

Taneja Aerospace and Aviation Limited



Annual Report 2019-20

COMPANY INFORMATION

BOARD OF DIRECTORS

Dr. Prahlada Ramarao	Chairman of the Board & Director
Muralidhar Chitteti Reddy	Managing Director (till March 31, 2020)
Salil Taneja	Director
Rahael Shobhana Joseph	Director
Arvind Nanda	Director

CHIEF FINANCIAL OFFICER

Mahendra Nalluri

COMPANY SECRETARY

Sysha Kumar

AUDITORS

M/s. MSKA & Associates

Chartered Accountants

BANKERS

Allahabad Bank

Canara Bank

Bank of Baroda (erstwhile 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 Private Limited

Taneja Aerospace and Aviation Limited

BOARD'S REPORT

To the Members of **Taneja Aerospace and Aviation Limited**

Your Directors have pleasure in presenting the Thirty-first Annual Report and the Audited Financial Statements for the financial year ended March 31, 2020.

Financial Highlights

(₹ in Lakhs)

Particulars	2019-20	2018-19
Gross Income	3,252.23	3,333.13
Expenditure	2,664.03	2,681.66
Profit/ (Loss) after Tax	584.07	515.99

Operations

During the year under review the total income of the Company was ₹ 3,252.23 Lakhs as compared to ₹ 3,333.13 Lakhs during the comparable previous year. The total comprehensive income for the year was ₹ 585.62 Lakhs as compared to ₹ 523.64 Lakhs during the comparable previous year.

In the last month of FY 2020, in view of the Government directives on lockdown to prevent the spread of Novel Corona virus (COVID19), the operations of the Company had to be suspended temporarily. The operations at the registered office and factory of the Company at Belagondapalli was restarted, in a partial and staggered manner, after obtaining requisite permissions from concerned Government Authorities. The Company has taken all steps / measures to meet the safety norms as prescribed by the Government Authorities to prevent the spread of COVID-19 and to ensure safety and well being of it's employees.

A large part of the business consists of lease of Hangars for MRO services which has been hugely affected on account of COVID-19 pandemic. The manufacturing business of the Company has also faced a temporary dislocation though remains positive in the medium term.

Reserves

There is no amount proposed to be transferred to reserves.

Dividend

Your Directors do not recommend any dividend for the year ended March 31, 2020.

Directors and Key Managerial Personnel

In accordance with the provisions of the Companies Act, 2013 ('Act') and Articles of Association of the Company, Mr. Muralidhar Chitteti Reddy, Director of the Company, retires by rotation and being eligible, offers himself, for re-appointment.

Mr. Muralidhar Chitteti Reddy was appointed as Whole-time Director designated as Managing Director with effect from October 01, 2018. He, however, resigned as Whole-time Director designated as Managing Director from the conclusion of the business hours on March 31, 2020. He, however, continues as Non-Executive

Director (non independent category) on the Board of Directors of the Company.

Dr. Prahlada Ramarao and Mr. Arvind Nanda, Independent Directors of the Company holds office upto the conclusion of the ensuing Annual General Meeting (AGM).

The Independent Directors of the Company have given a declaration pursuant to Section 149(7) of the Act.

The annual performance evaluation has been done by the Board of it's own performance and that of it's Committees and individual directors based on the criteria for evaluation of performance of independent directors and the Board of Directors and it's Committees as approved by the Nomination and Remuneration Committee which the Board found to be satisfactory.

Details of familiarization program of Independent Directors, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company & related matters are put up on the Company's website www.taal.co.in.

The Board of Directors of the Company are of the opinion that all the Independent Directors of the Company possesses adequate expertise, experience, proficiency and integrity to best serve the interest of the Company.

Demerged Charter Operation

During the period under consideration, the air craft which was being operated by TAAL Enterprises Limited under the Company's NSOP license as per the Scheme of Arrangement approved by the Hon'ble Madras High Court, veered off the runway during landing, resulting in extensive damage to the aircraft. The process of insurance claim has been initiated and the same will not impact the Company's financial performance as all risks and rewards will be passed on to TAAL Enterprises Limited.

Auditors

M/s. MSKA & Associates, Chartered Accountants (Firm Registration No. 105047W) was appointed as the Statutory Auditors of the Company in the AGM held on September 26, 2017 for a period of five years i.e. till the conclusion of the 33rd Annual General Meeting of the Company.

