

# ANNUAL REPORT

## 2011 - 2012



HAWK



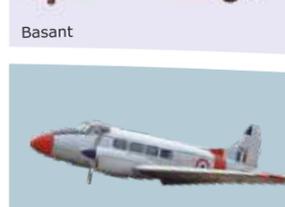
**HINDUSTAN AERONAUTICS LIMITED**  
15/1, Cubbon Road, P.B. No. 5150, Bangalore - 560 001, India  
Website : [www.hal-india.com](http://www.hal-india.com)



**HINDUSTAN AERONAUTICS LIMITED**

Performance...  
when it matters most

Seven Decades of

LICENCED MANUFACTURE	 Prentice	 Gnat	 MIG-21	 Chetak
	 Vultee V-12D	 DH-100 Vampire	 HS-748	 Cheetah
	 HT-2	 Pushpak	 HF-24 Marut	 HJT-16 Kiran
INDIGENOUS PRODUCTS	 HAL G1 Glider	 HF-24 Glider	 Krishak	 Basant
	 B-25 Mitchell	 B-24 Liberator	 C-47 / DC-3 Dakota	 DH-104 Devon
OVERHAUL	1940	1950	1960	1970



Hindustan Aeronautics Limited

"Navratna" Company  
Approximately 33600 Employees  
Over 2.5 Billion USD Turnover

HAL has produced over 3700 aircraft including 15 types of indigenous design & over 4300 engines.  
HAL has also overhauled over 10000 aircraft & over 30000 engines.



Mirage - 2000 (Under upgradation)

# service to the Nation



MiG-27M



Jaguar



Su-30MKI



Fifth Generation Fighter Aircraft (FGFA)



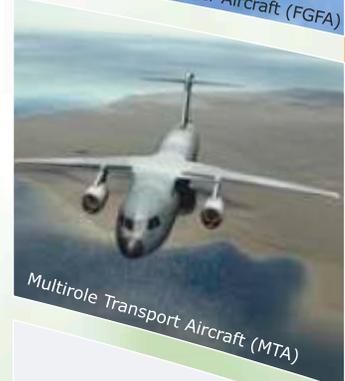
Do-228



Lancer



Hawk Mk132



Multirole Transport Aircraft (MTA)



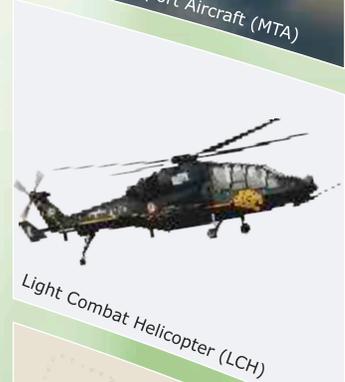
Ajeet Trainer



Dhruv Advanced Light Helicopter (ALH)



Tejas - Light Combat Aircraft (LCA)



Light Combat Helicopter (LCH)



HTT-34



Lakshya Pilotless Target Aircraft (PTA)



HJT-36 Intermediate Jet Trainer (IJT)



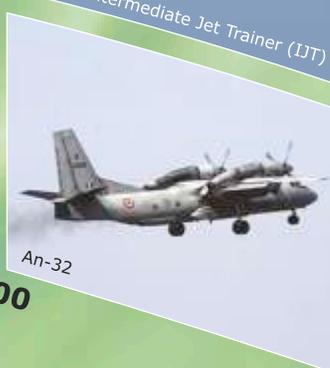
Light Utility Helicopter (LUH)



HPT-32



Canberra



An-32



Mirage 2000H/TH



C-119 Packet with Orpheus Jet Pack

1980

1990

2000

2010

2020

LICENCED MANUFACTURE

INDIGENOUS PRODUCTS

OVERHAUL

ISO 9001, AS 9100, NADCAP  
Certifications & ISO 14000  
Environmental Management  
System Certification Company.

Time lines shown for some of the Aircraft  
may spread to other decades.

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## VISION

To become a significant global player in the aerospace industry

## 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.





## **FIFTH GENERATION FIGHTER AIRCRAFT**

Under Co-development between HAL and Russian Partners

### **TECHNICAL/DESIGN FEATURES**

#### **Ultra Manoeuverability**

Advanced aerodynamic design with Thrust Vectoring

#### **Supersonic Cruise**

Supersonic flight without afterburner

#### **High Stealth features**

Low Radar Cross Section and Infra Red signature

#### **Datalink and Network**

Information fusion and force multiplications



## BOARD OF DIRECTORS



**Shri R. K. Tyagi**  
*Chairman*

Shri R. K. Tyagi is a 1975 batch Engineering graduate in Electronics and Telecommunication from IIT Roorkee and possesses a Masters in Business Administration. Shri Tyagi took over as the Chairman of HAL with effect from 2nd March, 2012. Before joining HAL, he was Chairman cum Managing Director at Pawan Hans Helicopter Limited (PHHL) from May 2007 to February 2012.

Shri R. K. Tyagi started his career with ONGC as a Graduate Trainee in 1976 and through assignments rose to the position of General Manager in the year 2003. He served at ONGC upto May 2007 (31 years). Shri R. K. Tyagi has played an effective role in several development programmes related to Defence, Civil Aviation and Oil & Natural Gas Sectors.

Shri Manoj Saunik, an IAS Officer of the 1987 batch, graduated in Political Science (Honors) from St. Xavier's College, Calcutta and secured a Masters Degree in International Studies at JNU Delhi. During his illustrious career, he had served in many important positions including assignments to the UN during the years 2000 to 2005. As UN Municipal Administrator, he represented the Secretary General in a local government unit spread over 42 towns and villages in Kosovo, and as District Election Supervisor in Cambodia overseeing the performance of the elected local government in accordance with UN Security Council regulations.

On appointment as Joint Secretary (Aerospace), MoD, Shri Manoj Saunik was appointed on the Board of HAL with effect from 21st January, 2010.



**Shri Manoj Saunik**  
*Joint Secretary (Aerospace)*  
*Ministry of Defence*



**Shri P. K. Kataria**  
*Additional FA(K) & JS*  
*Ministry of Defence*  
*(Finance Wing)*

Shri Prem Kumar Kataria, Additional Financial Adviser & Joint Secretary, Ministry of Defence (MoD) was appointed as a part-time Official Director of HAL with effect from 12th July, 2010.

Shri Kataria belongs to the 1985 batch of the Indian Audit & Accounts Service. He is associated with Defence PSUs, Border Road Organisation, DGQA, Army Construction Works etc. He was posted in Comptroller & Auditor General (C&AG), New Delhi as Principal Director (Audit) prior to his joining the Ministry of Defence. Between 2004 and 2006 he served as Accountant General, Manipur.

Shri Kataria served as Tax Advisor to the Government of Antigua, West Indies from 2000 to 2004 on deputation. He has carried out Management Reviews of several Organisations of the United Nations.

Shri V.K. Misra, who retired as Secretary (Defence Finance), MoD, was appointed as an Independent Director on the Board of HAL with effect from 11th November, 2009. He is also the Chairman of Audit Committee.

Shri Misra, a Post Graduate in Physics from Delhi University, joined the Indian Defence Accounts Service (IDAS) in July 1969 and worked in various capacities. He was an Officer on Special Duty with the first ever Committee on Defence Expenditure, set up by the Government to comprehensively address the gamut of issues with the ultimate aim of attaining optimal efficiency and economy in defence spending.

As Secretary (Defence Finance / Financial Advisor), MoD, he was at the helm of affairs for the entire range of financial management issues concerning MoD, the three Armed Services, Defence PSUs and several Defence organisations.



**Shri V. K. Misra**  
*Director*



**Dr. N. K. Naik**  
*Director*

Dr. Niranjana K. Naik, a Professor in the Aerospace Engineering Department at IIT Bombay, joined the HAL Board as an Independent Director with effect from 11th November, 2009. Dr. Naik possesses 35 years of experience as Faculty in the Aerospace Engineering Department. His areas of interest are Polymer Matrix Composites / Textile Composites – Analysis, Design & Technology and Aerospace Manufacturing Science and Technology.

Dr. Naik had made major contributions to teaching, research and development at IIT, Bombay. He has published a number of Research Papers. He is recipient of the National Merit Scholar Award, and has been Reviewer for many International Journals.

Shri Ajay Shankar, an IAS Officer of the 1973 batch, holds a Masters Degree in Political Science from Allahabad University and in Economics from Georgetown University, Washington D.C. He was appointed as Independent Director of HAL with effect from 9th March, 2011.

Shri Ajay Shankar had served as Secretary, Department of Industrial Policy & Promotion, wherein he took a number of policy decisions to improve the competitiveness of the Indian Industrial Sector. It was under his stewardship, that the plan for the Delhi-Mumbai industrial corridor project was developed and the Foreign Direct Investment Policy was further liberalised, thereby becoming more investor-friendly.

During his illustrious career with the Government of India, Shri Ajay Shankar played a critical role in putting together the stimulus packages during the global economic crisis. As Joint Secretary / Addl. Secretary in the Ministry of Power, he was instrumental in the preparation and enactment of the Electricity Act 2003, one of the major pieces of reform legislation at that time.



**Shri Ajay Shankar**  
*Director*



**Shri V. V. R. Sastry**  
*Director*

Shri V.V.R Sastry, holds a Bachelor's Degree in Engineering (E&C). He was appointed as Independent Director on the Board of HAL with effect from 9th March 2011.

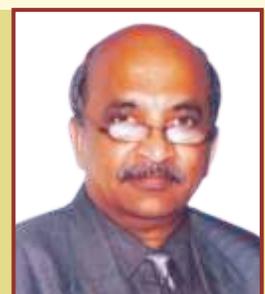
Shri Sastry is former Chairman & Managing Director of Bharat Electronics Ltd. (BEL). During his tenure, Shri Sastry transformed BEL into a market / customer-oriented competitive Company known for supply of world-class products and turnkey solutions in Defence and other professional electronic segments. He has 40 years of varied experience in areas such as Marketing, Military Communications & Electronics Warfare Business, R & D Technology Management in Radar, Communication & Satellite Communication.

Shri Sastry was awarded ELCINA-DUN & BRADSTREET "Electronics Man of the Year" Award for 2007-08. Presently he is Executive Director with M/s. Centre for Development of Telematics (C-DOT) based at Delhi.

Prof. (Dr.) R. Venkata Rao M.A.(Litt.), LL.B; M.L. & Ph.D. was appointed as Independent Director on the Board of the Company with effect from 9th March 2011.

Prof. Rao is a specialist in Human Rights, International Humanitarian Law, Criminal Law, Jurisprudence and International Law. Presently he is Vice Chancellor of National Law School of India University, Bangalore. His illustrious career spans 31 years in field of education and training. He has been member of the Executive Council, Chanakya National Law University, Patna; Academic Council, NALSAR, Hyderabad; Governing Council, Indian Law Institute, New Delhi; Editorial Board, Indian Institute of Public Administration, New Delhi; Academic Committee, Indian Institute of Public Administration, New Delhi among others.

He has delivered numerous lectures and presented several papers at national and international levels. He has also published numerous articles on human rights, law and science and allied subjects in national and international journals and Newspapers.



**Prof. (Dr.) R. Venkata Rao**  
*Director*

## BOARD OF DIRECTORS



**Shri Surendra Kumar**  
*Director*

Shri Surendra Kumar, B. Tech(Hons) from IIT, Kharagpur, M.E from IISc, Bangalore and Ph.D. from JNTU Hyderabad, joined the HAL Board as an Independent Director with effect from 9th March, 2011.

Presently Shri Surendra Kumar is an Emeritus Scientist, Defence Research & Development Organisation (DRDO), Ministry of Defence at DRDL, Hyderabad. He has held many important positions including Lab Director & Outstanding Scientist in Armament Research & Development Establishment, Associate Director in RCI, Hyderabad, Project Director of Ballistic Missile Defence, Program AD, Hyderabad, Deputy Project Director – Prithvi & Dhanush, DRDL & RCI, Hyderabad. He is a Visiting Faculty in IIT Bombay, Examiner Ph.D. in IIT Kharagpur, and Examiner ME/MTech in Osmania University.

Shri Surendra Kumar was awarded Lab Scientist of the Year (2002) and Scientist of the Year (2004) by the DRDO. He has over 35 years of experience in the field of Defence Systems consisting of Design, Development, Integration, Testing, Productionisation, Production, Programme and Project Planning of DRDO.

Shri P.V. Deshmukh, a B.Tech in Metallurgical Engineering from IIT, Kharagpur, joined HAL in December 1975 as Management Trainee and has worked in Tool Room, Foundry & Forge at HAL Koraput and large number of areas of operations in manufacturing & ROH Divisions of Nasik as well as in MiG Complex Office.

He has contributed to the success of several important projects including Upgrade of MiG-21 BIS aircraft. Manufacture of MiG -27 M aircraft from Raw-Material and the setting up of Manufacturing and Overhaul Facilities of Su-30 Mkl Aircraft at Nasik Division. He was incharge of Project Cell for the Mega Project of Su-30 Mkl aircraft manufacturing at HAL Aircraft Division.

He rose to the position of General Manager (Su-30 Mkl) in July 2006 and was appointed as Managing Director MiG Complex with effect from 1st October, 2008.

Shri P. V. Deshmukh officiated as the Chairman of the Company from 1st November, 2011 to 1st March, 2012.



**Shri P. V. Deshmukh**  
*Managing Director*  
*(MiG Complex)*



**Shri S. K. Jha**  
*Managing Director*  
*(Accessories Complex)*

Shri S.K. Jha, a gold medalist in Mechanical Engineering from National Institute of Technology, Jamshedpur and an MBA from Faculty of Management Studies, University of Delhi, joined HAL in March 1984 as Project Manager for Do-228 Project at Transport Aircraft Division, Kanpur.

Shri Jha contributed immensely to the growth of Kanpur and Lucknow Divisions of HAL. His expertise in the areas of project management, materials management, planning and production, resource planning & implementation, optimal utilisation and mobilisation of resources towards timely performance of various programmes has helped in implementation of several projects at Accessories Complex.

He has been instrumental in various Transfer of Technologies as well as in-house R&D programmes including Su-30 Mkl, leading to a successful production run of initial batches.

Shri Jha was made General Manager (Projects) at Accessories Complex in July 2006 and appointed as Managing Director (Accessories Complex) on 1st January, 2009.

Shri P. Soundara Rajan, an Electrical Engineering Graduate from Thiagarajar College of Engineering, Madurai and MBA from PSG College of Technology, Coimbatore, joined HAL in 1975 as Management Trainee. During his illustrious career in HAL, he has contributed in the areas of manufacture / repair, overhaul of aircraft, helicopter, piston engines and aero accessories, project management, quality assurance, integrated materials management & production management.

He established major overhaul line for Mirage 2000 and its systems, a first of its kind outside France, and was responsible for establishing a world-class, state-of-the-art Centre of Excellence for manufacture of aerospace composites.

Shri Soundara Rajan is a recipient of the National Award for indigenization by the Aeronautical Society of India.

He was General Manager (Composite Manufacturing Division) and later General Manager (Projects) at the Corporate Headquarters before his elevation as Director (Corporate Planning & Marketing) on 1st August, 2009 and subsequently as the Managing Director (Helicopter Complex) on 17th September, 2010.



**Shri P. Soundara Rajan**  
*Managing Director*  
*(Helicopter Complex)*



**Shri V. M. Chamola**  
Director  
(Human Resources)

Shri V. M. Chamola holds a Masters Degree in Economics from Garhwal University, LLB from APS University, MBA(HRM) from IGNOU.

Shri Chamola served NTPC and NJPC in various capacities before joining HAL in 1996 as Deputy General Manager (Personnel & Administration) at Engine Division, Bangalore Complex. He was promoted as Additional General Manager (Personnel & Administration) and later joined Corporate Office.

He has also served as Chief General Manager, BEML. He possesses rich experience in HRD and has contributed towards streamlining the HR systems with a view to provide a healthy environment.

He took over as Director (Human Resources) of the Company on 27th July, 2011.

He was conferred "Chanakya Award" for Business Excellence in HR on 12th February, 2012 by Public Relations Council of India (PRCI) during its Annual Conclave at Bombay in February 2012.

Shri K. Naresh Babu, an Electrical & Electronics Engineering graduate from the Indian Institute of Science, Bangalore joined HAL in 1976 as Management Trainee.

During his illustrious career, he has served in various capacities and has contributed in Airframe and accessories repair / overhaul activities pertaining to Canberra, Marut, Devon, Packet, Ajeet, HT-2 aircraft.

He was General Manager of Overhaul Division with effect from 1st July, 2008. He spearheaded Repair & Overhaul activities of aircraft like Jaguar, Kiran, Mirage among others. He was made General Manager (Planning) in December 2008 at Corporate Office having the responsibility of monitoring the production & development activities of the company.

Shri Naresh Babu was appointed as the Managing Director (Bangalore Complex) on 5th September, 2011. He is holding the additional charge of the post of Director (Corporate Planning & Marketing) with effect from 17th October, 2011.



**Shri K. Naresh Babu**  
Managing Director  
(Bangalore Complex)



**Dr. A. K. Mishra**  
Director (Finance)

Dr. A.K. Mishra, a Law graduate and a Fellow Member of the Institute of Chartered Accountants of India holds a Ph.D., in Finance. He is an alumnus of National Law School of India University, Bangalore.

During his long career spanning over 30 years, he has served in Governments of Bihar, UP and PSUs viz., Indian Telephone Industries Ltd. (ITI) before joining HAL in November 1994 as Deputy General Manager (Finance) at Transport Aircraft Division, Kanpur. He later took over as General Manager (Finance) at HAL Accessories Complex, Lucknow.

In June 2007, he was made Executive Director (Finance) in HAL Accessories Complex, Lucknow and later joined Corporate Office in 2008.

He has held important positions in Divisions and at Corporate Office and has provided proactive leadership in developing and utilizing corporate resources to drive and deliver financial and business growth.

Dr. A. K. Mishra was appointed as Director (Finance) with effect from 28th October, 2011.

Shri T. Suvarna Raju, an Engineering Graduate has done MBA (Marketing), M. Phil in Defence Strategies Studies and Post Graduate Diploma in Intellectual Property Rights Laws.

Shri Raju joined HAL on 26th June, 1980 as Management Trainee XV batch and has worked in different capacities in HAL Aircraft Division and Overhaul Division.

He has contributed to the success of many important projects such as establishment of repair / overhaul facilities of Jaguar, Mirage, LCA, HAWK, LRUs. Successfully completed Mirage First Major inspection, License production of DARIN-II Jaguar strike & Trainer aircraft and Jaguar aircraft upgrade. He established facilities for HAWK Mk-132 License manufacture. He is recipient of Dr. Biren Roy Trust award for establishing new Technologies at HAL.

He rose to the position of General Manager (Aircraft Division) and was appointed as Officiating Director (Design & Development) with effect from 4th January, 2012 and appointed as regular Director (Design & Development) with effect from 1st February, 2012.



