

**Annual Report
2009 - 10**



Hindustan Aeronautics Limited



Another
milestone...



...dedication

Light Combat Helicopter (LCH)



The LCH, a dedicated attack helicopter developed by HAL made its maiden flight in March 2010. LCH is fitted with select weapon system with in-built stealth characteristics. The maiden flight of the LCH marks the successful culmination of three years of design & development efforts by HAL. The helicopter features a narrow fuselage and tandem seating for the pilot and co-pilot. The machine is designed for low detection (reduced visual, aural, radar and infra-red signatures) and is fitted with crashworthy landing gear for better survivability.

of **LCH** to the
Nation

MISSION

To achieve self reliance in design, development, manufacture, upgrade and maintenance of aerospace equipment, diversifying into related areas and managing the business in a climate of growing professional competence to achieve world class performance standards for global competitiveness and growth in exports.

Hindustan Aeronautics Limited

Annual Report 2009 - 10

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FINANCIAL HIGHLIGHTS

Sl. No.	Particulars	Units	95-96	96-97	97-98	98-99	99-00	00-01
A	Our Earnings							
	Sales - Inland	Rs.Cr.	1538.78	1730.57	1828.88	2003.70	2353.92	2387.94
	Export Sales	Rs.Cr.	28.13	39.64	41.05	44.03	46.96	58.61
	Total Sales	Rs.Cr.	1566.91	1770.21	1869.93	2047.73	2400.88	2446.55
	Changes in WIP & SIT	Rs.Cr.	22.46	-77.03	-31.81	41.30	53.55	156.71
Total	Rs.Cr.	1589.37	1693.18	1838.12	2089.03	2454.43	2603.26	
B	Our Outgoings							
	Cost of Materials	Rs.Cr.	557.11	666.87	671.99	807.36	787.06	927.67
	Manpower Cost	Rs.Cr.	474.52	418.80	529.97	508.66	762.09	837.02
	Net Operating Cost	Rs.Cr.	328.45	379.02	373.12	514.47	553.61	805.55
	Net Financing Cost	Rs.Cr.	115.87	80.61	73.90	36.64	-90.10	-263.25
	Depreciation	Rs.Cr.	27.78	26.76	24.31	24.16	26.51	31.12
Total	Rs.Cr.	1503.73	1572.06	1673.29	1891.29	2039.17	2338.11	
C	Our Savings							
	Profit Before Tax	Rs.Cr.	85.64	121.12	164.83	197.74	415.26	265.15
	Provision For Tax	Rs.Cr.	15.00	15.62	17.31	20.00	47.00	21.50
Profit After Tax For Appropriation	Rs.Cr.	70.64	105.50	147.52	177.74	368.26	243.65	
D	We Own							
	Net Block	Rs.Cr.	202.67	208.09	209.03	213.35	245.63	278.10
	Other Capital Assets	Rs.Cr.	317.68	408.65	407.75	356.41	336.92	845.12
	Working Capital	Rs.Cr.	406.90	455.78	492.09	618.82	919.87	603.60
Total	Rs.Cr.	927.25	1072.52	1108.87	1188.58	1502.42	1726.82	
E	We Owe							
	Equity	Rs.Cr.	120.50	120.50	120.50	120.50	120.50	120.50
	Reserves and Surplus	Rs.Cr.	540.69	621.74	721.55	867.32	1201.83	1379.11
	Shareholders' Funds	Rs.Cr.	661.19	742.24	842.05	987.82	1322.33	1499.61
	Deferred Tax Liability	Rs.Cr.						
	Borrowings	Rs.Cr.	166.30	196.96	232.27	181.54	179.48	227.21
	Cash Credit Loan	Rs.Cr.	99.76	133.32	34.55	19.22	0.61	0.00
Total Borrowings	Rs.Cr.	266.06	330.28	266.82	200.76	180.09	227.21	
Total	Rs.Cr.	927.25	1072.52	1108.87	1188.58	1502.42	1726.82	
F	Financial Statistics							
	Value of Production	Rs.Cr.	1589.37	1693.18	1838.12	2089.03	2454.43	2603.26
	Value Added	Rs.Cr.	1032.26	1026.31	1166.13	1281.67	1667.37	1675.59
	Dividend (including Tax)	Rs.Cr.	14.13	26.51	26.51	26.75	26.75	53.70
	R & D Expenditure	Rs.Cr.	125.87	81.95	129.83	146.35	171.66	204.09
	Gross Margin	Rs.Cr.	278.17	300.14	334.22	362.26	554.88	404.70
	Gross Block	Rs.Cr.	773.84	805.34	829.38	856.27	914.20	976.53
	Inventory	Rs.Cr.	1269.66	1215.82	1163.04	1293.78	1500.35	1905.41
	Sundry Debtors	Rs.Cr.	465.45	637.57	630.55	501.59	226.80	210.19
	Capital Employed	Rs.Cr.	883.54	1013.54	1063.53	1150.26	1451.11	1177.07
	Net Worth	Rs.Cr.	600.73	648.55	752.66	934.11	1259.67	1015.20
	No. Of Employees	Nos.	35245	34183	33967	34828	34448	32642
	G	Financial Ratios						
Sales Per Employee		Rs	444577	517863	550514	587955	696957	749508
Value Added Per Employee		Rs	292881	300240	343313	367999	484026	513323
PBT to Sales		%	5.47	6.84	8.81	9.66	17.30	10.84
PBIT to Capital Employed		%	23.34	21.99	22.99	23.61	32.08	27.44
PAT to Net Worth		%	11.76	16.27	19.60	19.03	29.23	24.00
Debt Equity Ratio		Times	0.25	0.27	0.28	0.18	0.14	0.15
Earnings Per Share		Rs	5.86	8.76	12.24	14.75	30.56	20.22
Dividend as %age of Equity (including Dividend Tax)	%	11.73	22.00	22.00	22.20	22.20	44.56	

FINANCIAL HIGHLIGHTS

01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
2707.96	3016.53	3584.43	4383.75	5155.31	7513.10	8284.25	9936.80	11252.03
66.85	103.89	215.35	150.05	186.19	270.51	341.09	436.58	204.67
2774.81	3120.42	3799.78	4533.80	5341.50	7783.61	8625.33	10373.38	11456.70
188.63	357.42	-43.64	450.75	575.12	1418.27	166.19	1437.47	2032.89
2963.44	3477.84	3756.14	4984.55	5916.62	9201.88	8791.52	11810.85	13489.59
1255.85	1607.51	1673.36	2686.17	3313.49	5980.40	4684.43	7635.95	9221.80
724.00	746.80	773.25	808.78	837.69	1054.46	1802.69	2542.78	1954.05
829.16	953.48	899.91	917.87	1014.21	1163.10	1686.02	886.86	984.87
-257.02	-308.54	-247.01	-250.96	-452.37	-839.96	-1663.80	-1732.16	-1525.57
37.98	45.22	57.21	65.16	77.31	100.28	117.95	142.55	166.00
2589.97	3044.47	3156.72	4227.02	4790.33	7458.28	6627.29	9475.98	10801.15
373.48	433.37	599.42	757.53	1126.29	1743.60	2164.23	2334.86	2688.43
28.70	43.41	189.63	256.47	355.15	594.84	532.35	595.00	721.02
344.78	389.96	409.79	501.06	771.14	1148.76	1631.88	1739.86	1967.41
352.19	434.74	515.44	525.87	730.34	1020.98	1080.07	1327.56	1465.50
865.03	1323.97	2273.89	3477.09	4375.40	4922.26	5173.19	5254.75	5387.51
1172.87	714.49	176.72	-368.72	-521.81	-570.06	411.53	1561.41	2775.98
2390.09	2473.20	2966.05	3634.24	4583.93	5373.18	6664.79	8143.72	9628.99
120.50	120.50	120.50	120.50	120.50	120.50	120.50	120.50	120.50
1640.41	1810.31	2120.92	2508.06	3050.58	3913.92	5163.22	6495.97	8003.02
1760.91	1930.81	2241.42	2628.56	3171.08	4034.42	5283.72	6616.47	8123.52
380.06	166.85	354.27	623.90	1047.95	1334.73	1379.04	1525.27	1505.29
249.12	374.47	365.34	363.78	363.88	4.03	2.03	1.98	0.18
	1.07	5.02	18.00	1.02				
629.18	375.54	370.36	381.78	364.90	4.03	2.03	1.98	0.18
2390.09	2473.20	2966.05	3634.24	4583.93	5373.18	6664.79	8143.72	9628.99
2963.44	3477.84	3756.14	4984.55	5916.62	9201.88	8791.52	11810.85	13489.59
1707.59	1870.33	2082.78	2298.38	2603.13	3221.48	4107.09	4174.90	4267.78
68.96	87.99	92.46	113.92	228.62	285.42	382.57	407.12	460.35
203.72	265.06	313.81	306.63	433.58	637.79	662.14	674.78	832.12
531.83	594.54	800.36	974.46	1408.15	2124.53	2650.95	2905.32	3382.75
1085.41	1211.04	1344.26	1417.27	1694.58	2080.89	2254.97	2638.09	2933.53
2073.24	2394.95	2576.52	3508.64	4809.74	7222.52	8614.64	10431.19	13660.03
248.23	510.02	990.20	1106.20	1404.13	1281.18	1486.10	1848.26	1858.03
1802.24	1409.76	1377.13	1507.65	2204.66	3004.48	4485.20	5914.20	7272.27
1229.38	928.18	799.72	882.07	1440.85	2084.99	3326.53	4635.76	6157.30
31652	31138	30450	29807	29668	31666	34323	34822	33990
876663	1002126	1247875	1521052	1800426	2458034	2512989	2978973	3370609
539487	600658	684000	771087	877424	1017330	1196600	1198926	1255600
13.46	13.89	15.78	16.71	21.09	22.40	25.09	22.51	23.47
23.92	34.77	46.69	53.09	53.26	58.56	48.55	39.48	36.97
28.04	42.01	51.24	56.81	53.52	55.10	49.06	37.53	31.95
0.22	0.19	0.16	0.14	0.12	0.001	0.00038	0.00030	0.00002
28.61	32.36	34.01	41.58	64.00	95.33	135.43	144.39	163.27
57.23	73.02	76.73	94.54	189.73	236.86	317.49	337.86	382.04

BOARD OF DIRECTORS

BOARD OF DIRECTORS

(AS ON 20th AUGUST 2010)

Shri Ashok Nayak

Chairman

Shri D. Shivamurti

Director (Finance)

Shri N. C. Agarwal

Director (Design & Development)

Shri P.V. Deshmukh

Managing Director
(MiG Complex)

Shri S.K. Jha

Managing Director
(Accessories Complex)

Shri R. Srinivasan

Managing Director
(Helicopter Complex)

Shri P. Soundara Rajan

Director (Corporate Planning & Marketing)

Shri D. Balasunder

Managing Director
(Bangalore Complex)

Shri Manoj Saunik

Joint Secretary (Aerospace)
Ministry of Defence

Shri P.K. Kataria

Additional FA (K) & JS
Ministry of Defence
(Finance Wing)

Dr. N. K. Naik

Director

Shri V. K. Misra

Director

MEMBERS OF THE MANAGEMENT COMMITTEE

Shri Ashok Nayak

Shri D. Shivamurti

Shri N. C. Agarwal

Shri P.V. Deshmukh

Shri S.K. Jha

Shri R. Srinivasan

Shri P. Soundara Rajan

Shri D. Balasunder

AUDIT COMMITTEE

Shri V. K. Misra

Chairman

Dr. N. K. Naik

Director

Shri Manoj Saunik

Joint Secretary (Aerospace)

Shri P.K. Kataria

Addl. FA(K) & JS

COMPANY SECRETARY

Shri Ashok Tandon

BANKERS

State Bank of India

State Bank of Mysore

State Bank of Hyderabad

State Bank of Travancore

State Bank of Patiala

State Bank of Bikaner & Jaipur

Punjab National Bank

Indian Bank

Indian Overseas Bank

Bank of Baroda

Exim Bank

Syndicate Bank

Union Bank of India

STATUTORY AUDITORS

M/s. K.P. Rao & Co.,

Chartered Accountants, Bangalore

BRANCH AUDITORS

M/s. P.S. Bhargava & Co.,

Chartered Accountants, Lucknow

M/s. Gupta Saharia & Co;

Chartered Accountants, Mumbai

M/s. S. Daga & Co;

Chartered Accountants, Hyderabad

M/s. G R S M & Associates;

Chartered Accountants, Bangalore

M/s. Anil Mihir & Associates;

Chartered Accountants, Rayagada

M/s. Saha Ganguli & Associates;

Chartered Accountants, Kolkata

M/s. Agarwal & Saxena;

Chartered Accountants, Kanpur

M/s. Venkat Kollali & Murthy;

Chartered Accountants, Bangalore

M/s. B.S. Reddy & Co.,

Chartered Accountants, Bangalore

M/s. Balu and Anand,

Chartered Accountants, Bangalore

M/s. Vivek Mittal & Associates.,

Chartered Accountants, Lucknow

M/s. Basavaraja & Dileep,

Chartered Accountants, Bangalore

M/s. K. B. Nambiar & Associates,

Chartered Accountants, Bangalore

M/s. SSB & Associates,

Chartered Accountants, Bangalore

M/s. G V Acharya & Co.,

Chartered Accountants, Bangalore

M/s. Vimal & Co.,

Chartered Accountants, Bangalore

M/s. Venkatachala Raghvendra & Co.,

Chartered Accountants, Bangalore

M/s. G. Anantha & Co.,

Chartered Accountants, Bangalore

M/s. Mallya & Mallya

Chartered Accountants, Bangalore

M/s. Ashok Kumar Prabhaskar & Co.,

Chartered Accountants, Bangalore

LEGAL ADVISERS

M/s. Sundaraswamy & Ramdas

Advocates, Bangalore

BOARD OF DIRECTORS



Shri Ashok Nayak



Shri V.K. Misra



Dr.N.K.Naik



Shri Manoj Saunik



Shri P.K.Kataria



Shri D.Shivamurti



Shri N. C. Agarwal



Shri P.V.Deshmukh



Shri S. K. Jha



Shri R. Srinivasan



Shri P.Soundara Rajan



Shri D.Balasunder



LADIES & GENTLEMEN,

I have great pleasure in welcoming you all to the 47th Annual General Meeting of your Company. The audited Accounts for the year ended 31st March 2010, the Directors' Report and the report of the Auditors have been with you and I take them as read.

ECONOMIC SCENARIO

The world economy is in a post-recession environment, where demand could remain sluggish and shrinking defence budgets could lead to intense competition for market share in the global aerospace and defence industry. The Indian economy has, however, remained reasonably insulated as a result of its balanced approach towards liberalisation coupled with strong fundamentals.

In this scenario, our Country was able to touch a high GDP growth for 2009-10 at 7.2 per cent, up from 6.7 per cent recorded in 2008-09. The GDP is likely to grow at the rate of 8.5 per cent during 2010-11.

The strong fundamentals and available macro economic parameters augur well for the growth of the Country, as well as your Company with several new projects on the anvil. With skilled intensive manufacturing capabilities and a world-class IT base, India has the right ingredients to become a key link in the global defence supply chain.

PERFORMANCE OF THE COMPANY

Your Company has completed yet another successful year and set new records with the highest-ever turnover, net profits and dividend payment. For the year 2009-10, the Company achieved a turnover of Rs. 11,456.70 crore and Profit Before Tax of Rs. 2,688.43 crore, indicating a growth of 10.45 per cent and 15.14

per cent respectively, over the previous year. The Directors' Report containing detailed information on the performance of your Company is in your hands. However, I would like to highlight the achievements of 2009-10.

- o The maiden flight on the Technology Demonstrator (TD-1) for the indigenously-designed Light Combat Helicopter (LCH) took place on 29th March, 2010. With this, your Company has enabled India to join the elite and exclusive club of countries that have developed dedicated combat helicopters.
- o A new military variant, ALH Mk. III, was introduced during the year. This is powered by the Shakti engine and is intended for the Indian Air Force (IAF) and the Army to meet their high altitude operational requirements. This is being followed by an armed variant ALH Mk. IV, which is undergoing weapon trials.
- o Consolidating indigenous design capabilities in light helicopters, HAL has ventured into design and development of a Light Utility Helicopter. This will give your Company an edge in offering total solution to its customers in the 2-6 ton category of light helicopters.
- o The Intermediate Jet Trainer (IJT) project has progressed well with successful integration of a new Russian engine. The Company launched a limited series production of the IJT, pending the Final Operational Clearance.
- o The preliminary study to launch the development of new indigenous basic turboprop trainer to replace the HPT-32 aircraft has commenced.
- o The Earning per share has been robust at Rs. 163 and the highest-ever Dividend of Rs. 393.48 crore has been proposed for the year 2009-10, which amounts to Rs. 32.65 per equity share of Rs. 10/-.

CHAIRMAN'S STATEMENT

- o In terms of committed MoU performance, your Company has continued to achieve "Excellent" rating for the last eight years. I am happy to announce that initial assessment indicates that this trend will continue for the year 2009-10 also.

EXPORTS

Export continues to be the focus area, although the Company remains dedicated to meeting the requirements of the Indian armed forces.

The Company has been showcasing its products and capabilities at various international air shows and also obtaining international certification for its processes with a view to attract aerospace majors for partnership / export. The potential products for export are the Dhruv, Cheetah, Chetak, Cheetal and the Do-228 aircraft.

The Company has signed Memoranda of Understanding (MoU) to be an offset partner with a number of international partners, who are bidders for the acquisition by the Government of India. Besides, HAL is exploring opportunities to conclude long-term contracts with aerospace majors against their offset obligations. The Company has already concluded an MoU with Boeing for export co-operation estimated over USD 1 Billion. The strategy is to increase the exports in aero-structures, components, avionics, forgings & castings, accessories etc. by utilising the infrastructure and increasing our competitive edge.

BUSINESS ALLIANCES

The aerospace industry requires highly innovative technologies, which is evolving continuously. Your Company has products flowing from Russian as well as European collaborators besides those developed indigenously. The Company imports raw material, systems, and components from foreign suppliers. The Company has adopted the strategy to conclude Long Term Business Agreements (LTBA) to ensure timely delivery of materials at agreed prices. The Company is constantly exploring transfer / absorption of technologies, by concluding strategic alliances / agreements so as to increase the indigenous contents.

The Company has formed 10 Joint Venture Companies (JVCs) with international majors viz. BAe Systems Plc. (UK), RAC MiG (Russia), Snecma (France), Elbit Systems (Israel), CAE (Canada), Edgewood Ventures LLC (USA), Rolls Royce, UK and Indian majors including the TATA group, Infotech Enterprises and Samtel group, with a view to develop indigenous capabilities and products.

The JVC with Rolls Royce, UK, viz. "International Aerospace Manufacturing Private Limited" has been formed recently for the manufacture of Shrouds & Compressor Castings for civil Aero Engines. The Company will invest Rs. 46.32 crore towards a 50 per cent stake in the JVC.

The Company has embarked upon the Fifth Generation Fighter Aircraft (FGFA) project in collaboration with Rosoboronexport, Russia by negotiating a Preliminary Design Contract. The design work will be launched during the current year 2010-11.