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

Subsidiaries, Associate and Joint Venture Companies

As on the date of this report, the Company has one subsidiary. A statement containing salient features of the financial statement of the subsidiary company in Form AOC-1 is provided in financial statements forming part of this Annual Report.

A report on the performance and financial position is of the subsidiary company is provided in the Financial Statements forming part of this Annual Report.

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

Fixed Deposits

The Company has not accepted any deposits from the public.

Management Discussion & Analysis

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

Corporate Governance Report

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

The Chief Financial Officer have certified to the Board with regard to the financial statements and other matters as required under regulation 17(8) of the aforesaid Regulations.

Certificate from Practicing Company Secretary regarding compliance of conditions of Corporate Governance is annexed to this Report.

Meetings of the Board and Independent Directors Meeting

Four Board Meetings were held during the year. The Particulars of meetings held and attended by directors are given in the Corporate Governance Report forming part of this Report.

Directors' Responsibility Statement

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

- i) that in preparation of 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 end of the financial year March 31, 2020 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, 2013 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) that the directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- vi) that the directors have devised proper systems to ensure compliance with 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'.

As per Section 134(3)(a) of the Companies Act, 2013, the Annual Return referred to in Section 92(3) has been placed on the website of the Company www.taal.co.in

Conservation of Energy, Technology, Absorption & Foreign Exchange Earnings and Outgo

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

Policy on Nomination and Remuneration of Directors

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 it's 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'.

A statement showing details of employees in terms of Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report. However, in terms of Section 136 of the Act, the Annual Report excluding the aforesaid information is being sent to the members and others entitled there to. The said statement is available for inspection by the Members at the Registered Office of the Company during business hours on working days up to the date of the ensuing AGM. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

Secretarial Audit Report

Pursuant to Section 204 of the Act and the Rules made thereunder the Board has appointed M/S DVD and Associates, Company Secretaries in Practice as Secretarial Auditor to undertake the secretarial audit of the company. The Report of Secretarial Auditor in Form MR-3 is forming part of this Report as Annexure 'D'.

Due to the lockdown imposed by the Government of India because of the COVID 19 pandemic, the Company was not able to file the Form BEN 2 under Section 90 of the Companies Act, 2013 within the stipulated time. The Company is in the process of filing the same.

Particulars of Loans, Guarantees and Investments

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

Risk Management

The Company manages, monitors and reports on the principal risks and uncertainties that can impact it's ability to achieve it's strategic objectives. The Company has already identified the key risk as delays in award of Government orders for it's core business. The Company has a robust risk management framework to identify and mitigate risks arising out of internal as well as external factors.

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Corporate Social Responsibility (CSR)

Pursuant to Section 135 of the Companies Act, 2013 CSR Committee constituted by the Board of Directors consists of three Directors namely Mr. Muralidhar Chitteti Reddy, Chairman, Mr. Salil Taneja - Member and Mr. Arvind Nanda – Member.

Annual Report on CSR Activities for the Financial Year ended March 31, 2020 forms part of this Report as Annexure 'E'.

Internal Financial Controls

The Board has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of fraud, error reporting mechanisms, accuracy and completeness of the accounting records, and timely preparation of reliable financial disclosures. Internal controls of the Company are periodically reviewed and is under continuous strengthening by putting in place appropriate systems and processes in accordance with the changing business needs, the operating environment and the scale of operations of the Company.

Audit Committee and Vigil Mechanism

Pursuant to Section 177 of the Act, an Audit Committee constituted by the Board consists of at least three directors with independent directors forming a majority. The Composition of Audit Committee is mentioned in Report on Corporate Governance forming part of this Report.

The Whistle Blower Policy / Vigil Mechanism of the Company as established by the Board is available on its website.

Contracts and Arrangements with Related Parties

During the year the company has not entered into any contracts with related parties which were not on arm's length basis or not in the ordinary course of business and further would be considered material in accordance with the policy of the company on Materiality of Related Party Transactions.

Hence, there is no information required to be provided in form AOC-2 while the particulars of all related party transactions in terms of Ind AS 24 has been given in Notes to Financial Statements forming part of this Annual Report.

Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions, as approved by the Board, may be accessed on the Company's website www.taal.co.in.

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. There is no change in the nature of business of the Company.
3. There have been no material changes and commitment, if any affecting the financial position of the company which have occurred between the end of the financial year of the Company to which the financial report relates and the date of the report.
4. The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and during the year under review, there were no cases filed under the said Act.
5. The Company has complied with applicable Secretarial standards.
6. The Company has made and maintained Cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013.

