

Taneja Aerospace and Aviation Limited



Annual Report 2015-16

COMPANY INFORMATION

BOARD OF DIRECTORS

Salil Taneja	Chairman & Whole-time Director
N Chandra	Director
C S Kameswaran	Director
R Poornalingam	Director
R Surie	Director
Preeti Taneja	Director

COMPANY SECRETARY

Chetan Nathani

AUDITORS

M/s. MZSK & Associates
Chartered Accountants

BANKERS

Allahabad Bank
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, Website: www.taal.co.in
CIN: L62200TZ1988PLC014460

REGISTRAR & SHARE TRANSFER AGENT

Bigshare Services Pvt. Ltd.

Taneja Aerospace and Aviation Limited

Directors' Report

To the Members of Taneja Aerospace and Aviation Limited

Your Directors present herewith the Twenty-seventh Annual Report and the Audited Financial Statements for the financial year ended March 31, 2016.

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

Particulars	2015-16	2014-15
Gross Income	6256.11	3171.68
Expenditure	6682.51	4194.96
Profit/ (Loss) after Tax and Prior Period Items	(430.50)	(476.91)

DIVIDEND

Your Directors are unable to recommend dividend for the financial year ended March 31, 2016, in view of the loss.

SCHEME OF ARRANGEMENT

During the year under review, pursuant to the Scheme of Arrangement between Taneja Aerospace and Aviation Ltd. and TAAL Enterprises Ltd. (TEL) as sanctioned by the Hon'ble Madras High Court vide its Order dated June 22, 2015, the Company demerged its Charter business and investments in First Airways Inc. USA and TAAL Tech India P Ltd. with effect from August 21, 2015. Pursuant to the said Scheme of Arrangement, 50,000 equity shares of Rs 10/- each held by the Company in TEL were reduced & Cancelled.

OPERATIONS

The Company has registered a significant growth in revenue during the year on account of improved business environment and mostly driven by exports.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. R Poornalingam, Mr. R. Suri and Mr. N Chandra Independent Directors of the Company are proposed to be re-appointed as Independent Directors of the Company.

Mr. Ajay Gupta resigned as Chief Financial Officer of the Company w.e.f October 1, 2015.

Mr. Arif Ahmad was appointed as Chief Financial Officer of the Company w.e.f. February 11, 2016.

The Independent Directors of the Company had given a declaration pursuant to Section 149(7) of the Companies Act, 2013 (Act).

Performance evaluation of Independent Directors, Board, Committees and other individual Directors has been done by the Board of Directors of the Company.

The details of familiarization programme of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are put up on its website www.taal.co.in

In accordance with the provisions of the Act and the Articles of Association of the Company, Mr. Salil Taneja retires by rotation and being eligible, offers himself, for re-appointment.

Mr. Raj Sureka ceased to be a Director of the Company w.e.f. October 1, 2015.

AUDITORS

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

Pursuant to the provisions of Section 139 of the Act & the rules framed thereunder, it is proposed to appoint M/s. MZSK & Associates, Chartered Accountants as Statutory Auditors of the Company for a period of one year from the conclusion of the forthcoming AGM until the conclusion of 28th AGM of the Company.

In respect of the Emphasis of Matter by the Auditors on the Standalone and Consolidated Financial Statements, it has been explained in the Notes forming part of the said Financial Statements which are self-explanatory and therefore do not call for any further comments.

SUBSIDIARY AND ASSOCIATE COMPANIES

During the year under review, TAAL Enterprises Ltd., TAAL Tech India P. Ltd. and First Airways Inc. USA, ceased to be subsidiaries of the Company.

TAAL Aerosystems P. Ltd. ceased to be an Associate Company effective from April 7, 2015

As on date of this report, the Company has only one subsidiary. A Report in Form AOC-1 on performance & financial position of the subsidiary is forming part of this Annual Report.

The Company has framed a Policy for determining Material Subsidiaries which is available on its website www.taal.co.in

FIXED DEPOSITS

The Company has not accepted any deposits from the public.

MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE REPORT

Pursuant to the SEBI (LODR) Regulations, 2015, a separate section on Management Discussion & Analysis and Corporate Governance Report together with Certificates is forming part of this Report.

Directors' Report (Contd.)

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(3)(c) read with Section 134(5) of the Act, your Directors make the following statement:

- 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, 2016 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 Act 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;
- v) Post demerger, Internal financial Controls system of the Company are undergoing changes, which are in the process of being documented and evaluated; and
- vi) That the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

EXTRACT OF ANNUAL RETURN

The extract of Annual Return in Form MGT-9 is forming part of this Report as Annexure A.

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

The particulars as required under Section 134(3)(m) of the Act is forming part of this Report as Annexure B.