Similarly, implementation of the Multi Role Transport Aircraft (MTA) in collaboration with Rosoboronexport and UAC-TA, Russia at an estimated expenditure of USD 600.72 Million is awaiting final clearance from the Government. The project will be implemented through a JVC, wherein HAL and the Russians will invest equally.

ORGANISATIONAL DEVELOPMENTS

During the year the Company reorganised its Helicopter Business with the formation of a Helicopter Complex, to provide greater focus to the growing business potential. The Managing Director (Helicopter Complex) was appointed by the Government in June 2009.

Your Company has also been progressing the establishment of a new Avionics Branch Factory at Kasaragod, Kerala, wherein a business segment relating to Mission Computers is planned for production. Land has been acquired from the Government of Kerala and other activities are progressing at a steady pace.

HUMAN RESOURCE DEVELOPMENT

The strength of the Company lies in its highly skilled and trained manpower. Your Company continued to emphasise the training and retraining of employees to continuously upgrade their skills and knowledge base.

Manpower rationalisation is done on continuous basis by assessing the future requirement, considering the projects under implementation or on the anvil, as well as the outsourcing strategy.



Chairman HAL, Shri Ashok Nayak presenting the Dividend Cheque to Hon'ble Defence Minister, Shri A. K. Antony

CORPORATE SOCIAL RESPONSIBILITY

The Company has been proactively pursuing Corporate Social Responsibility (CSR) activities at its various Divisions since inception. The activities include adoption of villages for upliftment of the socially and economically backward sections by providing infrastructure, health, education, drinking water facilities etc.

The Government has recently released guidelines on CSR and the Company is in the process of formulating a policy accordingly. Under the policy, a percentage of the profit will be reserved to carry out the CSR activities.

CORPORATE GOVERNANCE

Corporate Governance is about the application of best management practices, compliance of law and adherence to ethical standards to achieve the Company's objective of enhancing shareholders' value and discharge of social responsibility.

Your Company has a well-established, transparent and fair administrative set up to provide for professionalism and accountability. The Company has adopted a Code of Business Conduct & Ethics for the Board Members and Senior Management.

A Whistle Blower Policy has recently been promulgated with a view to establish a mechanism for the employees to report unethical behaviour, cases of suspected fraud, violation of Company's general guidelines on conduct and ethics, to the Management.



Cockpit-Darin III

The Audit Committee headed by an Independent Director is overseeing the implementation / upgradation of good governance measures and implementation of the guidelines issued by the Department of Public Enterprises.

NEW INITIATIVES AND FUTURE OUTLOOK

The defence industry in India is experiencing significant and progressive change with huge opportunities for growth. The Order Book position of your Company is around Rs. 80,000 crore as on date. The Company has challenging times ahead with delivery commitments with respect to major manufacturing projects like the Su-30 MKI, Hawk, IJT, LCA, ALH and Do-228.

Your Company has geared up to enhance the capacity required to meet the commitments. The number of aircraft to be



The Light Combat Helicopter (LCH) (Inset) Secretary (DP) Shri RK Singh during the maiden flight of LCH on 23rd May 2010

CHAIRMAN'S STATEMENT

produced in the coming years will be higher, almost double, compared with the last couple of years. This requires concerted efforts to streamline the sources and achieve the desired level of productivity.

In this direction, the Enterprises Resource Planning (ERP) will be integrated with all production functions completely. An online system for monitoring the status of manufacturing of parts, priority-wise kitting and loading of jigs that was put in place for the Hawk aircraft was extended to the production projects of ALH and Su-30 MKI. This initiative has increased the visibility of the status of production and enables effective decision-making for mid-course corrections.

As a new initiative, the Company will be offering Performance Based Logistic solutions (PBL) to the Indian Defence Services in maintaining HAL-produced aircraft. Initially PBL will be offered for the Hawk and thereafter, extended to ALH and IJT fleets.

Although HAL will take the lead initiative for the PBL, it will rope in partners to manage service-related operations while retaining the core manufacturing operations for supply of spares and technological solutions.

The Company's focus will continue to be on the upgradation of its facilities, modernisation, and optimisation of supply-chain, lean engineering and cost reduction in order to be competitive.

R & D is essential for the future growth of the Company. In the prevailing scenario, acquisition of latest technologies is becoming increasingly difficult due to strategic denials or

exorbitantly high cost. Your Company, therefore, will continue to develop new products, systems, and equipment through in-house as well collaborative R & D.

ACKNOWLEDGEMENT

I, on behalf of HAL family, take this opportunity to thank all the stakeholders for their continued support. I acknowledge with gratitude the support, valuable advice and guidance extended by the Ministry of Defence, Department of Defence Production, Defence Acquisition and Defence Finance, Department of Civil Aviation, our esteemed customers viz. the Indian Air Force, Army, Navy & Coast Guard and others in the Country and around the globe.

My sincere thanks are also due to all the external agencies viz. DGAQA, CEMILAC, C&AG Audit, Statutory and Branch Auditors, Legal Advisors, Collaborators and Partners, Suppliers, Bankers, and other Government Agencies for their support.

I thank all my colleagues on the Board for their continued support and guidance. I would like to take this opportunity to congratulate all the employees, who have contributed for the success of the Company.


(Ashok Nayak)
Chairman

Place : Bangalore
Date : 20th August 2010



Hon'ble Defence Minister, Shri A. K. Antony during the roll out of LCA NP-1 at HAL on 6th July 2010 in the presence of dignitaries from MoD, HAL, DRDO & Navy. (Inset) The Light Combat Aircraft (LCA) - Naval Version

To,

The Members of HAL

Dear Members,

I have immense pleasure in presenting the 47th Annual Report for the financial year ended on 31st March 2010 along with the Audited Statement of Accounts, Auditors' Report and the Report on the Accounts by the Comptroller and Auditor General of India.

OPERATING RESULTS

The Company continued on the growth path and achieved a turnover of Rs.11,456.70 crore, an increase of 10.45 per cent over the previous year. The Profit Before Tax grew from Rs.2,334.86 crore in the previous year to Rs. 2,688.43 crore, an increase of 15.14 per cent.

The financial highlights of the performance during 2009-10 are summarised below: -

(Rs. in crore)

PARTICULARS	2009 - 10	2008- 09
Turnover	11,456.70	10,373.38
Exports	204.67	436.58
Profit before Tax	2,688.43	2,334.86
Provision for Tax	721.02	595.00
Profit after Tax	1,967.41	1,739.86
R&D Expenditure	832.12	674.78
APPROPRIATION		
Interim Dividend on Equity Shares	299.95	299.95
Proposed Final Dividend on Equity Shares	93.53	48.03
Total Dividend	393.48	347.98
Tax on Dividend	66.87	59.14
General Reserve	1,507.06	1,332.74



DIVIDEND

Taking into consideration the performance of the Company, the Board of Directors had declared the payment of Interim Dividends of Rs. 48.20 crore and Rs. 251.75 crore based on the half yearly and ninth monthly operations of the Company.

A final Dividend of Rs. 7.76 per share on 12,05,00,000 equity shares of Rs.10/- each for the year 2009-10 was recommended by the Board of Directors, bringing the total Dividend to 326.54 per cent on the Equity Shares

A table showing the dividends paid by the Company on equity shares for the years 2009-10 and 2008-09 is given below:-

(Rs.in crore)

Particulars	Number of Shares	2009-10				2008-09	
		Dividend per share of Rs.10/-	Dividend amount (Rs. cr.)	Dividend Tax (Rs. cr.)	Total outflow (Rs. cr.)	Dividend per share	Total outflow including Dividend Tax
First Interim Dividend	12,05,00,000	4.00	48.20	8.20	56.40	4.00	56.39
Second Interim Dividend	12,05,00,000	20.89	251.75	42.78	294.53	20.89	294.53
Sub-Total		24.89	299.95	50.98	350.93	24.89	350.92
Final Dividend	12,05,00,000	7.76	93.53	15.89	109.42	3.99	56.20
TOTAL		32.65	393.48	66.87	460.35	28.88	407.12



DIRECTORS' REPORT

The total outflow as Dividend on the equity shares of the Company excluding the Dividend Tax for the year 2009-10 translates to 20 per cent of the Profit after Tax.

TRANSFER TO RESERVES

Your Company proposes to transfer Rs. 1,507.06 crore to the General Reserve out of the amount available for appropriations.

CREDIT RATING

The Company continued to maintain the highest credit rating of both, short-term as well as long-term debt programmes, for Rs. 450 crore each from the Investment Information & Credit Rating Agency (ICRA) and Credit Rating Information Services of India Limited (CRISIL). Although yours is a 'Zero-Debt' Company, it has been availing Cash Credit facility from the Bankers to meet its short-term requirements from time to time. This credit rating has enabled the Company to source funds at the best possible rates, thereby improving the profitability. The cash and bank balances, including short-term deposits at the end of the year under review stood at Rs. 18,657.64 crore against Rs. 19,744.56 crore of the previous year.

SIGNIFICANT ACHIEVEMENTS

The following are the significant achievements of your Company:-

- The Company produced Su-30MKI, Hawk, DO-228 aircraft ALH and Cheetal helicopters along with their engines and accessories for the Indian Defence Services.
- The ALH in the new configuration (Mk.III) with high powered Shakti engine was produced for the Indian Air

Force (IAF) and new systems like EO Pod, EW Suite / Integrated Self Protection System, Active Vibration Control System, etc. were produced for the military utility operations. The ALH in the civil version was also produced for the Border Security Force (BSF).

- The Company carried out overhaul on 203 aircraft / helicopters and 497 engines encompassing 13 types of aircraft and 15 types of engines.
- Productionisation of the Intermediate Jet Trainer (IJT) crossed a major milestone with the first Limited Series Production aircraft undergoing flight tests on 4th January 2010.
- Technology absorption was successfully completed for the production of Hawk, an Advanced Jet Trainer from the raw material stage.
- On the Design and Development front, a major milestone was achieved with the maiden flight test on the first Technology Demonstrator (TD-1) of the Light Combat Helicopter (LCH)
- Another milestone achieved in the development of LCA was the Trainer Prototype entering into the flight phase. The first flight of the twin-seater version was completed in November 2009.
- Fleet upgrade of Jaguar Navwass and Sea Harrier was completed during the year under review. The design and development for these upgrades were indigenously taken up by the Company without entailing the support of the OEMs.



Final terms and contract for additional 57 HAWK AJT deal being signed by (L to R) Mr. Guy Griffith, Group Managing Director, International, BAE Systems, Mr. Soundara Rajan, Director (Corporate Planning & Marketing), HAL and Mr. Chris Awde, Director Commercial, Rolls Royce on 28th July 2010 at HAL in the presence of Rt. Hon'ble Prime Minister of the U.K, Mr. David Cameron and HAL Chairman, Mr. Ashok Nayak.

- To enhance self-reliance and to overcome obsolescence, 3534 types of spares and equipment of aircraft / engine / accessories were indigenised during the year. The anticipated FE saving is to the order of Rs. 50 crore per annum.

ORDER BOOK

- The order book position of your Company for new aircraft / helicopters, engines, accessories etc. is healthy with firm orders worth Rs. 64,000 crore. Further orders for Su-30 MKI, Hawk, Do-228 and Helicopters are being pursued with the customers.
- Major orders received during the year were for IJT, DO-228 and Jaguar DARIN-III upgrade.

EXPORT

The Company has laid emphasis on sustained growth in exports without compromising on the basic commitment to meet the indigenous defence requirements. Towards this, there is a continuous effort in taking export initiatives, including showcasing the Company's products and capabilities in leading international air shows. The Company participated in international exhibitions viz. Latin America Aero Defence, (LAAD), Brazil; Paris Air Show, France; Brunei International Defence Exhibition (BRIDEX), Brunei and International Aviation and Space Salon (MAKS), Russia.

International certifications / accreditations for its processes had been secured by HAL with a view to attract leading aerospace companies for long term business partnership / export. Export orders worth Rs. 465 crore (105 MUSD) were booked during 2009-10, which included orders for supply of Cheetah and Chetak helicopters to Namibia.

The Company has a set of established customers, for whom it has successfully developed engineering work packages and continuously exports these products. The Company aspires to develop new customers and new engineering packages and currently is in discussion with major aerospace companies on various identified work-packages to forge long term partnerships and achieve a steady growth in export. The Company also expects to meet overseas demand for its Helicopters / Aircraft, particularly the Dhruv and Dornier-228 for the neighbouring countries.

A sustained export focus will take the Company's exports to substantially higher values in the years to come.

OFF-SET PLAN

Planned defence acquisitions of the Government of India with off-set obligations on the suppliers have opened further business opportunities for your Company. The Company has signed MoU with a number of major aerospace companies to explore business opportunity against their off-set obligations. The Company plans to position itself to meet these off-set obligations by investing in additional infrastructure and state of the art manufacturing technology.

OUTSOURCING

The Company had been pursuing a policy on outsourcing to develop Vendors for major sub-assemblies and Toolings / components with a view to rationalise its resources. A Sub-contractors' Directory is being maintained and hosted on the HAL website.

Over the years, the Company has registered around 2000 small and medium enterprises for participating in various



LCA with drop tanks during sea level trials

DIRECTORS' REPORT

programmes at the Divisions. During the year under review, outsourcing to the tune of Rs. 218 crore was made.

Further, with a view to develop indigenous capabilities and capacity in the high-tech field of aviation, the Company has established ten joint ventures with leading international as well as domestic companies in allied areas.

RESEARCH & DEVELOPMENT (R&D)

Research and Development is the key for future growth of the Company. The Company continued to pursue the strategy of conducting collaborative R&D with Indian academic, scientific and research laboratories and institutions, besides in-house development. An expenditure of Rs. 832.12 crore was incurred on various R&D projects, which made significant progress during the year as per details given below:

INTERMEDIATE JET TRAINER (IJT)

The project for design and development of the IJT progressed satisfactorily, as major milestones were reached in flight evaluation for certification. Evaluation of all aircraft systems has been completed on two prototypes and flight envelope of maximum altitude (9 Km) and maximum speed (750 Km/hr) achieved. Flight tests with new Russian engine AL-551 were successfully completed for the evaluation and certification of the engine on aircraft. Your Company has launched concurrent production of IJT and the first two aircraft in the Limited Series Production (LSP) were built.

LIGHT COMBAT AIRCRAFT (LCA)

HAL, as a major partner of Aeronautical Development Agency, the nodal agency for design and development of the LCA, made significant contribution in design (aerodynamics, control law, architecture and specifications), detailed design, aircraft build and integration, ground test and flight test. Flight trials have progressed towards achieving IOC by December 2010.

ADVANCED LIGHT HELICOPTER (ALH)

Your Company continued to develop variants of the ALH to meet the requirement of the Customers on the one hand and improve the performance of the Helicopters, on the other. During the year, development of Mk.III (Military Utility) and Mk.IV (Armed) variants entered the final phases of certification.

LIGHT COMBAT HELICOPTER (LCH)

The Light Combat Helicopter (LCH) a dedicated combat helicopter in 5.5 Ton category featuring a narrow fuselage and tandem configuration for pilot and co-pilot / gunner, made its maiden flight in March 2010 and incorporates a number of stealth features with reduced Radar and infrared signatures. Structural assembly of the second Technology Demonstrator was launched, on which further weight reduction is planned to be achieved.

LCH compares well with the capabilities of contemporary helicopters with weapon capability of around 1.5 Ton, speed in excess of 260 kmph and high manoeuvrability.

LIGHT UTILITY HELICOPTER (LUH)

Indigenous development of a 3 Ton light helicopter for use as reconnaissance and surveillance by HAL was launched in

February 2009. The configuration freeze for the design has been completed in co-ordination with the IAF and Indian Army. Wind tunnel model fabrication and fabrication of the helicopter mock-up has also been completed.



Mock-up of Light Utility Helicopter (LUH)

JAGUAR DARIN III UPGRADE PROGRAMME

The Company had signed an agreement with the MoD for upgrade of 61 DARIN Jaguar aircraft in December 2009. This covers the development, design / trial modification and certification of 3 DARIN aircraft (one each of single seat, maritime and twin seat aircraft) followed by the Series Upgrade of 58 aircraft. The first major milestone of the programme, the Preliminary Design Review (PDR) was conducted in February 2010, in which the basic design including the system aspects was approved.

ACCESSORIES AND AVIONICS

Significant progress was made in the design and development of the following major accessories / projects launched during 2008-09:-

- o Integrated Architecture Display System for LCH
- o Multifunction Display (MFD) for Su-30 MKI
- o Actuators for LCA and LCH
- o Open Architecture Mission Computer for Jaguar

In addition, development of the following new systems were launched during the year 2009-10:-

- o Design & Development of Advanced Radio Communication System / Softnet Radio
- o Integration of Ballistic Recovery System (BRS) on HPT-32 Aircraft
- o Air Data Computer for the IJT Aircraft
- o Advanced RAM for DARIN-III
- o Interface Function Unit (IFU) for Jaguar DARIN-III
- o Computational Aero-elasticity Code for Helicopter Rotor Loads and Dynamic Response Analysis by RWRD&C for its application in collaboration with IIT Kanpur

NEW PROJECTS

MULTIROLE TRANSPORT AIRCRAFT (MTA)

Your Company has been negotiating the Project for co-design / co-development of the Multi-Role Transport Aircraft with the Russians. The project is envisaged to be implemented by formation of a Joint Venture Company (JVC). The Inter Government Agreement (IGA) signed in 2007 was amended in 2009 to include United Aircraft Corporation (UAC), Russia as the second Russian partner along with Rosoboronexport in the JVC. Shareholders Agreement for formation of a 50 : 50 JVC had been agreed between the Parties. The Project will be implemented on receipt of final approval by the Government of India.

FIFTH GENERATION FIGHTER AIRCRAFT (FGFA)

An IGA was signed between the governments of Russian Federation and India in 2007 for joint design and development of the FGFA. Your Company had signed a General Contract on 22nd December, 2008 with Rosoboronexport to progress the project. Timelines and activities are progressing well on schedule.

BASIC TURBOPROP TRAINER AIRCRAFT (HTT-40)

Your Company has submitted a proposal for design and development of a basic turboprop trainer aircraft to the Air Headquarters. The new aircraft designated as HTT-40 would replace the existing HPT-32 aircraft.

Based on the revised PSQR "Make" category received from Air HQ, a proposal along with draft CCS note has been submitted to the Air HQ. The development is planned to be completed in 60 months. Your Company has commenced development work with the approval of the Board of Directors in October 2009, pending sanction from the Government.

PERFORMANCE AGAINST MOU

The performance for the year 2008-09 was rated as 'Excellent' in terms of the Memorandum of Understanding (MoU) signed with the Government of India. The rating for the year 2009-10 is under evaluation and your Company is likely to be adjudged as 'Excellent' – yet again considering the performance parameters achieved.

JOINT VENTURES / STRATEGIC ALLIANCES

During the year under review, your Company has concluded an agreement to form a new JVC, 'International Aerospace Manufacturing Private Limited' with Rolls Royce, UK for the manufacture of Shrouds and Compressor casing at an investment of USD 9.65 Million (Rs. 46.32 crore) towards 50 per cent stake in the JVC. The JVC has been registered on 16th July, 2010.