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

Dr. Prahlada Ramarao
Chairman

Bengaluru, June 24, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

Over the last two decades, the Indian aviation sector has been through a huge transformation and growth. It is still considered to be a sunrise sector and the Aerospace and Defence manufacturing sector is very much a part of this sector that has to keep the growth momentum intact to cater to the growing demand of the aspirational class as well as the requirements of the defense sector.

The rapid onset of the COVID-19 pandemic has had huge impact on the aerospace and defence manufacturing industry. The plant has been idle and production has fallen in the wake of the COVID-19 pandemic induced lockdown. In the face of the pandemic and economic disruption suffered by the Indian economy as a whole, we see headwinds that would slow down the defence spending.

The Company has increased its customer base with the addition of new customers in Aerospace and Defence activities.

Division Wise Performance

The Company has two division - Manufacturing (AMC) and Services.

The division wise revenue of the Company for FY 2019-20 as compared to previous period is as below:

(₹.in Lakhs)

Name of the Division	2019-20	2018-19
AMC	1,431.19	1,633.27
Services	1,793.62	1,639.59
Total	3,224.81	3,272.86

The manufacturing - aircraft manufacturing complex (AMC) division the manufacturing aerospace components and structures. The majority of the revenue of the division is derived from supplies / services provided to the defense sector for over two decades namely supplying to Hindustan Aeronautics Limited, Defence Research and Development Organisation, Bharat Electronics Limited, Indian Air Force, Defense Electronics Research Laboratory, Vikram Sarabhai Space Centre, Aeronautical Development Establishment, Centre for Airborne Systems etc.

The Company has leased hangar space and buildings to a third party Maintenance, Repair and Overhaul (MRO) provider who is catering to the commercial airlines. The Company also generates income from infrastructure facilities including runway and hangars.

Opportunities

With the Government opening up and providing enormous opportunities to the private sector, global and domestic players are collaborating and having joint ventures for manufacturing of

aerospace components and MRO facilities for civil and military aviation sectors. In addition, the ongoing Government initiative in the outer space missions has opened up new opportunities.

Increase in air passenger traffic with a resultant growth in airline fleet sizes is expected to increase demand for MRO facilities of civil aircraft.

Threats

Aerospace & Defence Manufacturing and MRO sectors face severe challenges in the form of technology obsolescence, due to the dominance of emerging domestic and international players, and delays in finalization of orders. Economic slowdown which is likely to exist for some time could, also, have an adverse impact on the business.

Outlook

A stronger collaboration between the government and the private sector under the Atmanirbhar program is expected to provide a fillip to growth. With increased demand and the ability of the Indian industry to leverage this for sustained technology upgradation, India has the potential to transform itself into an aerospace manufacturing hub in the near future.

There is a renewed thrust of indigenous manufacturing especially in defense. The Company being one of the first organized players in defense space will explore new opportunities in the area under Atmanirbhar Bharat Scheme.

Risks and Concerns

Manufacturing for the aerospace sector is a complex exercise which is capital-intensive, has high technological requirements and a prolonged gestation period. In addition quality assurance and quality control of aerospace product is also critical. While the industry has come a long way, it is still evolving to overcome the challenges of costly raw materials, skilled labour and technological requirements. Apart from above, any changes in government policies may adversely impact the business making it economically unviable.

Internal Control Systems

Through regular internal review systems, the Company's internal control system is being continuously strengthened to meet the needs of Manufacturing and Services division.

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, 2020, the Company had 157 permanent employees.

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Key Financial Ratios

In accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 as Amended, the Company is required to details of significant changes (change of 25% or more as compared to the immediately previous financial year) in key sector specific financial ratios. The Company has identified the following ratios as key financial ratios:

Particulars	2019-20	2018-19	Change
Debtors Turnover (times)	5.08	4.45	14%
Inventory Turnover (times)	27.21	10.55	258%
Interest Coverage Ratio	2.55	2.32	10%
Current Ratio	1.02	0.88	16%
Debt Equity Ratio	0.20	0.34	41%
Operating Profit Margin (%)	48.42%	44.34%	9%
Net Profit Margin (%)	18.15%	15.76%	15%
Return on Net Worth	5.95%	5.58%	7%

Debtors turnover ratio have increased due to efficient collection from customers. Inventory turnover ratio has increased as a result of significant increase in income from job work. Debt equity ratio improved due to repayment of Term loans during the year. All other ratios have improved due to increase in profits during the year.