NOMINATION AND REMUNERATION POLICY

The Nomination and Remuneration Policy of the Company on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters is available on its website www.taal.co.in

Details pertaining to remuneration of Directors and employees required under Section 197(12) of the Act, read with Rules framed thereunder are forming part of this Report as Annexure C.

SECRETARIAL AUDIT REPORT

The Report of the Secretarial Auditors in Form MR-3 is forming part of this Report as Annexure D. With reference to the observations mentioned in the Secretarial Audit Report, during the year under review, the Company has appointed a Woman Director.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Particulars of Loans, Guarantees and Investments covered under Section 186 of the Act has been given in the Notes to Financial Statements forming part of this Annual Report.

RISK MANAGEMENT

The Company is developing a risk management frame work including the policy covering material risks. The Company has identified the key risk as delays in award of Government orders and forex risk for its core manufacturing.

INTERNAL FINANCIAL CONTROLS

Post demerger, Internal financial Controls system of the Company are undergoing changes, which are in the process of being documented and evaluated.

AUDIT COMMITTEE AND VIGIL MECHANISM

The Composition of Audit Committee is mentioned in the Corporate Governance Report which is forming part of this Report.

The Whistle Blower Policy/ Vigil Mechanism of the Company was established by the Board and is available on website www.taal.co.in

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

There is no information required to be provided in Form AOC-2 with regard to particulars of contracts or arrangement with related parties. While the particulars of all Related Party Transactions in terms of AS-18 are forming part of the financial statements.

GENERAL

1. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
2. Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

REGISTRAR AND SHARE TRANSFER AGENT

SEBI vide its Order dated March 22, 2016, debarred Sharepro Services (India) P Ltd. (Sharepro), Registrar and Share Transfer Agent (RTA) of the Company, from dealing in Capital Market. SEBI has also advised clients of Sharepro to shift their activity relating to RTA to another RTA registered with SEBI.

Accordingly, the Company has appointed Bigshare Services P Ltd. as its RTA in place of Sharepro.

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 10, 2016

Salil Taneja
Chairman

Taneja Aerospace and Aviation Limited

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

Aviation industry in the Country is totally dependent for its business and growth on Indian Defence Manufacturing Organizations; Research and Developmental Organizations; Aerospace Organizations and Defence Services which are predominately under the Government. Also, the cycle time for the products to reach regular commercial stage is longer. This has bearing on the Aviation companies performance in terms of consistency and growth.

OPPORTUNITIES

As part of its Make in India initiative, the Government has taken a number of steps to promote domestic manufacturing:

1. New Defense procurement policy for domestic industry;
2. FDI limits relaxation to 49% through automatic route and even 100% through Government route.
3. Reducing dependence on imports; and
4. New National Civil Aviation policy

This will have a positive impact on the medium and long term.

SEGMENT WISE PERFORMANCE

(Rs. in Lakhs)

Particulars (TOTAL REVENUE)	2015-16	2014-15
AMM	4577.89	1,044.22
Airfield	1164.48	1,057.51
Others	292.88	769.45
Total	6035.25	2871.18

THREATS

Losing out of business opportunities due to administrative policy delays by various Government agencies would lead to cost escalation, unhealthy competition and business becomes economically unviable with either zero or negative return.

OUTLOOK

While the above will create huge opportunities in the long term, there are lots of implementation issues in the short term. Thus the industry will spend initial years in streamlining and creating foundation for future growth.

RISKS AND CONCERNS

The Company has a significant exposure to foreign exchange risk and the delay in finalizing of orders is a matter of concern.

INTERNAL CONTROL SYSTEMS

The Company is realigning its internal control systems to meet the needs of demerged entity consisting of main manufacturing business and the airfield business.

FINANCIAL PERFORMANCE

The financial performance of the Company for FY 2015-16 as compared to the previous period is given below:

(Rs. in Lakhs)

Particulars	2015-16	2014-15
Gross Income	6,256.11	3,171.68
Expenditure	5,745.62	3,162.39
Profit/ Loss before Interest, Tax, Depreciation and Amortization	510.49	9.29
Profit/ Loss after Interest, Tax, Depreciation and Extraordinary Items	(430.50)	(476.91)
Earnings Per Share	(1.73)	(1.91)

The Company has received an export order from one of the renowned foreign OEM and recorded highest ever export sales of Rs. 3,303.88 Lakhs. On the domestic front too the Company more than doubled its turnover to Rs. 1,136.64 Lakhs from Rs. 513.99 Lakhs.

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, 2016, the Company had 170 permanent 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 & 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 & 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, 2016.