**Shri T. Suvarna Raju**  
Director  
(Design & Development)

#### BOARD OF DIRECTORS

(As on 26th September, 2012)

**Shri R. K. Tyagi**  
Chairman

**Shri P. V. Deshmukh**  
Managing Director  
(MiG Complex)

**Shri S. K. Jha**  
Managing Director  
(Accessories Complex)

**Shri P. Soundara Rajan**  
Managing Director  
(Helicopter Complex)

**Shri V. M. Chamola**  
Director (Human Resources)

**Shri K. Naresh Babu**  
Managing Director  
(Bangalore Complex) &  
Addl.Charge Director (Corporate  
Planning & Marketing)

**Dr. A. K. Mishra**  
Director (Finance)

**Shri T. Suvarna Raju**  
Director (Design & Development)

**Shri Manoj Saunik**  
Joint Secretary (Aerospace)  
Ministry of Defence

**Shri P. K. Kataria**  
Additional FA (K) & JS  
Ministry of Defence  
(Finance Wing)

**Shri V. K. Misra**  
Director

**Dr. N. K. Naik**  
Director

**Shri Ajay Shankar**  
Director

**Shri Surendra Kumar**  
Director

**Prof. (Dr.) R. Venkata Rao**  
Director

**Shri V. V. R. Sastry**  
Director

#### MEMBERS OF THE MANAGEMENT COMMITTEE

**Shri R. K. Tyagi**

**Shri P. V. Deshmukh**

**Shri S. K. Jha**

**Shri P. Soundara Rajan**

**Shri V. M. Chamola**

**Shri K. Naresh Babu**

**Dr. A. K. Mishra**

**Shri T. Suvarna Raju**

#### AUDIT COMMITTEE

**Shri V. K. Misra**  
Chairman

**Dr. N. K. Naik**  
Director

**Shri Surendra Kumar**  
Director

**Shri V. V. R. Sastry**  
Director

**Shri Manoj Saunik**  
Joint Secretary (Aerospace)

**Shri P. K. Kataria**  
Addl.FA(K) & JS

#### EXECUTIVE DIRECTOR (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. Dagliya & Co.,**  
 Chartered Accountants, Bangalore

**BRANCH AUDITORS**

**M/s. Khanna Thaker & Co.,**  
 Chartered Accountants, Lucknow

**M/s. Samria & Co.,**  
 Chartered Accountants, Mumbai

**M/s. S. Daga & Co.,**  
 Chartered Accountants, Hyderabad

**M/s. Radhika & Co.,**  
 Chartered Accountants, Bangalore

**M/s. K. D. Lath & Co.,**  
 Chartered Accountants, Rourkela

**M/s. S. N. Saha & Co.,**  
 Chartered Accountants, Barrackpore

**M/s. Agarwal & Saxena,**  
 Chartered Accountants, Kanpur

**M/s. Parimal Ram & Pattabhi,**  
 Chartered Accountants, Bangalore

**M/s. B.S. Reddy & Co.,**  
 Chartered Accountants, Bangalore

**M/s. Balu & Anand,**  
 Chartered Accountants, Bangalore

**M/s. S. K. Jindal & Co.,**  
 Chartered Accountants, Lucknow

**M/s. B. S. Prakash & Co.,**  
 Chartered Accountants, Bangalore

**M/s. V. Ramaswamy Iyer & Co.,**  
 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. Ranga & Co.,**  
 Chartered Accountants, Bangalore

**M/s. B. N. Subramanya & Co.,**  
 Chartered Accountants, Bangalore

**M/s. Mallya & Mallya,**  
 Chartered Accountants, Bangalore

**M/s. J. Srinivasan,**  
 Chartered Accountants, Bangalore

**LEGAL ADVISERS**

**M/s. Sundaraswamy & Ramdas,**  
 Advocates, Bangalore

**TAX CONSULTANT**

**M/s. Pricewaterhouse Coopers  
 Pvt. Ltd.**

**CREDIT RATING AGENCY**

**ICRA, CRISIL**



## FINANCIAL HIGHLIGHTS

Sl. No.	Particulars	Units	97-98	98-99	99-00	00-01	01-02	02-03
A	<b>Our Earnings</b>							
	Sales - Inland	₹ Cr.	1828.88	2003.70	2353.92	2387.94	2707.96	3016.53
	Export Sales	₹ Cr.	41.05	44.03	46.96	58.61	66.85	103.89
	<b>Total Sales</b>	₹ Cr.	<b>1869.93</b>	<b>2047.73</b>	<b>2400.88</b>	<b>2446.55</b>	<b>2774.81</b>	<b>3120.42</b>
	Changes in WIP & SIT	₹ Cr.	-31.81	41.30	53.55	156.71	188.63	357.42
	<b>Total</b>	₹ Cr.	<b>1838.12</b>	<b>2089.03</b>	<b>2454.43</b>	<b>2603.26</b>	<b>2963.44</b>	<b>3477.84</b>
B	<b>Our Outgoings</b>							
	Cost of Materials	₹ Cr.	671.99	807.36	787.06	927.67	1255.85	1607.51
	Manpower Cost	₹ Cr.	529.97	508.66	762.09	837.02	724.00	746.80
	Net Operating Cost	₹ Cr.	373.12	514.47	553.61	805.55	829.16	953.48
	Net Financing Cost	₹ Cr.	73.90	36.64	-90.10	-263.25	-257.02	-308.54
	Depreciation	₹ Cr.	24.31	24.16	26.51	31.12	37.98	45.22
	<b>Total</b>	₹ Cr.	<b>1673.29</b>	<b>1891.29</b>	<b>2039.17</b>	<b>2338.11</b>	<b>2589.97</b>	<b>3044.47</b>
C	<b>Our Savings</b>							
	Profit Before Tax	₹ Cr.	164.83	197.74	415.26	265.15	373.48	433.37
	Provision For Tax	₹ Cr.	17.31	20.00	47.00	21.50	28.70	43.41
	<b>Profit After Tax For Appropriation</b>	₹ Cr.	<b>147.52</b>	<b>177.74</b>	<b>368.26</b>	<b>243.65</b>	<b>344.78</b>	<b>389.96</b>
D	<b>We Own</b>							
	Net Block	₹ Cr.	209.03	213.35	245.63	278.10	352.19	434.74
	Other Capital Assets	₹ Cr.	407.75	356.41	336.92	845.12	865.03	1323.97
	Working Capital	₹ Cr.	492.09	618.82	919.87	603.60	1172.87	714.49
	<b>Total</b>	₹ Cr.	<b>1108.87</b>	<b>1188.58</b>	<b>1502.42</b>	<b>1726.82</b>	<b>2390.09</b>	<b>2473.20</b>
E	<b>We Owe</b>							
	Equity	₹ Cr.	120.50	120.50	120.50	120.50	120.50	120.50
	Reserves and Surplus	₹ Cr.	721.55	867.32	1201.83	1379.11	1640.41	1810.31
	<b>Shareholders' Funds</b>	₹ Cr.	<b>842.05</b>	<b>987.82</b>	<b>1322.33</b>	<b>1499.61</b>	<b>1760.91</b>	<b>1930.81</b>
	<b>Deferred Tax Liability</b>	₹ Cr.						<b>166.85</b>
	Borrowings	₹ Cr.	232.27	181.54	179.48	227.21	380.06	374.47
	Cash Credit Loan	₹ Cr.	34.55	19.22	0.61	0.00	249.12	1.07
	<b>Total Borrowings</b>	₹ Cr.	<b>266.82</b>	<b>200.76</b>	<b>180.09</b>	<b>227.21</b>	<b>629.18</b>	<b>375.54</b>
	<b>Total</b>	₹ Cr.	<b>1108.87</b>	<b>1188.58</b>	<b>1502.42</b>	<b>1726.82</b>	<b>2390.09</b>	<b>2473.20</b>
F	<b>Financial Statistics</b>							
	Value of Production	₹ Cr.	1838.12	2089.03	2454.43	2603.26	2963.44	3477.84
	Value Added	₹ Cr.	1166.13	1281.67	1667.37	1675.59	1707.59	1870.33
	Dividend (including Tax)	₹ Cr.	26.51	26.75	26.75	53.70	68.96	87.99
	R & D Expenditure	₹ Cr.	129.83	146.35	171.66	204.09	203.72	265.06
	Gross Margin	₹ Cr.	334.22	362.26	554.88	404.70	531.83	594.54
	Gross Block	₹ Cr.	829.38	856.27	914.20	976.53	1085.41	1211.04
	Inventory	₹ Cr.	1163.04	1293.78	1500.35	1905.41	2073.24	2394.95
	Sundry Debtors	₹ Cr.	630.55	501.59	226.80	210.19	248.23	510.02
	Capital Employed	₹ Cr.	1063.53	1150.26	1451.11	1177.07	1802.24	1409.76
	Net Worth	₹ Cr.	752.66	934.11	1259.67	1015.20	1229.38	928.18
	No. of Employees	Nos.	33967	34828	34448	32642	31652	31138
G	<b>Financial Ratios</b>							
	Sales Per Employee	₹	550514	587955	696957	749508	876663	1002126
	Value Added Per Employee	₹	343313	367999	484026	513323	539487	600658
	PBT to Sales	%	8.81	9.66	17.30	10.84	13.46	13.89
	PBIT to Capital Employed	%	22.99	23.61	32.08	27.44	23.92	34.77
	PAT to Net Worth	%	19.60	19.03	29.23	24.00	28.04	42.01
	Debt Equity Ratio	Times	0.28	0.18	0.14	0.15	0.22	0.19
	Earnings Per Share	₹	12.24	14.75	30.56	20.22	28.61	32.36
	Dividend as % age of Equity (including Dividend Tax)	%	22.00	22.20	22.20	44.56	57.23	73.02

03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12
3584.43 215.35 <b>3799.78</b> -43.64	4383.75 150.05 <b>4533.80</b> 450.75	5155.31 186.19 <b>5341.50</b> 575.12	7513.10 270.51 <b>7783.61</b> 1418.27	8284.24 341.09 <b>8625.33</b> 166.19	9936.80 436.58 <b>10373.38</b> 1437.47	11252.03 204.67 <b>11456.70</b> 2032.89	12878.12 237.38 <b>13115.50</b> 3335.34	13855.88 348.33 <b>14204.21</b> -1511.02
<b>3756.14</b>	<b>4984.55</b>	<b>5916.62</b>	<b>9201.88</b>	<b>8791.52</b>	<b>11810.85</b>	<b>13489.59</b>	<b>16450.84</b>	<b>12693.19</b>
1673.36 773.25 899.91 -247.01 57.21	2686.17 808.78 917.87 -250.96 65.16	3313.49 837.69 1014.21 -452.37 77.31	5980.40 1054.46 1163.10 -839.96 100.28	4684.43 1802.69 1686.02 -1663.80 117.95	7635.95 2542.78 886.86 -1732.16 142.55	9221.80 1954.05 984.87 -1525.57 166.00	11772.43 2246.28 764.68 -1340.86 168.79	5761.27 2761.79 2771.52 -2107.00 177.10
<b>3156.72</b>	<b>4227.02</b>	<b>4790.33</b>	<b>7458.28</b>	<b>6627.29</b>	<b>9475.98</b>	<b>10801.15</b>	<b>13611.32</b>	<b>9364.68</b>
599.42 189.63	757.53 256.47	1126.29 355.15	1743.60 594.84	2164.23 532.35	2334.86 595.00	2688.43 721.02	2839.52 725.26	3328.52 789.09
<b>409.79</b>	<b>501.06</b>	<b>771.14</b>	<b>1148.76</b>	<b>1631.88</b>	<b>1739.86</b>	<b>1967.41</b>	<b>2114.26</b>	<b>2539.43</b>
515.44 2273.89 176.72	525.87 3477.09 -368.72	730.34 4375.40 -521.81	1020.98 4922.26 -570.06	1080.07 5173.20 411.53	1327.56 5254.75 1561.41	1465.50 5387.51 2775.98	1509.18 5297.62 4424.14	1555.83 5617.85 5642.05
<b>2966.05</b>	<b>3634.24</b>	<b>4583.93</b>	<b>5373.18</b>	<b>6664.79</b>	<b>8143.72</b>	<b>9628.99</b>	<b>11230.94</b>	<b>12815.73</b>
120.50 2120.92	120.50 2508.06	120.50 3050.58	120.50 3913.92	120.50 5163.22	120.50 6495.97	120.50 8003.02	120.50 9624.72	120.50 11218.10
<b>2241.42</b>	<b>2628.56</b>	<b>3171.08</b>	<b>4034.42</b>	<b>5283.72</b>	<b>6616.47</b>	<b>8123.52</b>	<b>9745.22</b>	<b>11338.60</b>
<b>354.27</b> 365.34 5.02	<b>623.90</b> 363.78 18.00	<b>1047.95</b> 363.88 1.02	<b>1334.73</b> 4.03	<b>1379.05</b> 2.03	<b>1525.27</b> 1.98	<b>1505.29</b> 0.18	<b>1485.55</b> 0.17	<b>1476.97</b> 0.16
<b>370.36</b>	<b>381.78</b>	<b>364.90</b>	<b>4.03</b>	<b>2.03</b>	<b>1.98</b>	<b>0.18</b>	<b>0.17</b>	<b>0.16</b>
<b>2966.05</b>	<b>3634.24</b>	<b>4583.93</b>	<b>5373.18</b>	<b>6664.79</b>	<b>8143.72</b>	<b>9628.99</b>	<b>11230.94</b>	<b>12815.73</b>
3756.14 2082.78 92.46 313.81 800.36 1344.26 2576.52 990.20 1377.13 799.72 30450	4984.55 2298.38 113.92 306.63 974.46 1417.27 3508.64 1106.20 1507.65 882.07 29807	5916.62 2603.13 228.62 433.58 1408.15 1694.58 4809.74 1404.13 2204.66 1440.85 29668	9201.88 3221.48 285.42 637.79 2124.53 2080.89 7222.52 1281.18 3004.48 2084.99 31666	8791.52 4107.09 382.57 662.14 2650.95 2254.97 8614.64 1486.10 4485.20 3326.53 34323	11810.85 4174.90 407.12 674.78 2905.32 2638.09 10431.19 1848.26 5914.20 4635.76 34822	13489.59 4267.78 460.35 832.12 3382.75 2933.53 13660.03 1858.03 7272.27 6157.30 33990	16450.84 4678.42 492.56 986.96 3654.32 3142.73 17427.18 2318.22 10715.01 9745.22 33681	12693.19 6931.92 946.06 967.51 4050.83 3362.97 16152.99 3882.99 *10226.71 * 9729.45 32659
1247875 684000 15.78 46.69 51.24 0.16 34.01 76.73	1521052 771087 16.71 53.09 56.81 0.14 41.58 94.54	1800426 877424 21.09 53.26 53.52 0.12 64.00 189.73	2458034 1017330 22.40 58.56 55.10 0.001 95.33 236.86	2512989 1196600 25.09 48.55 49.06 0.00038 135.43 317.49	2978973 1198926 22.51 39.48 37.53 0.00030 144.39 337.86	3370609 1255600 23.47 36.97 31.95 0.00002 163.27 382.04	3894036 1389038 21.65 26.50 21.70 0.00002 175.46 408.76	4349250 2122514 23.43 27.24 22.40 0.00001 210.74 785.11

\*Figures regrouped as per earlier Schedule VI.

# CHAIRMAN'S STATEMENT



**Dear Shareholders,**

It is my great honour to address you for the first time at the 49th Annual General Meeting of the Company. I extend a warm welcome to you all and sincerely thank you for your gracious presence.

The Annual Accounts for the year ended 31st March, 2012 along with the Auditors' Report and Directors' Report have been with you, and with your permission, I take them as read.

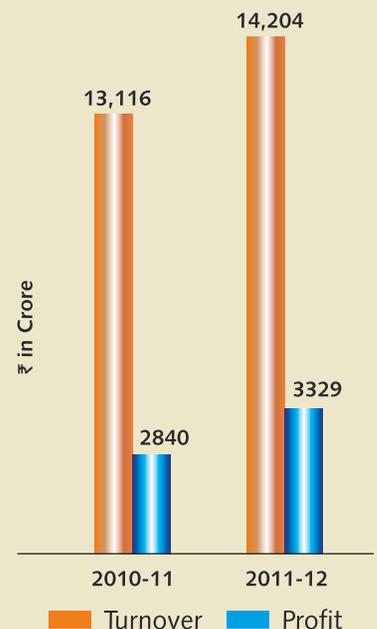
**PERFORMANCE OVERVIEW**

It gives me great pleasure that your Company has had another year of steady performance despite slowdown in the global and the national economy.

The Indian economy witnessed a challenging year in 2011-12, with dwindling growth that stood at 6.5 per cent as against 8.4 per cent in the previous year. The high rate of inflation, adverse foreign exchange rate movement and a drop in manufacturing indices from 2010-11 levels have resulted in a difficult landscape for any business entity to operate and experience sustainable growth.

Despite a tough external outlook, your Company has achieved an unprecedented turnover of ₹ 14,204.21 crore, a growth of 8.30 per cent over the previous year. The Profit Before Tax of the Company for the year 2011-12 stood at ₹ 3,328.52 crore registering an increase of 17.22 per cent.

The Directors' Report describes the significant achievements of your Company in



detail. I would like to share with you the important highlights of the Company's performance during 2011-12.

- The Company produced 78 aircraft and helicopters alongwith engines and accessories during the year. This, in effect, translates to a production rate of more than one aircraft per week. The aircraft produced include Su-30MkI, Hawk, Advanced Light Helicopter (ALH), Dornier Do-228, Chetak, PTA and Limited Series Production (LSP) of the Light Combat Aircraft (LCA) and Intermediate Jet Trainer (IJT).
- During the year, the Company produced 127 new (Category A) engines, and overhauled 213 aircraft/helicopters and 460 engines. This implies that HAL has been turning around four aircraft after overhauling, per week. Eight Dornier-228 aircraft upgraded with new avionics were delivered ahead of the schedule.
- HAL has had a consistent record of growth in earnings and dividend payout. The Board of Directors has recommended the highest ever dividend payout in the history of the Company, of ₹ 814 crore (excluding Dividend Tax) at the rate of 675.52 per cent on the paid up share capital of the Company.
- On the Design and Development front, major milestones were achieved with the first flight of Light Combat Helicopter (LCH) Technology Demonstrator-2 (TD-2).
- The seventh Limited Series Production aircraft LCA, LSP-7 made its maiden flight on 9th March, 2012. The aircraft was built incorporating the resolution of Request for Actions (RFAs) arising out of customer observations and design changes. The aircraft will be operated by the IAF for user trials.

- Significant milestone was achieved towards the certification of weaponised version of the ALH by completing all flight trials for Turret Gun and Rocket.

#### FLAGSHIP PROJECTS

At this juncture, let me present to you the current status of some of the future flagship projects of HAL.

##### Intermediate Jet Trainer (IJT)

The Limited Series Production (LSP) of the IJT is underway and productionisation has commenced concurrently at our Kanpur Division. With successful resolution of the design issues affecting this project, the Company is geared to achieve the Initial Operation Clearance (IOC) in 2012-13.

##### Light Combat Aircraft

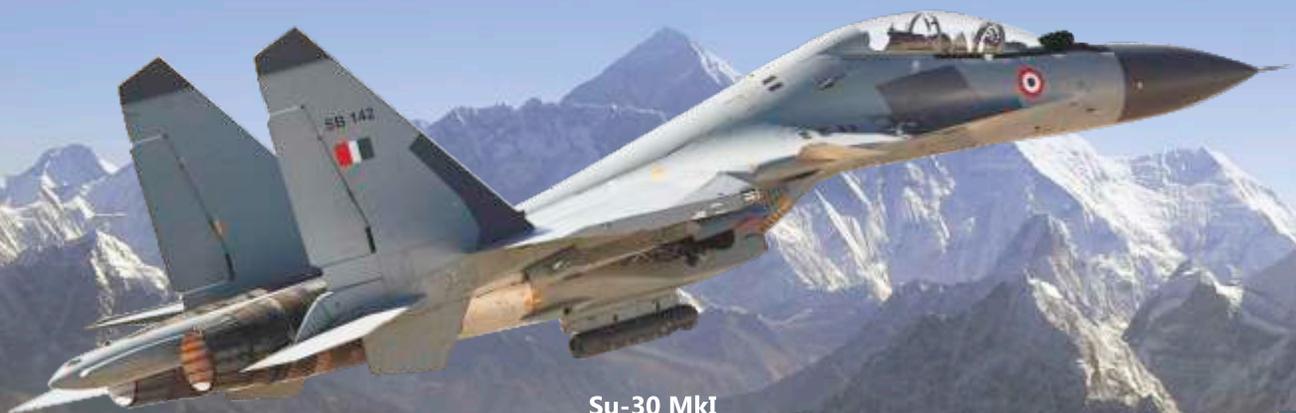
HAL and ADA are jointly working to achieve the IOC-Phase 2 by the end of the current year. The Company is preparing for the delivery of the LSP aircraft in 2012-13 and a successful flight evaluation for IOC will be critical for achieving this milestone.