Performance of the nine JVCs promoted by your Company is summarised here below:-

BAe HAL Software Limited

BAeHAL software Limited was set up in February 1993 with the main objective to develop software for international market. During the year 2009-2010, the JVC achieved a turnover of Rs. 4,401.72 lakh with Profit before Tax of Rs. 451.70 lakh. The order book position as on 31st March 2010 is Rs. 1,785.50 lakh.

Indo Russian Aviation Limited

Indo Russian Aviation Limited (IRAL) was set up in September 1994 for sourcing of spare parts, repair & overhaul of equipment etc. pertaining to aircraft/engine/accessories of Russian origin. HAL holds 48 per cent stake in the JVC, 5 per cent is held by the ICICI bank and the remaining 47 per cent by the Russian Partners.

During the year 2009-2010, the JVC has achieved a turnover of Rs. 2,746.18 lakh with Profit before Tax of Rs. 868.41 lakh. The order book position as on 31st March 2010 is Rs. 6,751.06 lakh.

Snecma HAL Aerospace Private Limited

SNECMA HAL Aerospace Private Ltd. was set up in October 2005 as a 50:50 joint venture with SNECMA, (SAFRAN Group), France. The main objective was to create a Centre of Excellence in manufacture of engine parts, as an Export Oriented Unit. The JVC commenced manufacturing activities in October 2006 and achieved profitable operations in 2008.



Sir John Rose, Chief Executive Rolls-Royce and Mr. Ashok Nayak, Chairman HAL exchanging the HAL-Rolls-Royce Joint Venture Agreement

It has reported a turnover of Rs. 1,679.12 lakh and Profit before Tax of Rs. 54.17 lakh. The order book position of the JVC as on 31st March 2010 is Rs. 3,199.62 lakh.

Samtel HAL Display Systems Limited

The JVC, in which your Company holds 40 per cent stake, was incorporated on 25th January 2007 to develop and manufacture new generation of Multi Functional Display (MFD), Head Up Display (HUD), Helmet Mounted Display (HMD) for the Indian aircraft and later to diversify into civil and industrial sectors.

The JVC is engaged in development of colour MFD for Su-30 MKI aircraft. During the year, the MFD units of size 5"x5" and 6"x6", that had cleared the flight test were delivered to the Nasik Division of the Company for flight evaluation on Su-30 MKI and initiation of flight trials. Although the JVC has not commenced commercial operations, it has reported a turnover of Rs. 300.08 lakh and a Profit before Tax of Rs. 18.62 lakh on account of supply of the MFDs for testing. The order book position of the JVC as on 31st March 2010 is Rs. 2,237.50 lakh.

DIRECTORS' REPORT



Chief of Air Staff, ACM P. V. Naik, PVSM VSM ADC visit to the Su-30MKI Hangar at Nasik.

HAL Edgewood Technologies Private Limited

HAL-Edgewood Technologies Private Limited, a joint venture between HAL, Edgewood Ventures LLC, USA and Edgewood Tech Pvt. Ltd, India, with equity participation in the ratio of 50:26:24 respectively, was established in April 2007 with the main objective to develop and manufacture high technology miniature electronic modules and avionic system for aerospace applications.

The first main project for design and development of Open System Architecture Mission Computer (OSAMC) for the DARIN III up-gradation undertaken by the JVC. The JVC has made significant progress during the year. The Engineering unit of OSAMC has been delivered to HAL and Safety of Flight (SOF) is undergoing testing for certification.

The JVC has not started commercial operations, but has generated sales by supply of the engineering model of the OSAMC to HAL. It has reported a turnover of Rs. 244 lakh and a loss of Rs. 16.32 lakh during the year under review. The commercial operations are likely to be launched in 2010-11.

HALBIT Avionics Private Limited

HALBIT Avionics Private Ltd., a joint venture between HAL, Elbit Systems Limited, Israel and Merlinhawk Associates Pvt. Ltd., India, was established in May 2007 with the main objective to design, develop and manufacture simulators and avionic products. The JVC commenced commercial operations in October 2007 after securing the first order from HAL for Mirage Mission Simulators (MMS). It has reported a turnover of Rs. 665 lakh and Profit before Tax of Rs. 18.21 lakh in 2009-10.

Infotech HAL Limited

This JVC, wherein HAL and Infotech Enterprises Limited each holds 50 per cent stake, was incorporated on 23rd August 2007 with the main objective to create a state-of-the-art design centre for aero-engines and to take up design and engineering services in the field of aero-engines and technical publications.

The JVC started commercial operations in July 2008. Due to slow down in the software industry, the JVC has not achieved the desired performance level. It has reported a turnover of Rs. 132.67 lakh and loss of Rs. 60.15 lakh. Recently, the JVC has bagged orders worth Rs. 105 lakh from BMDA, France.

TATA HAL Technologies Limited

TATA HAL Technologies Limited, a joint venture between HAL and TATA Technologies with equal holdings, was established in May 2008 with the main objective to provide engineering design services in aero structures and captive offshore and onsite work load from the Original Equipment Manufacturers (OEMs) including offset programme.

The JVC started its commercial operations in September 2008. It has not yet achieved the desired level of operations due to the global slowdown. The performance of the JVC is being closely monitored and plan has been drawn for its turnaround in 2010-11. It has reported a turnover of Rs. 56.87 lakh and loss of Rs. 158.53 lakh. The JVC has achieved AS9100B and ISO 9001:2000 certification.

HATSOFF Helicopter Training Private Limited

HATSOFF Helicopter Training Private Limited; a joint venture between HAL and CAE, Canada, with equal holdings, was established in January 2008. The main objective of the JVC is to provide military and civil helicopter training services through operation of flight training device viz. Full Mission Simulator with the following cockpits:

- Bell 412 EP version
- Dhruv glass Army-IAF version (including WSI)
- Dhruv civil version
- Dhruv glass Navy version (including WSI)
- Dauphin AS 365-N3-version

The facilities are under construction / erection and the JVC is expected to commence commercial operations from July 2010.

QUALITY INITIATIVES

All the Divisions of your Company have obtained the ISO-9001-2000 QMS Certification. To meet the International Aviation Quality Management System (QMS) standards and for future growth of exports, eight Divisions have obtained the AS 9100 Aerospace Quality Management System certification, while four Divisions have obtained the NADCAP certification (USA) for special processes such as NDT, Heat Treatment, and Welding.

The Divisions have also maintained the currency of QMS approvals from international aerospace companies like Boeing, Airbus, Rolls Royce, Snecma, BAe Systems and Israeli Aircraft Industries.

The Divisions have implemented the requirements of ISO 14001 – 2004 EMS standard with respect to Environmental Management System and obtained the certification.

Your Company continues to maintain the enthusiasm of the Quality Circles (QC) to achieve increased employee participation in problem solving efforts, besides promoting self-development and synergy at the workplace.

HR DEVELOPMENT

The strength of the employees has marginally reduced to 33,990 as on 31st March 2010 from 34,822 as on 31st March 2009, resulting in a net decrease of 832. Inductions were planned taking into consideration the workload and the age profile of the existing employees.

Job Description and Competency Modeling exercise for Officers in Grade V and below were carried out for 6500 Executives. The Skill Matrix exercise for 512 employees was conducted by the Lucknow Division to identify skill gaps and training needs. During the year, a total of 1957 Apprentices (including diploma holders and engineering graduates) completed their training while a total of 2621 Apprentices were undergoing training under the Apprentices Act 1961.

Further, an understanding was reached with the Indian Institute of Technology, Madras, Kharagpur and Roorkee to sponsor Executives, who seek to pursue post graduate programmes at these institutions.

REPRESENTATION OF SC/ST

The position regarding representation of Scheduled Castes/ Scheduled Tribes (SCs / STs) is as follows:

REPRESENTATION OF SCs & STs IN THE TOTAL STRENGTH OF THE COMPANY AS ON 1st JANUARY 2009 AND 1st JANUARY 2010

Category (Grade/ Scale of Pay)	Total strength as on		Number of SCs as on		Number of STs as on	
	1.1.09	1.1.10	1.1.09	1.1.10	1.1.09	1.1.10
A. (Grade-II and above)	8,181	8,057	1,437	1,438	473	451
B. (Grade-I)	1,940	1,825	312	301	99	108
C. (Scales-3 to 10)	24,848	24,387	4,385	4,281	1,529	1,575
D. (Scales -1 & 2)						
i) Excluding Safai Karamcharis	65	49	17	15	6	3
ii) Safai Karamcharis	6	3	3	2	1	-
TOTAL	35,040	34,321	6,154	6,037	2,108	2,137

RECRUITMENT MADE DURING THE PERIOD 1st JANUARY 2009 TO 31st DECEMBER 2009 & SCs, STs AMONGST THEM

Category (Grade/ Scale of Pay)	Total number promoted	Number of Reservations made for		Number of posts filled by appointment of	
		SCs	STs	SCs	STs
A. (Grade-II and above)	143	17	5	25	2
B. (Grade-I)	84	13	5	14	6
C. (Scales 3 to 10)	1,201	171	116	179	115
D. (Scales 1 & 2)					
i) Excluding Safai Karamcharis	-	-	-	-	-
ii) Safai Karamcharis	-	-	-	-	-
TOTAL	1,428	201	126	218	123

PROMOTIONS MADE DURING THE PERIOD 1st JANUARY 2009 TO 31st DECEMBER 2009 & SCs, STs AMONGST THEM

Category (Grade/ Scale of Pay)	Total number of posts filled	Number of Reservations made for		Number of posts filled by promotion of	
		SCs	STs	SCs	STs
A. (Grade-II and above)	291	2	-	39	6
B. (Grade-I)	36	5	3	8	1
C. (Scales 3 to 10)	-	-	-	-	-
D. Wage Group - A (Scales 1 & 2)					
i) Excluding Safai Karamcharis	-	-	-	-	-
ii) Safai Karamcharis	-	-	-	-	-
TOTAL	327	7	3	47	7

LEAN MANAGEMENT

All the Divisions of HAL have successfully implemented various aspects of Lean Management and have derived the benefits through Kaizen events such as better work place arrangement, reduced machine down-times, reduced lead / cycle times, etc. It has paved the way for the next level of activities in Lean Management such as reduction in batch sizes, set-up times, work-in-progress, and other inventories and overheads in general.

The Company has started the system of Lean certification in consultation with SME, USA and also Six-Sigma Belt Certification in consultation with GE (Aviation) for a few Divisions on a trial basis. This promises tangible benefits from the enormous cultural changes, all of which are evolving gradually.

INDUSTRIAL RELATIONS (IR)

The IR scenario in your Company continued to be peaceful,

DIRECTORS' REPORT

healthy and cordial. In order to reduce and eliminate any scope for conflicts / misunderstandings and achieve a better understanding of each other's point of view, the Company has established a meaningful and effective communication with the employees. Quarterly meetings are held with the representatives of the recognized Unions and Officers Association of the Company.

To ensure the total involvement of employees in decision making processes, the working of various forums for workers participation viz. Plant and Shop-level Committees, Bipartite Forums, Quality Circles, Suggestion Schemes etc. have been revitalized in the Company. New channels of open communication, where the employees have an opportunity to directly put-forth their feedback to the top management, have been put in place.

Welfare of the employees is being taken care of through various measures including housing, education facilities for employees' children, transport, uniforms, sports facilities, maintenance of townships etc.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR initiatives are powerful engines of growth of the Nation and its citizens, especially those underprivileged and marginalised in the Society. Even before the advent of CSR as a quasi mandatory requirement by PSUs, your Company had been undertaking CSR activities at its various Divisions.

HAL has been making continuous efforts towards social initiatives encompassing various developmental schemes for the people belonging to socially and economically backward sections, residing in the surrounding areas/villages of HAL Divisions. The main activities include adoption of villages and developing them by providing resources like infrastructure, health, education etc. The Company also provides educational facilities, medical facilities, drinking water facilities, approach roads, maintaining parks, streetlights, organising family planning and health awareness camps etc. for the residents of these villages.

HAL has introduced the Environment Management System to focus on reducing the negative environmental impact of the Company's operations. All the manufacturing Divisions of the Company support precautionary approaches like Sewerage Treatment Plants, Effluent Treatment Plants etc. Efforts towards ecological improvements including afforestation, energy conservation through rainwater harvesting, etc. are carried out across the Company.

Taking into consideration the Government guidelines on CSR, the Company has recently drawn its CSR Policy. With effect from 2010-11, a percentage of the profit would be reserved to carry on the CSR activities in a systematic manner. A high level CSR committee at the apex level would be formed to identify various CSR initiatives and schemes and oversee their implementation.

RAJBHASHA IMPLEMENTATION

Your Company continued its efforts to propagate use of Hindi in official work and comply with the Official Languages Act 1963 and Official Languages Rules 1976. Progress on

implementation of the Official Language Policies and the annual programmes are regularly reviewed by the Official Language Implementation Committees at HAL Divisions.

Programmes such as 'Hindi Fortnight' celebration, competitions, and workshops were organised across the Divisions of the Company. Workshops on Hindi computer training, translation, pronunciation training etc. were organised during the year. About 12,150 employees have already acquired working knowledge of Hindi in the Company. All the 19 Manuals in use at the Corporate Office were translated into Hindi. The Annual Report of the Company is issued in Hindi and English every year.

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

Your Company has been exempted by the Government from compliance of the provisions of the Company Law regarding disclosure of certain particulars viz. conservation of energy, technology absorption, foreign exchange earnings and outgo in the Report of Board of Directors, as per clause (e) of Sub-section (1) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

COMPUTERISATION & ENTERPRISES RESOURCE PLANNING

Enterprises Resource Planning (ERP) has been implemented across the organisation except in three Divisions and new profit centres, where implementation is at advanced stage and will be completed during 2010-11.

Implementation of ERP in 10 new profit centres commenced during the year under review. Go-live status of implementation of the ERP has been achieved in one of the profit centres, viz. MRO Helicopter.

During the year, the Company has formulated and circulated a policy document on Crisis Management Plan (CMP) for cyber security. Draft documents for IT Plan and IT Security have also been formulated and the same will be finalised during the year 2010-11.

AWARDS & RECOGNITIONS

The Company has received the following awards / recognitions during the year:

- o MOU Excellence Award for the year 2006-07 (Top Ten Public Sector Enterprises). The Company has been receiving this award consecutively since 2001-2002.
- o Raksha Mantri's Award for Excellence for the year 2007-08 under "Institutional" category.
- o Regional Export Award for export performance for the year 2007-08 by EEPC India. The award was presented on 21st February, 2010 in Maldives.
- o Gargi Huttenes-Albertus Green Foundry Award of the year 2008-2009 by the Institute of Indian Foundrymen to Foundry & Forge Division. The award was presented on 5th February, 2010 at Ahmedabad.
- o Supplier of the year 2009 by Boeing based on their evaluation criteria for suppliers.

- o International Diamond Star Award for Quality in the realm of customer satisfaction, leadership, innovation and technology as established in QC 100 TQM Model to the Foundry & Forge Division during 23rd World Commitment Convention of Business Initiative Direction held at Paris in September 2009.



Shri Ashok Nayak receiving the "Award for Excellence" from Honourable Raksha Mantri, Shri R. K. Singh, Secretary (DP), Shri D. Shivamurti, DF and Shri P. Soundara Rajan, D(CP&M) look on.

VIGILANCE

With an aim to provide meaningful anti-corruption services in more effective and efficient manner, the Vigilance Department of the Company has come out with a revised Vigilance Manual comprising four volumes, 'Organisation and Policy', 'Punitive Vigilance', 'Technical Issues' and 'Compendium of Circulars'.

The vigilance activities included both preventive and punitive measures with the aim to plug in loopholes in the system and improve the environment for more transparency.

The Company introduced IT-enabled payments in the form of e-Payments in place of cheques, to enable promptness and transparency. The aggregate e-Payments achieved Company-wide during the year is approximately 60 per cent.

During the year, your Company's Vigilance groups conducted a number of surprise checks, inspections and system studies and the feedback was submitted to the concerned authorities.

Chief Vigilance Commissioner (CVC) guidelines on improving transparency by leveraging technology has been implemented, whereby tender documents are being hosted in downloadable



Shri Ashok Nayak, Chairman and Shri Pratyush Sinha, CVC during Annual Zonal Review Meeting of CVOs.

form and information regarding enquiries, tenders, purchase orders, contracts released and payment to vendors are being hosted on the HAL website. The facility for online submission of applications for recruitment and the results are also being hosted on the website.

CORPORATE GOVERNANCE

The Corporate Governance is an integral part of the values, ethics and the best business practices being followed by the Company. The Company continued to strive for excellence in good governance and adopt good governance practices.

With a view to establish a mechanism for the employees to report to the Management about their concerns on un-ethical behaviour or the cases of suspected fraud, violation of Company's general guidelines on conduct and ethics, the Company has recently promulgated a Whistle Blower Policy.

As a good governance measure, the Company had voluntarily introduced Secretarial Audit last year. The audit has been conducted for the year 2009-10 to report to the Management as well as Shareholders on the status of the compliance with various applicable Corporate Laws. The Secretarial Compliance Certificate is attached to this Report.

The Audit Committee headed by an Independent Director met eight times during the year and reviewed the accounts, financial statements and reports of internal audit and systems audit etc.

BOARD OF DIRECTORS

The structure of the Board of Directors is in line with the guidelines issued on Corporate Governance by the Government of India. The Board comprises six Independent Directors, two Official Directors and nine Whole-time Directors. Of the six Independent Directors appointed in the year 2006, two completed their tenure in February 2009 and four in September 2009. The competent authority has appointed two Independent Directors with effect from 11th November 2009 and the appointment of the remaining four Independent Directors is under consideration of the Government.

Ten Board Meetings were held during the financial year 2009-10. The 46th Annual General Body Meeting was held on 31st July 2009. The number of Board Meetings attended by the Directors during 2009-10 is indicated here below:-

Name of the Director	No. of Meetings	
	Held	Attended
Shri Ashok Nayak (Appointed as Chairman w.e.f.01.04.2009)	10	10
Smt. Anuradha Mitra	10	10
Shri S. N. Misra (Ceased to be Director w.e.f.21.12.2009)	7	7
Shri Manoj Saunik (Appointed w.e.f. 21.1.2010)	2	2
Shri Satyajeet Rajan (Appointed on 21.12.2009 and ceased to be Director w.e.f.21.1.2010)	1	1

DIRECTORS' REPORT

Shri M. K. Moitra (Completed tenure on 13.9.2009)	5	5
Vice Admiral (Retd.) Raman Puri (Completed tenure on 13.9.2009)	5	5
Shri S. Ravi (Completed tenure on 13.9.2009)	5	5
Shri R. N. Bhattacharyya (Completed tenure on 3.7.2009)	3	3
Dr. N. K. Naik (Appointed w.e.f. 11.11.2009)	4	4
Shri V. K. Misra (Appointed w.e.f. 11.11.2009)	4	4
Shri Sanjeev Sahi	10	9
Shri D. Shivamurti	10	10
Shri M. Fakruddin (Superannuated on. 31.7.2009)	5	4
Shri N. C. Agarwal	10	10
Shri P. V. Deshmukh	10	10
Shri S. K. Jha	10	10
Shri R. Srinivasan (Appointed w.e.f. 22.6.2009)	8	7
Shri P. Soundara Rajan (Appointed w.e.f. 1.8.2009)	6	6

Sub-Committees of the Board of Directors:

The Board has the following Sub-Committees:-

- Audit Committee
- Management Committee
- Procurement Sub-Committee
- Design Policy Committee
- HR Committee
- Technology Development Committee

CHANGES IN THE BOARD:

The following changes took place in the Directorship of the Company: -

Appointment

- Shri R. Srinivasan was appointed as Managing Director (Helicopter Complex) with effect from 22nd June 2009.
- Shri P. Soundara Rajan was appointed as Director (Corporate Planning & Marketing) with effect from 1st August 2009.
- Dr. N. K. Naik was appointed as Part-time (Non-official) Director with effect from 11th November 2009.
- Shri V. K. Misra was appointed as Part-time (Non-official) Director with effect from 11th November 2009.
- Shri Satyajeet Rajan was appointed as Part-time (Official) Director with effect from 21st December 2009.