The composition of the Board, their attendance at the Board Meetings held during the year and at the last Annual General Meeting, the number of Directorships in other public companies and memberships in various committees across all public companies as on March 31, 2016 are as follows:

Name of the Director	Category	Financial Year 2015-16 Attendance at		No. of Directorships in other public companies^	Committee positions in other public companies\$	
		Board Meetings	Last AGM		Member	Chairman
Salil Taneja	Promoter-ED	5	No	1	-	-
C. S. Kameswaran	NED	6	Yes	1	-	-
B. R. Taneja**	Promoter-NED	4	No	NA	NA	NA
R. Surie	Independent-NED	6	No	-	-	-
K. Rustumji***	NED	2	No	NA	NA	NA
R. Poornalingam	Independent-NED	6	Yes	2	-	-
N. Chandra	Independent-NED	6	Yes	-	-	-
Raj Sureka@	NED	-	No	NA	NA	NA
Preeti Taneja##	Promoter-NED	2	No	-	-	-

NED-Non-Executive Director; ED-Executive Director;

NA-Not Applicable

**Ceased to be Director w.e.f. August 15, 2015

@ Appointed as a Director w.e.f. August 14, 2015 & Ceased to be a Director w.e.f. October 01, 2015

***Ceased to be Director w.e.f. August 14, 2015

##Appointed as a Director w.e.f. August 14, 2015

^ This does not include directorships in Private Limited Companies, Foreign Companies and Companies under Section 8 of the Companies Act, 2013 (Act).

\$This includes only Audit and Stakeholders Relationship Committees.

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 26, 2015
2.	May 26, 2015
3.	May 30, 2015
4.	August 14, 2015
5.	November 13, 2015
6.	February 11, 2016

As on March 31, 2016, the composition of the Board was in conformity with Regulation 17 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (Listing Regulations).

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 Act, Mr. Salil Taneja, Director of the Company retires by rotation at the ensuing AGM and being eligible offers himself for re-appointment.

In compliance with the relevant provisions of the Act, the re-appointment of Mr. R. Surie, Mr. N. Chandra and Mr. R. Poornalingam, as Independent Director(s) is being placed before the Members at the ensuing AGM for their approval.

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

AUDIT COMMITTEE

The terms of reference of the Audit Committee are in conformity with provisions of Section 177 of the Act, & the stipulations of Regulation 18 of Listing Regulations.

Composition, Meetings and Attendance during the year:

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

Name of Director	Chairman/ Member	No. of Meetings Attended
R. Poornalingam^	Chairman	5
N. Chandra	Member	5
R. Surie**	Member	5
K. Rustumji*	Member	-

^Nominated as Chairman of Audit Committee w.e.f. May 26, 2015

** Ceased to be Chairman of Audit Committee w.e.f April 1, 2015

* Ceased to be Member of Audit Committee w.e.f. May 26, 2015

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

Sr. No.	Date of Meeting
1.	May 26, 2015
2.	May 30, 2015
3.	August 14, 2015
4.	November 13, 2015
5.	February 11, 2016

Mr. R. Poornalingam, Chairman of the Audit Committee was present at the last AGM.

MANAGERIAL REMUNERATION

a) NOMINATION AND REMUNERATION COMMITTEE

The Company has a Nomination and Remuneration Committee of the Board of Directors.

The Nomination and 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 Nomination and Remuneration Committee and attendance of each Member is indicated alongside their names:

Name of Director	Chairman/ Member	No. of Meeting attended
R. Poornalingam	Chairman	2
R. Surie	Member	2
N. Chandra	Member	2
K. Rustumji*	Member	0

*Director upto August 13, 2015

During the year under review, Two Nomination and Remuneration Committee Meetings were held as under:

Sr. No.	Date of Meeting
1.	August 14, 2015
2.	February 11, 2016

The Company does not have any Employee Stock Option Scheme.

b) REMUNERATION POLICY:

Based on the recommendations of Nomination and Remuneration Committee, the remuneration payable to the Whole Time Director is decided by the Board 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 & allowance to Whole Time Director. No remuneration was paid by way of commission to any Non-Executive Director.

Non-Executive Directors were paid sitting fees of Rs. 10,000/- each for attending Board and Committee Meetings. With effect from May 27, 2015, sitting fees for attending each Board and Audit Committee Meetings was increased to Rs. 20,000/-.

Performance evaluation of the Independent Directors shall be done by the Board of Directors on such criteria's as deemed appropriate by the Board of Directors.