##### ALH-WSI

Your Company is proud of this programme as this is the first ever indigenous product that provides combat capabilities to an Indian Helicopter, the ALH-WSI "Rudra". HAL has completed integration and testing of important weapons such as ATAM, Rocket and Turret Gun on the ALH. The Company is all set to deliver "Rudra" during 2012-13.

##### Light Combat Helicopter (LCH)

The design and development of LCH is progressing satisfactorily with second Technology Demonstrator (TD-2) available for flight testing. The LCH has logged a total of 153 flights till August 2012 and is set to form the backbone of the Indian Combat Helicopter fleet in the years to come.



Su-30 MkI

## CHAIRMAN'S STATEMENT



*Interim dividend cheque was handed over to Hon'ble Defence Minister Shri A. K. Antony by Shri R. K. Tyagi, Chairman, HAL. Dr. A. K. Mishra, Director (Finance) (extreme right), Shri Shekhar Agarwal, Secretary (Defence Production) (centre) and Shri Manoj Saunik, Jt. Secretary (Aerospace) (extreme left) are also seen.*

### **Light Utility Helicopter (LUH)**

The LUH can be a significant future revenue stream of your Company. Significant progress has been made in the design development of this platform with design freeze and detail part fabrication under progress for the prototype platforms.

### **Fifth Generation Fighter Aircraft (FGFA)**

The Aircraft is being jointly developed by HAL and Sukhoi Design Bureau, Russia. This project is of national importance and is being driven through a dedicated team of HAL designers working with Russian counterparts at the Sukhoi Design Bureau. The Preliminary Design Contract was signed and design activities are progressing well with adherence to the contracted timelines.

### **Multi-role Transport Aircraft (MTA)**

The MTA project will mark the Company's foray into military transport segment after a long wait since the HS-

748 and Dorniers. A General Contract has been signed with Russians and the project is being executed through a Joint Venture Company viz., Multirole Transport Aircraft Limited, having equal partnership with the Russians. The Preliminary Design Phase Contract has recently been finalised.

### **HTT-40**

The Company has commenced preliminary work for the design and development of basic turboprop trainer aircraft pending sanction from the Government. The first flight of the prototype is envisaged after 36 months from the go ahead and the development phase completion in 60 months.

### **EXPORTS**

Your Company continues to maintain a steady focus on export areas and is offering the products such as ALH and Dornier to potential export customers.

Export orders worth ₹ 571 crore were booked during 2011-12.

The Company has developed a strategy to enhance exports by utilising the opportunities arising out of planned defence acquisitions of the Government of India with off-set obligations.

### **CORPORATE GOVERNANCE**

The Company's philosophy on Corporate Governance is based on the principles of transparency, compliance of laws, procedures and adhering to the values and business ethics. It believes that all operations must be spearheaded towards enhancing stakeholder value.

The policies and procedures of the Company are constantly reviewed and updated to ensure transparency in all aspects of the Company's working. The Delegation of Powers has been revised to further decentralise decision making with accountability at various levels.

The Risk Mitigation System has been reviewed and a policy

is in the final stages of approval for implementation. The proposed policy provides for systematic and structured evaluation as well as mitigation of risks.

### **NEW INITIATIVES**

The Company has taken steps to strengthen its supply chain management. Towards this, the first ever 'Vendors Meet' was organised in July 2012 to strengthen the relationships and address the concerns of the Vendors with a view to forge long term, mutually beneficial partnerships with them.

Towards e-governance, the Company has launched e-procurements for items valuing more than ₹ 5 lakh and is in the process of integrating it with the ERP system. This will help the Company reduce the lead time in procurement. For effective communication within the organisation, an electronic magazine called "HAL-connect" has been introduced. The ERP system is also being reviewed for up gradation. A Production Monitoring System linked to the ERP has been put in place



*Shri R.K Tyagi, Chairman, HAL, Shri T.Suvarna Raju, Director (Design & Development) HAL and Mr. Alexy Boykov, Programme Director, MTA, UAC TA holding the tripartite General Contract for Multi-role Transport Aircraft (MTA) project.*

## CHAIRMAN'S STATEMENT



Shri R.K Tyagi, Chairman, HAL, with other Directors at Global Vendors' meet held in Bangalore on July 21, 2012.

at all Production Divisions to facilitate management review.

The Company has revisited the customer support activities with a view to strengthen the quality systems, improve turnaround times and enhance the value to the customer. The Company has offered Performance Based Logistics (PBL) solutions to the Defence Services initially for the Hawk aircraft and thereafter to be extended to other platforms.

The Government had constituted an Expert Group under the Chairmanship of Shri B.K. Chaturvedi, Member, Planning Commission in October 2011 on 'Strengthening and Restructuring of HAL'. The report containing the recommendations of the Expert Group submitted on 7th September, 2012, is under consideration with the Ministry of Defence.

### FUTURE OUTLOOK

The Company is executing prestigious national projects such as Su-30MKI, Hawk, Dornier, IJT, LCA, ALH, Cheetal, Jaguar DARIN III Upgrade, Mirage 2000 Upgrades. The project-planning activities for establishment of a manufacturing facility for Medium Multi Role Combat Aircraft (MMRCA) at Bangalore have been initiated.

Taking into consideration the progress of new projects five years down the line, your Company will have the ALH, LCH, LUH, IJT, LCA and the Basic Trainer fully certified in its product profile. Your Company will be in a position to

deliver these homegrown products to the Indian armed forces as well as export the above products in significant numbers.

Your Company will gain valuable expertise in the design and development of Fighter and Transport Aircraft and also absorb the latest manufacturing technologies from the Russians through the FGFA and MTA projects.

With major products viz., MMRCA, Basic Trainer Aircraft, LCH, LUH, FGFA, MTA, IJT and LCA running concurrently, the Company will have to face challenges in meeting the costs and timelines. Strategies to meet these challenges are being implemented with the formation of dedicated programme management teams with requisite empowerment, augmentation and modernisation of infrastructure, alongwith the introduction of various HR initiatives. The Company aims to become a "Maharatna Company" in the next five years and will strive to ensure a place for itself in the top twenty Aerospace companies in the world.

A paradigm shift will be brought about in the business perspective of HAL gradually wherein the Company will shift from a vertically-integrated organisation to a core competency-driven aviation conglomerate. Towards this, the Company is encouraging partnerships with the Private Sector in the areas of production and design & development. This strategy will enable HAL to use its capacities more optimally, focus on its core competencies and grow.

The Indian Civil Aviation market is growing at a much higher pace than the global average. As per estimates, India will add over 1000 commercial aircraft by 2020 to cater to the growing demand. The helicopter market for passenger services is also likely to grow with the increasing popularity of heli-tourism. Thus, there is huge potential in civil sector, including in MRO activities. HAL

## Multi-role Transport Aircraft (MTA)



Artist's impression of  
Multi- role Transport Aircraft (MTA)

### Technical / Design Features

Weight Category	:	15-20 Ton Cargo
High wing, T-tall with rear ramp door	:	Required for Para dropping, aerial delivery & cargo loading
Modern Aircraft systems	:	Glass cockpit, Digital Fly-by-Wire flight controls
Reinforced floor	:	Suitable for carrying heavy equipment like Armored Personnel Carriers, Field Guns and Helicopters

has the capabilities to lead the development and support the growth of the civil aviation.

Currently, HAL has a proven helicopter for civilian use and a dedicated capacity to manufacture transport aircraft at its Kanpur facilities where Avro and Dornier – 228 Aircraft have been manufactured. The Company plans to enhance its activities in the civilian sector and develop a suitable strategy to support the Indian civil aviation market.

The future of warfare lies with Unmanned Aerial Vehicles (UAVs) and Indian defence requirements are no different. The USA and Israel plan to deploy manned vs. unmanned systems in a ratio of 1:1. By 2030, Israel plans to have 205 manned platforms and 200 unmanned platforms with 40 per cent of its missions being undertaken by UAVs. At present the USAF deploys 5000 UAVs. Indian defence forces have projected requirements for various types of UAVs. HAL is currently producing the PTA-Lakshya, which is a target system and will take this opportunity to enter this business segment.

### ACKNOWLEDGEMENT

There are many milestones to cross, and I am sure I can draw upon our collective wisdom and the efforts of the dedicated professionals who constitute the world-class team at HAL to take this Company to even greater heights in the future.

I sincerely thank and acknowledge all the external agencies viz., DGAQA, CEMILAC, Principal Director Commercial Audit, C&AG, Statutory and Branch Auditors, Legal Advisors, Collaborators and Partners, Suppliers, Bankers, and other Government Agencies for their unflinching support.

I also wish to express my sincere gratitude to all the officers and employees of the HAL family for their dedication, commitment and continued support and thereby contributing substantially to the success of the Company.

I thank all my colleagues on the Board for their resolute support and consistent encouragement. Finally, I extend my sincere gratitude to the Department of Defence Production, Defence Acquisition and Defence Finance, Department of Civil Aviation and our valued customers viz., the Indian Air Force, Army, Navy and Coast Guard.

Now I move the Directors' Report, Balance Sheet as at 31st March, 2012, Statement of Profit and Loss for the year ended 31st March, 2012 for consideration and adoption.

Place : Bangalore  
Date : 26th September, 2012

(R. K. Tyagi)  
CHAIRMAN

## DIRECTORS' REPORT

To,

The Members of HAL

Dear Members,

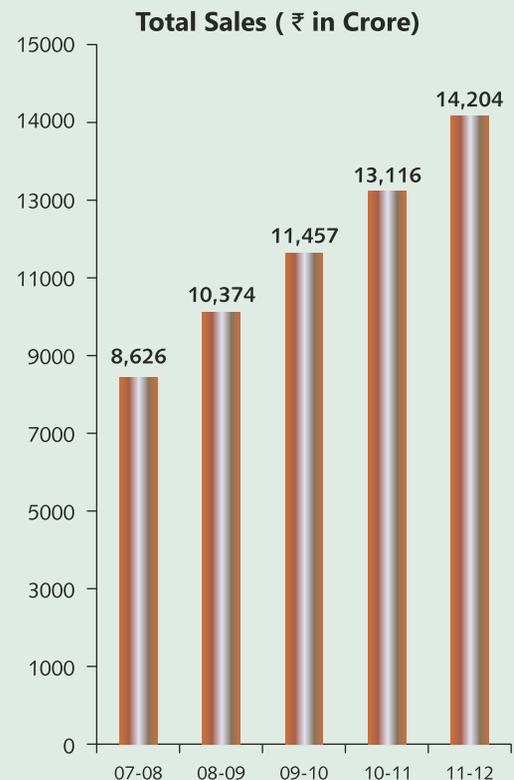
The Directors are pleased to present the 49th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2012 along with the Auditors' Report and Report on the Accounts by the Comptroller and Auditor General of India.

### OPERATING RESULTS

During the year, your Company has registered a record turnover of ₹ 14,204.21 crore, with a growth of 8.30 per cent over the previous year and Profit Before Tax of ₹ 3,328.52 crore as compared to ₹ 2,839.52 crore in the previous year. The net worth of the Company has gone up from ₹ 9,745.22 crore to ₹ 11,338.60 crore in 2011-12 registering an increase of 16.35 percent.

The Financial highlights of the performance during 2011-12 are summarised below :-

<b>Financial Highlights</b>		
	<b>(₹ in Crore)</b>	
<b>PARTICULARS</b>	<b>2011-12</b>	<b>2010-11</b>
Turnover	14,204.21	13,115.50
Exports	348.33	237.38
Profit Before Tax	3,328.52	2,839.52
Provision for Tax	789.09	725.26
Profit After Tax	2,539.43	2,114.26
R&D Expenditure	967.51	986.96
<b>APPROPRIATION</b>		
Interim Dividend on Equity Shares	747.70	299.95
Proposed Final Dividend on Equity Shares	66.30	123.17
Total Dividend	814.00	423.12
Tax on Dividend	132.06	69.44
Transfer to General Reserve	1,593.38	1,621.70



### DIVIDEND

A dividend of 675.52 per cent on the Paid up Share Capital of ₹ 120.50 crore amounting to ₹ 814.00 crore has been recommended for the year 2011-12, compared to 351.14 per cent in 2010-11.

First interim dividend of ₹ 48.20 crore was paid based on the half yearly Accounts. Second interim / special dividend of ₹ 699.50 crore based on the nine-monthly operations was declared, thus interim dividends totalling to ₹ 747.70 crore were paid to the shareholders.

A table showing the dividends paid by the Company on equity shares for the years 2011-12 and 2010-11 is given below:-

Particulars	Number of Shares	2011-12				2010-11	
		Dividend per share of ₹ 10/- (in ₹)	Dividend amount (₹ cr.)	Dividend Tax (₹ cr.)	Total outflow (₹ cr.)	Dividend per share (in ₹)	Total outflow including Dividend Tax (₹ cr.)
First Interim Dividend	12,05,00,000	4.00	48.20	7.82	56.02	4.00	56.20
Second Interim Dividend	12,05,00,000	58.05	699.50	113.48	812.98	20.89	293.57
<b>Sub-Total</b>		62.05	747.70	121.30	869.00	24.89	349.77
Final Dividend	12,05,00,000	5.50	66.30	10.76	77.06	10.22	142.79
<b>TOTAL</b>		67.55	814.00	132.06	946.06	35.11	492.56

The total outflow as Dividend on the equity shares of the Company excluding the Dividend Tax for the year 2011-12 translates to 32 per cent of the Profit After Tax.

#### TRANSFER TO RESERVES

Your Company proposes to transfer ₹ 1,593.38 crore to the General Reserve out of the amount available for appropriations.

#### PERFORMANCE AGAINST MOU

Under the Government criterion of performance evaluation, your Company has been achieving "Excellent Rating", for its performance for the 11th year running. Your Company is likely to be adjudged as 'Excellent' for the year 2011-12 once again.

#### CREDIT RATING / FINANCE

The Company maintained the highest credit rating for both, short-term as well as long-term debt programme, for ₹ 450 crore each from the Investment Information & Credit Rating Agency (ICRA). This has enabled the Company to source funds at the best possible rates, thereby improving the profitability.

HAL continues to be a 'Zero-Debt' Company. It has been availing Cash Credit facility from the Bankers to meet its short-term requirements from time to time. The cash and bank balances, including short-term deposits at the end of the year under review stood at ₹ 21,932.52 crore against ₹ 20,099.29 crore of the previous year.

#### SIGNIFICANT ACHIEVEMENTS

The significant achievements during the year are as follows:-

- The Company produced 78 aircraft and helicopters along with engines and accessories. The production includes Su-30MKI, Hawk, Advanced Light Helicopter (ALH), Dornier Do-228, Chetak, PTA and Limited Series Production (LSP) of the Light Combat Aircraft (LCA) and Intermediate Jet Trainer (IJT).
- Further, during the year, the Company has produced 127 New (Category A) Engines, Overhauled 213 Aircraft/Helicopters and 460 Engines.
- Eight Dornier-228 Aircraft were upgraded with new avionics. The Transport Aircraft Division, Kanpur, delivered the aircraft ahead of the schedule.
- On the Design and Development front, major milestones were achieved with the first flight of Light Combat Helicopter (LCH) Technology Demonstrator-2 (TD-2) and Light Combat Aircraft (LCA) LSP-7.

## DIRECTORS' REPORT



*Hon'ble Defence Minister Shri A. K. Antony sharing a moment with Chairman & Directors of HAL during Defexpo 2012.*

- First flight of LCH-TD-2 was carried out on 28th June, 2011. TD-2 is built with weight-reduced parts and optimised transmission system and also incorporates several improvements based on flight evaluation of TD-1 and Design reviews carried out.
- LCA LSP-7 made its maiden flight on 9th March, 2012. The Aircraft was built, incorporating the resolution of Request for Actions (RFAs) arising out of Customer observations and Design changes. The Aircraft will be used by the IAF for user trials.
- Significant milestone was achieved towards certification of weaponised version of the ALH by completing all flight trials for Turret Gun and Rocket.
- Significant progress has been made in design and development activities on Light Utility Helicopter (LUH) with the completion of detailed design and analysis for all the structural parts and analysis for structural assembly. Design of assembly jigs also completed.
- To enhance self-reliance and to overcome obsolescence, 3,204 types of spares and equipment of aircraft/engine/accessories were indigenised during the year. The projected Foreign Exchange saving is of the order of ₹ 57.24 crore per annum.

## ORDER BOOK

Major orders received during the year under review were for Mirage 2000 Upgrade, Dornier Do-228 and Cheetal.

## EXPORT AND PARTICIPATION IN AIRSHOWS

Exports continue to be a key thrust area for HAL towards achieving the Company's mission to become a significant player in the Global Aerospace industry. The indigenously developed products namely ALH, IJT, LCA besides products under development such as LUH, LCH, HTT-40 etc., will be offered to the prospective buyers.

Export orders worth ₹ 571 crore were booked during 2011-12, which included orders for supply of Dornier in maritime role to Seychelles, Cheetal Helicopters to Afghanistan, Avionics for Su-30 to Rosoboronexport, Avionics of MiG 29 K to RAC-MiG, Russia and Uplock Box Assy for B-777 to Boeing, USA.

During the year under review, the Company participated in various leading international air shows, viz. LAAD 11-Brazil, Paris Air Show 2011, MAKS-11 at Moscow, MSPO 2011-Poland, DSEi 2011-London, ADEX 2011-South Korea to showcase its products and capabilities.

Your Company has explored new export markets for Defence supply of P8-I Weapons Bay Door, P8-I Tailcone and for civil supply, B-777 Flaperon Assembly to Boeing, USA.

During the year, the Company's exports have grown by 47 per cent over the previous year, which stands at ₹ 348 Crore. The exports include supply of Helicopters, Repair, Overhaul, Work Packages, Castings, Forgings and Avionics to around 20 countries.



*A view of HAL stall at Defexpo 2012*

## DIRECTORS' REPORT

### OFF-SET

The Company has developed a strategy to enhance exports by utilising the opportunities arising out of planned defence acquisitions of the Government of India with off-set obligations. The Company aspires to develop new customers and new engineering packages and is currently in discussion with major aerospace companies on various identified work-packages to forge long term partnerships and achieve a steady growth in exports.

The Company has established its credibility through supply of high precision structural and composite work packages and assemblies to global aviation majors like Airbus, Boeing, RUAG, Honeywell etc. Follow-on orders from Airbus and Boeing reaffirm customer confidence in HAL's export performance in terms of quality, delivery and reliability.

## LIGHT COMBAT HELICOPTER - LCH

### FEATURES

- Combat operations
- Narrow fuselage with Tandem seating
- Armour protection
- Night Attack capability
- Weapons: Gun, Rockets, Missiles + Electronic Warfare Suite



## OUTSOURCING

The Company has developed Tier-3 suppliers over a period of time. A road map to develop Tier-2 suppliers for development and manufacture of parts as per specifications, major sub-assemblies and Tooling etc., had been drawn with a view to develop indigenous vendors.

As against the target to outsource work content equivalent to 115 lakh Standard Man Hours (SMH), the Company has achieved 117.99 lakh SMH. The value of the outsourcing orders placed during the year is ₹ 280 crore, which was around 25% of the estimated average annual work load.

The following table summarises your Company's performance at outsourcing over the last 4 years :-

(SMH in Lakh)	08-09	09-10	10-11	11-12
In House Work Load	316	347	367	368
Outsourced SMH	112	107	119	118
Value of Outsourcing (₹ Crore)	305	218	261	280



Light Combat Helicopter

## DIRECTORS' REPORT



Intermediate Jet Trainer (IJT)



Light Combat Aircraft (LCA) - Tejas



Advanced Light Helicopter (ALH) WSI - Rudra

During the year, purchases to the tune of ₹ 350.10 crore were made from 364 Small Scale Units.

### RESEARCH & DEVELOPMENT (R&D)

The Company conducts in-house as well as collaborative R&D to develop new products and technologies. An expenditure of ₹ 967.51 crore was incurred on various R&D projects during the year.