- Shri Manoj Saunik was appointed as Part-time (Official) Director with effect from 21st January 2010.
- Shri D. Balasunder was appointed as Managing Director (Bangalore Complex) with effect from 22nd March 2010.

Cessation

- Shri R. N. Bhattacharyya ceased to be a Director with effect from 3rd July 2009.
- Shri M. Fakruddin ceased to be a Director (Corporate Planning & Marketing) due to his superannuation with effect from 31st July 2009.
- Shri M. K. Moitra ceased to be a Director with effect from 13th September 2009.
- Vice Admiral (Retd.) Raman Puri ceased to be a Director with effect from 13th September 2009.
- Shri S. Ravi ceased to be a Director with effect from 13th September 2009.
- Shri S. N. Misra ceased to be Part-time (Official) Director with effect from 21st December 2009.
- Shri Satyajeet Rajan ceased to be Part-time (Official) Director with effect from 21st January 2010.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act 1956, your 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.
- The Directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that were 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 and of the Profit or Loss of the Company for the year under review.
- 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.
- The Directors have prepared the Annual Accounts for the financial year ended 31st March 2010 on a 'going concern' basis.

AUDITORS

M/s. K. P. Rao & Company, Chartered Accountants, Bangalore were appointed as Statutory Auditors for auditing the Accounts of the Company for the year ended 31st March 2010 and 20 firms of Chartered Accountants were appointed as Branch Auditors.

DIRECTORS' REPORT

REVIEW OF ACCOUNTS BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

The review of Accounts by the Comptroller and Auditor General of India (C&AG) for the year ended 31st March 2010 is enclosed to this report.

PARTICULARS OF EMPLOYEES

As far as the information required under Section 217 (2A) of the Companies Act, 1956 read with Companies (particulars of Employees) Rules is concerned; none of the employees was in receipt of remuneration of more than Rs. 2 lakh per month or Rs. 24 lakh per year during the year.

ACKNOWLEDGEMENT

Your Directors express gratitude to the Company's valued customers, in particular the Defence Services, for their patronage and confidence in the Company.

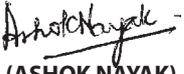
The Directors gratefully acknowledge the support and co-operation received from the Government of India, Ministry of Defence, Department of Defence Production, Defence Acquisition and Defence Finance as well as other Ministries of the Government of India in all the endeavours of the Company.

The Directors wish to thank the Comptroller and Auditor General of India, the Principal Director of Commercial Audit & Ex-officio Member, Audit Board, Statutory Auditors, Auditors, Bankers, Collaborators, JV Partners and Suppliers for the co-operation extended and services provided by them.

Your Directors take this opportunity to place on record their deep appreciation for the dedicated efforts put in by the employees at all levels to overcome many challenges faced during the year.

Your Directors would like to place on record their gratitude to the shareholders for the confidence reposed by them in the management of the Company.

For and on behalf of
the Board of Directors


(ASHOK NAYAK)
CHAIRMAN

Place : Bangalore
Dated : 20th August, 2010

ANNEXURE TO DIRECTORS' REPORT

SECRETARIAL COMPLIANCE CERTIFICATE

Registration No.: 08/001622

Nominal Capital: Rs. 1,60,00,00,000/-

To

The Members

Hindustan Aeronautics Limited

No. 15/1, Cubbon Road,

Bangalore 560 001

I have examined the registers, records, books and papers of Hindustan Aeronautics Limited (the Company) as required to be maintained under the Companies Act, 1956 (The Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March, 2010 (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies and Regional Director under the Act and the rules made thereunder.
3. Being a Wholly Owned Government Public Limited Company, it has a paid up capital of Rs. 120,50,00,000/- with minimum 7 members during the said financial year.
4. The Board of Directors duly met 10 times during the year respectively on 27th April, 2009, 21st May, 2009, 29th June, 2009, 27th July, 2009, 7th September, 2009, 26th October, 2009, 25th November, 2009, 7th January, 2010, 11th February, 2010 and 19th March, 2010 for which proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. Being a Wholly Owned Government Public Limited Company, it was not required to close its Register of Members during the financial year and as such was not required to comply with the provisions of section 154 of the Act.
6. The Annual General Meeting for the financial year ended on 31st March, 2009 was held on 31st July, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. The Company was not required to hold any Extra Ordinary General Meeting during the year under review.
8. There were no transactions requiring compliance under the provisions of Section 295 of the Act.
9. The Company has duly complied with the provisions of Section 297 of the Act in respect of contracts specified in that section.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company was not required to obtain approval of the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company:
 - i) has delivered all the certificates on lodgment thereof for transfer in accordance with the provisions of the Act;
 - ii) has paid interim and final dividend by cheque to the Government within 30 days from the date of declaration thereof, the shareholder being the Central Government;
 - iii) has duly complied with the provisions of Section 217 of the Act;
 - iv) being a Government Company, the provisions relating to transfer of unpaid/unclaimed dividend amount to unpaid dividend account of the Company and transfer to Investor Education and Protection Fund are not applicable.
14. The Board of Directors of the Company is duly constituted in accordance with the Articles of Association of the Company and the appointment of Directors has been duly made and the provisions of the Act have been complied with.
15. The Company being a Government Company, the provisions of Section 269 read with Schedule XIII of the Act with regard to appointment of Managing Director/Whole Time Director/Manager are not applicable.
16. The Company being a Government Company, the provisions of Section 294 relating to appointment of sole selling agents are not applicable.

17. The Company has obtained approvals from Regional Director for transactions with related parties covered under Section 297 of the Act during the financial year as detailed below:

Sl. No.	Name of Related Parties	Nature of Transaction	Date of Board Meeting where the matter was considered	Date of Approval
1	M/s HAL Edgewood Technologies Private Limited	Purchase of goods and services	27.04.2009	24.06.2009
2	M/s HAL Edgewood Technologies Private Limited	Purchase of goods and services	27.07.2009	08.09.2009
3	M/s Snecma HAL Aerospace Private Limited	Purchase of goods and services	25.11.2009	05.02.2010
4	M/s HAL Edgewood Technologies Private Limited	Purchase of goods and services	19.03.2010	13.05.2010

18. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

19. The Company has not issued any shares/debentures/other securities during the financial year and as such was not required to comply with the provisions of the Act in this regard.

20. The Company has not bought back any shares during the financial year and was not required to comply with the provisions of the Act in this regard.

21. There was no redemption of preference shares or debentures during the financial year.

22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.

23. The Company has not invited/accepted any deposits from the public falling within the purview of Section 58A during the financial year.

24. The Company has not borrowed any monies from Directors, Members, Public, Financial Institutions, Banks and other

during the financial year ending 31st March, 2010, and was not required to comply with the provisions of section 293(1)(d) of the Act.

25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose. However investments have been made in JVCs after complying with the provisions of the Act.

26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.

27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.

28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.

29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.

30. The Company has not altered its Articles of Association during the financial year.

31. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.

32. The Company has not received any money as security from its employees during the year.

33. The Company has deposited both employees' and employer's contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

Signature :

Place : Bangalore

Name : K. Jayachandran

Dated : 5th August, 2010

C.P.No. : 4031

Note: This Compliance Certificate is issued at the specific request of the Company and not as a Mandatory Requirement in terms of the "Companies (Compliance Certificate) Rules, 2001," since the same is not applicable to the Company. This Certificate is at the behest of the Company as a part of good Corporate Governance.

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE A

Statutory Registers as maintained by the Company:

1. Register of Members u/s 150
2. Register of Directors and Companies and Firms in which Directors are interested u/s 303
3. Register of Directors' Share holdings u/s 307
4. Register of Charges u/s 143(1)
5. Register of Contracts u/s 301
6. Register of Investments u/s 372A
7. Register of Board and General Meetings u/s 193

ANNEXURE B

Forms and Returns as filed by the Company with Registrar of Companies and Regional Director during the financial year ending 31st March, 2010:

1. Annual Report u/s 220 i.e. Form 23AC and Form 23ACA for the year ended 31.03.2009 filed on 21.08.2009.
2. Annual Return u/s 159 i.e. Form 20B for having held the Annual General Meeting on 31.07.2009 filed on 19.09.2009.
3. Form 32 u/s 303(2) for cessation of office of Mr. R. N. Bhattacharyya as Director w.e.f. 03.07.2009 filed on 13.07.2009.
4. Form 32 u/s 303(2) for appointment of Mr. Srinivasan Radhakrishnan as Managing Director w.e.f. 22.06.2009 filed on 28.07.2009.
5. Form 32 u/s 303(2) for cessation of office of Mr. M. Fakruddin as Director w.e.f. 31.07.2009 and appointment of Mr. P. Soundara Rajan as Whole Time Director w.e.f. 01.08.2009 filed on 04.08.2009.
6. Form 32 u/s 303(2) for cessation of office of Mr. Ravi Sethurathnam, Mr. M. K. Moitra & Mr. Raman Puri as Directors w.e.f. 13.09.2009 filed 01.10.2009.
7. Form 32 u/s 303(2) for appointment of Mr. V. K. Misra and Mr. N. K. Naik as Part time Non-official Directors w.e.f. 11.11.2009 filed on 16.12.2009.
8. Form 32 u/s 303(2) for cessation of office of Mr. S. N. Misra and appointment of Mr. Satyajeet Rajan as Directors w.e.f. 21.12.2009 filed on 07.01.2010.
9. Form 24A u/s 297 for getting approval for related party transactions with M/s HAL Edgewood Technologies Private Limited filed on 07.08.2009.
10. Form 24A u/s 297 for getting approval for related party transactions with M/s HAL Edgewood Technologies Private Limited filed on 04.05.2009.
11. Form 24A u/s 297 for getting approval for related party transactions with M/s Snecma HAL Aerospace Private Limited filed on 22.12.2009.

1. ACCOUNTING METHOD

The financial accounts are prepared under the accrual basis and at historical cost unless otherwise stated.

2. FIXED ASSETS

- 2.1 Land received free from the State Government till 31st March 1969 has not been valued. Such land, which have been taken over by the Company after 1st April 1969, have been valued at estimated fair price ruling on the date of taking possession.

Land, other than the above, has been capitalised at cost to the Company. Expenditure on development is shown under land.

The gross block of Fixed Assets (other than land acquired free from the State Government) is stated at cost of acquisition or construction including any cost attributable to bringing the assets to their working conditions for their intended use.

With effect from 01.04.2000, Borrowing Costs whether specific or general, utilised for acquisition, construction or production of qualifying assets, are capitalised as part of the cost of such assets, till the activities necessary for its intended use or sale are complete.

- 2.2 Fixed Assets acquired with financial assistance / subsidy from outside agencies either wholly or partly are capitalised at net cost to the Company.
- 2.3 Where the actual cost of Fixed / Current Assets are not readily ascertainable, they are accounted initially on provisional basis but adjusted subsequently to cost when ascertained.
- 2.4 Fixed Assets declared surplus / discarded are valued at lower of net book value and net realisable value, where the amounts involved are material and depreciation provided till the end of the month preceding the month in which they are disposed off. The entire excess of sale proceeds over the net book value of Fixed Assets is credited to the Profit and Loss Account with effect from 1st April 1998.
- 2.5 Expenditure on re-conditioning, re-siting and re-layout of machinery and equipment which do not increase the future benefits from the existing assets beyond the previously assessed standard of performance based on the technical assessment, is not capitalised.
- 2.6 Cost of the initial pack of Spares procured with Plant, Machinery and Equipment is capitalised and depreciated in the same manner as Plant, Machinery and Equipment.
- 2.7 Indirect expenses on Administration and Supervision in respect of expansion facilities / new projects at the existing operating Divisions are charged to Revenue.

3. IMPAIRMENT OF ASSETS

As at the end of each Balance Sheet date, the carrying amount of assets is assessed as to whether there is any indication of impairment. If the estimated recoverable amount is found less than its carrying amount, the impairment loss is recognized and assets are written down to their recoverable amount.

4. TOOLS AND EQUIPMENT

Expenditure on special purpose tools, jigs and fixtures including those specific to projects / products is initially capitalised for amortisation over production on technical assessment and to the extent not amortised is carried forward as an asset. Expenditure on maintenance, re-work, re-conditioning, periodical inspection, referencing of tooling, replenishing of cutting tools and work of similar nature is charged to revenue at the time of issue.

5. INTANGIBLE ASSETS

- 5.1 Research and Development Expenditure

Expenditure on Research and Development as and when incurred is debited to the Profit and Loss Account.

To the extent of Development Costs, which relate to Design, Construction and Testing of a chosen alternative for new or improved material, devices, products, processes, systems or services are recognized as an intangible asset, if it is probable that expenditure will enable the asset to generate future economic benefit. Such intangible assets are amortized over a period not exceeding ten years using straight line method.

- 5.2 Expenditure on licence fees, documentation charges etc. based on the definition criteria of intangible assets in terms of identifiability, control and future economic benefits from the assets, are amortized over production on technical estimates, and to the extent not amortized, are carried forward.
- 5.3 The cost of software internally generated / acquired for internal use which is not an integral part of the related hardware, is recognized as an intangible asset in the Books of Accounts and is amortised over a period not exceeding three years, on straight line method. Amortisation commences when the asset is available for use.

6. DEFERRED DEBTS

Unpaid instalment payments under deferred payment terms for the cost of imported material and tooling content of the equipment / products sold are accounted as deferred debts from the customer and are recovered as and when the instalments are paid.

7. SUNDRY DEBTORS

Disputed / Time-barred debts from the Government departments are generally not treated as doubtful debts.

ACCOUNTING POLICIES

8. INVENTORY

- 8.1 Inventories are valued at lower of cost and net realisable value. The cost of raw material, components and stores are assigned by using the actual weighted average cost formula and those in transit at cost to date. In the case of stock-in-trade and work-in-progress, cost includes material, labour and related production overheads.
- 8.2 Provision for redundancy is maintained at a suitable percentage / level of the value of closing inventory of raw material and components, stores and spare parts and construction material, less the value of inventory to be borne by the customer and the value of the inventory for the initial phases of the new projects. Besides, where necessary, adequate provision is made for the redundancy of such material in respect of completed / specific projects and other surplus / redundant material pending transfer to salvage stores.
- 8.3 Stores declared surplus / unserviceable / redundant are charged to revenue.
- 8.4 Consumables issued from main stores and lying unused at the end of the year are not reckoned as inventory.

9. DISPOSAL OF SCRAP

Saleable / Disposable scrap is valued at estimated realisable value.

10. SALES

10.1 Manufacturing, Repair and Overhaul / Spares Sale

Sales are set up on completion of contracted work on the basis of signalling out / acceptance by the customer's inspection of the product. Where the sale prices are not established, sales are set up on provisional basis at prices likely to be realised. The differential sales arising on finalisation of prices are accounted as sales in the year when the sale prices are finalised / firmed up.

10.2 Development Sales

Development sales are set up on incurrance of expenditure identifiable to work orders and milestones

achieved as per contract. Where milestones have not been defined sales will be as per actual incurrance of expenditure.

11. EMPLOYEE BENEFIT

- 11.1 Liability towards gratuity provided on yearly actuarial valuation in respect of all employees is remitted to a trust progressively.
- 11.2 Provision for vacation leave is made on the basis of actuarial valuation.

12. DEPRECIATION

Depreciation on Fixed Assets is charged on straight line method. The rates of depreciation on assets acquired on or prior to 1.4.1989 are on the basis of estimated life. The rates of depreciation are as prescribed in Sch.XIV to the Companies Act, 1956 for assets capitalised after 1.4.1989 (except for assets separately listed in Notes to Balance Sheet). However, each of the Fixed Assets is fully depreciated to rupee one value. Pro-rata depreciation is charged to the assets from the first day of the month of addition.

Fixed Assets costing Rs.10,000/- and below are depreciated fully in the year of purchase.

13. FOREIGN CURRENCY TRANSACTION

Assets and Liabilities are re-instated at the year-end at the rate prevalent on 31st March of each year. The Income / Expenditure on account of this is charged to revenue.

14. CLAIMS BY / AGAINST THE COMPANY

Claims on suppliers / underwriters / carriers towards loss / damages, claims for export subsidy, duty drawbacks, and claims on Customs department for refunds are accounted when claims are preferred.

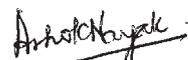
Claims for Liquidated damages by / against the Company are recognized in Accounts on acceptance.

No provision is made for liabilities which are contingent in nature, but if material are disclosed by way of Notes.



(D. SHIVAMURTI)

Director (Finance)



(ASHOK NAYAK)

Chairman



(ASHOK TANDON)

Company Secretary

Place : Bangalore

Date : 14th July 2010

BALANCE SHEET

As at 31st March 2010

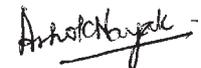
(Rs. in Lakhs)

Particulars	Schedule	31 st March 2010		31 st March 2009
SOURCES OF FUNDS				
Shareholders' Funds				
Capital	1	12050.00		12050.00
Reserves and Surplus	2	<u>800302.26</u>		<u>649596.58</u>
			812352.26	661646.58
Loan Funds				
Secured Loans	3			
Unsecured Loans				
Deferred Liabilities (Net)	4		18.20	198.53
Deferred Tax Liabilities (Net)	4A		<u>150528.68</u>	<u>152526.57</u>
			<u>962899.14</u>	<u>814371.68</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross block	5	293352.99		263809.20
Less : Depreciation	6	<u>146802.75</u>		<u>131052.81</u>
Net Block		146550.24		132756.39
Capital Work-in-progress	7	<u>21237.40</u>		<u>21785.93</u>
			167787.64	154542.32
Special Tools and Equipments	8		297825.31	301214.53
Investments	9		23065.60	4402.98
Current Assets, Loans & Advances				
Inventories	10	1366003.48		1043118.62
Sundry Debtors	11	185803.50		184825.71
Cash and Bank Balances	12	1865763.56		1974455.79
Loans and Advances	13	<u>507338.40</u>		<u>585614.21</u>
			3924908.94	3788014.33
Less: Current liabilities and Provisions				
Liabilities	14	3488732.30		3504673.57
Provisions	14	<u>158578.73</u>		<u>127199.52</u>
			3647311.03	3631873.09
Net Current Assets			277597.91	156141.24
Miscellaneous Expenditure (To the extent not written-off/adjusted)				
Gross Carrying Amount	15	267003.59		247821.34
Less: Cumulative Amortisation and Impairment Loss		<u>70380.91</u>		<u>49750.73</u>
Net Carrying Amount			196622.68	198070.61
			<u>962899.14</u>	<u>814371.68</u>
Notes on Accounts	24			

Schedule `1' to `24' and Accounting Policies attached form part of the Accounts.

