 1956 by an Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956 for the transfer of the Engineering Design Services Segment of the Company to its Wholly Owned Subsidiary, TAAL Tech India Private Limited.

#### Voting Pattern and Procedure for Postal Ballot:

1. The Board of Directors of the Company had, at its Meeting held on May 28, 2013, appointed Mr. Milind B. Kasodekar, Practicing Company Secretary, Pune as the Scrutinizer for conducting the Postal Ballot voting process.
2. The Postal Ballot process was carried out in a fair and transparent manner. The procedure followed for the Postal Ballot process was in accordance with the provisions of Section 192A of the Companies Act, 1956 read with the Companies (passing of the resolution by postal ballot) Rules, 2011.
3. All Postal Ballot Forms received up to the close of working hours on July 31, 2013, the last date and time fixed by the Company for the receipt of the forms, had been considered.
4. The results of the Postal Ballot were announced on August 5, 2013 at Lunkad Towers, Viman Nagar, Pune 411 014 and was informed to Bombay Stock Exchange Limited, where the equity shares of the Company are listed.
5. The Ordinary Resolution was passed by requisite majority viz. 99.68% votes.

### OTHER DISCLOSURES

- (i) Details of related party transaction are furnished under Notes to Financial Statement.
- (ii) 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.
- (iii) Mr. B. R. Taneja, Director is father of Mr. Salil Taneja, Chairman. Except as mentioned herein, none of the other Directors have any relation inter-se.
- (iv) The Company has complied with all the mandatory requirements and adopted part of the non-mandatory requirements.