The major R&D / development projects being pursued by the Company as well as progress achieved during the period under review is given below:-

#### INTERMEDIATE JET TRAINER (IJT)

The Company has resolved the problem faced following the incident on Prototype-1 (PT-1) aircraft and resumed the test flights of IJT with effect from February 2012. Second Prototype (PT-2) Aircraft was test flown with redesigned primary control circuits (Rudder, Elevator & Aileron) to improve its stiffness. The tasks pending to attain Initial Operation Clearance (IOC) of IJT will be completed during 2012-13.

#### LIGHT COMBAT AIRCRAFT (LCA)

Your Company is the major partner of Aeronautical Development Agency (ADA) for design & development of the Light Combat Aircraft (Tejas). During the year the development programme has progressed towards IOC and 196 flights were carried out on 4 Prototype vehicles and 6 Limited Series Aircraft. The cumulative number of flights completed so far is 1810.

The major flight evaluation conducted towards IOC were Parametric identification with asymmetric stores, Weapon trials, Sea level performance, Flutter trials of store configurations, Jettison trials of heavy stores and Night Flying consisting of Moon Phase and Dark Phase.

The IOC of Phase I was accorded on 10th January, 2011 and the IOC of Phase II is expected in 2012-13.

#### ADVANCED LIGHT HELICOPTER (ALH) - WSI

ALH-WSI program has progressed towards IOC (Phase-1), which is likely to be completed in the second quarter of 2012-13. The following major flight evaluation phases were conducted as part of development/upgradation program:

- Functional test flights and Firing of Boosted Non Guided (BNG) Air to Air Missiles (ATAM).
- Firing of Flares with improved Flare and Chaff Dispenser (FCD) system and flight testing for dispensing of Chaffs and Flares in mixed mode configuration.
- Rocket accuracy firing trials and Turret Gun firing trials in integrated configuration.
- Stability & Performance flights on the Helicopter in fully equipped configuration.
- Air to Ground Missile (ATGM), Obstacle Avoidance System, Infra Red (IR) Jammer and Data Link are planned in Phase II program.

#### **LIGHT COMBAT HELICOPTER (LCH)**

The development of Light Combat Helicopter (LCH) progressed satisfactorily during the year. The first Flight test of Technical Demonstrator (TD -2) of LCH was carried out on 28th June, 2011.

The TD-2 is built with weight-reduced parts and Optimized Transmission System (OTS). Several other Design changes based on TD-1 flight evaluation have been incorporated in the TD-2. Flight evaluation on TD-1 and TD-2 progressed and cumulative of 99 flights were completed until March 2012.

#### **LIGHT UTILITY HELICOPTER (LUH)**

Considerable progress has been made in the Design and Development of LUH, a project launched in 2009. The following milestones have been achieved in the program :-

- Design Freeze with concurrence from Army and Air Force HQs
- Wind Tunnel Model Fabrication, testing and analysis
- Transmission & Rotor Design and start of fabrication of jigs, fixtures and components
- Detail Design and analysis for all the structural parts and analysis for structural assembly
- Design of assembly jigs

A Global Tender / Request for Proposal (RFP) was floated for selection of engine in July 2011 and the process of selection of the engine is in progress.



Light Utility Helicopter - LUH (Mock Up)



Jaguar Darin III (Under Upgradation)



Fifth Generation Fighter Aircraft - FGFA (Under Co-development)

## DIRECTORS' REPORT



*Vice Admiral Satish Soni, AVSM, NM, Deputy Chief of Naval Staff (centre), Shri R. K. Tyagi, Chairman HAL (third from right) Dr. V. K. Saraswat, Scientific Advisor & DG (DRDO) (second from left), Shri P. S. Subramanyam, Director of ADA (left) and officials from HAL and DRDO during the maiden flight of LCA Naval Version (NP-1) at HAL Airport, Bangalore, on 27th April, 2012.*



### **JAGUAR DARIN III Upgrade Programme**

The modification work on the first prototype Jaguar Darin III Aircraft (maritime version) has been completed and is in advance stage of readiness for commencing flight. Engine Ground Run has been completed with conventional instruments in lieu of MFD and EFIS. Modification work on 2nd (Strike) and 3rd (Trainer) Prototype is in progress.

### **NEW PROJECTS**

#### **MULTI-ROLE TRANSPORT AIRCRAFT (MTA)**

The Business Plan of Multirole Transport Aircraft Limited (MTAL), set up in collaboration with the Russians for co-design/co-development of the Multi-role Transport Aircraft, was finalised. Further, the partners agreed on the work share during Design & Development phase.

A General Contract for MTA was signed with the Russians containing inter-alia, the technical aspects, time schedule, scope and broad terms & conditions for execution of the co-design/development program. The Preliminary Design Phase (PDP) Contract will be finalised during the year 2012-13. The Project is being executed by MTAL, a Joint Venture Company of HAL and the Russian Partners.

#### **FIFTH GENERATION FIGHTER AIRCRAFT (FGFA)**

The project for co-design/development of Prospective Multi-Role Fighter aircraft (PMF), a Fifth Generation Fighter Aircraft (FGFA) had been taken up in collaboration with the Russians namely Sukhoi Design Bureau (SDB) and Rosoboronexport (ROE).

Further to conclusion of the Preliminary Design Phase (PDP) Contract, the design activities are in progress. Training in Special software to HAL Designers has been completed. FGFA Design Wing at ARDC became operational in September 2011 and preliminary discussions were held on R&D contract with the Russian Partners. Indian Specialist Designers have been deputed to Sukhoi Design Bureau, Moscow for joint design activities.

Preliminary Design activities are planned to be completed by  $T_0 + 18M$ .

#### **BASIC TURBOPROP TRAINER AIRCRAFT (HTT-40)**

Your Company had approached the Government of India for approval to undertake Design & Development of a Basic Turboprop Trainer Aircraft designated as HTT-40 to replace the existing HPT-32. Pending approval of the Ministry of Defence, the Company has launched the programme and the following progress has been made:-

- Aircraft Configuration frozen & Numerical Master Geometry finalised
- Wind tunnel model fabrication and testing completed
- IT Infrastructure augmentation is under progress
- System specifications are ready and Line Replacement Unit (LRU) list are being drawn up.
- RFP will be issued shortly

#### **NEW PROGRAMS LAUNCHED**

During the year under review, the following new programs have been launched:-

- Series production of AL-55-I Engine at Engine Division, Koraput
- Technology development of Health & Usage Monitoring System (HUMS) by Avionics Division, Korwa
- Development of Advanced Flight Data Analysis System (AFDAS) for MiG-27 Upgrade by Avionics Division, Korwa
- Flight test facility modernisation at RWRDC, Bangalore

#### **JOINT VENTURE COMPANIES**

Your Company has promoted and established 11 Joint Venture Companies (JVCs) in collaboration with the leading international aviation and / or Indian organisations with a view to develop technologies, and new products with risk sharing. The JVCs support the Company's endeavour towards upgradation of capabilities, acquisition of cutting edge technologies in the field of design, manufacturing, product support, information technology and other services. The Ministry of Defence has issued certain guidelines for establishment of JVCs by Defence PSUs.

The Annual Accounts contains relevant disclosures with regard to the Assets, Liabilities, Income and other details of the JVCs. Out of 11 JVCs, 2 JVCs i.e., International Aerospace Manufacturing Private Limited and Multirole Transport Aircraft Limited are yet to commence commercial production. Total investment of ₹ 82.24 crore has been made in the equity

## DIRECTORS' REPORT



*Advanced Light Helicopter - DHRUV final assembly shop*

capital of the JVCs as on 31st March, 2012. During the year under review, the total turnover reported by the JVCs is to the tune of ₹ 18,979.51 lakh as per the details given below :-

Sl. No.	Name of the JVC	HAL share holding (%)	Turnover <sup>+</sup> (₹ in Lakh)	Profit Before Tax <sup>+</sup> / (Loss) (₹ in Lakh)
1	BAeHAL Software Limited	49	2538.00	(178.00)
2	Indo Russian Aviation Limited	48	5301.32	1075.00
3	Snecma HAL Aerospace Private Limited **	50	3469.50	192.13
4	Samtel HAL Display Systems Limited	40	4796.06	103.54
5	HAL Edgewood Technologies Private Limited	50	135.87	(44.91)
6	HALBIT Avionics Private Limited	50	1471.33	32.87
7	Infotech HAL Limited	50	222.40	(110.55)
8	TATA HAL Technologies Limited	50	495.91	(163.65)
9	HATSOFF Helicopter Training Private Limited	50	549.12	(1779.91)
10	* International Aerospace Manufacturing Private Limited	50	*	*
11	* Multirole Transport Aircraft Limited	50	*	*

\* JVCs yet to commence commercial production

\*\* Financial year ending 31.12.2011

+ Provisional

## QUALITY AND SAFETY

All the Divisions of your Company continued to maintain 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 National Aerospace Defence Contractors Accreditation Programme (NADCAP) certification (USA) for special processes such as Non Destructive Test (NDT), Heat Treatment, and Welding.

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

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

Your Company is participating in periodic fleet Recovery Meetings with the IAF, IA, IN, ICG to discuss and find solutions to all issues affecting fleet serviceability.

## HR DEVELOPMENT

The strength of the employees marginally reduced to 32,659 as on 31st March, 2012 from 33,681 as on 31st March, 2011, resulting in a net decrease of 1,022 personnel. During the year, inductions were made taking into consideration the future requirements, the workload and the age profile of the existing employees.

In order to address the organisational development needs, various management development programs as well as technology programs were organised during the year. The officers were sponsored for Post Graduate Programmes, at Cranfield University, UK; Management Development Institute (MDI), Gurgaon; International Management Institute (IMI), Delhi; and the Indian Institute of Technology (IITs) at Kanpur, Kharagpur, Madras and Roorkee to provide opportunity to further build their knowledge base and competencies.

The HAL Management Academy trained 3,553 executives from different Divisions in various learning and development courses / programme. The Academy conducted 17 competency development programmes at various IIMs for the senior officers. In addition, 33 projects to enhance the effectiveness of training were initiated after the programme at IIM Bangalore. A total of 2,728 Apprentices completed training under the Apprentices Act, 1961.

## 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, 2011 AND 1st JANUARY, 2012

Category (Grade / Scale of Pay)	Total strength as on		Number of SCs as on		Number of STs as on	
	1.1.2011	1.1.2012	1.1.2011	1.1.2012	1.1.2011	1.1.2012
A (Grade-II and above)	8,141	8,454	1,454	1,515	450	485
B (Grade-I)	1,560	1,068	265	172	95	66
C (Scales-3 to Special Scale)	23,820	23,339	4,166	4,052	1,581	1,597
D (Scales -1 & 2)						
i) Excluding Safai Karamcharis	36	28	15	10	1	1
ii) Safai Karamcharis	2	4	1	2	-	-
<b>TOTAL</b>	<b>33,559</b>	<b>32,893</b>	<b>5,901</b>	<b>5,751</b>	<b>2,127</b>	<b>2,149</b>

## DIRECTORS' REPORT

RECRUITMENTS MADE DURING THE PERIOD 1st JANUARY, 2011 TO 31st DECEMBER, 2011 AND THE SCs, STs AMONGST THEM

Category (Grade / Scale of Pay)	Total number of posts filled	Number of Reservations made for		Number of posts filled by appointment of	
		SCs	STs	SCs	STs
A (Grade-II and above)	91	12	02	11	01
B (Grade-I)	34	03	14	04	12
C (Scales-3 to Special Scale)	681	84	69	89	81
D (Scales 1 & 2)					
i) Excluding Safai Karamcharis	-	-	-	-	-
ii) Safai Karamcharis	-	-	-	-	-
<b>TOTAL</b>	<b>806</b>	<b>99</b>	<b>85</b>	<b>104</b>	<b>94</b>

VACANCY BASED PROMOTIONS MADE DURING THE PERIOD 1ST JANUARY, 2011 TO 31ST DECEMBER, 2011 AND SCs AND STs AMONGST THEM

Category (Grade / Scale of Pay)	Total number promoted	Number of Reservations made for		Number of posts filled by promotion of	
		SCs	STs	SCs	STs
A (Grade-II and above)	1,378	-	-	309	57
B (Grade-I)	91	10	5	16	01
C (Scales-3 to Special Scale)	-	-	-	-	-
D (Scales 1 & 2)					
i) Excluding Safai Karamcharis	-	-	-	-	-
ii) Safai Karamcharis	-	-	-	-	-
<b>TOTAL</b>	<b>1,469</b>	<b>10</b>	<b>5</b>	<b>325</b>	<b>58</b>

### EMPLOYEE RELATIONS (ER)

The ER scenario in the Company has been peaceful, healthy and cordial. The Company continues to encourage participative culture in its management through consultative approach with the collective by establishing harmonious relations. The HR Policy of the Company provides for employee participation in various activities such as suggestion scheme, quality circles, welfare, Plant and Shop-level Committees, Bipartite Forums and quarterly meetings with the union / officers association for establishment of mutual trust and understanding between the Management and the employees.

Introduction of "HAL-Connect" an e-magazine and bi-weekly newsletter "MSM" have provided an opportunity to the employees to freely communicate their views and suggestions across the Company.

### CORPORATE SOCIAL RESPONSIBILITY (CSR) & SUSTAINABLE DEVELOPMENT (SD)

The Company has been implementing Corporate Social Responsibility initiatives through various Community Development activities, over the years. Programmes for the welfare of the nearby villages such as development of Infrastructure facilities, Drinking water facilities, Organising Medical Camps, AIDS Awareness Programs, Family Planning Camps, Immunization, Ante Natal Checkup, Health Examination of children, Sports Tournaments, Assistance to School Children, Afforestation, etc., are examples of such initiatives.



*HAL signed MoU with NLSIU, Bangalore to establish "HAL Defence Public Sector Chair in Business Laws" at National Law School. Standing from L to R, Dr. A. K. Mishra, Director (Finance), Prof. (Dr.) R. Venkata Rao, Vice-Chancellor, National Law School of India University, Shri Anantha Agasthya, Executive Director (HMA), Shri V. M. Chamola, Director (HR) & Shri T. Sudhakar Rao, Executive Director (HR).*

## DIRECTORS' REPORT

The Company's CSR & SD Policy is in line with Government guidelines, and strives to strengthen the bond between the Company, society and the environment and create opportunities for inclusive growth. The salient features of the Policy are:-

- Implementation of CSR & SD activities through two categories i.e., Company-wide and Division-specific.
- A corpus fund would be created by allocating upto 2% of the Profit After Tax, Dividend, etc. through budget allocation and un-utilised amount would not be lapsed.
- Division-specific CSR & SD activities/projects to be undertaken keeping in view the Budget available and specific needs in the region / society where the Division is located, in consultation with the "CSR & SD Committee" in the Divisions.

For the Financial year 2011-12, the Company has undertaken various CSR & SD activities and spent ₹ 5.82 crore, mainly in the areas such as providing facilities to Schools, arranging Health Camps & Sports Tournaments etc. in the nearby villages.



*Solar Street Lights installed by Nasik Division at Dixi Village under CSR activities*



### RAJBHASHA IMPLEMENTATION

In consonance with the provisions of the Policy of Official Language, Official Language Act 1963 and Rules 1976, HAL is committed to the implementation of Hindi in the Company. All out efforts are made to propagate Hindi by organising various programmes at Divisional and Corporate Levels. Hindi Utsav, at Corporate level is organised every alternate year, to encourage employees to use Hindi in their day-to-day official work. HAL has introduced an incentive scheme to encourage employees to work in Hindi. Employees including Officers at the senior level are taking part in various Hindi activities and this inspiration percolates and encourages participation at all levels.

The Company has prepared Standard Manuals in Hindi and formats of daily usage are also available in Hindi and English. The documents to be placed before Committees of the Parliament and various important notes to be submitted to the Government are prepared in Hindi. The atmosphere for use of Hindi in the Company is congenial and encouraging.

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

The 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.

### IT INITIATIVES

Implementation of ERP has been completed in Helicopter – MRO, Composite Manufacturing Division and all Production Divisions of the Company. For new Profit Centres, implementation had commenced during the previous year.

As part of e-Governance initiative, e-Procurement has been implemented in the Company. Your Company has launched its e-Procurement portal on 1st September, 2011 in compliance with CVC guidelines having Public Key Infrastructure (PKI) based security. The e-Procurement portal caters three major procurement domains of the Company viz. IMM, Outsourcing and Works.

Your Company has also initiated action to establish its own Tier II Data Center to cater to Internet and Intranet based applications which will be operational by October 2012.



*Free Health Camp at HAL Koraput Division*



*Free Eye Camp at HAL Hospital, Bangalore*

## DIRECTORS' REPORT



HAL received the Raksha Mantri's award for Excellence in Performance for 2009-10. The award was handed over by Hon'ble Defence Minister, to then Offg. Chairman, Shri P. V. Deshmukh, HAL on 14th November, 2011. HAL has also received RM's award for Excellence in Performance and for Design efforts for the year 2010-11.

### AWARDS & RECOGNITIONS

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

#### A. Company level

- "MOU Excellence Award" for the year 2009-10 (Top Ten Public Sector Enterprises). The Company has been receiving this award consecutively since 2001-02.
- "Regional Export Award" from EEPC India for the year 2009-10.
- "Best Exporter Award 2011 in special category (Gold)" from the Federation of Karnataka Chambers of Commerce & Industry (FKCCI).

#### B. Divisional level

- **Avionics Division, Korwa:** Raksha Mantri's award for Excellence 2009-10 in the category of Import substitution.
- **Aerospace Division, Bangalore:** Gold Medal award by the Society of Aerospace Manufacturing Engineers (SAME), Trivandrum, for the year 2010 for outstanding contributions in the field of Aerospace Manufacturing.
- **Overhaul Division, Bangalore:** "UTTAMA SURAKSHA PURASKARA" award from the National Safety Council - Karnataka Chapter, in recognition of best safety performance and management system for the year 2009-10.
- **Aircraft Manufacturing Division, Nasik:** Gold Green-tech Environment Excellence award-2011 in the aviation sector from Greentech Foundation, New Delhi.

- **Foundry and Forge Division, Bangalore:**

- First Prize for the Best Exhibition Stall in the International Conference and Exhibition (INCAL) on Aluminium, held from 6th to 8th December, 2011 at Hyderabad for displaying high-end technologies, capabilities and its products.
- The Quality Circle team "Superfinish" won "Distinguished award" in ICQCC 2011 (International Convention on Quality Control Circles) held in Japan in October, 2011.
- Four Quality Circles won the "Gold Category" award from CCQC-Bangalore Chapter.

- **Avionics Division, Hyderabad:** The Quality Circle team "Novel" won "Distinguished award" in ICQCC 2011 (International Convention on Quality Control Circles) held in Japan in October, 2011.

- **Composite Manufacturing Division, Bangalore:** The Quality Circle team "Pragathi" won "Distinguished award" in ICQCC 2011 (International Convention on Quality Control Circles) held in Japan in October, 2011.

## VIGILANCE

As part of preventive vigilance, an interactive session "Sampark", is being conducted in the Divisions. The executives and employees participate in such interactive sessions and doubts raised are clarified by the Vigilance Team. Wherever considered necessary issues are also referred to the management for intervention.

The Annual Vigilance Talk, a new initiative to invite eminent personalities in the field of anti corruption to share their thoughts and experiences has been introduced.

A Vigilance Awareness week was observed throughout the Company from 31st October, 2011 to 5th November, 2011, with an emphasis on "Participative Vigilance". In addition, Vigilance Officers Conference and Vigilance Awareness programmes were held during the year.



*G150 Fuselage Assembly line*

## DIRECTORS' REPORT

During the year, surprise and routine checks were carried from a preventive vigilance angle and issues requiring intervention by the Management were communicated to them.

### RISK MANAGEMENT POLICY

The Company has well laid down systems, procedures, guidelines, manuals in various areas providing for mitigation of risks. In order to update the Risk Management in HAL, a Committee has been formed to review the prevailing system and submit its Report. The Report of the Committee will be put up to the Audit Committee / Board.

### BOARD OF DIRECTORS

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

Shri R. K. Tyagi has been appointed as Chairman of the Company with effect from 2nd March, 2012. He took over the charge from Shri P. V. Deshmukh, Managing Director (MiG Complex) who was Officiating Chairman from 1st November, 2011 to 2nd March, 2012.