Subject to our report of even date
for **K.P. RAO & CO**
Chartered Accountants
Firm Regn. No. 0031355


(D. SHIVAMURTI)
Director (Finance)


(ASHOK NAYAK)
Chairman


K. VISWANATH
Partner
Membership No. 022812


(ASHOK TANDON)
Company Secretary

Place : Bangalore
Date : 14th July 2010

PROFIT & LOSS ACCOUNT

For the year ended 31st March 2010

(Rs. in Lakhs)

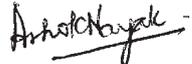
Particulars	Schedule	31 st March 2010		31 st March 2009
INCOME				
Gross Sales	16	1145669.95		1037338.09
Less Excise Duty		87.83		268.44
Net Sales		1145582.12		1037069.65
Changes in WIP/SIT/Scrap	23A/B	203378.86		143861.41
Other Income	17	195369.61		219932.98
			1544330.59	1400864.04
EXPENDITURE				
Consumption of Raw Material, Components, etc.	18	922180.16		763594.57
Amortisation & Other Charges	19	78551.89		79774.16
Salaries and Wages	20	195405.35		254277.60
Other Expenses	21	78849.72		77617.15
Interest	22	3.44		29.87
Depreciation	6	16599.73		14255.43
Provisions	22A	42372.21		47829.66
			1333962.50	1237378.44
Deduct: Expenditure relating to Capital & Other Accounts	23		58475.15	70000.80
Net Expenditure			1275487.35	1167377.64
Profit for the Year			268843.24	233486.40
Less:				
Provision For Taxation (Net)			74100.00	43990.00
Provision For Fringe Benefit Tax				888.29
Provision For Deferred Taxation (Net)			-1997.89	14621.95
Profit After Tax			196741.13	173986.16
Profit Available For Appropriations			196741.13	173986.16
APPROPRIATIONS				
Interim Dividend		29995.00		29995.00
Proposed Final Dividend		9353.22		4803.00
Tax on Dividend (Interim & Final)		6687.23	46035.45	5913.92
General Reserve			150705.68	133274.24
Total of Appropriations			196741.13	173986.16
Basic Earnings Per Equity Share (in Rs.)			163.27	144.39
Notes on Accounts	24			

Schedule `1' to `24' and Accounting Policies attached form part of the Accounts.

Subject to our report of even date
for **K.P. RAO & CO**
Chartered Accountants
Firm Regn. No. 0031355


K. VISWANATH
Partner
Membership No. 022812


(D. SHIVAMURTI)
Director (Finance)


(ASHOK NAYAK)
Chairman


(ASHOK TANDON)
Company Secretary

Place : Bangalore
Date : 14th July 2010

SCHEDULES

Forming part of the Accounts as at 31st March 2010

(Rs. in Lakhs)

Particulars	31 st March 2010		31 st March 2009
1. CAPITAL			
Authorised			
16,00,00,000 Equity Shares of Rs.10 each		<u>16000.00</u>	<u>16000.00</u>
Issued, Subscribed and Paid-up			
12,05,00,000 Equity Shares of Rs.10 each fully paidup		<u>12050.00</u>	<u>12050.00</u>
(Of the above shares, 24,00,000 shares of Rs.10 each have been allotted as fully paid-up without payment being received in cash)			
2. RESERVES AND SURPLUS			
General Reserve			
As per last Balance Sheet	649596.58		516322.34
Add: Transfer from Profit and Loss Account	<u>150705.68</u>		<u>133274.24</u>
		800302.26	649596.58
		<u>800302.26</u>	<u>649596.58</u>
3. LOANS			
Secured			
Unsecured			
Consortium Loan from State Bank of India, Punjab National Bank, Indian Bank, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala, State Bank of Bikaner & Jaipur, State Bank of Travancore, Export Import Bank of India, Bank of Baroda, Indian Overseas Bank, Union Bank of India and Syndicate Bank secured by hypothecation of inventories and all receivables.			
4. DEFERRED LIABILITIES (Net)			
Towards			
10/15 years		177.24	401.26
45 Years		411.55	434.07
		<u>588.79</u>	<u>835.33</u>
LESS: DEFERRED DEBTS			
Considered good			
10/15 years		133.77	175.92
45 years		436.82	460.88
		<u>570.59</u>	<u>636.80</u>
		<u>18.20</u>	<u>198.53</u>
4A. DEFERRED TAX LIABILITY (Net)			
As per last Balance Sheet		152526.57	137904.62
Add: Current Year Provision		-1997.89	14621.95
		<u>150528.68</u>	<u>152526.57</u>

SCHEDULES

Forming part of the Accounts as at 31st March 2010

(Rs. in Lakhs)

5. FIXED ASSETS¹

Description	Cost as at 01.04.09	Reclasfn. /Adjustment	Additions	Deduction/ Sales	Transfer to(-) from(+) Div.	Cost as at 31.03.10
Land and Development	1685.98	-	37.29	-	-	1723.27
Buildings	53409.16	-	5014.62	-	-	58423.78
Plant,Machinery and Equipment	182100.42	123.22	17424.38	678.24	0.48	198970.26
Roads and Drains	4784.92	-1.60	368.40	-	-	5151.72
Water Supply	2181.47	1.60	408.06	-	-	2591.13
Rail Road Siding	71.07	-	-	-	-	71.07
Runways	4514.15	-	993.33	-	-	5507.48
Equipment and Furniture	7811.45	-123.21	717.53	63.47	-0.48	8341.82
Aircraft / Helicopters	2645.93	-	5170.90	-	-	7816.83
Transport Vehicles	4604.65	-0.01	358.44	207.45	-	4755.63
	263809.20	0.00	30492.95	949.16	0.00	293352.99
Previous Year	225496.85	0.00	39110.01	797.66	0.00	263809.20

6. DEPRECIATION & NET BLOCK²

Description	Provision as at 01.04.09	Reclasfn. /Adjustment	Addition		Transfer to (-) from (+) Div.	Deduction / Sales	Provision as at 31.03.10	Net Block as at 31.03.10	Net Block as at 31.03.09
			Curr.Yr.	Prev.Yr.					
Land and Development *	7.87		7.86				15.73	1707.54	1678.11
Buildings	16486.79	0.00	1551.06	4.03			18041.88	40381.90	36922.37
Plant,Machinery and Equipment	99993.06	71.90	12822.69	69.31	-0.37	652.32	112304.27	86665.99	82107.36
Roads and Drains	1198.02	-0.10	76.73	-1.17	0.01		1273.49	3878.23	3586.90
Water Supply	1521.79	0.10	97.08	15.02			1633.99	957.14	659.68
Rail Road Siding	71.06						71.06	0.01	0.01
Runways	3142.79		228.38				3371.17	2136.31	1371.36
Equipment and Furniture	4966.68	-71.90	438.34	27.87	0.36	20.55	5340.80	3001.02	2844.77
Aircraft/ Helicopters	618.65		428.50	492.13			1539.28	6277.55	2027.28
Transport Vehicles	3046.10		340.99	0.92	0.00	176.93	3211.08	1544.55	1558.54
	131052.81	0.00	15991.63	608.10	0.00	849.80	146802.75	146550.24	132756.38
Previous Year	117490.00		14218.82	36.61	0.00	692.61	131052.81	132756.39	108006.85

31.03.10

31.03.09

Gross value of Assets with M/s MIDHANI

97.94

97.94

Cumulative depreciation in respect of Assets with M/s MIDHANI

10.64

3.37

31.03.10

31.03.09

1 Includes Gross Value of Assets retired from active use

1436.51

1406.04

2 Less : Cumulative depreciated value of Assets retired from active use included

1415.02

1402.07

WDV of Assets retired from active use

21.49

3.97

* Depreciation for the year includes lease charges for land taken on lease for establishing a unit at Kasaragod

Forming part of the Accounts as at 31st March 2010

(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
7. CAPITAL WORK IN PROGRESS (AT COST)		
Buildings	8785.82	9062.71
Plant, Machinery and Equipment	11178.98	7240.18
Roads and Drains	12.74	34.33
Water supply		32.39
Plant, Machinery and Equipment under Inspection and in Transit	1259.86	5416.32
	<u>21237.40</u>	<u>21785.93</u>
8. SPECIAL TOOLS AND EQUIPMENTS		
Balance as on 1st April	301214.53	295410.66
Addition during the year	28809.52	31622.49
	330024.05	327033.15
Amortised during the year	32198.74	25818.62
	<u>297825.31</u>	<u>301214.53</u>
9. INVESTMENTS AT COST (NON-TRADE / UN-QUOTED)		
Long Term Investment in :		
M/s BAe-HAL Software Ltd-29,40,000 (29,40,000-P.Y)		
Equity shares of Rs.10 FV each fully paid	294.00	294.00
M/s Snecma HAL Aerospace Private Ltd -11,40,000 (11,40,000-P.Y)		
Shares of Rs.100 FV each fully paid	1140.00	1140.00
M/s Indo Russian Aviation Ltd - 9,36,525 (9,36,525-P.Y)		
Equity shares of Rs. 10 FV each fully paid	93.65	93.65
HAE Co-operative Society of 25 (25P.Y)		
Shares of Rs. 100 FV each fully paid	0.03	0.03
M/s Satnam Apartment Ltd 41 (41 P.Y) Shares of Rs.100 each at cost for acquisition of a Flat	0.07	0.07
M/s HALBIT Avionics Pvt Ltd -3,82,500 (3,82,500-P.Y)		
Shares of Rs.100 FV each fully paid	382.50	382.50
M/s HAL Edgewood Technologies Pvt Ltd 3,00,000 (3,00,000-P.Y)		
Shares of Rs.100 FV each fully paid	300.00	300.00
M/s SAMTAL HAL Aerospace Pvt Ltd-1,60,000 (76,000-P.Y)		
Shares of Rs 100 FV each fully paid *	160.00	76.00
M/s INFOTECH HAL Ltd - 20,00,000 (20,00,000-P.Y)		
Shares of Rs 10 FV each fully paid **	200.00	200.00
M/s HATSOFF Helicopter Training Pvt Ltd - 2,80,48,499 (1,81,67,238 -P.Y) Shares of Rs.10 FV each fully paid	2804.85	1816.72
M/s TATA HAL TECHNOLOGIES Ltd - 27,35,000 (10,00,000- P.Y)		
Shares of Rs 10 FV each fully paid ***	273.50	100.00
M/s LIC of India (For Funding Vacation Leave)	17417.00	
National Savings Certificates		0.01
	<u>23065.60</u>	<u>4402.98</u>

* Share certificates to the extent of Rs.160 lakhs awaited as on 31.3.2010

** Share certificates to the extent of Rs.200 lakhs awaited as on 31.3.2010

*** Share certificates to the extent of Rs.55.50 lakhs awaited as on 31.3.2010

SCHEDULES

Forming part of the Accounts as at 31st March 2010

(Rs. in Lakhs)

Particulars	31 st March 2010		31 st March 2009
10. INVENTORIES³			
(As certified by Management at Lower of Cost and Net Realisable Value)			
Stocks			
Raw Materials & Components	594102.20		461453.19
Stores and Spare Parts	16554.14		12501.44
Construction Materials	40.65		103.11
	610696.99		474057.74
Less: Provision for Redundancy	26161.07		19064.95
		584535.92	454992.79
Loose Tools & Equipment	5661.07		5296.73
Less: Provision for Redundancy	566.64		289.75
		5094.43	5006.98
Stock-in-trade	150765.36		119772.74
Less: Provision for Redundancy	-		-
		150765.36	119772.74
Work-in-progress	576373.75		404077.76
Less: Provision for Redundancy	-		-
		576373.75	404077.76
Stores and Equipment - Welfare			
Miscellaneous Stores		38.38	39.89
Disposable Scrap		653.14	562.89
		1317460.98	984453.05
Goods under Inspection and in Transit			
Raw Materials & Components	42574.63		40187.52
Stores and Spare Parts	3511.39		16315.89
Loose Tools & Equipment	2456.48		2162.16
		48542.50	58665.57
		1366003.48	1043118.62
³ Includes those issued to sub-contractors for job works		6882.19	5526.97
11. SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months			
Considered Good ⁴		43623.41	55030.74
Considered Doubtful		1020.29	872.91
Debts outstanding for a period less than six months		142180.09	129794.97
		186823.79	185698.62
Less: Provision for Doubtful Debts		1020.29	872.91
		185803.50	184825.71
⁴ Debts considered good for which the company holds no security other than debtors personal security.			

SCHEDULES

Forming part of the Accounts as at 31st March 2010

(Rs. in Lakhs)

Particulars	31 st March 2010		31 st March 2009
12. CASH AND BANK BALANCES			
Cash and Cheques on hand		176.17	227.79
Bank Balances			
With Scheduled Banks in			
Current Accounts ⁵		59254.59	37501.98
Short Term Deposits		1656332.80	1786726.02
With Others			
Short Term Deposits with Financial Institutions		150000.00	150000.00
		<u>1865763.56</u>	<u>1974455.79</u>
⁵ Refer Item No.11 in Sch-24-Explanatory notes			
13. LOANS AND ADVANCES			
Loans			
Secured - Considered Good		1879.43	468.61
Advances			
Secured - Considered Good			
Goods & Services		31131.39	37785.19
Capital Assets		74.55	103.28
Unsecured - Considered Good			
(recoverable in cash or in kind or for value to be received)			
Goods & Services		234784.72	322553.72
Capital Assets		337.30	1092.27
Special Tools and Equipment		38.06	98.97
Employees ⁶		7007.04	2547.99
Interest accrued and not due		18536.43	15771.26
Claims Receivable			
Considered Good	208414.54		197513.71
Considered Doubtful	5002.64		4916.12
	<u>213417.18</u>		<u>202429.83</u>
Less: Provision for Doubtful Claims	5002.64		4916.12
		208414.54	197513.71
Deposits with			
Govt. Departments for Customs Duty & for Supplies	1357.16		1284.12
Public Utility Concerns	1836.72		2017.26
Others	758.63		566.96
Prepaid Expenses	1182.43		1132.11
Income Tax (Net)	-		2678.76
		<u>5134.94</u>	<u>7679.21</u>
		<u>507338.40</u>	<u>585614.21</u>
⁶ Maximum amount due by the Officers of the Company at any time during the Year		1.25	1.51
⁶ Amount due by the Officers of the Company		-	0.91

SCHEDULES

Forming part of the Accounts as at 31st March 2010

(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
14. CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors		
Small Scale Industries	170.70	206.42
Others	306194.93	378606.88
Advances from Customers:		
Defence	2997734.13	2944853.22
Others	50766.29	44843.05
Other Liabilities	133866.21	136159.03
Interest Accrued but not due on :		
Deferred Liabilities	0.04	4.97
	3488732.30	3504673.57
Provisions		
Taxation including FBT (Net)	12989.83	0.00
Proposed Dividend (Including Tax)	10942.80	5619.27
Gratuity	5253.68	1308.33
Replacement and Other Charges	44796.83	47625.20
Warranty	76598.08	67381.44
Liquidated damages	7997.51	5265.28
	158578.73	127199.52
	3647311.03	3631873.09

**15. MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN-OFF/ADJUSTED
GROSS CARRYING AMOUNT:**

Classification of Intangible Assets (IA)	As on 01.04.2009	Addition	Adjustment	As on 31.03.2010
Internally Generated IA				
Development Expenditure	19167.94	11472.13		30640.07
Other Intangible Assets				
Licence Fees	202550.92	2368.80		204919.72
Documentation	22011.12	3506.41		25517.53
Computer Software	4091.36	1834.91		5926.27
Sub Total	228653.40	7710.12		236363.52
Total	247821.34	19182.25		267003.59
Previous year	228528.33	19293.01		247821.34

CUMULATIVE AMORTISATION & IMPAIRMENT LOSS:

Classification of Intangible Assets (IA)	As on 01.04.2009	Amortisation during the year	Retirement / Disposal/ Adjustments	As on 31.03.2010
Internally Generated IA				
Development Expenditure	7613.84	1721.61		9335.45
Other Intangible Assets				
Licence Fees	34973.53	16160.80		51134.33
Documentation	4777.39	1357.61		6135.00
Computer Software	2385.97	1390.16		3776.13
Sub Total	42136.89	18908.58		61045.47
Total	49750.73	20630.20		70380.91
Previous year	32809.25	16941.48		49750.73

SCHEDULES

Forming part of the Accounts for the year ended 31st March 2010

(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
16. SALES		
Inland Sales		
Finished Goods	813501.93	681303.78
Repairs and overhaul	163907.84	174453.33
Spares	77437.09	75735.37
Development	63833.49	57061.55
Miscellaneous	2739.02	4326.26
	<u>1121419.37</u>	<u>992880.29</u>
Prior period items	3783.57	799.35
	<u>1125202.94</u>	<u>993679.64</u>
Export Sales		
Finished Goods	11676.92	30626.21
Repairs and overhaul	2096.35	1832.76
Spares	5987.14	9267.87
Development	310.33	162.49
Miscellaneous	396.27	1769.12
	<u>20467.01</u>	<u>43658.45</u>
Prior period items	-	-
Total Export Sales	<u>20467.01</u>	<u>43658.45</u>
Total Gross Sales	<u>1145669.95</u>	<u>1037338.09</u>
17. OTHER INCOME		
Transportation - Employees	134.08	164.74
Disposal of Scrap & Surplus / Unserviceable Stores	661.45	827.43
Interest on : Short term Deposits/Loans ⁷	152560.46	173245.77
Sundry Advances - Employees	75.36	83.48
Other Deposits	52.89	67.63
Profit on Sale of Assets - Net	18.49	59.46
Canteen	21.61	36.78
Other Welfare Schemes	1095.63	889.41
Miscellaneous ⁸	41498.28	48603.76
	<u>196118.25</u>	<u>223978.46</u>
Prior Period Items	-715.64	-0.13
	<u>195402.61</u>	<u>223978.33</u>
Less : Interest Liability to Customer	33.00	4045.35
	<u>195369.61</u>	<u>219932.98</u>
⁷ Includes TDS deducted	-	0.44
⁸ Includes Provision no longer required	25644.80	33244.24