The Company has framed a Remuneration Policy upon the recommendation of Nomination and Remuneration Committee and as approved by the Board.

c) REMUNERATION TO DIRECTORS:

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

Name of Director(s)	Salary & Perquisites (Rs.)	Sitting fees (Rs.)
Salil Taneja	95,40,000	-
C. S. Kameswaran	-	1,40,000
B. R. Taneja*	-	60,000
R. Surie	-	2,10,000
K. Rustumji^	-	30,000
R. Poornalingam	-	2,50,000
N. Chandra	-	2,50,000
Raj Sureka^^	-	-
Preeti Taneja	-	40,000
Total	95,40,000	9,80,000

* Ceased to be Director w.e.f. August 15, 2015

^ Ceased to be Director w.e.f. August 14, 2015

^^ Ceased to be Director w.e.f. October 1, 2015

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

Service of Whole-time Director may be terminated by either party giving other party notice as per the notice period mentioned in their Agreement or the Company paying salary for said notice period 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, 2016 are given below:

Name of Director	Number of Equity Shares
R. Surie	1,67,094
C. S. Kameswaran	-
R. Poornalingam	-
N. Chandra	750
Preeti Taneja	-

STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Company has a Stakeholders Relationship Committee of the Board 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 Stakeholders Relationship Committee and attendance of members is indicated alongside their names:-

Name of Director	Chairman/ Member	No. of Meetings Attended
N. Chandra	Chairman	4
K. Rustumji*	Member	1
C. S. Kameswaran	Member	4
R. Poornalingam	Member	4

* Director upto August 13, 2015

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

Sr. No.	Date of Meeting
1.	May 26, 2015
2.	August 14, 2015
3.	November 13, 2015
4.	February 11, 2016

INDEPENDENT DIRECTORS' MEETING:

The Independent Directors met on May 30, 2016 in conformity with the stipulations in Regulation 25 of the Listing Regulations.

COMPLIANCE OFFICER

Mr. Chetan Nathani, Company Secretary is the Compliance Officer of the Company for ensuring compliance with the requirements of the Listing Regulations and under SEBI (Prohibition of Insider Trading) Regulations, 2015 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, 2016.

Taneja Aerospace and Aviation Limited

Corporate Governance Report (Contd.)

Details of investor complaints received and redressed during the financial year 2015-16:

Number of complaints pending at the beginning of the year	1
Number of complaints received during the year	6
Number of complaints disposed of during the year	7
Number of complaints remaining unresolved at the end of the year	Nil

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 Regulation 17(8) of the Listing Regulations, the Chairman and the CFO have given their certificate to the Board.

GENERAL BODY MEETINGS

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

Year	Date	Location	Time	No. of Special Resolutions passed
2014-15	September 30, 2015	Registered office at Belagondapalli	2.00 p.m.	-
2013-14	December 30, 2014	- do -	- do -	5
2012-13	September 30, 2013	- do -	- do -	1

Special resolution moved at the Annual General Meeting for year 2012-13 was passed unanimously by show of hands. The special resolutions moved at the Annual General Meeting for year 2013-14 were passed with requisite majority by way of e-voting and poll.

OTHER DISCLOSURES

- Details of related party transactions 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 Exchange or any statutory authorities on any matter related to capital markets during the last three years.
- Mrs. Preeti Taneja, Director is relative of Mr. Salil Taneja, Chairman. Except as mentioned herein, none of the other Directors have any relation inter-se.
- The quarterly internal auditors report is placed before the Audit Committee.

- The Company has established vigil mechanism and whistle blower policy. It is hereby affirmed that no personnel has been denied access to the audit committee.

- Following documents/ policies are placed on website of the Company at www.taal.co.in:

- Whistle blower policy;
- The policy for determining material subsidiaries;
- The policy on dealing with related party transactions;
- Familiarisation Programme for Independent Directors;
- Terms and conditions of appointment of Independent Directors;
- Composition of Committees of the Board of Directors; and
- Code of Conduct for Board of Directors and Senior Management Personnel.

MEANS OF COMMUNICATION

The quarterly results are published in one English daily newspaper & one vernacular (Tamil) daily newspaper.

The quarterly results and other details are also displayed on website of the Company at www.taal.co.in.

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

DESIGNATED E-MAIL ID OF THE COMPANY

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

GENERAL SHAREHOLDERS' INFORMATION

AGM Date and Time	Wednesday, September 28, 2016 at 2.00 p.m.
Venue	Registered office at Belagondapalli
Financial Year	April 1 to March 31
Listed on Stock Exchanges	BSE Limited (Equity) Luxembourg Stock Exchange (GDR)
Security Code (BSE)	522229
Security Code (Luxembourg)	US 8753891089
ISIN allotted to equity shares	INE692C01020
Registered Office & Works/ Plant Location & Address for Correspondence	Belagondapalli Village, Thally Rd, Denkanikottai, Krishnagiri Dist., Belagondapalli-635114, Tamil Nadu

The Company has paid Listing Fees for the Financial Year 2016-17 to BSE Limited where the Equity Shares of the Company are listed.