Shri Ashok Nayak, ceased to be the Chairman of HAL consequent on superannuation on 31st October, 2011.

Shri V. M. Chamola and Shri K. Naresh Babu have been appointed as Director (HR) & Managing Director (Bangalore Complex) with effect from 27th July, 2011 and 5th September, 2011 respectively.

Dr. A. K. Mishra has been appointed as Director (Finance) with effect from 28th October, 2011.

Shri T. Suvarna Raju has been appointed as Director (Design & Development) with effect from 1st February, 2012.

Sqn. Ldr. (Retd.) Baldev Singh, Director (Corporate Planning & Marketing) ceased to be Director with effect from 11th October, 2011.

Shri R. Srinivasan, Director(HR), Shri N. C. Agarwal, Director (D&D) and Shri D. Balasunder, MD(BC) ceased to be Directors with effect from 31st May 2011, 30th June 2011 & 31st August 2011, respectively consequent on superannuation.

The post of Director (Corporate Planning & Marketing) is vacant. Shri K. Naresh Babu, MD(BC) is holding additional charge of the post of Director(CP&M). Action has been initiated by the Government to fill up the vacancy.

### 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 alongwith 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, 2012 on a 'going concern' basis.

### AUDITORS

M/s. Dagliya & Company, Chartered Accountants, Bangalore were appointed as Statutory Auditors for auditing the Accounts of the Company for the year ended 31st March, 2012 and 20 firms of Chartered Accountants were appointed as Branch Auditors.

### AUDITORS' REPORT

Auditors' Report on the Annual Accounts for the financial year 2011-12 and comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 are appended to this Report.

**CORPORATE GOVERNANCE**

The Certificate on Compliance of the policy/DPE Guidelines on Corporate Governance along with Secretarial Compliance Certificate by the Practicing Company Secretary i.e. V. Sreedharan & Associates, Company Secretaries, are annexed to this Report.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion and Analysis Report as per the Policy on Corporate Governance is annexed 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 were in receipt of remuneration of more than ₹ 5 lakh per month or ₹ 60 lakh per year during the year.

**ACKNOWLEDGEMENT**

The Board gratefully acknowledges the support and patronage extended to the Company by the valued customers, in particular the Defence Services.

The Directors wish to place on record 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 express their sincere thanks to 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 place on record their deep appreciation of the valuable services and dedicated efforts of the members of HAL family towards the Company's achievements during the year 2011-12.

For and on behalf of the Board of Directors



**R. K. TYAGI**  
CHAIRMAN

Dated : 25th September, 2012

Place : Bangalore

## HAL IN AEROSPACE STRUCTURES

India's growing involvement in space exploration is reflected in the establishment of a world-class manufacturing base for space-worthy hardware.



*PSLV- C19 successfully launched RISAT -1 (inset)*

The Aerospace Division of HAL has the technical expertise to fabricate large size Aluminium Alloy riveted structures, welded propellant tanks and water tanks. Currently under production are the Light Alloy Structures for the Polar Satellite Launch Vehicle (PSLV), Geo-stationary Launch Vehicle (GSLV MkII), Indian Remote Sensing Satellite (IRS), Indian National Satellite (INSAT) and the structures and welded tanks for the Cryogenic upper stage of GSLV MkII. The Division has taken up full equipping and integration of the strap on L – 40 stage for GSLV MkII and also manufacture of all riveted structures & welded tankages for a larger GSLV MK III vehicle with enhanced capabilities.

## HAL DELIVERS MARS ORBITER MISSION SATELLITE STRUCTURE TO ISRO

Hindustan Aeronautics Limited (HAL) has handed over the Mars Orbiter Mission Satellite Structure to ISRO Satellite Centre (ISAC) here recently. The mission is aimed at studying the climate, geology, origin and evolution of the red planet.

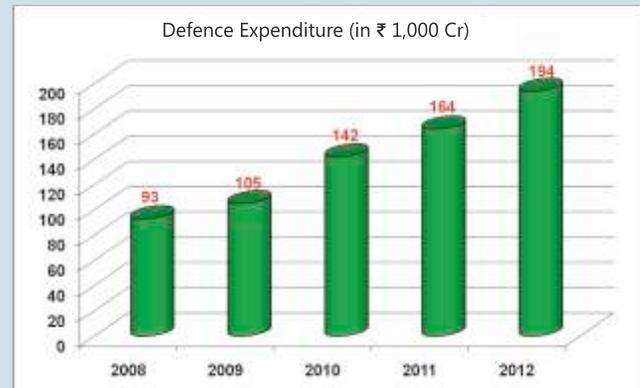


“The satellite structure is an assembly of composite and metallic honeycomb sandwich panels with a central composite cylinder”, says Shri R.K. Tyagi, Chairman, HAL. The assembly work was carried out at HAL’s Aerospace Division in Bangalore. ISRO will build the other satellite subsystems and scientific payload onto this structure. The completed satellite will ultimately embark on a nine month voyage to orbit planet Mars. During its orbit the satellite will be at a distance of 54.6 million kms away from Earth: the farthest any Indian satellite would have travelled.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### 1 Industry scenario

- 1.1 Owing to the global turn of events like European sovereign debt crisis, fiscal deficit challenges in the United States and other European countries, the global Aerospace and Defence (A&D) industry may not see any visible growth in the year 2012, but will be in line with the performance of 2011. While the commercial aircraft industry is looking up with higher production numbers and enhanced order collections, parts of the defence industry are declining due to decreased military spending principally in the United States and Europe.
- 1.2 It may be noted that US and European countries account for approximately 70% of the global defence expenditure. This change in the global perspective is forcing the major OEMs of the industry to change their business strategy towards expanding and strengthening their positions in the emerging markets like India, Brazil, South Korea, Saudi Arabia, UAE etc. It is assessed that due to this shift in focus on the emerging markets, the market would witness more aggressive competition and further streamlining of its cost structure.
- 1.3 In line with the trend in the emerging markets worldwide the A&D industry in India is on its expansion cycle driven by the Modernisation Plans, increased focus on Home Land Security and India's growing attractiveness as a "Home Market" defence sourcing hub. With a total defence allocation of ₹ 1.94 Lakh Crore for the year 2012-13, India is currently the 9th largest defence spender and has the 3rd highest growth rate, with an estimated 2.5% share in the global defence expenditure.
- 1.4 The defence industry in the country was until recently, dominated by the Defence Public Sector Undertakings (DPSUs). The private sector was mainly involved in supply of raw materials, semi finished products, parts & components to



defence PSUs and OFBs. The industry is undergoing a paradigm shift with the opening up of the industry for private sector participation.

- 1.5 During the last decade, the government has introduced a series of policy changes in the defence sector to create a strong industrial base combining both public and private sector, to promote indigenisation, to foster investments and promote the growth of the Indian defence industry. These include :-
- 100% participation of the private sector subject to licensing from the Department of Industrial Policy & Promotion
  - Foreign Direct Investment of upto 26%
  - Upto 80% funding in Research & Development costs
  - Assured orders and long term partnerships
  - Transparency in the Defence Procurement Procedures
- 1.6 The introduction of the concept of "Offsets" in the Defence Procurement Policy 2006 and reinforced in subsequent revisions has opened up new vistas with huge business potential to the Public and the Private sector companies in the country.
- 1.7 The thrust given by the government has yielded results and many major industrial houses in the country, have diversified into the A&D sector. News of collaborations and tie-ups between the Foreign OEMs who are the technology providers and the Indian companies is common. The Indian

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

defence Industry is also on the expansion cycle and augurs well for the establishment of a strong industrial base and enhancement in self reliance.

1.8 The Company has developed capabilities in the field of Aeronautics which can be utilised to diversify into civil aviation. So far 105 Nos. Dornier and 89 Nos. Avro (HS-748) have been manufactured and are being supported for maintenance. As per reports, the Civil Aviation traffic in India has increased nearly six-fold from 13 million passengers to around 60 million passengers in the last decade. It is expected that by 2030 nearly 1.2 billion passengers may be handled by domestic airlines. The Indian aviation industry has been growing at around 15-20% in the last two years. India is likely to become world's third largest aviation market by 2030. Your Company is developing strategy to support the Indian civil aviation market and diversifying into Civil Aviation including MRO business.

1.9 In India, the aerospace sector has been spearheaded by HAL and is reckoned as the Flag Bearer of Indian Aviation. Hindustan Aeronautics Limited, a Navratna PSU, a Premier Aerospace Company is the biggest DPSU in the country. HAL is currently ranked 36th for the year 2010 as per the Flight International Top 100 survey of aerospace manufacturing Companies.

### 2 Organisation Structure

2.1 The Company's business is presently organised into five Complexes headed by a Managing Director / Director, as given below:

- **Bangalore Complex** - Production, Repair & Overhaul of Fixed Wing Aircraft/ Engine (Indian & Western origin)
- **MiG Complex** - Production, Repair & Overhaul of Fixed Wing Aircraft / Engine (Russian origin)
- **Helicopter Complex** - Design, Production, Repair & Overhaul of Helicopters
- **Accessories Complex** - Production, Repair &

Overhaul of Accessories and Avionics

- **Design Complex** - Design & Development of Fixed Wing Aircraft

2.2 At present, HAL has 19 Production / Overhaul Divisions and 10 Research & Development Centres co-located with the production divisions across India. The Company has 32,659 employees on its rolls as on 31st March, 2012 including 9,543 executives, 13,766 technicians and 9,350 support staff.

2.3 The government had constituted an "Expert Group" in October, 2011 under the Chairmanship of Shri B. K. Chaturvedi, Member-Planning Commission, GoI, to strengthen and restructure HAL. The Group has given its recommendations and report to the Government.

### 3 Products & Services

3.1 The major products presently being manufactured include the Su-30 MkI fighter aircraft, Light Combat Aircraft (LCA), Advanced Jet Trainer (HAWK), Intermediate Jet Trainer (IJT), Dornier-228 transport aircraft, Advanced Light Helicopter (ALH), Cheetal Helicopter, besides upgradation of Jaguar aircraft, DO-228 aircraft, Cheetah and Chetak helicopters. In addition, HAL has been producing aerospace structures for Indian Space Research Organisation for their GSLV, PSLV, INSAT and IRS programs.

3.2 The Company has a comprehensive design and development set up and has vast experience in design and manufacture of a diversified range of aircraft and its systems. Out of 29 types of aircraft produced by the Company so far, 15 have been of indigenous design.

### 4 SWOT Analysis

#### Strengths

- Design Capability
- Manufacturing Infrastructure
- Skilled Manpower, Sound Financial and Order Book Position

- Good Customer Relations
- Strategic Alliances with R&D and Academic Institutions
- Good understanding of the Indian Defence market
- All Divisions certified with ISO-9001-2000 QMS

#### **Weakness**

- Dependence on import of raw materials
- Difficulties to access critical technologies
- Elaborate procedures with response time implications
- Limited Customer Base
- Lack of international certifications (FAA, EASA etc) for indigenous products
- Limitations to attract and retain talent

#### **Opportunities**

- Modernisation & Expansion of Indian Armed Forces
- Offset opportunities
- Growing Civil Aviation market in India
- Competitive price of indigenous products

#### **Threats**

- Aggressive product marketing by Foreign Companies
- Obsolescence of Technology / Products
- Attrition of skilled manpower
- Growing Competition in the Indian Defence Industry

### **5 Product-wise performance**

Keeping in view the nature of business and the sensitive nature of disclosure, it is considered prudent not to disclose segment-wise information, required as per Accounting Standard-17. Such non disclosure does not have any financial impact on the Accounts of the Company.

### **6 Outlook**

6.1 The Company with a vision "To become a significant global player in the aerospace industry" has chalked out plans and strategies to

put itself into the big league of global companies, while achieving the mission of becoming self reliant in supporting the Indian Defence Services. HAL a "Navaratna PSU" aspires to become a "Maharatna" PSU and break into the top 20 Aerospace Companies in the world, in the near future.

6.2 HAL with a turnover of ₹ 14,204.21 crore in the year 2011-12, is aiming for a further higher turnover in the year 2012-13.

6.3 The Company has drawn a Long Term Perspective Plan to realize its 'Vision' covering the period from 2012-2022 (i.e. up to the end of the 13th Plan). As per the Perspective Plan, the Company would achieve a Sales of ₹ 27,200/- crore by 2017. The Perspective Plan outlines the roadmap for HAL's march towards the 'Vision' through analysis of current position, defining strategies to be adopted to overcome challenges and to sustain growth. Detailed Plans for Technology Induction, Modernisation, Manpower, Collaborations etc., are being prepared in line with the overall strategy.

6.4 HAL is presently involved in the design & development of the Advanced Light Helicopter (ALH), the Light Combat Helicopter (LCH), the Light Utility Helicopter (LUH), the Intermediate Jet Trainer (IJT) and the Basic Trainer aircraft. Five years from now, HAL will have the ALH, the LCH, the LUH, the IJT and the Basic Trainer, fully certified in its product profile. HAL would have absorbed the state-of-the-art production technologies from the Medium Multi Role Combat Aircraft (MMRCA) project. HAL would have gained valuable design expertise in the design & development of fighter and transport aircraft and also absorbed the latest manufacturing technologies from the Russians in the Fifth Generation Fighter Aircraft (FGFA) and Multi-role Transport Aircraft (MTA) projects. HAL would be in a position to deliver homegrown

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

products to the Indian Armed forces as well as export the above products in significant numbers against competition from the global OEMs. To sum it up, in the next five years, HAL will have the manufacturing capabilities to deliver high quality products and compete with the global OEMs along with the design capabilities to develop the next generation products.

### 7 Measures to tackle Challenges

The risks, challenges and concerns that the aircraft industry in the country, and HAL in particular, are facing and the measures that have been taken by HAL are enunciated below:

- **Customer Orientation:** As the Indian Defence Services are the principal customers of HAL, ensuring a high level of customer satisfaction is essential and will be one of the key drivers for the growth of the Company.
  - The Company organises regular structured meetings with the principal customers wherein information on the issues and concerns of the customers are obtained. The feedback is thoroughly analysed and remedial action is put in place to address these issues keeping the customer informed.
  - These meetings are also used to gain insight into the operational and future requirements of the customers, which is used to evolve plans to develop/provide new products/services.
  - The Company is also planning to conduct a "Customer Satisfaction Survey" to evaluate the satisfaction levels, identify areas of concern and the expectations thereon. The feedback will be critically examined and necessary steps will be taken to improve the level of Customer support.
  - With a view to provide better service to the customers, as a new initiative, the Company will be offering Performance Based Logistics (PBL) Solutions to the Indian Defence Services in maintaining HAL-produced aircraft. Discussions
- are in progress with the customer for implementation of PBL for the Hawk aircraft. Thereafter, it is planned to extend the PBL solutions to ALH and IJT fleets.
- **Business Processes:** Over the years, the Company has developed various systems and processes for managing men, products and technology. Human resources are organised on a functional organisational structure or on the basis of project-oriented organisation structure. The process needs to be revamped to evolve lean, flexible business processes to adapt to the ever changing business environment.
  - The Company initiated the implementation of Enterprise Resource Planning (ERP) in the year 2005-06, to instill a knowledge regime for operational excellence across the Company. During the implementation, all the business processes in the organisation were reviewed by a core group of functional experts before mapping the same to the ERP system i.e., Business Process Re-engineering (BPR) was done concurrently with ERP. The Company has implemented ERP in all the Divisions across the organisation.
  - To improve the procurement process in the Company, in order to reduce cycle time, achieve transparency and improve effectiveness and efficiency, the Company has implemented the e-procurement system in September 2011. All procurements above ₹ 5 lakh are channelised through the e-procurement system.
  - To strengthen the supply chain management, a Vendors Meet had been organised to develop an environment of mutual trust and cooperation and to overcome the challenges of materials management.
- **Competitive Business Environment:** Opening up of the Defence sector to private sector participation, FDI and introduction of Offset have thrown up a lot of challenges for the Company to sustain growth in the emerging environment.

- A paradigm shift is being brought about in the business perspective of HAL, wherein it is shifting from a vertically integrated organisation to an aircraft integrator. Towards this, HAL is encouraging partnerships with the private industries in the areas of production and design & development. Many private industries are moving up from being suppliers of components to suppliers of sub-assemblies and systems to HAL. HAL has drawn up plans to outsource upto 30% of the manufacturing task. This would enable HAL to use the capacity more optimally and focus on core competencies.
- HAL pursues offset opportunities in two streams, one vide HAL acquisitions and the other vide MOD acquisitions. In all major HAL acquisitions offset clauses are built in to make it mandatory on the OEM to liquidate offsets by exploiting the facilities in HAL. In the case of the MOD acquisitions, HAL pursues closely with all the major vendors and enters into collaboration for offset liquidation. In the MMRCA project, HAL has entered into MOUs with M/s. Dassault Aviation and M/s. Snecma Moteurs of France for offset liquidation.
- The Company's focus will continue to be on the upgradation of its facilities, modernisation, optimisation of Supply Chain, Research & Development, Lean Engineering and Cost Reduction in order to be competitive.
- **Major Programmes:** With the orders in hand covering diverse range of products, equipments and systems, the Company shall endeavour to execute the orders and deliver the products in time with adequate product support. Adding to that, handling major projects of the size of Medium Multi Role Combat Aircraft (MMRCA), Fifth Generation Fighter Aircraft (FGFA), Multi-role Transport Aircraft (MTA) concurrently along with other new development projects like the LCH, LUH, and HTT-40 is a challenge.
- The Company has drawn a Long Term Perspective Plan covering the period from 2012-2022 (i.e., up to the end of the 13th Plan) which outlines the roadmap through analysis of current position, defining strategies to be adopted to overcome challenges and to sustain growth. Detailed Plans for Technology Induction, Manpower, Collaborations etc., are being prepared in line with the overall strategy.
- The Company plans to evolve a Modernisation Plan which outlines the equipment / machines, infrastructure that needs to be upgraded, added to cater to all the current and the new projects that have been considered in the Perspective Plan.
- Dedicated Project Teams with the required empowerment are being formed for effective management of each project.
- The current production processes are being thoroughly reviewed to weed out bottlenecks and enhance productivity. HAL is exploring the possibility of enhancing the production rate by addition of suitable machinery / equipment at virtually all its Divisions.
- Outsourcing is being planned in a big way to add capacities and use the present capacity/ infrastructure for core / high value addition jobs or new business opportunities.
- Organisational restructuring is being planned as part of the endeavour to create a lean, flexible and a flatter organisation structure, in line with the current organisational trends and business environment.
- The Company is drawing out plans to create new Divisions / facilities as Strategic Business Units (SBUs) for the implementation of new programs such as Medium Multirole Combat Aircraft (MMRCA), Fifth Generation Fighter Aircraft (FGFA) and Light Utility Helicopter/ Medium Lift Helicopters. Core teams have been formed to plan these activities for each project to ensure that the required infrastructure along with manpower with the right skill set will be in place to complete the project as planned.