SCHEDULES

Forming part of the Accounts for the year ended 31st March 2010

(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
18. CONSUMPTION OF RAW MATERIAL, COMPONENTS, STORES & SPARE PARTS⁹		
Opening Stock	474057.74	399044.14
Add : Purchases	1081282.41	857150.32
Add : Subcontracting, Fabrication & Machining Charges	15964.39	23099.84
	1571304.54	1279294.30
Less: Closing stock	610696.99	474057.74
	960607.55	805236.56
Less: Transfer to		
Special Tools and Equipment	21410.95	22839.20
Capital Works	101.32	571.50
Development Expenditure	966.97	520.68
Expense Accounts and Others	15948.15	17710.61
	38427.39	41641.99
	922180.16	763594.57
⁹ Prior period items included above		
19. A) AMORTISATION		
Development Expenditure	1721.61	1673.37
Intangible Assets	19046.44	15266.65
Special Tools and Equipment	31728.23	25818.62
	52496.28	42758.64
Prior period items	332.63	1.46
Amortisation	52828.91	42760.10
19. B) DIRECT INPUT TO WIP		
Project related Travel	466.81	876.76
Project related Training	522.16	782.05
Project related other Expenditure	4969.63	5366.30
Travel outstation jobs	152.92	169.19
Royalty	1633.04	1504.07
Foreign Technician Fee	5197.62	5898.18
Ground Risk Insurance	1624.61	1363.38
Quality Audit Expenses	45.82	29.83
Collaboration Charges	-	2570.78
Design & Development	316.14	1372.62
Sundry Direct Charges- Others	3084.11	1852.01
Direct input to WIP	18012.86	21785.17

SCHEDULES

Forming part of the Accounts for the year ended 31st March 2010

(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
19. C) EXPENSES CAPITALISED		
Licence Fees	2368.80	11265.08
Documentation	3506.41	2182.99
Computer software	1834.91	1780.82
Expenses capitalised	7710.12	15228.89
Total Amortisation & Other Charges	78551.89	79774.16
20. SALARIES AND WAGES¹⁰		
Salaries, Wages and Bonus	154077.39	235320.19
Contribution to Provident Fund	10982.98	9840.85
Gratuity	18945.35	
Expenses on Welfare Schemes	11052.18	8755.84
Rent for Hiring of Accomodation for Officers/Staff	213.68	360.72
	195271.58	254277.60
Prior Period Items	133.77	-
	195405.35	254277.60
¹⁰ Includes Directors' Remuneration		
Salaries	145.64	89.28
Contribution to Provident Fund	14.42	8.45
Gratuity	2.51	2.64
Medical Reimbursement	0.27	1.04
Leave Travel Concession	1.07	2.55
	163.91	103.96

SCHEDULES

Forming part of the Accounts for the year ended 31st March 2010

(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
21. OTHER EXPENSES		
Shop Supplies	7972.23	6146.76
Power and Fuel	11407.53	10753.73
Water Charges	3413.94	3493.26
Rent for Office Premises etc.	93.64	193.51
Travelling (includes foreign travel)	5470.98	5863.43
Training (includes foreign training)	628.09	1367.85
Repairs:		
Buildings	4400.66	4605.20
Plant, Machinery and Equipment	7920.41	6954.92
Others	2127.77	3347.02
Expenses on Tools and Equipment	4330.22	3188.07
Insurance	1188.14	987.38
Rates and Taxes	592.92	1046.46
Postage and Telephones	816.91	759.16
Printing and Stationery	1028.26	1109.10
Publicity	729.03	3610.80
Advertisement	419.32	615.45
Bank Charges	768.39	902.72
Exchange Rate Variation (Net)	-1335.75	-959.23
Legal Expenses	96.92	76.92
Auditors' Remuneration :		
Audit Fee	16.78	16.84
Other Services	3.70	2.59
Selling Agents Commission	176.42	143.89
Donations	162.79	107.38
Handling Charges	168.24	527.89
Write Off :		
Fixed Assets	568.39	2.53
Stores	1612.34	206.81
Shortages/Rejections	-	0.01
Others	36.58	1.35
Freight and Insurance	1133.13	1344.99
Liquidated Damages	6141.71	6589.55
JWG share of Profit	4.80	890.32
Cost of Warranty	9713.26	6629.72
Miscellaneous Operating Expenses ¹¹	7437.26	7069.84
	79245.01	77596.22
Prior Period Items	-395.29	20.93
	78849.72	77617.15
¹¹ Includes		
(i) Director's Sitting Fees	12.04	16.80

SCHEDULES

Forming part of the Accounts for the year ended 31st March 2010

(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
22. INTEREST		
Cash Credit	2.52	3.39
Deferred Liabilities	0.92	5.68
Others	-	20.80
	<u>3.44</u>	<u>29.87</u>
22. A) PROVISION FOR REDUNDANCY & DOUBTFUL DEBTS / CLAIMS		
Replacement and Other Charges	3415.92	11982.65
Warranty	23344.95	26186.99
Raw Materials and Components, Stores and Spare parts and Construction Materials	8037.45	4460.90
Liquidated Damages	5976.15	3446.39
Doubtful Debts	521.91	262.83
Doubtful Claims	1075.83	1489.90
	<u>42372.21</u>	<u>47829.66</u>
23. EXPENSES RELATING TO CAPITAL & OTHER ACCOUNTS		
Expenses allocated to		
Intangible Assets	7710.12	15228.89
Special Tools and Equipment	7398.57	8783.29
Capital Works	484.35	335.54
Development Expenditure	10505.16	3543.44
Warranty	9713.26	6629.72
Others	22663.69	35479.92
	<u>58475.15</u>	<u>70000.80</u>
23. A) CHANGE IN WORK-IN-PROGRESS / STOCK-IN-TRADE		
Accretion / (Decretion)		
Opening Balance		
(i) Stock-in-trade	119772.74	98777.71
(ii) Work-in-progress	404077.76	281325.98
	<u>523850.50</u>	<u>380103.69</u>
Closing Balance		
(i) Stock-in-trade	150765.36	119772.74
(ii) Work-in-progress	576373.75	404077.76
	<u>727139.11</u>	<u>523850.50</u>
Accretion / (Decretion)	<u>203288.61</u>	<u>143746.81</u>
23. B) CHANGE IN DISPOSABLE SCRAP		
Opening Balance	562.89	448.29
Closing Balance	653.14	562.89
Accretion / (Decretion)	<u>90.25</u>	<u>114.60</u>
Changes in 23A & 23B	<u>203378.86</u>	<u>143861.41</u>

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
7 Earnings in Foreign Exchange :		
(1) Export on FOB Basis	17664.06	40162.95
(2) Services	2492.62	3333.01
(3) Others	371.76	162.53
Total	20528.44	43658.49
8 The effect on Profit due to Prior Period Transactions:	-620.39	740.22
9 Impact on Profit due to Changes in Accounting Policies:		
10 With reference to Accounting Policy No. 12, in respect of the following assets, the rates of depreciation adopted vis-à-vis rates prescribed under Schedule XIV of Companies Act, 1956 are as under:		
Assets	Rate being charged	Schedule XIV Rate
Computers (Capitalised on or after 01.04.93)	31.70%	16.21%
CNC machines	16.21%	7.42%
Plant, Machinery & Equipments (Where no extra shift depreciation is allowable under Sch XIV of the Companies Act)	7.42%	4.75%
Electrical/ Battery / Fuel Cell powered vehicles	11.31%	7.07%
Fixed Assets costing Rs. 10,000/- and below are depreciated fully in the year of purchase.		
11 Balances in Current Account with Foreign Banks		
SBI Paris	23.46	131.19
SBI London	3.49	13.31
Maximum balance outstanding during the year		
SBI Paris	129.31	131.19
SBI London	205.55	464.23
12 Exemption has been granted to the Company from compliance with the following provisions contained in Part II of Schedule VI to the Companies Act, 1956, as amended; vide Ministry of Law, Government of India letter no. 3/33/72-CL VI dated 06/06/1974.		
Para	Particulars	
3(i)(a)	Details regarding Sales in respect of each class of Goods with quantities thereof.	
3(ii)(a)(1)	Value of Raw Materials consumed giving item wise break-up and quantities thereof.	
3(ii)(a)(2)	Opening and Closing Stock of Goods produced giving break-up in respect of each class of goods with quantities thereof.	
3(ii)(d)	Value of Opening and Closing Stock of goods, Purchases, Sales and Consumption of Raw Materials with quantitative break-up and Gross Income from services rendered.	
4(c)	Details regarding Licensed Capacity, Installed Capacity and Actual Production in respect of each class of Goods Manufactured.	

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
13 Long term Investments are carried at cost. Any diminution other than temporary in nature is provided.		
Disclosures as per Accounting Standards		
14 As per AS-11 relating to Accounting for the effects of changes in the Foreign Exchange rates, (a) Exchange rate differences adjusted to fixed assets during the year amounting to (b) Exchange rate variation recognised in Profit & Loss Account towards Capital Assets (c) As and when the instalments in respect of deferred debts referred to in Accounting policy No 6 fall due for payment to the Russian Federation, the same is paid by applying the exchange rate ruling on the date of actual payment and liability discharged. The differences arising due to recalculation of debts at the applicable /ruling rate is charged to the revenue at the time of payment and is realised from the customer except to the extent it pertains to Capital Assets. The Assets and Liabilities relating to deferred credit transaction are reinstated as on 31st March each year under Claims Receivable and Current Liabilities.	-94.84	186.26
15 Fixed Assets acquired with financial assistance / subsidy from outside agencies either wholly or partly are capitalised at net cost to the company. Gross block does not include Assets given by the customer for use of their jobs by the Company Amount of Capital WIP of the customer adjusted to Advances received from the Customer is:	54105.72 3522.39	43072.96 10494.46
16 As per AS-12 relating to Accounting for Government Grants, amount received for Fixed Assets		
17 As per AS-13 relating to Accounting for Investments, amount being Dividend received from Joint Venture companies.	123.05	62.18
18 Provision for Gratuity and Vacation Leave has been made based on Actuarial Valuation. The date of Actuarial Valuation is of 31 st March. Employee Benefits: The Company has adopted the Revised Accounting Standard (AS)-15 on Employee Benefits. Consequently, the liability thereon is accounted on the basis of actuarial valuation, and is being recognised as short-term benefits.		

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
<p>A Gratuity:</p> <p>The Company has a Gratuity Scheme for its employees, which is a funded plan. Every year the Company funds the Gratuity Trust to the extent of shortfall of the assets over the fund obligations, which is determined through actuarial valuation. As per the Gratuity Scheme, Gratuity is payable to an employee on the cessation of his employment after he has rendered continuous service for not less than 5 (five) years in the Company. For every completed year of service or part thereof in excess of six months, the Company shall pay Gratuity to an employee at the rate of 15 (fifteen) days' emoluments based on the emoluments last drawn. The amount of gratuity payable to an employee shall not exceed Rs. 3.50 Lakhs in case of Workmen and the ceiling for the same in case of Officers is enhanced to Rs. 10.00 Lakhs.</p> <p>Besides, additional Liability towards Gratuity for Workmen due to anticipated revision in ceiling from Rs. 3.50 Lakhs to Rs 10.00 Lakhs has been provided for under Salaries & Wages on provisional basis in 2008-09.</p> <p>The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet for the plan as furnished in the Disclosure Report provided by the Actuary:</p> <p>Gratuity:</p> <p>(i) Change in Benefit Obligations:</p> <p style="padding-left: 20px;">Present Value of Obligation (PVO) as at the beginning of the year</p> <p style="padding-left: 20px;">Current Service Cost</p> <p style="padding-left: 20px;">Interest Cost</p> <p style="padding-left: 20px;">Actuarial (gain) / Loss</p> <p style="padding-left: 20px;">Past Service Cost</p> <p style="padding-left: 20px;">Benefits Paid</p> <p style="padding-left: 20px;">Present Value of Obligation as at the end of the period</p> <p>(ii) Change in Fair Value of Plan Assets:</p> <p style="padding-left: 20px;">Fair Value of Plan Assets at the beginning of the year</p> <p style="padding-left: 20px;">Expected return on Plan Assets</p> <p style="padding-left: 20px;">Contributions</p> <p style="padding-left: 20px;">Benefit Paid</p> <p style="padding-left: 20px;">Actuarial gain / (Loss) on Plan Assets</p> <p style="padding-left: 20px;">Fair Value of Plan Assets at the end of the year</p> <p>(iii) Expenses Recognised in the Statement of Profit & Loss A/C</p> <p style="padding-left: 20px;">Opening Net Liability</p> <p style="padding-left: 20px;">Current Service Cost</p> <p style="padding-left: 20px;">Interest Cost</p> <p style="padding-left: 20px;">Expected return on Plan Assets</p> <p style="padding-left: 20px;">Net Actuarial (gain) / loss recognised in the period</p>	<p style="text-align: right;">33401.51</p> <p style="text-align: right;">1394.70</p> <p style="text-align: right;">2783.70</p> <p style="text-align: right;">8113.22</p> <p style="text-align: right;">10372.04</p> <p style="text-align: right;">(9147.51)</p> <p style="text-align: right;">46917.66</p> <p style="text-align: right;">33983.69</p> <p style="text-align: right;">2208.94</p> <p style="text-align: right;">18945.35</p> <p style="text-align: right;">(9147.51)</p> <p style="text-align: right;">927.19</p> <p style="text-align: right;">46917.66</p> <p style="text-align: right;">1394.70</p> <p style="text-align: right;">2783.70</p> <p style="text-align: right;">(2208.94)</p> <p style="text-align: right;">7186.04</p>	<p style="text-align: right;">36286.25</p> <p style="text-align: right;">1017.26</p> <p style="text-align: right;">2902.90</p> <p style="text-align: right;">(1718.41)</p> <p style="text-align: right;">(5086.49)</p> <p style="text-align: right;">33401.51</p> <p style="text-align: right;">36286.25</p> <p style="text-align: right;">2358.61</p> <p style="text-align: right;">(5086.49)</p> <p style="text-align: right;">425.33</p> <p style="text-align: right;">33983.69</p> <p style="text-align: right;">1017.26</p> <p style="text-align: right;">2902.90</p> <p style="text-align: right;">2358.61</p> <p style="text-align: right;">1293.07</p>

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
Past Service Cost	10372.04	
Expenses Recognised in the Statement of Profit & Loss	19527.54	(582.18)
Actual Return on Plan Assets	3136.13	2783.93
(iv) Amounts Recognised in Balance Sheet:		
Present Value of Obligation as at the end of the period	46917.66	33401.51
Fair Value of Plan Assets at the end of the Period	(46917.66)	33983.69
Funded Status		
Unrecognised Actuarial (gain) / losses		
Liability recognised in Balance Sheet		(582.18)
(v) Category of Assets as at March 31, 2010:		
State Government Securities		2900.00
Govt. of India Securities	7425.00	4925.00
High Quality Corporate Bonds	4800.00	
Investment with Insurer	34692.56	20603.69
Others	0.10	5555.00
	46917.66	33983.69
(vi) Principal Assumptions:		
Discounting Rate	7.85%	8.00%
Salary escalation rate	6.00%	6.00%
Expected rate of return on Plan Assets	6.50%	6.50%
B Compensated Absences		
The Actuarial Liability of Accumulated absences of the employees of the Company as at March 31	33027.97	17417.11
Discounting Rate	7.85%	8.00%
Salary escalation rate	6.00%	6.00%
Retirement Age	60 Years	60 Years
C Post Retirement Medical Scheme		
It is non-funded - No impact on the Company's Operations		
19 As per AS-16 relating to Borrowing Costs, Amount of Interest capitalised during the year.	Nil	Nil
20 Keeping in view the nature of business and the sensitive nature of disclosure, it is considered prudent not to disclose information required as per Accounting Standard - 17 regarding Segment Reporting. Such non-disclosure does not have any financial effect on the Accounts of the Company.		
Further, the Company has been granted exemption vide Order no.3/33/72-CL-VI dated 6 th June,1974 from adherence to the provisions contained in Part II of Schedule VI to the Companies Act, 1956 in respect of para 3 (i)(a), 3(ii)(a)(1), 3(ii)(a)(2), 3(ii)(d), 4 c relating to similar kind of disclosure.		

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)
21 A. Disclosure relating to AS - 18 on Related Party Disclosures

CURRENT YEAR										
(a)	the name of the transacting related party;	Indo Russian Aviation Limited	Bae HAL Software Limited	M/s Snecma HAL Aerospace Private Ltd.	SAMTEL HAL Aerospace Private Ltd.	M/s HAL-Edgewood Technologies Private Ltd.	M/s HALBIT Avionics Private Ltd.	Infotech HAL Limited	M/s HATSOFF Helicopter Training Private Ltd.	M/S Tata HAL Technologies Ltd. (Previously known as M/s INCAT HAL Aerostructures Ltd.)
(b)	description of the relationship between the parties;	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture
(c)	description of the nature of the transactions;	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services
(d)	volume of the transactions either as an amount or as an appropriate proportion;	2558.08	2864.79	27.55	140.48	254.74	199.39	0.75	1229.86	74.21
(e)	any other elements of the related party transactions necessary for an understanding of the financial statements;								1543.95	
(f)	(i) amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date;	320.75	126.63			29.49	4.36		1580.84	
	(ii) Provisions for doubtful debts from such parties at that date;									
(g)	amounts written off or written back in the period in respect of debts due from or related parties.									

PREVIOUS YEAR										
(a)	the name of the transacting related party;	Indo Russian Aviation Limited	Bae HAL Software Limited	M/s Snecma HAL Aerospace Private Ltd.	SAMTEL HAL Aerospace Private Ltd.	M/s HAL-Edgewood Technologies Private Ltd.	M/s HALBIT Avionics Private Ltd.	Infotech HAL Limited	M/s HATSOFF Helicopter Training Private Ltd.	M/S Tata HAL Technologies Ltd. (Previously known as M/s INCAT HAL Aerostructures Ltd.)
(b)	description of the relationship between the parties;	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture
(c)	description of the nature of the transactions;	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services	Purchase of goods & services
(d)	volume of the transactions either as an amount or as an appropriate proportion;	3780.83	2421.78		477.89	4.27	797.64		250.99	
(e)	any other elements of the related party transactions necessary for an understanding of the financial statements;								899.25	
(f)	(i) amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date;	1288.99	134.49						648.26	
	(ii) Provisions for doubtful debts from such parties at that date;									
(g)	amounts written off or written back in the period in respect of debts due from or related parties.									