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, secularism and equal opportunity for all. The Company strives to provide it's stakeholders with maximum information relating to the affairs of the Company with an attempt to bring about total transparency in it's 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 5 Directors of which 2 Directors are independent as on March 31, 2020.

The composition of the Board, their attendance at the Board Meetings held during the year and at last Annual General Meeting, number of directorships in other public companies and memberships in various committees across all public companies as on March 31, 2020 are as follows:

Name of the Director	Category	Financial Year 2019-20 Attendance at		No. of Directorships in other public companies^	Committee positions in other public companies\$	
		Board Meetings	Last AGM		Member	Chairman
Dr. Prahlada Ramarao	Independent-NED	4	Yes	-	-	-
Salil Taneja	Promoter-NED	4	No	1	-	-
Muralidhar Chitteti Reddy ¹	ED	4	Yes	-	-	-
Rahael Shobhana Joseph	Promoter-NED	4	No	1	2	1
Arvind Nanda	Independent-NED	4	Yes	1	3	-

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

1. Resigned as Whole-time Director designated as Managing Director with effect from April 01, 2020;

[^] 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. Number of Memberships in Committee(s) of Mr. Arvind Nanda includes the membership in Audit committee of unlisted public company

The names of the listed entities where the person is a director and the category of directorship is as under:

Name of the Director	Name of the Listed entity	Category
Dr. Prahlada Ramarao	-	-
Salil Taneja	TAAL Enterprises Limited	Promoter-ED
Muralidhar Chitteti Reddy	-	-
Rahael Shobhana Joseph	TAAL Enterprises Limited	Promoter-NED
Arvind Nanda	TAAL Enterprises Limited	Independent-NED

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

Sr. No.	Date of Meeting
1.	May 28, 2019
2.	August 13, 2019
3.	November 07, 2019
4.	February 13, 2020

As on March 31, 2020, the composition of the Board was in conformity with Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Appointment / Re-appointment of directors

In terms of Articles of Association of the Company and the relevant provisions of the Companies Act, 2013 Mr. Muralidhar Chitteti Reddy, Director of the Company retires by rotation at ensuing Annual General Meeting (AGM) and being eligible, offers himself for re-appointment.

Dr. Prahlada Ramarao and Mr. Arvind Nanda, Independent Directors of the Company holds office upto the conclusion of the ensuing AGM.

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

Audit Committee

Audit Committee of the Board of Directors of the Company is mainly entrusted with the responsibility to supervise the Company's financial reporting process. The terms of reference of Audit Committee are in conformity with the provisions of Section 177 of the Act and the stipulations of Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Audit Committee, inter alia, performs the functions of reviewing annual / quarterly financial statements, approval of related party transactions, recommending appointment of Auditors and their remuneration, review of the Management Discussions & Analysis Report, and internal audit reports.

The composition of the Audit Committee and attendance of member is as follows:

Name of Director	Chairman/ Member	No. of Meetings Attended
Arvind Nanda	Chairman	4
Dr. Prahlada Ramarao	Member	4
Rahael Shobhana Joseph	Member	4

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

Sr. No.	Date of Meeting
1.	May 28, 2019
2.	August 13, 2019
3.	November 07, 2019
4.	February 13, 2020

Mr. Arvind Nanda, Chairman of the Audit Committee was present at the last Annual General Meeting held on September 28, 2019.

Managerial Remuneration

a) Nomination and Remuneration Committee

The Company has a Nomination and Remuneration Committee (NRC).

The terms of reference of NRC are in conformity with the provisions of Section 178 of the Act and the stipulations of Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The NRC, inter alia, performs the functions of recommending to the Board appointment of directors and senior management, create evaluation framework for independent directors and the Board, recommend to the Board remuneration payable to directors and senior management.

The composition of Nomination and Remuneration Committee and attendance of each Member is as follows:

Name of Director	Chairman/ Member	No. of Meeting attended
Arvind Nanda	Chairman	2
Dr. Prahlada Ramarao	Member	2
Rahael Shobhana Joseph	Member	2

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

Sr. No.	Date of Meeting
1.	May 28, 2019
2.	February 13, 2020

The Company does not have any Employee Stock Option Scheme.

b) Remuneration Policy:

Based on recommendations of Nomination and Remuneration Committee, the remuneration payable to Whole-time Director, Key Managerial Personnel and Senior Management is decided by the Board which inter alia is based on the criteria such as industry benchmarks, financial performance of the Company, performance of the Whole-time Director etc.