# MANAGEMENT DISCUSSION & ANALYSIS REPORT

## BASIC TURBOPROP TRAINER AIRCRAFT (HTT-40)



### AIRCRAFT SPECIFICATION AS PER PRELIMINARY SQR

#### WEIGHT

Less than 2800 Kg

#### ENGINE TYPE

Turbo Propeller

#### ESCAPE SYSTEM

Ejection seat with command ejection

#### SEATING

Tandem

#### COCKPIT

Air conditioned with Advanced Matrix LCD

#### UNDERCARRIAGE

Retractable Tricycle

#### AIRFRAME

All Metal

- **Access to Technology:** Access to critical technologies in the aircraft industry is highly restrictive and in many cases is subjected to close Government regulations. In the prevailing scenario, acquisition of latest technologies is becoming increasingly difficult due to strategic denials or exorbitantly high cost. Market dynamics ensures that no company can become a global player without having its own products and innate technological and design strength.
  - Research & Development (R&D) is the key for the future growth of the Company. The strength of any Company is defined by its technological & design strength. In this direction the Company had identified R&D as a thrust area and will continue to strive to develop new products, systems and equipment through in-house as well as collaborative R&D. The Company is pursuing the strategy of collaborative R&D with Indian academic, scientific and research laboratories and institutions.
  - Every year considering the technological trends, future requirements and available capacity, products, systems and technologies are identified and taken up for development. To sustain the development effort, the R&D centres have been strengthened in terms of skilled manpower and research facilities.
  - In addition, the Company is pursuing business collaborations with the foreign OEMs to gain :-
    - Access to technology
    - Access to the global market
    - Secured supply of products at predictable cost & time lines
  - HAL has presently 11 Joint Venture Companies (JVCs), with Indian as well as

Foreign partners. To name a few, where collaborations have been formed for niche technologies, HAL has established JVCs with :-

- M/s. Elbit Systems Ltd., Israel for Simulators and Avionics products.
- CAE Canada to provide pilot training services through flight training devices and simulators.
- UAC-TA & Rosoboronexport of Russia for co-design and co-development of the Multi-role Transport Aircraft project.
- HAL is further exploring strategic alliances in niche / critical technology areas like the AESA Radar, Software Defined Radios, Avionics, Ultra Light/Heavy Helicopters, small Gas Turbine Engines, Composites etc. HAL is also triggering formation of internal partnerships with Indian private industries to widen the aerospace infrastructure within India.

## 8 Internal Control Systems and their adequacy

- 8.1 The Company has a well developed Internal Control System in place with checks and balance. In addition, there are detailed manuals on various aspects of the business activities, accounting policies and guidelines. The Audit Committee and the Board of Directors regularly monitor the performance of the Company.
- 8.2 The Company has a Systems Audit Department which continuously reviews implementation and compliance of the Company's rules, regulations, policies and procedures with well defined annual

audit programme. Besides, Internal Audit is conducted by firms of Chartered Accountants, on a quarterly basis with special focus on transaction audit, verification of stock and fixed assets, confirmation of balances and internal controls.

- 8.3 The Audit Committee reviews the reports of the Systems and Internal Audit. The Head of Systems Audit attends all meetings of the Audit Committee.

## 9. Discussion on financial performance with respect to operational performance

### 9.1 Financial / Operational Performance

#### 9.1.1 Strategy and Objectives :-

The main objectives of Financial strategies of the Company are enumerated below:-

- (i) To meet expectations of various stake holders
- (ii) Highest Standards of reporting by adherence to Accounting Standards and Transparent Disclosures
- (iii) Effective Tax Planning to improve post tax yield to share holders
- (iv) To maintain highest credit rating to enable raising of funds at economical rate
- (v) To make available required funds through internal accruals and by effective fund management so as to have minimum financing cost

9.1.2 The above objectives have been accorded highest priority by the Company. The Working Capital and Capital Expenditure requirement of the Company

## 9.2 Performance Highlights :-

Particulars	Unit	31.3.2012	31.3.2011
Total Sales	₹ Cr.	14,204.21	13,115.50
Export Sales	₹ Cr.	348.33	237.38
Total Profit	₹ Cr.	3,328.52	2,839.52
Gross Margin	₹ Cr.	4,050.83	3,654.32
Networth	₹ Cr.	11,338.60	9,745.22
R&D Expenditure	₹ Cr.	967.51	986.96
Dividend Pay-out (excluding Dividend Tax)	₹ Cr.	814.00	423.12
Dividend as a percentage to Paid-up Capital	%	675.52	351.14
Sales Per Employee	₹ Lakhs	43.49	38.94
Value Added Per Employee	₹ Lakhs	21.23	13.89
Debt-Equity Ratio	Times	0.00001	0.00002
Earnings Per Share	₹	210.74	175.46

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

were made through Internal Resources without resorting to borrowings.

### 9.3 Analysis of Financial Performance 2011-12

9.3.1 The Sales registered a growth of 8.30% from ₹13,115.50 crore to ₹14,204.21 crore.

9.3.2 The Company has recorded highest profit of ₹ 3,328.52 crore during the year as compared to ₹ 2,839.52 crore in the previous year.

9.3.3 Gross Margin has increased from ₹ 3,654.32 crore to ₹ 4,050.83 crore.

9.3.4 Earnings Per Share is ₹ 210.74 as against ₹ 175.46 in the previous year.

9.3.5 Increase in net worth from ₹ 9,745.22 crore to ₹ 11,338.60 crore.

### 10. HUMAN RESOURCE DEVELOPMENT

HAL's belief is that people are the key differentiators for sustained success and this belief drives the learning and development process. The overall objective of the Human Resource Development Plan is to build a vibrant and learning organisation, so as to meet the challenges of quality and excellence, ensure availability of competent human resources and develop commitment and a sense of belongingness to the Company. A series of initiatives were taken in this direction during the year.

- A mid career opportunity is provided to Officers to acquire latest and advanced technology in the field of Aeronautics and to implement the same on our projects. A tie-up has been made with Cranfield University, UK to sponsor Executives for an M.Sc. Programme. 19 Officers were sponsored during the year. During the past five years, around 100 Executives have been sponsored for this programme. A two-day event was organised on 21st and 22nd February, 2012 to commemorate the long association of HAL and Cranfield University, UK and for reaching a milestone of successful Graduation of 100 Officers from Cranfield.
- Competency gaps were identified through

Assessment Centres for Officers in Grades VI and above. A week-long Competency Development Programmes in Business Excellence at IIM Ahmedabad, Operational Excellence at IIM Bangalore and Leadership Excellence at IIM Calcutta were conducted covering 490 Executives.

- HAL has collaborated with the National Law School of India University, Bangalore for providing training programmes in the areas of Contract Management, Dispute Resolution, Business Negotiations, Legal Advice in Management and Execution of Contracts. Further 'HAL Defence Public Sector Chair in Business Laws' was established at the University to constantly engage in research pertaining to all such legally relevant areas of Business Laws with focus on issues relevant to Defence Public Sector Undertakings.
- Vision Workshops for HR Executives were conducted to evolve a common and shared HR Vision. The Workshop facilitated the preparation of a framework for strategic plan towards realising the Vision "Inspiring Excellence".

### 11. Environment Protection and Conservation:

11.1 The Company is maintaining a healthy environment in the changing scenario, wherein Pollution Control norms have to be scrupulously followed with respect to environment management.

11.2 Different types of scrap and waste material including hazardous ones are being collected at Central Salvage Yards and segregated into different categories. Hazardous Wastes are auctioned through authorised Agencies, among Tenderers approved either by the Central Pollution Control Board or State Pollution Control Boards.

11.2.1 They have the registration with Ministry of Environment and Forests as Recycler / Re-processor with environmentally sound management facilities.

11.2.2 Such Agencies have the authorisation to operate from respective State Pollution Control Boards.

11.3 The Company has been planting saplings every year. The Division-wise details of saplings planted during the years 2010-11 and 2011-12 are as indicated below:-

Sl. No.	Name of the Division / Complex	Total number of saplings planted during	
		2010 - 11	2011 - 12
1	Bangalore Complex	11,862	950
2	Koraput Division	78,500	37,000
3	Nasik Division	22,000	12,000
4	Korwa Division	9,500	1,500
5	Lucknow Division	8,500	10,300
6	Barrackpore Division	17,500	19,050
7	TAD Kanpur	100	500
8	Hyderabad Division	3,500	-
	<b>TOTAL</b>	<b>1,51,462</b>	<b>81,300</b>

11.4 In order to conserve energy, the Company has taken several measures such as use of natural light, LED lamps, timer switches, CFL bulbs in the offices, solar lights, timer / photo electric timers and thermostat in furnaces to maintain temperature.

## CORPORATE GOVERNANCE REPORT

### Philosophy and Code of Governance

The Company's philosophy on Corporate Governance is based on the principles of transparency, compliance of laws, procedures and meeting ethical standards to take care of the interest of all the stakeholders. It believes that all operations must be spearheaded towards attaining the final objective of enhancing stakeholder value.

The Company has implemented the guidelines enunciated by the Department of Public Enterprises, Govt. of India, on Corporate Governance. The Company believes that good Corporate Governance is a continuous exercise and reiterates its commitment to pursue highest standard of Corporate Governance in the overall interest of all its stakeholders. It has a strong and well laid down administrative set up to facilitate decentralised and transparent decision making. For effective implementation, the following good governance practices have been put in place:

- Code of Conduct for Senior Management and Board of Directors
- Integrity Pact
- Whistle Blower Policy
- Conduct, Discipline and Appeal Rules for Employees

### BOARD OF DIRECTORS

The Board of Directors headed by an Executive Chairman is the apex body which oversees functioning of the Company. The Board has set goals in terms of Long Term Perspective Plan in order to achieve its 'Vision' statement.

The Board defines the policies and programmes and oversees its implementation. It has constituted eight Sub-Committees to facilitate the smooth and efficient flow of decision-making process.

### Composition

The composition of HAL Board of Directors is in line with the Guidelines on Corporate Governance issued by the Department of Public Enterprises, Government of India. The Board of Directors consists of 9 Whole time Directors including the Chairman, 2 Government Directors and 6 Independent Directors.

The Deputy Chief of Air Staff (Air HQ), Master General Ordnance (Army HQ) and Deputy Chief of Naval Staff (Naval HQ) are Permanent Special Invitees to all the Board Meetings of the Company.

### Meetings and Attendance

During the financial year ended on 31st March, 2012, nine Board Meetings were held i.e. on 8th April, 2011, 20th May, 2011, 19th July, 2011, 13th September, 2011, 31st October, 2011, 20th December, 2011, 17th January, 2012, 25th February, 2012 and 16th March, 2012. Details of attendance of the Directors at the Board Meetings during 2011-12 are given below :-

Sl. No.	Directors	Board meetings held during respective tenure of Director	No. of Board meetings attended
1	Shri R. K. Tyagi, Chairman *	1	1
2	Shri Manoj Saunik	9	9
3	Shri P. K. Kataria	9	6
4	Shri Ashok Nayak *	5	5
5	Shri P. V. Deshmukh	9	9
6	Shri S. K. Jha	9	9
7	Shri P. Soundara Rajan	9	9
8	Shri V. M. Chamola *	6	5
9	Shri K. Naresh Babu *	6	6
10	Dr. A. K. Mishra *	6	6
11	Shri T. Suvarna Raju *	3	3
12	Shri R. Srinivasan *	2	2
13	Shri D. Balasunder *	3	2
14	Shri N. C. Agarwal *	2	2
15	Sqn. Ldr.(Retd.) Baldev Singh *	1	1
16	Shri V. K. Misra	9	9
17	Prof. N. K. Naik	9	9
18	Shri Ajay Shankar	9	7
19	Shri V. V. R. Sastry	9	7
20	Shri Surendra Kumar	9	9
21	Prof.(Dr.) R. Venkata Rao	9	9

### \* Change in Board of Directors

- Shri R. K. Tyagi was appointed as Chairman with effect from 2nd March, 2012.
- Shri Ashok Nayak ceased to be the Chairman with effect from 31st October, 2011.
- Shri V. M. Chamola was appointed as Director (HR) with effect from 27th July, 2011.
- Shri K. Naresh Babu was appointed as Managing Director (Bangalore Complex) vide MoD letter dated 5th September, 2011 and assumed the charge with effect from 6th September, 2011.
- Dr. A. K. Mishra was appointed as Director (Finance) with effect from 28th October, 2011.
- Shri T. Suvarna Raju was appointed as Director (Design & Development) with effect from 1st February, 2012.
- Shri R. Srinivasan ceased to be Director (HR) with effect from 31st May, 2011.
- Shri D. Balasunder, Managing Director (Bangalore Complex) ceased to be Director with effect from 31st August, 2011.
- Shri N.C. Agarwal, Director (Design & Development) ceased to be Director with effect from 30th June, 2011.
- Sqn. Ldr. (Retd.) Baldev Singh was appointed as Director (Corporate Planning & Marketing) with effect from 16th August, 2011 and ceased to be Director with effect from 11th October, 2011.

### Audit Committee

The composition of the Audit Committee is in line with Section 292A of the Companies Act, 1956 and the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Department of Public Enterprises (DPE Guidelines).

The Audit Committee consists of four Independent Directors and two Government Directors. Shri V.K. Misra, Independent Director is the Chairman of the Audit Committee. Executive Director (Company Secretary) is the Secretary of the Audit Committee.

The present composition of the Audit Committee is as under:-

- Shri V. K. Misra, Chairman
- Dr. N. K. Naik
- Shri V.V.R. Sastry
- Shri Surendra Kumar
- Shri Manoj Saunik
- Shri P. K. Kataria

The Statutory Auditors of the Company, Director (Finance), Director (CP&M) are permanent invitees. General Manager (System Audit) also attends the meetings of the Audit Committee regularly. The terms of reference of the Audit Committee are in line with Section 292A of the Act and the DPE Guidelines.

During the year ended on 31st March, 2012, the Audit Committee met six times on 7th April, 2011, 18th July, 2011, 12th September, 2011, 19th December, 2011, 16th January, 2012 and 24th February, 2012. The attendance of the Chairman and members of the Audit Committee in these meetings was as follows:-

Sl. No.	Name of Attendees	Meetings held during respective tenure of Director	No. of Audit Committee Meetings attended
1	Shri V. K. Misra, Chairman	6	6
2	Dr. N. K. Naik	6	6
3	Shri V.V.R. Sastry	5	4
4	Shri Surendra Kumar	5	5
5	Shri Manoj Saunik	6	5
6	Shri P. K. Kataria	6	2

The Chairman of the Audit Committee was present at the last Annual General Meeting.

### Remuneration Committee

The Remuneration Committee headed by an Independent Director, decides on the Annual Bonus / Variable Pay (Performance Related Pay) pool and policy for its distribution across the executives within the prescribed limits in line with the Government directives.

## CORPORATE GOVERNANCE REPORT

The constitution of the Remuneration Committee is as follows:

- Shri Ajay Shankar, Chairman
- Shri Manoj Saunik
- Shri P.K.Kataria
- Dr. N.K.Naik
- Director (Finance), Permanent Invitee

The Meeting of Remuneration Committee was held on 25th February, 2012. The attendance of Chairman and Members in this meeting was as follows:-

Sl. No.	Name	Position	Meetings held during respective tenure of Director	No. of Remuneration Committee Meetings attended
1	Shri Ajay Shankar	Chairman	1	0
2	Shri Manoj Saunik	Member	1	1
3	Shri P. K. Kataria	Member	1	0
4	Dr. N.K.Naik	Member	1	1
5	Director (Finance)	Invitee	1	1

Being a Central Public Sector Enterprise, appointment of the Chairman and Whole time Directors is made by the Government of India indicating the tenure, remuneration package and other terms and conditions of appointment.

The Independent Directors are not paid any remuneration except the sitting fee of ₹ 20,000 per sitting of the Board and its Committees. The Government Directors are not paid any remuneration nor any sitting fee.

Sitting fee paid to the Independent Directors during the year 2011-12 is as follows :-

(₹ in Lakhs)

Sl. No.	Name of Independent Director	Board Meetings	Committee Meetings	Total Remuneration
1	Shri V. K. Misra	1.80	1.60	3.40
2	Dr. N. K. Naik	1.80	2.20	4.00
3	Shri Ajay Shankar	1.40	0.20	1.60
4	Shri Surendra Kumar	1.80	1.60	3.40
5	Prof. (Dr.) R. Venkata Rao	1.80	0.60	2.40
6	Shri V. V. R. Sastry	1.40	1.40	2.80

Details of remuneration of Whole time Directors during the year 2011-12 are given below :-

(₹ in Lakhs)

Name of Director	Salary *	Company Contribution to PF & Gratuity	Commission	Total
Shri R. K. Tyagi, Chairman	1.73	0.16	-	1.89
Shri P. V. Deshmukh, MD(M)	30.99	1.77	-	32.76
Shri S. K. Jha, MD(A)	30.27	1.63	-	31.90
Shri P. Soundara Rajan, MD(HC)	32.09	1.85	-	33.94
Shri V. M. Chamola, D(HR)	11.68	0.98	-	12.66
Shri K. Naresh Babu, MD(BC) & D(CP&M)	11.57	0.68	-	12.25
Dr. A. K. Mishra, Director (Finance)	25.46	1.56	-	27.02
Shri T. Suvarna Raju, Director (D&D)	2.90	0.23	-	3.13
Shri Ashok Nayak, Ex-Chairman	46.84	11.20	-	58.04
Shri N. C. Agarwal, Ex- D(D&D) & DF	8.26	0.44	-	8.70
Shri D. Balasunder, Ex-MD(BC)	8.07	10.95	-	19.02
Shri R. Srinivasan, Ex-Director(HR)	21.95	10.41	-	32.36
Sq. Ldr. (Retd.) Baldev Singh, Ex-Director(CP&M)	39.55	12.09	-	51.64

\* Salary includes Perquisites arrears

### Other Committees of the Board

The Board has constituted the following sub-committees to assist and advise in their respective areas.

- (a) HR Committee recommends and advises the Board on HR issues especially in laying down the policies, guidelines and evolving HR strategies. The present composition of the HR Committee, headed by an Independent Director, is as follows:
- o Shri V. K. Misra, Chairman
  - o Prof. (Dr.) R. Venkata Rao
  - o Shri Manoj Saunik
  - o Director (HR)
  - o Director (Finance)
- (b) The Technology Development Committee (TDC) reviews the technological base and guides the Company in devise strategy for development of critical technologies. The Committee consists of the following members:
- o Dr. N. K. Naik, Chairman
  - o Shri Surendra Kumar
  - o Shri V.V. R. Sastry
  - o Director (CP&M)
  - o Director (D&D)
- (c) The Management Committee consisting of all Whole time Directors chaired by the Chairman of the Company has been empowered to approve the proposals under the powers delegated by the Board.
- (d) The Design Policy Committee consisting of all Whole time Directors chaired by the Chairman of

the Company has been delegated powers by the Board to approve certain research and development and indigenisation proposals.

- (e) The Procurement Sub-Committee consisting of the following members has been delegated powers to approve procurement proposals costing more than ₹ 30 crore and upto ₹ 100 crore:
- o Shri R. K. Tyagi, Chairman
  - o Shri Manoj Saunik, Joint Secretary (Aerospace), MoD
  - o Shri P. K. Kataria, Addl FA(K) & JS, MoD
  - o Director (Finance)
  - o Director (CP&M)
  - o Concerned Managing Director(s)

### Code of Conduct

The Board of Directors of your Company has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has been posted on the Company's website, [www.hal-india.com](http://www.hal-india.com). All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct during the year 2011-12. A declaration to this effect signed by the Chairman is attached to this report.

### Shareholding Pattern

HAL is not listed at any Stock Exchange in India or abroad. The entire equity share capital of the Company is held by the President of India and his nominees.

### General Body Meetings

Details of the last three Annual General Meetings are as follows:-

Year	Location	Date & Time
2008-09	Hindustan Aeronautics Limited 15/1, Cubbon Road, Bangalore – 560001. Karnataka	31st July, 2009 at 10.00 am
2009-10	Hindustan Aeronautics Limited 15/1, Cubbon Road, Bangalore – 560001. Karnataka	20th August, 2010 at 12.30 pm
2010-11	Hindustan Aeronautics Limited 15/1, Cubbon Road, Bangalore – 560001. Karnataka	13th September, 2011 at 14.30 pm

## CORPORATE GOVERNANCE REPORT

No Special Resolutions were put up at any of above three Annual General Meetings.

The Annual General Meeting for the current year 2011-12 will be held on:-

Date : 26th September, 2012

Time: 1500 hours

Venue: Hindustan Aeronautics Limited

15/1, Cubbon Road, Bangalore – 560001, Karnataka

### Registered / Corporate Office address for correspondence

Hindustan Aeronautics Limited

15/1, Cubbon Road, Bangalore – 560001, Karnataka

Phone (080) 2232 0001, Fax (080) 2232 0758

Email: cosec@hal-india.com

Website: www.hal-india.com

### Disclosures

**(a) Related Party Transactions** are disclosed in Clause No. 22A & 22B of Notes to Accounts (Note 34 to the Statement of Profit & Loss of the Company for the year ended 31st March, 2012). The Company does not have any materially significant related party transactions, which may have potential conflict with its interest at large.