(h) Key Management Personnel of the Company in Joint Ventures are as follows:

Shri Ashok Nayak	- Chairman HAL	
Shri Ashok Nayak	- Managing Director (Bangalore Complex)	- upto 22.03.2010
Shri M. Fakruddin	- Director Corporate Planning & Marketing	- till 31.07.2009
Shri P.V. Deshmukh	- Managing Director (MiG Complex)	
Shri S.K. Jha	- Managing Director (Accessories Complex)	
Shri D. Shivamurthi	- Director (Finance)	- From 01.08.2009
Shri Sanjeev Sahi	- Director (HR)	- From 12.02.2010
Shri P. Soundra Rajan	- Director (Corporate Planning and Marketing)	- From 01.08.2009

The total salaries including perquisites drawn by the above key Management Personnel from Joint Ventures is NIL

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)
21 B. Disclosure with regard to Joint Ventures

CURRENT YEAR									
Name of the Joint Venture	Bae HAL Software Limited	Indo Russian Aviation Limited	M/s Snecma HAL Aerospace Private Ltd.	SAMTEL HAL Aerospace Private Ltd.	M/s HAL-Edgewood Technologies Private Ltd.	M/s HALBIT Avionics Private Ltd.	Infotech HAL Limited	M/s HATSOFF Helicopter Training Private Ltd.	M/S Tata HAL Technologies Ltd. (Previously known as M/s INCAT HAL Aerostructures Ltd.)
Country of Incorporation	India	India	India	India	India	India	India	India	India
Share of the Company	49% (49%)	48% (48%)	50% (50%)	40% (40%)	50% (50%)	50% (50%)	50% (50%)	50% (50%)	50% (50%)
Total Assets	4159.00 (4739.00)	6915.04 (7269.67)	2297.00 (2287.00)	400.00 (190.00)	1048.34 (600.00)	984.93 (1027.67)	400.00 (400.00)	20419.94 (9898.28)	547.00 (275.00)
Total liabilities	4159.00 (4739.00)	6915.04 (7269.77)	2297.00 (2287.00)	400.00 (190.00)	1048.34 (600.00)	984.93 (1027.67)	400.00 (400.00)	20419.94 (9898.28)	547.00 (275.00)
Total Income	4482.00 (4104.00)	2746.18 (5524.79)	1679.00 (1709.00)	300.08 (Nil)	233.75 (11.34)	705.19 (1085.43)	132.67 (56.15)	Nil (Nil)	56.87 (22.81)
Dividend Declared	Not Declared (10%)	Not Declared (100%)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Dividend Amount	(60.00)	(195.11)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Share of Company	(29.40)	(93.65)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Contingent Liability	567.00 (315.17)	554.72	636.40 (294.84)	Nil (Nil)	Nil (Nil)	8.72 (85.15)	Nil (Nil)	Nil (Nil)	Nil (Nil)

The information pertaining to Joint Ventures is based on provisional accounts for the current year and is based on Audited Accounts for the Previous year.

22 Disclosure relating to AS-19, Accounting of Leases
(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
Class of Assets	Leasehold Land	Leasehold Land
Gross carrying amount	708.00	708.00
Amount of depreciation recognised in Accounts	7.87	7.87
Impairment loss recognised in Accounts	-	-
Impairment loss reversed in Accounts	-	-
Future minimum lease payments due	-	-
Not later than 1 year	7.87	7.87
Later than 1 year and not later than 5 years	31.47	31.47
Later than 5 years	652.92	660.79
Contingent rent recognised in Accounts		
Indirect cost has been treated as Overhead Expenditure		

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
23 As per AS-20 relating to Earnings per Share (Basic)-		
Net Profit After Tax	196741.13	173986.16
Number of Equity Shares of Face Value of Rs.10/- each fully paidup	120500000	120500000
Earnings per Share (in Rupees) - Basic	163.27	144.39
24 Break-up of Deferred Tax Liabilities and Assets are given below:		
Deferred Tax Liability		
Depreciation Incl. Intangible Assets	66366.97	60847.57
Special Tools and Equipment	100618.62	102691.39
Accrued Leave Salary		
TOTAL	166985.59	163538.96
Deferred Tax Asset		
Carry Forward Loss	1479.04	1479.04
Accrued Leave Salary	11099.90	5793.78
Provision against Debtors/Claims	1699.62	1545.87
Statutory Payments	392.73	1749.12
Gratuity	1785.61	444.58
TOTAL	16456.90	11012.39
Deferred Tax Liability		
Opening Balance	163538.96	154299.10
Addition during the year	3446.63	9239.86
Total Deferred Tax Liability	166985.59	163538.96
Deferred Tax Assets		
Opening Balance	11012.39	16394.48
Addition during the year	5444.51	-5382.09
Total Deferred Tax Assets	16456.90	11012.39
Net Deferred Tax Liability	150528.69	152526.57
25 A Disclosure with regard to Joint Working Groups		
HAL has entered into a Joint Working Agreement with Air India to start Ramp Handling Business and with MSIL & Concor to carry out Air Cargo Handling Business. The Joint Working Group pools together the resources for carrying out its business activity and ownership of the assets vests with the respective working group.		
Share of income from Joint Working Groups of the company with Air India, CONCOR and MSIL :		
Air India	95.15	506.09
CONCOR and MSIL	-50.62	191.26
HALCON	10.89	-1.71

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)
B Disclosure with regard to Joint Working Group:

Name of the Joint Working Group	AIJWG		ACCJWG		HALCON	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Country of Incorporation	India		India		India	
Share of Company/ Ownership Interest	50%	50%	33.33%	33.33%	50.00%	50.00%
Principal Activities	Flight Handling		Cargo Handling		Cargo Handling	
Total Assets	1423.32	1399.58	633.91	744.65	817.86	731.37
Total Liabilities	1423.32	1399.58	633.91	744.65	510.09	434.50
Income - Company's Share	285.91	1879.14	2.72	837.40	288.13	152.94
Expenditure - Company's Share	190.76	1373.05	51.34	646.14	277.24	154.65
Profit Company's Share	95.15	506.09	-50.62	191.26	10.89	-1.71
Contingent Liability	NIL	NIL	NIL	NIL	NIL	NIL

26 Useful life / Amortisation rate used for Intangible Assets

Development Expenditure is amortised over a period not exceeding 10 years. Cost of software which is not an integral part of the related hardware is amortised over a period not exceeding 3 years. Other intangible assets are amortised over production on technical estimates and to the extent not amortised, are carried forward. For Su-30 Project & Sea King Projects, Intangible Assets are being amortised on the number of units delivered based on programmes which at present exceeds 10 years.

27 As per AS - 28 on Impairment Loss - the Impairment Loss recognised in the Books Of Accounts

NIL

NIL

27 A The aggregate amount of Research & Development expenditure recognised as expenses during the period is as below:

Research and Development Expenditure
(Rs. in Lakhs)

Expenditure in R&D included in :	Current Year	Previous Year
Raw Material Consumption	37286.60	25869.69
Direct Expenses	10249.05	10049.88
Salaries and Wages	24030.27	23439.25
Other expenses	3026.22	3102.41
Interest		
Depreciation	1260.57	939.22
Provisions	2528.16	297.60
Inter Services /Common Services	4831.42	3780.06
Total R & D Expenditure	83212.29	67478.11

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
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28 As per AS 29 relating to Provisions, Contingent Liability and Contingent Assets - the movement of provisions in the Books of Accounts is as follows

Nature of Provision	Opening Balance	Provision made during the year	Utilisation/ Reversal during the year	Closing Balance
Provision for Warranty Charges	67381.44 (60450.15)	23344.95 (26186.99)	14128.31 (19255.71)	76598.08 (67381.44)
Provision for Replacement and Other Charges	47625.20 (44976.23)	3415.92 (11982.65)	6244.29 (9333.69)	44796.83 (47625.20)
Provision for Redundancy in Raw Material and Components, Stores and Spares, Construction Material and Loose Tools	19354.70 (15404.64)	8037.46 (4460.89)	664.45 (510.83)	26727.71 (19354.70)
Provision for Redundancy in Stock-in-trade	- (10.71)	- -	- (10.71)	- -
Provision for Redundancy in WIP	- (358.49)	- -	- (358.49)	- -
Provision for Doubtful Debts	872.91 (974.40)	521.91 (262.83)	374.53 (364.32)	1020.29 (872.91)
Provision for Claims	4916.12 (4929.37)	1075.83 (1489.90)	989.31 (1503.15)	5002.64 (4916.12)
Provision for Gratuity	1308.33 (3950.17)	18945.35 1141.84	15000.00 (1500.00)	5253.68 (1308.33)
Provision for LD	5265.28 (3726.23)	5976.15 (3446.40)	3243.92 (1907.35)	7997.51 (5265.28)
Total	146723.98 (134780.39)	61317.57 (46687.82)	40644.81 (34744.25)	167396.74 (146723.98)

29 Gain/Loss arising out of Derivatives

Nil Nil

30 Provision for Taxation/FBT includes withdrawal of provisions relating to earlier years amounting to

Nil 101.71

31 Disclosure regarding Land. (Refer Schedule - 5)

31.1 Instruments of transfer in respect of land and building taken possession by the Company have not been executed

Division	Assets	Acres	Amount
Lucknow/ Kanpur FMD/Kanpur	Land	471.08	308.98
	Land	(471.08)	(320.16)
FMD/Kanpur	Building		61.80
			(35.33)
FMD/ Nasik/ Koraput	Land	2859.29 (2868.51)	
FMD/ Nasik/ Lucknow/ Kanpur	Land	199.18 (200.05)	
FMD	Land	7500 Sq Ft (Nil)	

31.2 Land has been handed over /earmarked to the Government / other agencies pending execution of instruments of transfer.

31.3 Land has been given on lease to the Government/ other agencies.

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
<p>31.4 HAL Barrackpore Unit is in possession of 22.51 acres (22.51 acres) of land on which the division has its buildings, hangar, Plant & Machinery etc.. The instruments of transfer in favour of division/ company either by way of lease or transfer in respect of this land is pending execution. Provision for lease rental amounting to Rs.28.50 Lakhs has been provided. The transfer of the land is being pursued with Defence Estate Officer, Kolkata.</p> <p>Land under Fixed Assets includes Land taken on lease for establishing a unit at Kasargod at a cost of Rs.708.00 Lakhs (200 acres). This cost is amortised over the lease period of 90 years. The Lease charges for the year amounting to Rs.7.87 (L) has been considered under Depreciation for the year.</p>		
<p>31.5 FMD Division is holding 2098.831 Acres (2102.031 acres) land of which 10.559 Acres (10.559 acres) is under litigation/ encroachment. Titles to land were not in the name of the Company in respect of 173 survey numbers at FMD Division. HAL Land measuring 3.2 acres was transferred to BMRCL for Metro Rail in lieu of 6 acres of land at BIAL Devanahalli which is still awaited. 11.19 Acres of Land belonging to Nasik Division is under litigation/ encroachment by 8 persons. Further, about one acre of the land belonging to HAL Koraput Division is encroached upon by the nearby villagers for cultivation.</p> <p>At Corporate Office, part of Land i.e 937.422 Sq Mts surrounding the Building has been acquired by KIADB (Karnataka Industrial Area Development Board) and 789.91 Sq Mts handed over to BMRCL (Bangalore Metro Rail Coporation Ltd) for Metro Work. No compensation has been received for the same.</p>		
<p>32 Special Tools and Equipment includes Tools and Equipment in progress, under inspection and in transit.</p>	3554.60	904.31
<p>33 Sales include deliveries for which amendment to firm task is awaited from the customer.</p>	2959.30	3438.00
<p>34(a) In respect of the materials received under bulk contracts with the Russian Federation where the suppliers do not indicate itemized prices, the value of materials issued is assessed on technical estimates to exhibit a fair value of the closing Work-in-Progress and Inventory of these materials is subject to adjustment at the end of the project.</p>		
<p>34(b) The Total Inventory of :-</p>	1366003.48	1043118.62
<p>(i) does not include materials belonging to customers but held by the Company on their behalf, worth approximately</p>	45457.70	36954.07
<p>35 Liability towards LD recovered by the Company payable to M/s HMT in terms of BIFR Rehabilitation Scheme</p>	10.06	2.75

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)

Particulars	31 st March 2010	31 st March 2009
<p>36 In IMGT Division:</p> <p>a) Inventory worth Rs.1463.06 Lakhs pertaining to Avon Engines is being held in the bonded warehouse. This inventory includes material for which customs duty is payable if the material is utilised by ONGC for North Zone fields, whereas engine from South Zone Fields are duty exempted.</p> <p>The exact amount of Customs duty liability cannot be assessed and provided as the arising of the engine from different zones are not known.</p> <p>b) Sale to the extent of Rs. 68.01 Lakhs in respect of Repair/ Overhaul activity has been reversed on account of items diverted (cannibalized) from ONGC's Industrial Avon Gas Turbine and used for current year production. The equivalent amount of liability is kept in material loan from customer under Sundry Creditors.</p>		
<p>37 Pending settlement for wage revision of employees and officers from 1.1.2007, provision has been made for the following:</p> <p>Salaries, Wages, Bonus, Gratuity</p>	Nil	99899.82
<p>38 Balances in Debtors' and Creditors' Accounts, Loans and Advances, Claims Receivables, Advances from the Government of India and Deferred Debts/Liabilities, Deposits, Materials lying with subcontractors and others have not been confirmed, though confirmations were sought.</p>		
<p>39 In terms of Pricing Policy agreed with IAF, prices approved are exclusive of taxes and duties i.e. Sales Tax, Service Tax etc. In case such taxes are levied, the same will be reimbursed by the customer at actuals, if the customer does not produce necessary exemption.</p>		
<p>40 Information under Micro, Small & Medium Enterprises Development Act:</p> <p>1) Principal Amount and Interest due thereon remaining unpaid to Supplier at the end of the year</p>	152.95	98.92
<p>2) Amount of Interest paid during the year along with the amount of payment made to the Supplier beyond the appointed date during the accounting year.</p>	Not Ascertained	Not Ascertained
<p>3) Amount of Interest due & payable for the period of delay in making payment. (Payments which have been made beyond the appointed date without adding the interest specified in the Act)</p>	Not Ascertained	Not Ascertained
<p>4) The amount of interest accrued and remaining unpaid at the end of the year ending 31st March 2010.</p>	Not Ascertained	Not Not Ascertained

Schedule - 24 Explanatory Notes
(Rs. in Lakhs)

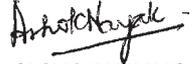
Particulars	31 st March 2010	31 st March 2009
41 Referring to the Accounting policy No.10, current year sales includes the element of differential sales arising out of finalisation of prices relating to earlier years with the customer. The details are as below:		
Finished Goods	66.75	4.83
Repair & Overhaul	-732.23	876.52
Spares	2.48	27.88
Development		
Miscellaneous		
Total	-663.00	909.23
42 Figures in brackets relates to previous year and they have been rearranged or regrouped wherever necessary.		

Schedule '1' to 24 and Accounting Policies attached form part of the Accounts.

Subject to our report of even date
for **K.P. RAO & CO**
Chartered Accountants
Firm Regn. No. 0031355


K.VISWANATH
Partner
Membership No. 022812


(D.SHIVAMURTI)
Director (Finance)


(ASHOK NAYAK)
Chairman


(ASHOK TANDON)
Company Secretary

Place : Bangalore
Date : 14th July 2010

STATEMENT OF CASH FLOW FOR THE YEAR ENDED

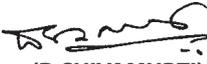
(Rs. in Lakhs)

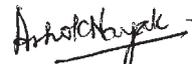
Sl.No.	Particulars	31 st March 2010		31 st March 2009	
I.	CASH FLOW FROM OPERATING ACTIVITIES				
	Net Profit Before Tax		268843.24		233486.40
	Adjustment To Reconcile Net Income To Net Cash Providing by Operating Activities:				
	Depreciation	16599.73		14255.43	
	Amortisation	52828.91		42760.10	
	Interest Paid	3.44		29.87	
	Profit On Sale of Fixed Assets	(18.49)		(59.46)	
	Interest Received - Net of Interest Liability to Customer	(152655.71)		(169351.53)	
	Dividend Received	(123.05)		(62.18)	
	Sub Total		(83365.17)		(112427.77)
	Operating Profit Before Working Capital Changes		185478.07		121058.63
	Adjustment For Changes In Operating Assets And Liabilities:				
	Trade And Other Receivables	135438.02		(160462.84)	
	Inventories	(322884.86)		(181654.80)	
	Trade Payables	(63985.59)		231049.57	
	Sub Total		(251432.43)		(111068.07)
	Adjustment For Other Assets				
	Special Tools and Equipment	(28809.52)		(31622.49)	
	Intangible Assets	(19182.24)		(19293.01)	
	Sub Total		(47991.76)		(50915.50)
	Cash Generated From Operations		(113946.12)		(40924.94)
	Direct Tax Paid		(58140.00)		(40025.00)
	Net Cash Provided By Operating Activities (a)		(172086.12)		(80949.94)
II.	CASH FLOW FROM INVESTING ACTIVITIES				
	Purchase Of Fixed Assets ¹	(29944.41)		(36626.08)	
	Sale Of Fixed Assets	117.84		164.51	
	Interest Received - Net Of Interest Liability To Customer	152655.71		169351.53	
	Dividend Received	123.05		62.18	
	Investments in Joint Ventures	(18662.62)		(2482.72)	
	Net Cash Provided By (used in) Investing Activities (b)		104289.57		130469.42
III.	CASH FLOW FROM FINANCING ACTIVITIES				
	Increase / (Decrease) of Unsecured Loans				
	Repayment of Deferred Liabilities - Net	(180.33)		(3.99)	
	Interest Paid	(3.44)		(29.87)	
	Dividend Paid	(40711.92)		(39661.68)	
	Net Cash Provided By Financing Activities (c)		(40895.69)		(39695.54)
	Abstract :				
I.	Net Cash Provided By Operating Activities (a)		(172086.12)		(80949.94)
II.	Net Cash Provided By (used in) Investing Activities (b)		104289.57		130469.42
III.	Net Cash Provided By Financing Activities (c)		(40895.69)		(39695.54)
	Net Increase In Cash And Cash Equivalents During The Year		(108692.25)		9823.94
	Cash And Cash Equivalents At Beginning Of The Year ²		1974455.79		1964631.86
	Cash And Cash Equivalents At The End Of The Year ²		1865763.56		1974455.79
	Net Increase In Cash And Cash Equivalents During The Year		(108692.25)		9823.94

Note : 1. Purchase of Fixed Assets are stated inclusive of capital work-in-progress between the beginning and end of the period.
2. Cash and Cash Equivalents include Short Term Deposits with Banks and Financial Institutions.
3. Previous year figures are regrouped wherever necessary.
4. Cash and Cash Equivalents are available fully for use.

for **K.P.RAO & CO**
Chartered Accountants
Firm Regn. No. 003135S


K.VISWANATH
Partner
Membership No. 022812


(D.SHIVAMURTI)
Director (Finance)


(ASHOK NAYAK)
Chairman


(ASHOK TANDON)
Company Secretary

Place : Bangalore
Date : 14th July 2010

BUSINESS PROFILE

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No. CIN

U35301KA1963GOI001622

Balance Sheet Date

State Code 08

Date	Month	Year
31	3	2010

II Capital Raised During The Year (Amount in Rs. Lakhs)

Public Issue

NIL

Bonus Issue

NIL

Rights Issue

NIL

Private Placement

NIL

III Position Of Mobilisation And Deployment Of Funds (Amount in Rs. Lakhs)

Total Liabilities

962899.14

Sources of Funds

Paid-up Capital

12050.00

Secured Loans

0.00

Application Of Funds

Net Fixed Assets + Special Tools

465612.94

Net Current Assets + Deferred Tax Assets

277597.91

Accumulated Losses

NIL

Total Assets

962899.14

Reserves & Surplus

800302.26

Unsecured Loans + Deferred Liabilities & Taxes

150546.88

Investments

23065.60

Misc. Expenditure

196622.68

IV Performance Of The Company (Amount in Rs. Lakhs)

Turnover

1145669.95

Profit/Loss Before Tax

+ 268843.24

(Tick appropriate box '+' for Profit, '-' for Loss)

Earnings Per Share in Rs.