### (b) Accounting Standards

The Company is complying with all mandatory Accounting Standards excepting for Accounting Standard-17 dealing with "Segment Reporting" due to the following reasons:-

"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."

Disclosure in this regard has been made at Clause No.21 of Note 34 – "Notes on Accounts."

### (c) Training of Directors

The Directors were sponsored for training

programmes on Corporate Governance conducted by SCOPE.

### (d) Whistle Blower Policy

The Company had promulgated a Whistle Blower Policy during the year 2010 with a view to establish a mechanism for the employees to report to the Management about their concerns on unethical behaviour or the cases of suspected fraud, violation of Company's general guidelines on Conduct and Ethics. The Policy provides for adequate safeguards to protect genuine Whistle Blower against victimisation.

### (e) Presidential Directives

HAL has been following the Presidential directives and guidelines issued by the Government of India from time to time regarding reservations of SCs, STs and OBCs in letter and spirit. Liaison Officers are appointed at various Units / Offices all over the country to ensure implementation of the Government directives. Officials dealing with the subject were provided with necessary training to enable them to update their knowledge on the subject and perform their job effectively.

HAL has been implementing the Government directives on reservation and the representation of SCs/STs/OBCs in HAL as on 31st December, 2011 is as under:

Category of Employees	Group A	Group B	Group C	Group D	Total
Scheduled Caste	1,515	172	4,052	12	5,751
Scheduled Tribe	485	66	1,597	1	2,149
Other Backward Classes	1,715	155	5,398	6	7,274

H A L has been implementing the government directives on reservation for persons with Disabilities and Ex-servicemen. Their representation as on 31st December, 2011 is as under:

Category of Employees	Group A	Group B	Group C	Group D	Total
Physically Handicapped	127	31	490	4	652
Ex-Servicemen	120	10	1,825	1	1,956

The Company has implemented Presidential directives on the Official Language Act 1963.

**(f) Items of expenditure debited in Books of Accounts, which are not for the purpose of business:**

No item of expenditure, other than those directly related to its business or incidental thereto, those spent towards the welfare of its employees/ex-employees, towards fulfilling its Corporate Social Responsibility, were debited in the Books of Accounts.

**(g) Expenses incurred, which are personal in nature and incurred for the Board of Directors and Top Management:**

Expenses incurred for the Board of Directors and Top Management are in the nature of salaries, allowances, perquisites, benefits and sitting fees as permissible under the Rules of the Company. No other expenses, which are personal in nature, were incurred for the Board of Directors and Top Management during the year 2011-12.

**(h) Corporate Social Responsibility and Sustainable Development (CSR & SD):**

The Board of Directors of the Company has approved the CSR Policy formulated as per the Guidelines of the Department of Public Enterprises (DPE). A CSR & SD Committee under the Chairmanship of an Independent Director has been constituted to oversee implementation of the Policy.

**Scope of the Committee:**

- (i) CSR & SD Committee to apportion the Company-wide CSR activities and SD programmes to the Divisions taking into consideration the plan / targets as envisaged in the MoU;
- (ii) CSR & SD Committee is responsible for implementation of the Policy;
- (iii) The Nodal Officer at Corporate level is required to monitor the CSR activities and SD programmes of all the Divisions and apprise the progress to the Committee;

- (iv) The Committee to analyse the progress made by the Divisions and place the matter before the Board for its appreciation and review on a bi-annual basis.
- (v) Approve Sustainable Development Plans and oversee performance.

Activity-wise expenditure incurred during the year 2011-12 on CSR is as follows:

Sl. No.	Activity	(₹ in Lakh)
1	Education	146.00
2	Health	127.00
3	Rural Sports	30.00
4	Infrastructure	219.00
5	Drinking Water	32.00
6	Women & Child Welfare	5.00
7	Community Development	2.00
8	Environment	5.00
9	Rehabilitation & others	3.00
10	Others	13.00
	Total	582.00

**(i) Integrity Pact**

Integrity Pact (IP), a vigilance tool conceptualised and promoted by the Transparency International has been suggested for implementation in PSUs in large value transaction by the Central Vigilance Commission (CVC).

Your Company has adopted and implemented the IP and a clause has been introduced in the Purchase Manual accordingly. Pre-contract IP is a binding agreement between the Company and bidders for a specific contract in which the Parties promise that it will not resort to any corrupt practices in any aspect / stage of the contract.

The IP has strengthened the established systems and procedures by creating trust and has full support of the Central Vigilance Commission.

## CORPORATE GOVERNANCE REPORT

### (j) Means of Communication

The Annual Report of the Company is circulated to the members and others entitled to receive it. The Company displays the Accounts and other relevant information including those required under the Right to Information Act on its website [www.hal-india.com](http://www.hal-india.com).

### (k) Compliance

The Company has complied with the Guidelines on

Corporate Governance for CPSEs issued by the Department of Public Enterprises, Government of India. The Company is also submitting quarterly Compliance Report regularly to the Ministry of Defence, Government of India. Certificate on Compliance of the Policy / DPE guidelines on Corporate Governance by the Company Secretary in Practice is enclosed to this report.

## DECLARATION

Pursuant to the Department of Public Enterprises (DPE) Guidelines on Corporate Governance for Central Public Sector Enterprises as contained in the DPE Office Memorandum No. 18(8)/2005-GM dated 14th May, 2010, all Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Business Conduct & Ethics for Board Members & Senior Management of Hindustan Aeronautics Limited, for the year ended 31st March 2012.

For Hindustan Aeronautics Limited



R. K. TYAGI  
CHAIRMAN

Place : Bangalore

Date : 25th September, 2012

## ANNEXURE TO DIRECTORS' REPORT

### Secretarial Compliance Certificate

Corporate Identity No. : U35301KA1963GOI001622

Nominal Capital : ₹ 160,00,00,000

To

The Members,

Hindustan Aeronautics Limited,

No. 15/1, Cubbon Road,

Bangalore 560001.

We 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 March 31, 2012 (financial year). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to me by the Company, its officers and agents, we 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 ₹ 120,50,00,000/- with minimum 7 members during the said financial year.
4. The Board of Directors duly met 9 (Nine) times on 08/04/2011, 20/05/2011, 19/07/2011, 13/09/2011, 31/10/2011, 20/12/2011, 17/01/2012, 25/02/2012 and 16/03/2012 for which proper notices were given and the proceedings were properly recorded and signed including circular resolutions passed in the Minutes Book maintained for the purpose. 3 (Three) Circular Resolutions were passed during the year.
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 March 31, 2011 was held on September 13, 2011 after giving shorter notice to the members of the Company (with the consent of all the members) and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held by the Company during the year.
8. There were no transactions requiring compliance with 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 provisions of the Act;
  - ii. has paid interim and final dividend by cheque to the President of India within 30 days from the date of declaration thereof;
  - iii. being a Government Company, the provision 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;
  - iv. has duly complied with applicable requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly

## ANNEXURE TO DIRECTORS' REPORT

- constituted in accordance with the Articles of Association of the Company. The appointments of Directors have 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 the Regional Director, South East Region, Hyderabad for the transactions covered under Section 297 of the Companies Act, 1956 during the financial year. The Company was not required to obtain any approvals of the Central Government, Company Law Board or such other authorities prescribed under the various provisions of the Act during the financial year.
  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.
  20. The Company has not bought back any shares during financial year.
  21. The Company has not issued any Preference Shares / Debentures and hence the question of redemption of the same during the financial year does not arise.
  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 including unsecured loan falling within the purview of Section 58A during the financial year.
  24. The Company has not made any borrowings during the financial year.
  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. The Company has made investments in other bodies corporate in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose.
  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 financial year.
  33. The Company has constituted separate trust for each division and has deposited both employees' and employer's contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

For V. Sreedharan & Associates  
Company Secretaries



V. SREEDHARAN

Partner

FCS 2347: CP 833

Place : Bangalore

Date : 19th July, 2012

## ANNEXURE TO DIRECTORS' REPORT

### ANNEXURE A

#### Registers as maintained by the Company

##### Statutory Registers

1. Register of Charges u/s. 143
2. Register of Members u/s. 150
3. Board Meeting Minutes Book u/s. 193 (Loose-leaf)
4. General Meeting Minutes Book u/s. 193 (Loose-leaf)

5. Register of Directors u/s.303
6. Register of Directors Shareholding u/s.307
7. Register of Contracts u/s.301
8. Register of Investments u/s. 372A

##### Other Registers

1. Directors Attendance Register
2. Members Attendance Register
3. Register of Transfers

### ANNEXURE B

#### Forms and Returns as filed by the Company with Registrar of Companies, Karnataka during the financial year ended March 31,2012.

Sl. No.	E-Form	Filed Under Section	Details of E-Form	Filed on	SRN
1	32	303	Cessation of Mr. Srinivasan Radhakrishnan as Director due to retirement w.e.f 01/06/2011	07/06/2011	B13655113
2	32	303	Cessation of Mr.Naresh Chandra Agarwal as Director due to retirement w.e.f 30/06/2011	08/07/2011	B15816689
3	32	303	Appointment of Mr. Vinay Mohan Chamola as Whole Time Director w.e.f 27/07/2011	11/08/2011	B18091785
4	32	303	Appointment of Sqn. Ldr. Baldev Singh as Whole Time Director w.e.f. 16/08/2011	29/08/2011	B19194992
5	32	303	Cessation of Late.Sqn.Baldev Singh as Director due to death on 11/10/2011	14/10/2011	B22817274
6	32	303	Cessation of Mr. Doriswamy Balasunder as Director due to retirement w.e.f. 01/09/2011	27/09/2011	B21383849
7	32	303	Appointment of Mr. Krishnaswamy Naresh Babu as Managing Director w.e.f. 05/09/2011	14/10/2011	B22816839
8	32	303	Cessation of Mr. Ashok Nayak as Chairman due to retirement w.e.f. 31/10/2011 and change in designation of Mr. Prakash Vithalrao Deshmukh as Managing Director and Officiating Chairman w.e.f. 01/11/2011	11/11/2011	B24613846
9	32	303	Appointment of Dr. Ashok Kumar Misra as Whole Time Director w.e.f 28/10/2011	25/11/2011	B25672460
10	32	303	Appointment of Mr. Talari Suvarna Raju as Whole Time Director w.e.f 04/01/2012	30/01/2012	B30727820
11	32	303	Appointment of Mr. Ravindra Kumar Tyagi as Whole Time Director (Chairman) w.e.f 02/03/2012.	19/03/2012	B34743765
12	32	303	Appointment of Mr. Ajay Shankar as Independent Director w.e.f 09/03/2011	15/04/2011	B10067262
13	32	303	Appointment of Mr. Surendra Kumar as Independent Director w.e.f 09/03/2011	02/05/2011	B11378932
14	20B	159	Annual Return as on 13/09/2011	28/10/2011	P76064955
15	23AC and 23ACA-XBRL	210	Annual Accounts for the year ended 31/03/2011	02/01/2012	P84353804
16	24A	297	Application to Regional Director, Hyderabad for seeking approval for the contracts between HAL and HALBIT Avionics Private Limited.	08/07/2011	B15815970
17	24A	297	Application to Regional Director, Hyderabad for seeking approval for the contracts between HAL and HALBIT Avionics Private Limited for 10 units of SMD units (Development Phase) and other Series upgrade	14/10/2011	B22818264
18	24A	297	Application to Regional Director, Hyderabad for seeking approval for the contracts between HAL and HALBIT Avionics Private Limited for development and supply of 2 (two) sets of Training Aids for HAWK Mk 132	13/10/2011	B22696140

## ANNEXURE TO DIRECTORS' REPORT

### CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Corporate Identity No. : U35301KA1963G0I001622  
Nominal Capital : ₹ 160,00,00,000

To  
The Members of  
Hindustan Aeronautics Limited  
Bangalore

We have examined all the relevant records of Hindustan Aeronautics Limited for the year ended March 31, 2012 for the purpose of certifying of the conditions of the Corporate Governance as stipulated in Department of Public Enterprises (DPE) Guidelines 2010 on Corporate Governance for Central Public Sector Enterprises. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of certifications.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of corporate governance.

The certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced and the explanations and information furnished, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in DPE Guidelines 2010 on Corporate Governance for Central Public Sector Enterprises.

For V. Sreedharan & Associates  
Company Secretaries



V. SREEDHARAN  
Partner  
FCS 2347: CP 833

Place : Bangalore  
Date : July 20, 2012

## ACCOUNTING POLICIES

### 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 recognised 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

## ACCOUNTING POLICIES

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 amortised 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 amortised over production on technical estimates, and to the extent not amortised, 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 recognised 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.

### 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

- Acceptance by the buyer's Inspector, by way of signaling out certificate, in the case of the manufacture or repair and overhaul of aircraft and helicopters.
- For other deliverables like spares, site repairs, Cat 'B' repair servicing etc., sales are set up based on acceptance by the buyer's inspection agency or as agreed to by the buyer.
- 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 or firmed up.

10.2 Development Sales

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

milestones achieved as per contract. Where milestones have not been defined sales will be as per actual incurrence 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.



( Dr. A.K. MISHRA )  
(Finance)

Place : Bangalore  
Date : 1st August, 2012

Fixed Assets costing ₹ 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.



(R K TYAGI)  
Chairman



(ASHOK TANDON)  
Executive Director  
(Company Secretary)

# BALANCE SHEET

As at 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	Note No.	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>I. Equity and Liabilities</b>			
(1) Shareholders' Funds			
(a) Share Capital	1	12050.00	12050.00
(b) Reserves and Surplus	2	1121809.89	962472.24
(c) Money Received Against Share Warrants		-	-
<b>Sub Total</b>		<b>1133859.89</b>	<b>974522.24</b>
(2) Share Application Money Pending Allotment		-	-
<b>(3) Non-Current Liabilities</b>			
(a) Long Term Borrowings	3	504.55	530.04
(b) Deferred Tax Liabilities (Net)	4	147697.63	148555.29
(c) Other Long Term Liabilities	5	1046778.62	1118634.70
(d) Long Term Provisions	6	89074.96	77981.58
<b>Sub Total</b>		<b>1284055.76</b>	<b>1345701.61</b>
<b>(4) Current Liabilities</b>			
(a) Short Term Borrowings	7	-	-
(b) Trade Payables	8	135104.89	125413.35
(c) Other Current Liabilities	9	2756854.54	2629415.41
(d) Short Term Provisions	10	220637.50	160777.78
<b>Sub Total</b>		<b>3112596.93</b>	<b>2915606.54</b>
<b>Total I (1+2+3+4)</b>		<b>5530512.58</b>	<b>5235830.39</b>
<b>II. Assets</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets			
Gross Block	11A	336296.59	314272.60
Less: Accumulated Depreciation	11B	180713.46	163354.66
Net Block		155583.13	150917.94
(ii) Intangible Assets			
Gross Carrying Amount	11C	62518.78	54163.72
Less: Cumulative Amortisation and Impairment Loss	11D	24273.78	19076.52
Net Carrying Amount		38245.00	35087.20
(iii) Capital Work-In-Progress	12	6997.87	11841.98
(b) Non-Current Investments	13	52745.04	39751.07
(c) Long Term Loans and Advances	14	70160.88	76771.82
(d) Other Non-Current Assets	15	538936.50	517779.42
<b>Sub Total</b>		<b>862668.42</b>	<b>832149.43</b>
<b>(2) Current Assets</b>			
(a) Current Investments	16	-	-
(b) Inventories	17	1608583.32	1737578.48
(c) Trade Receivables	18	387249.24	230662.60
(d) Cash and Cash Equivalents	19	2193251.92	2009928.60
(e) Short Term Loans and Advances	20	310358.87	222797.17
(f) Other Current Assets	21	168400.81	202714.12
<b>Sub Total</b>		<b>4667844.16</b>	<b>4403680.97</b>
<b>Total II( 1+2)</b>		<b>5530512.58</b>	<b>5235830.39</b>
<b>Notes on Accounts</b>	34		

Note '1' to '34' and Accounting Policies attached form part of the Accounts

As per our Report attached  
for **M/s.DAGLIYA & CO.,**  
Chartered Accountants  
Firm Regn. No. 0671S

  
**(Dr. A.K. MISHRA)**  
Director (Finance)

  
**(R.K.TYAGI)**  
Chairman

  
**(P. MANOHARA GUPTA)**  
Partner  
Membership No. 16444  
Place : Bangalore  
Date : 1st August, 2012.

  
**(ASHOK TANDON)**  
Executive Director  
(Company Secretary)

## STATEMENT OF PROFIT AND LOSS

For the year ended 31<sup>st</sup> March, 2012

(₹ in Lakhs)

S. No.	Particulars	Note No.	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>I.</b>	<b>Revenue from Operations</b>	22	1421230.23	1312515.62
	Less: Excise Duty		124.27	142.36
	Net Revenue from Operations		1421105.96	1312373.26
II.	Other Income	23	251046.12	228731.20
III.	Total Revenue (I + II)		<b>1672152.08</b>	<b>1541104.46</b>
<b>IV.</b>	<b>Expenses:</b>			
	Cost of Materials Consumed	24	561131.26	1139059.42
	Purchase of Stock-in-Trade	24A	14995.86	38183.12
	Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	25	150909.80	-333390.08
	Employee Benefits Expenses	26	276178.58	224628.25
	Finance Costs	27	-	0.45
	Depreciation and Amortisation Expenses	28	72231.35	81479.57
	Other Expenses	29	104595.14	100686.58
	Direct Input to WIP / Expenses Capitalised	30	67200.21	28988.88
	Provisions	31	73929.36	48658.88
	Total Gross Expenses		1321171.56	1328295.07
	Deduct: Expenses relating to Capital and Other Accounts	32	-18128.97	71142.99
	Total Net Expenses		<b>1339300.53</b>	<b>1257152.08</b>
<b>V.</b>	<b>Profit before exceptional and extraordinary items and tax (III - IV)</b>		<b>332851.55</b>	<b>283952.39</b>
<b>VI.</b>	<b>Exceptional items</b>		-	-
<b>VII.</b>	<b>Profit Before Extraordinary Items and Tax (V - VI)</b>		<b>332851.55</b>	<b>283952.39</b>
<b>VIII.</b>	<b>Extraordinary Items</b>		-	-
IX.	Profit Before Tax (VII - VIII) *		<b>332851.55</b>	<b>283952.39</b>
	* includes Prior Period Gain / (Expense)	33	5096.51	-1445.37
X.	Tax expenses			
	(1) Current Tax		79766.00	74500.00
	(2) Deferred Tax		-857.66	-1973.39
<b>XI.</b>	<b>Profit / (Loss) for the period from Continuing Operations (IX - X)</b>		<b>253943.21</b>	<b>211425.78</b>
XII.	Profit/(Loss) from Discontinuing Operations		-	-
XIII.	Tax expense of Discontinuing Operations		-	-
XIV.	Profit/(Loss) from Discontinuing Operations (After Tax) (XII - XIII)		-	-
<b>XV.</b>	<b>Profit(Loss) for the Period (XI + XIV)</b>		<b>253943.21</b>	<b>211425.78</b>
XVI.	Earnings per Equity Share of ₹ 10 each (in ₹)			
	<b>Basic and Diluted</b>		<b>210.74</b>	<b>175.46</b>
	<b>Notes on Accounts</b>	34		

Note 'I' to '34' and Accounting Policies attached form part of the Accounts

As per our Report attached  
for **M/s.DAGLIYA & CO.,**  
Chartered Accountants  
Firm Regn. No. 0671S

  
(Dr. A.K. MISHRA)  
Director (Finance)

  
(R.K.TYAGI)  
Chairman

  
(P. MANOHARA GUPTA)  
Partner  
Membership No. 16444  
Place : Bangalore  
Date : 1st August, 2012.