163.27

Total Expenditure (Net)

876826.70

Profit/Loss After Tax

+ 196741.13

Dividend Rate % (Including Dividend Tax)

382.04

V Generic Names Of Three Principal Products/Services Of The Company

1. Item Code. No.	8802.20
Product	Fighter, Transport and Trainer Aircraft
2. Item Code. No.	8802.11
Product	Helicopters
3. Item Code. No.	8803.30
Product	Parts of Aircraft and Helicopters



(D.SHIVAMURTI)
Director (Finance)



(ASHOK NAYAK)
Chairman



(ASHOK TANDON)
Company Secretary

Place : Bangalore
Date : 14th July 2010

To

The Members of Hindustan Aeronautics Limited, Bangalore.

1. We have audited the attached Balance Sheet of Hindustan Aeronautics Limited, Bangalore as at 31st March 2010 and also the Profit & Loss Account and Cash Flow Statements for the year ended on that date annexed thereto which incorporates the Accounts of all the 37 Units of Hindustan Aeronautics Limited including the Corporate Office, audited by the Unit Statutory Auditors in accordance with the allocation made by the Comptroller & Auditor General of India, New Delhi, our audit being confined to the Consolidated Annual Accounts only. This includes two foreign branch offices incorporated in the respective Unit accounts audited by that Unit statutory auditor. The consolidated accounts takes into account particulars and information made available to us and also changes carried out at consolidation. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with Auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditors Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the Act) we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to above, we report that:-
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

The audit of the accounts of 37 Units were carried out by respective branch auditors, and the reports of the branch auditors have been considered by us while preparing our report. We further state that the disclosure in Note 21B of Schedule 24 of the Company's Share of Assets & Liabilities, Income & Expenses in Joint Ventures is based on the unaudited financial statements provided by the respective operators of the Joint Ventures.
 - c. The Balance sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited accounts received from the various Units.
 - d. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with Accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 **except non-compliance with Accounting Standard -17 regarding "Segment Reporting" vide Para f(i) below.**
 - e. In terms of Circular No. GSR 829(E) dated 21.10.2003 issued by Ministry of Law, Justice and Company Affairs, Government of India, the Company being a Government Company, is exempt from provisions of Section 274(1)(g) of the Companies Act, 1956 regarding Disqualification of Directors.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with disclosures in Sch.1 to 24, including Explanatory notes and Significant Accounting Policies, all forming integral part of the said accounts **and subject to:**

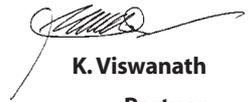
STATUTORY AUDITOR'S REPORT FOR THE FINANCIAL YEAR 2009-10

- (i) **Note No.20 of Schedule-24 regarding non-compliance with Accounting Standard 17 regarding "Segment Reporting" which does not have any impact on the profits of the Company;**
- (ii) **Note 39 of Schedule 24 regarding taxes and duties i.e., sales tax, value added tax, service tax etc., not charged on invoices raised in respect of sale of aircraft as well as repair and overhaul in some of the Divisions. In our opinion, the sale of aircraft would attract tax at the prescribed rate for such sales. Also, repair/overhaul charges would attract Works Contract Tax at the prescribed rate for such income. In addition, such works contract turnover may also attract turnover tax at the applicable rate. Presently such taxes have not been considered by the Company and provided for or even quantified. The respective agreements for such sale and repair/overhaul provide for furnishing an exemption certificate or reimbursement of sales tax and similar statutory levies when determined. However, the reimbursement of penalties, if any, and/or interest levied on such non-payments have not been dealt with in the agreement and the same is not quantified;**
- (iii) **Note No.8 of Schedule 24 regarding the net impact of Prior Period transactions on current year's profit amounting to Rs.620.39 lakhs (previous year Rs. 740.22 lakhs overstated) and consequently current year profit is understated to that extent;**
- (iv) **Note no.38 of Schedule 24, regarding non-confirmation of balances of various parties having transactions with the Company and the impact, if any, on profit being not ascertainable. Further, the Deferred Liability and Deferred Assets as reflected in Sch.4 are also subject to confirmation from respective parties;**
- (v) **Note No.40 of Schedule 24 regarding non-ascertainment of the amount of interest paid/payable beyond appointed date & remaining unpaid at the end of the year, under the Micro Small & Medium Enterprises Development Act, which is not quantifiable;**
- (vi) **The net ascertainable impact due to above observations from Sl. No.(i) to (v) on the profit for the year is that the profit for the year is understated by Rs.620.39 lakhs.**

give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India:

- (i) In the case of the Balance Sheet, of the State-of-Affairs of the Company as at 31st March 2010;
- (ii) In the case of the Profit & Loss Account, of the profit for the year ended on that date; and
- (iii) In the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

For K.P. Rao & Co.,
Chartered Accountants,
Firm Regn. No.0031355



K. Viswanath

Partner

Place : Bangalore
Date : 14th July 2010

Membership No. 022812

Annexure to the Audit Report of Hindustan Aeronautics Limited for the year ended 31st March 2010

As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report) (Amendment) Order 2004, issued by the Government of India in terms of Section 227(4A) of the Companies Act, 1956 of India (the Act), in our opinion and on the basis of such checks of books and records as were considered appropriate, and according to the information and explanations given to us during the normal course of audit, which were necessary to the best of our knowledge and belief and based on the Reports of the Auditors of all the units (as we have been appointed to audit the Consolidated Annual Accounts only), and as referred to in Para-3 of our Main report, we further report that:

- (1) In respect of its Fixed Assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 1 to 5 years which is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, a portion of the Fixed assets have been physically verified by the Management during the year and no material discrepancies between the book records and physical inventories have been noticed.
 - (b) In our opinion and according to the information and explanations given to us the Company has not disposed off substantial part of Fixed Assets during the year and hence the going concern status of the Company is not affected.
- (2) In respect of Inventories:
 - (a) The stocks of Raw materials, Stores and Spare parts, Loose Tools & Equipment, Work-in-Progress and Stock-in-Trade have been physically verified by the Management at reasonable intervals.
 - (b) Procedure of Physical verification of Inventories followed by the Management is reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) The Company is maintaining proper records of Inventory. The discrepancies noticed between Physical stock and the book records were not material and have been appropriately dealt with in the books of account of the Company.
- (3) In respect of Loans and Advances:

There are no Loans taken from the Companies listed in the register maintained under Section 301 of the Companies Act. The Company has not granted any loans and advances in the nature of loans listed in the register maintained under Section 301 of the Companies Act. Advances to employees have been given who are generally regular in repayment of principal and interest as applicable.
- (4) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of Inventory and Fixed assets and with regard to sale of goods. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (5) In respect of transactions covered under Section 301 of the Companies Act, 1956:
 - (a) In our opinion and according to the information and explanation given to us, there are no transactions that need to be entered into the register maintained U/s 301 of the Companies Act, 1956.
 - (b) In view of the above, clause 4(v)(b) is not applicable to the Company.
- (6) The Company has not accepted deposits from the public under Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 during the year.
- (7) Company's internal audit system is commensurate with the size of the Company and nature of its business *with a further scope for strengthening the same.*
- (8) The Company is not covered by the requirements of Maintenance of Cost records under Section 209(1)(d) of the Companies Act, 1956.
- (9) (a) According to the information and explanations given to us, the Company has been regular in depositing with appropriate authorities undisputed Statutory dues in respect of Provident Fund, Employees State Insurance, Sales Tax(VAT), Service Tax, Income Tax, Wealth Tax, Customs Duty, Excise Duty & Cess and there are no undisputed amounts which are outstanding as of 31st March 2010 for a period more than six months from the date they became payable.

Annexure to the Audit Report of Hindustan Aeronautics Limited for the year ended 31st March 2010

(b) According to the information and explanations given to us the disputed Statutory dues aggregating to Rs. 269689.32 Lakhs have not been remitted on account of matters pending before appropriate authority as under:

Sl. No.	Nature of the dues	Forum where dispute is pending	Amount in Rs. Lakhs	Statute
1.	Sales Tax/ Entry Tax / Works Contract	Appellate authority	250843.00	Sales Tax Act
2.	Municipal Tax	Appellate authority	44.00	State Municipal Tax Act
3.	Non Agricultural Cess	Appellate authority	1194.87	State Municipal Tax Act
4.	Service Tax	Appellate authority	13982.96	Service Tax Act
5.	EPF	Appellate authority	104.30	Provident Fund Act
6.	Income Tax	Appellate Authority	3520.19	Income Tax Act
		Total:	269689.32	

- (10) The Company has no accumulated losses as at 31st March 2010 and has not incurred any Cash loss during the Financial year ended on that date or in the immediately preceding financial year.
- (11) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks or debenture holders.
- (12) According to the information furnished to us, the Company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- (13) The Company is not a Chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Order is not applicable.
- (14) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments and

accordingly the provision of Clause 4(xiv) of the Order are not applicable to the Company.

- (15) According to the information furnished to us, the Company has not given guarantees for loans taken by others from Banks/Financial Institutions.
- (16) According to the information and explanations given to us, the Company has not raised any new term loans during the year. The term loans outstanding at the beginning of the year were applied for the purpose for which they were raised.
- (17) According to the information and explanations given to us and on the overall examination of the Balance sheet of the Company we are of the opinion that no funds raised on short-term basis have been used for long term investments.
- (18) The Company has not made any preferential allotment of shares to parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (19) The Company has not issued any debentures during the year. The debentures issued in earlier years have been redeemed in August 2006.
- (20) The Company has not raised any money by way of Public issue during the year.
- (21) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company noticed or reported during the year, nor have we been informed of any such case by the management, that causes the financial statements to be materially misstated.

For K.P. Rao & Co.,
Chartered Accountants,
Firm Regn. No.0031355


K. Viswanath
Partner

Place : Bangalore
Date : 14th July 2010

Membership No. 022812

Observation by the Statutory Auditors on the Accounts of Hindustan Aeronautics Ltd., Bangalore for the year ended 31st March, 2010 and Replies by the Company

Sl. No.	AUDITOR'S QUALIFICATIONS	COMPANY'S REPLIES
1.	Note No.20 of Schedule-24 regarding non-compliance with Accounting Standard 17 regarding "Segment Reporting" which does not have any impact on the profits of the Company.	<p>Keeping in view the nature of business and the sensitive nature of disclosure, it is considered prudent not to disclose information required as per Accounting Standard-17 regarding Segment reporting. Such non-disclosure does not have any financial effect on the accounts of the Company.</p> <p>Further, the Company has been granted exemption vide order No.3/33/71-CL-VI dated 6th June 1974 from adherence to the Provisions contained in Part-II of Sch.VI to the Companies Act, 1956 in respect of para 3(1)(a), 3(ii)(a)(1), 3(ii)(a)(2), 3(ii)(d) & 4C.</p> <p>Disclosure in this regard has been made at Note-20 of Sch.24 – Notes on Accounts.</p>
2.	Note 39 of Schedule 24 regarding taxes and duties i.e., sales tax, value added tax, service tax etc., not charged on invoices raised in respect of sale of aircraft as well as repair and overhaul in some of the Divisions. In our opinion, the sale of aircraft would attract tax at the prescribed rate for such sales. Also, repair/overhaul charges would attract Works Contract Tax at the prescribed rate for such income. In addition, such works contract turnover may also attract turnover tax at the applicable rate. Presently such taxes have not been considered by the Company and provided for or even quantified. The respective agreements for such sale and repair/overhaul provide for furnishing an exemption certificate or reimbursement of sales tax and similar statutory levies when determined. However, the reimbursement of penalties, if any, and/or interest levied on such non-payments have not been dealt with in the agreement and the same is not quantified.	<p>The Company is filing the Sales Tax returns regularly. Wherever demands have been raised, based on such assessments and disputed by the Company, the same have been disclosed in Note No.2 of Sch.24.</p> <p>In terms of Pricing policy agreed with the main customer, prices approved are exclusive of taxes and duties, i.e., Sales tax etc. In case, such taxes are levied, the same will be reimbursed by the customer at actuals, if the customer does not produce necessary exemption. As per this agreement, in case there is any liability for sales tax, wherever it has not been paid, the same, on payment, will be recovered from the customer resulting in nil effect on the accounts of the Company. These facts have been sufficiently disclosed in Note No.39 of Sch.24 – Notes on Accounts and have been consistently accepted by the audit.</p>
3.	Note No.8 of Schedule 24 regarding the net impact of Prior Period transactions on current year's profit amounting to Rs.620.39 lakhs (previous year Rs. 740.22 lakhs overstated) and consequently current year profit is understated to that extent	Provisions of AS-5 have been complied with, in Accounting of Prior Period transactions. Existing disclosure is considered adequate.
4.	Note no.38 of Schedule 24, regarding non-confirmation of balances of various parties having transactions with the Company and the impact, if any, on profit being not ascertainable. Further, the Deferred Liability and Deferred Assets as reflected in Sch.4 are also subject to confirmation from respective parties.	<p>Formal confirmation of balances from Defence customers like IAF, Army, Navy, Coast guard are not forthcoming despite best efforts by the Company. However, the balances are reconciled between the Units and the Customer at periodic intervals. In fact, the balances between IAF and the Company are jointly certified / reconciled between the Unit Finance Head and AO(DAD) on a monthly basis. In respect of other customers, confirmation from all the customers are not being obtained although called for by Units / Divisions.</p> <p>Disclosure regarding non-confirmation of balances including Deferred assets and Deferred liabilities is made by the Company at Note No.38 of Sch.24 – Notes on Accounts.</p>
5.	Note No.40 of Schedule 24 regarding non-ascertainment of the amount of interest paid/ payable beyond appointed date & remaining unpaid at the end of the year, under the Micro Small & Medium Enterprises Development Act, which is not quantifiable.	Confirmation from Vendors with regard to the status of Micro, Small & Medium Enterprises was not forthcoming and hence disclosure not made.

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF M/S. HINDUSTAN AERONAUTICS LIMITED, BANGALORE FOR THE YEAR ENDED 31st MARCH 2010.

The preparation of financial statements of **Hindustan Aeronautics Limited, Bangalore for the year ended 31st March 2010** in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 14th July 2010.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of **Hindustan Aeronautics Limited, Bangalore for the year ended 31st March 2010**. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditor's report under section 619(4) of the Companies Act, 1956.

**For and on the behalf of the
Comptroller & Auditor General of India**



(C.H. Kharshiing, IA & AS)

**Pr. Director of Commercial Audit &
ex-officio Member, Audit Board, Bangalore**

Place : Bangalore

Date : 4th August 2010

Registered Office :

HINDUSTAN AERONAUTICS LIMITED

Post Box No. 5150, 15/1, Cubbon Road, Bangalore - 560 001

Tel : 00-91-80-22320001 Fax : 00-91-80-22320758

Telegram : HAL bangalore email : root@bngahal.kar.nic.in website: www.hal-india.com

CORPORATE OFFICE
(As on 20th August 2010)

Shri Ashok Nayak
Chairman

Shri D. Shivamurti
Director (Finance)

Shri P. Soundara Rajan
Director (Corporate Planning & Marketing)

Finance

Dr. A.K. Misra
Executive Director (Finance)

Human Resources

Shri T. Sudhakar Rao
Executive Director (HR)

HAL Management Academy

Shri Anantha Narayan Agasthya
Executive Director

Company Secretariat

Shri Ashok Tandon
Company Secretary

Customer Service, FOS & Quality Assurance

Shri Sudhir Kumar
Executive Director

Vigilance

Shri Anurag Sahay
Chief Vigilance Officer

Planning & Project

Shri Naresh Babu
General Manager

Finance & Accounts

Shri D. Mallick
General Manager (Finance)

Shri S. Ranganath
General Manager (Finance)

System Audit

Shri Hem Chandra
General Manager

Marketing

Dr. V. Jeyakar Vedamanickam
General Manager

Indigenisation

Shri R.C. Chaturvedi
General Manager

Integrated Material Management

Shri B.K. Ramesh
Addl. General Manager

Information Technology Department

Shri Somnath Roy
Deputy General Manager

Management Services Department

Shri G. Balakrishnan
Deputy General Manager

BANGALORE COMPLEX

Shri D. Balasunder
Managing Director

Flight Operations

Sqn. Ldr. (Retd.) Baldev Singh
Chief Test Pilot – (Fixed Wing)

Shri D.P. Rao
Executive Director (Finance)

LCA / LSP & ASC

Shri Benji Mammen
General Manager

Aerospace Division

Shri D. Balasunder, MD (BC)
Additional Charge

Engine Division

Shri G. S. Gupta
General Manager

Shri R. Kaveri Renganathan
Chief of Projects

Foundry & Forge

Shri S. P. Singh
General Manager

Aircraft Division

Shri M.S. Chandrashekharan
General Manager

Shri T. Suvarna Raju
Chief of Projects

Overhaul Division

Shri K.G. Subramony
General Manager

Medical & Health

Dr. Fred Simon Oommen
Chief of Medical Services

IMGT Division

Shri C.L. Dhar
General Manager

IJT/LSP Production Group

Shri T.K. Mandal
Addl. General Manager

Facility Management Division

Shri M. R. Uday Kumar
Addl. General Manager

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DESIGN COMPLEX

Shri N. C. Agarwal

Director (Design & Development)

Shri M. Venkatasubramanian

General Manager (Finance)

Aircraft Research & Design Centre

Shri H.R. Sudarshan Prasad

General Manager

Shri V.P. Mathur

Chief Designer

Mission & Combat System R&D Centre

Shri Naresh Chandra Vyas

General Manager

Engine Test Bed Research & Design Centre

Shri R.K. Bharti

General Manager

HELICOPTER COMPLEX

Shri R. Srinivasan

Managing Director

Shri B. Venkateswara Rao

General Manager (Finance)

Helicopter Division

Shri M.S. Srinath

General Manager

Shri S. Subrahmanyam

Chief of Projects

Helicopter – MR0

Shri Anirudh Kumar

General Manager

Barrackpore Division

Shri S.M. Sharma

General Manager

Composite Manufacturing Division

Shri V. Sadagopan

General Manager

Rotary Wing Research & Design Centre

Dr. Prasad Sampath

General Manager

Shri S. Mallikarjunaswamy

Chief of Projects

MiG COMPLEX

Shri P.V. Deshmukh

Managing Director

Shri A. K. Trivedi

Offg. General Manager (Finance)

Aircraft Upgrade Research & Design Centre, Nasik

Shri P.K. Khanwalkar

General Manager

Aircraft Overhaul Division, Nasik

Shri B.K. Pradhan

General Manager

Aircraft Manufacturing Division, Nasik

Shri P.S. Roy

General Manager

Engine Division, Koraput

Shri Ashok Kumar Aseri

General Manager

Sukhoi Engine Division, Koraput

Shri K.C. Nanda

General Manager

ACCESSORIES COMPLEX

Shri S.K. Jha

Managing Director

Shri V. Srinivasan

General Manager (Finance)

Transport Aircraft Division, Kanpur & Avionics Division, Korwa

Shri Jagdish Raj

Executive Director

Shri D. Balasubrahmanian

General Manager

Avionics Division, Korwa

Shri R. C. Sharma

General Manager

SLRDC, Hyderabad

Shri P.S. Krishna Kumar

General Manager

Avionics Division, Hyderabad

Shri S.S. Prabhu

Addl. General Manager

Accessories Division, Lucknow

Dr. A. K. Verma

General Manager

Shri C.K. Vishwakarma

Chief of Production



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