  
(ASHOK TANDON)  
Executive Director  
(Company Secretary)

## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 1 : SHARE CAPITAL</b>		
<b>Authorised Capital</b> 16,00,00,000 Equity Shares of ₹ 10 each	<b>16000.00</b>	<b>16000.00</b>
Issued, Subscribed and Fully Paid up 12,05,00,000 Equity Shares of ₹ 10 each fully paidup	12050.00	12050.00
<b>Subscribed and not Fully Paid up</b>	-	-
<b>Par Value per Share (₹)</b>	10.00	10.00
<b>Reconciliation of the Number of Shares Outstanding at the beginning and at the end of the Reporting period</b>		
Opening Equity Shares (Nos.)	12,05,00,000	12,05,00,000
Add: Shares Issued (Nos.)	-	-
Less: Shares Bought Back (Nos.)	-	-
Closing Equity Shares (Nos.)	12,05,00,000	12,05,00,000
<b>Shares in the Company held by each Shareholder holding more than 5 percent shares specifying the number of Shares held</b>	President of India and Nominees hold the entire 12,05,00,000 Shares	President of India and Nominees hold the entire 12,05,00,000 Shares
<b>NOTE 2 : RESERVES AND SURPLUS</b>		
<b>General Reserve As per last Balance Sheet</b>	962472.24	800302.26
(+/-) Surplus Transferred from Statement of Profit and Loss	159337.65	162169.98
Closing Balance	<b>1121809.89</b>	<b>962472.24</b>
<b>Surplus in Statement of Profit and Loss</b>		
Add: Net Profit / (Net Loss) for the Current Year	253943.21	211425.78
Less: Appropriations / Allocations		
Interim Dividend (CY ₹ 62.05 and PY ₹ 24.89 Per Share)	74770.00	29995.00
Proposed Final Dividend (CY ₹ 5.50 and PY ₹ 10.22 Per Share)	6630.00	12317.00
Tax on Dividend (Interim and Final)	13205.56	6943.80
	<b>94605.56</b>	<b>49255.80</b>
<b>Transferred To General Reserve</b>	<b>159337.65</b>	<b>162169.98</b>
<b>NOTE 3 : LONG TERM BORROWINGS</b>		
<b>A. Secured Long Term Borrowings:</b>	-	-
<b>Sub Total (A)</b>	-	-
<b>B. Unsecured Long Term Borrowings:</b>		
Deferred Liabilities		
Towards:		
10/15 Years	124.72	166.95
45 Years	379.83	363.09
<b>Sub Total (B)</b>	<b>504.55</b>	<b>530.04</b>
<b>Total (A + B)</b>	<b>504.55</b>	<b>530.04</b>
<b>NOTE 4 : DEFERRED TAX LIABILITIES (NET)</b>		
As per last Balance Sheet	148555.29	150528.68
Add / Less: Current Year's Provisions	-857.66	-1973.39
	<b>147697.63</b>	<b>148555.29</b>

Forming part of the Accounts as at 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 5 : OTHER LONG TERM LIABILITIES</b>		
<b>Trade Payables</b>		
Other than Micro and Small Enterprises	2137.23	1158.32
Advances from Customers		
Defence	954788.26	1022787.87
Others	187.15	5834.35
Dues to Employees	117.96	525.50
Other Liabilities	89548.02	88328.66
<b>Total</b>	<b>1046778.62</b>	<b>1118634.70</b>
<b>NOTE 6 : LONG TERM PROVISIONS</b>		
<b>A. Provisions for Employee Benefits</b>		
Vacation Leave	41371.14	35486.22
<b>Sub Total (A)</b>	<b>41371.14</b>	<b>35486.22</b>
<b>B. Others</b>		
Replacement and Other Charges	11799.56	13867.07
Warranty	34857.77	27465.86
Liquidated Damages	1046.49	1162.43
<b>Sub Total (B)</b>	<b>47703.82</b>	<b>42495.36</b>
<b>Total (A + B)</b>	<b>89074.96</b>	<b>77981.58</b>
<b>NOTE 7 : SHORT TERM BORROWINGS</b>		
<b>A. Secured Short Term Borrowings:</b>	-	-
<b>Sub Total (A)</b>	-	-
<b>B. Unsecured Short Term Borrowings:</b>	-	-
<b>Sub Total (B)</b>	-	-
<b>Total (A + B)</b>	-	-
<b>NOTE 8 : TRADE PAYABLES</b>		
Trade Payables		
Micro and Small Enterprises	1356.28	627.69
Other than Micro and Small Enterprises	133748.61	124785.66
	<b>135104.89</b>	<b>125413.35</b>
<b>NOTE 9 : OTHER CURRENT LIABILITIES</b>		
Current Maturities of Long term Debt		
Deferred Liabilities Towards 45 Years - Unsecured	25.49	25.49
Advances from Customers		
Defence	2607382.49	2491879.30
Others	54709.84	62474.46
Other Payables		
Taxes	11917.09	4696.28
Dues to Employees	38363.24	30804.62
Other Liabilities	44456.39	39535.26
	<b>2756854.54</b>	<b>2629415.41</b>

## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 10 : SHORT TERM PROVISIONS</b>		
<b>A. Provisions for Employee Benefits</b>		
Gratuity	2200.47	15716.64
Vacation Leave	10369.58	9035.68
Others	74474.43	36954.43
<b>Sub Total (A)</b>	<b>87044.48</b>	<b>61706.75</b>
<b>B. Others</b>		
Taxation (Net)	9204.47	6352.87
Proposed Dividend (Incl. Dividend Tax CY ₹ 1076.00 Lakhs and PY ₹ 1998.13 Lakhs)	7706.00	14315.13
Replacement and Other Charges	20284.65	16633.85
Warranty	66324.54	52915.17
Liquidated Damages	28596.36	8854.01
Sustainable Development	304.00	-
Corporate Social Responsibility	1173.00	-
<b>Sub Total (B)</b>	<b>133593.02</b>	<b>99071.03</b>
<b>Total (A + B)</b>	<b>220637.50</b>	<b>160777.78</b>

**NOTE 11A : GROSS CARRYING COST - FIXED ASSETS**

(₹ in Lakhs)

Description	Gross Block as at 01.04.11	Additions	Reclasfn. / Adjustment	Disposals	Transfer to(-) from (+) Div	Gross Block as at 31.03.12
<b>Fixed Assets <sup>1</sup></b>						
Land						
Leasehold	708.00	-	-	-	-	708.00
Freehold	1015.27	5.08	-	-	-	1020.35
Buildings	68496.51	7694.09	-	1.69	-	76188.91
Plant and Equipment	200646.16	12446.57	-	250.47	-24.67	212817.59
Furniture and Fixtures	6628.35	605.71	-	28.53	14.33	7219.86
Vehicles	4982.84	441.10	-	118.42	-	5305.52
Office Equipment	10661.37	880.59	-	34.16	10.34	11518.14
Others						
Roads and Drains	5250.16	193.14	-	-	-	5443.30
Water Supply	2615.40	190.98	-	-	-	2806.38
Rail Road Sidings	71.07	-	-	-	-	71.07
Runways	5504.64	-	-	-	-	5504.64
Aircraft/Helicopters	7692.83	-	-	-	-	7692.83
<b>Total</b>	<b>314272.60</b>	<b>22457.26</b>	<b>-</b>	<b>433.27</b>	<b>-</b>	<b>336296.59</b>
Previous Year	293352.99	21414.60	-	494.99	-	314272.60

Forming part of the Accounts as at 31<sup>st</sup> March, 2012

## NOTE 11B : ACCUMULATED DEPRECIATION

(₹ in Lakhs)

Description	Provision as at 01.04.11	Additions		Reclasfn. /Adjustment	Transfer to(-) from (+) Div	Dispos-als	Provision as at 31.03.12	Net Block as at 31.03.12	Net Block as at 31.03.11
		CY	PY						
<b>Depreciation <sup>2</sup></b>									
Land									
Leasehold*	23.61	7.87	-	-	-	-	31.48	676.52	684.39
Freehold	-	-	-	-	-	-	-	1020.35	1015.28
Buildings	19662.46	1913.85	15.05	9.23	-	1.69	21598.90	54590.01	48891.70
Plant and Equipment	118699.65	13413.96	16.66	-300.88	-2.39	240.96	131586.04	81231.55	81859.78
Furniture and Fixtures	4444.91	427.22	2.93	-0.04	3.46	9.58	4868.90	2350.96	2187.40
Vehicles	3487.57	312.53	0.35	-	-	73.78	3726.67	1578.85	1495.27
Office Equipment	8294.57	718.73	0.04	291.69	-1.07	24.80	9279.16	2238.98	2391.90
<b>Others</b>									
Roads and Drains	1349.88	76.01	0.77	-	-	-	1426.66	4016.64	3900.28
Water Supply	1736.13	102.36	-2.52	-	-	-	1835.97	970.41	879.29
Rail Road Sidings	71.06	-	-	-	-	-	71.06	0.01	0.01
Runways	3644.24	273.00	-	-	-	-	3917.24	1587.40	1860.40
Aircraft/Helicopters	1940.59	430.79	-	-	-	-	2371.38	5321.45	5752.24
<b>Total</b>	<b>163354.67</b>	<b>17676.32</b>	<b>33.28</b>	<b>-</b>	<b>-</b>	<b>350.81</b>	<b>180713.46</b>	<b>155583.13</b>	<b>150917.94</b>
Previous Year	146802.75	16769.48	109.47	-	-	327.06	163354.66	150917.94	

	<b>31.03.12</b>	<b>31.03.11</b>
Gross Value of Assets with M/s.MIDHANI	1195.39	1195.39
Cumulative Depreciation in respect of Assets with M/s.MIDHANI	177.44	88.74
	<b>31.03.12</b>	<b>31.03.11</b>
<sup>1</sup> Gross Value of Assets retired from active use	2082.93	1744.20
<sup>2</sup> Less: Cumulative Depreciated Value of Assets retired from active use	<u>2032.44</u>	<u>1710.67</u>
WDV of Assets retired from active use	<u>50.49</u>	<u>33.53</u>

\* Depreciation for the year includes Lease charges for Land taken on lease for establishing a unit at Kasaragod

## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2012

### NOTE 11C & 11D: INTANGIBLE ASSETS

(₹ in Lakhs)

Description	As on 01.4.2011	Additions	Adjustment	As on 31.03.2012
<b>11C. GROSS CARRYING AMOUNT</b>				
Development Expenditure	40158.40	7908.79	-6230.33	41836.86
Licence Fees	4916.84	98.87	6230.33	11246.04
Computer Software	6711.89	681.65	-	7393.54
Documentation	2376.59	89.04	-423.29	2042.34
<b>Total</b>	<b>54163.72</b>	<b>8778.35</b>	<b>-423.29</b>	<b>62518.78</b>
Previous Year	49499.64	10894.42	-6230.34	54163.72
Description	As on 01.4.2011	Amortisation and Impairment Loss	Adjustment	As on 31.03.2012
<b>11D. CUMULATIVE AMORTISATION</b>				
Development Expenditure	13022.99	3125.63	-	16148.62
Licence Fees	417.68	773.40	-	1191.08
Computer Software	5101.25	1106.90	-	6208.15
Documentation	534.60	191.33	-	725.93
<b>Total</b>	<b>19076.52</b>	<b>5197.26</b>	<b>-</b>	<b>24273.78</b>
Previous Year	13794.66	5281.86	-	19076.52

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 12 : CAPITAL WORK-IN-PROGRESS</b>		
Buildings	2173.38	4623.88
Plant, Machinery and Equipment	3628.40	5335.51
Roads and Drains	32.39	13.39
Water Supply	266.29	157.19
Plant, Machinery and Equipment under Inspection and in Transit	897.41	1712.01
<b>Total</b>	<b>6997.87</b>	<b>11841.98</b>

Forming part of the Accounts as at 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 13 : NON-CURRENT INVESTMENTS</b>		
<b>INVESTMENTS AT COST (NON-TRADE / UN-QUOTED)</b>		
Investment in Equity Instruments		
- in Joint Ventures		
M/s. BAe-HAL Software Ltd.- 29,40,000 (29,40,000 P.Y.) Shares of ₹ 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 ₹ 100 FV each fully paid	1140.00	1140.00
M/s. Indo Russian Aviation Ltd.- 9,36,525 (9,36,525 P.Y.) Shares of ₹ 10 FV each fully paid	93.65	93.65
M/s. HALBIT Avionics Pvt. Ltd.- 3,82,500(3,82,500 P.Y.) Shares of ₹ 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 ₹ 100 FV each fully paid	300.00	300.00
M/s. SAMTEL HAL Display Systems Ltd.- 1,60,000 (1,60,000 P.Y.) Shares of ₹ 100 FV each fully paid	160.00	160.00
M/s. INFOTECH HAL Ltd.- 20,00,000 ( 20,00,000 P.Y.) Shares of ₹ 10 FV each fully paid	200.00	200.00
M/s. HATSOFF Helicopter Training Pvt. Ltd.- 3,22,19,999 (3,22,19,999 P.Y.) Shares of ₹10 FV each fully paid	3222.00	3222.00
M/s. TATA HAL Technologies Ltd.- 43,20,000 (43,20,000 P.Y.) Shares of ₹ 10 each fully paid	432.00	432.00
M/s. International Aerospace Manufacturing Pvt. Ltd.- 20,00,000 (5,00,000 - P.Y.) Shares of ₹ 100 FV each fully paid	2000.00	500.00
- Others		
HAE Co-operative Society - 25 (25 P.Y.) Shares of ₹ 100 FV each fully paid	0.03	0.03
M/s. Satnam Apartment Ltd.- 41 (41 P.Y.) Shares of ₹ 100 each at cost for acquisition of a Flat	0.07	0.07
Other Non-Current Invesments		
M/s. LIC of India (For Funding Vacation Leave)	44520.79	33026.82
	<b>52745.04</b>	<b>39751.07</b>
<b>Disclosure</b>		
(i) Aggregate amount of Quoted Investment and Market Value	NIL	NIL
(ii) Aggregate amount of Unquoted Investments	52745.04	39751.07
(iii) Aggregate Provision or Diminution in value of Investments	NIL	NIL

## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 14 : LONG TERM LOANS AND ADVANCES</b>		
<b>A. Secured Considered Good</b>		
Capital Advances	207.78	33.31
Advances against Goods and Services	8298.85	5918.57
Advances against Special Tools	1060.00	356.25
Employee advances <sup>5</sup>	804.31	565.55
Other Loans and Advances	-	7.00
<b>Sub Total (A)</b>	<b>10370.94</b>	<b>6880.68</b>
<b>B. Unsecured Considered Good</b>		
Capital Advances	594.92	115.08
Security Deposit		
Government Departments for Customs Duty and for Supplies	1324.72	1331.26
Public Utility Concerns	2309.92	1948.36
Others	528.11	348.23
Advances against Goods and Services	50585.84	58527.82
Advances against Special Tools	4184.40	7429.56
Employee advances <sup>5</sup>	247.99	180.96
Other Loans and Advances	14.04	9.87
<b>Sub Total (B)</b>	<b>59789.94</b>	<b>69891.14</b>
<b>C. Considered Doubtful</b>	-	-
<b>TOTAL (A + B + C)</b>	<b>70160.88</b>	<b>76771.82</b>
<sup>5</sup> Amount due by the Officers of the Company at the end of the year	-	-

Forming part of the Accounts as at 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 15 : OTHER NON-CURRENT ASSETS</b>		
<b>Inventories <sup>3</sup></b>		
Raw materials and Components	30369.42	22065.32
Less: Provision for Redundancy	25430.16	17933.67
	4939.26	4131.65
Stores and Spares Parts	1931.29	1301.52
Less: Provision for Redundancy	680.51	960.61
	1250.78	340.91
Loose Tools and Equipment	774.01	1103.43
Less: Provision for Redundancy	247.90	436.43
	526.11	667.00
Construction Materials	2.23	2.21
Less: Provision for Redundancy	2.23	2.21
	-	-
<b>Sub Total</b>	<b>6716.15</b>	<b>5139.56</b>
<b>Long Term Trade Receivables</b>		
Secured Considered Good	-	-
Unsecured Considered Good	1050.21	1159.02
Doubtful	278.82	376.76
	1329.03	1535.78
Less: Provision for Bad and Doubtful	278.82	376.76
<b>Sub Total</b>	<b>1050.21</b>	<b>1159.02</b>
Deferred Debts - 10/15 yrs	125.67	125.94
Deferred Debts - 45 yrs	368.92	392.98
<b>Claims Receivable</b>		
Considered Good	66656.09	67582.69
Considered Doubtful	4762.57	4953.99
	71418.66	72536.68
Less: Provision for Doubtful Claims	4762.57	4953.99
<b>Sub Total</b>	<b>66656.09</b>	<b>67582.69</b>
Special Tools (15C)	302882.87	288826.48
Deferred Revenue Expenditure (15A & 15B)	160914.68	154255.76
Prepaid Expenses	221.91	296.99
	<b>538936.50</b>	<b>517779.42</b>
<sup>3</sup> Includes those issued to sub-contractors for Job Works	-	69.96

## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2012

### NOTE 15A & 15B : DEFERRED REVENUE EXPENDITURE (CUSTOMER FUNDED)

(₹ in Lakhs)

Description	As on 01.4.2011	Additions	Adjustment	As on 31.03.2012
<b>15A. GROSS CARRYING AMOUNT</b>				
Licence Fees	204451.53	16363.12	-	220814.65
Computer Software	255.82	19.34	-	275.16
Documentation	27200.40	9784.11	-	36984.51
<b>Total</b>	<b>231907.75</b>	<b>26166.57</b>	<b>-</b>	<b>258074.32</b>
Previous Year	217503.95	8173.46	6230.34	231907.75
Description	As on 01.4.2011	Amortisation and Impairment Loss	Adjustment	As on 31.03.2012
<b>15B. CUMULATIVE AMORTISATION</b>				
Licence Fees	69669.64	17296.03	-	86965.67
Computer Software	187.14	72.18	-	259.32
Documentation	7795.21	2139.44	-	9934.65
<b>Total</b>	<b>77651.99</b>	<b>19507.65</b>	<b>-</b>	<b>97159.64</b>
Previous Year	56586.25	21065.74	-	77651.99

### NOTE 15 C : SPECIAL TOOLS

(₹ in Lakhs)

Description	As on 01.4.2011	Additions	Amortisation	Adjustment	As on 31.03.2012
<b>SPECIAL TOOLS</b>	<b>288826.48</b>	<b>43873.23</b>	<b>29816.84</b>	<b>-</b>	<b>302882.87</b>
Previous Year	297825.31	29254.19	38253.02	-	288826.48

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March 2012	31 <sup>st</sup> March, 2011
<b>NOTE 16 : CURRENT INVESTMENTS</b>		
<b>INVESTMENTS AT COST (NON-TRADE / UN-QUOTED)</b>	<b>-</b>	<b>-</b>
<b>Disclosure</b>		
(i) Aggregate amount of Quoted Investment and Market Value	NIL	NIL
(ii) Aggregate amount of Unquoted Investments	NIL	NIL
(iii) Aggregate Provision or Diminution in value of Investments	NIL	NIL

Forming part of the Accounts as at 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 17 : INVENTORIES <sup>3</sup></b>		
Raw materials and Components	612810.65	617503.25
Less: Provision for Redundancy	10851.05	9678.36
	<b>601959.60</b>	<b>607824.89</b>
Work-in-Progress	736552.77	831609.74
Finished Goods	164584.16	224488.78
Stock-in-Trade	8433.68	4574.52
Stores and Spare Parts	16243.39	16841.97
Less: Provision for Redundancy	690.88	857.69
	<b>15552.51</b>	<b>15984.28</b>
Loose Tools and Equipment	5992.43	5296.36
Less: Provision for Redundancy	179.26	173.34
	<b>5813.17</b>	<b>5123.02</b>
Construction Materials	46.85	57.31
Less: Provision for Redundancy	2.61	2.76
	<b>44.24</b>	<b>54.55</b>
Disposable Scrap	701.92	509.28
Miscellaneous Stores	31.95	28.85
Goods under Inspection and in Transit		
Raw material and Components	69771.99	43853.47
Stores and Spare Parts	2059.66	2533.81
Loose Tools and Equipment	3077.68	993.33
	<b>74909.33</b>	<b>47380.61</b>
	<b>1608583.32</b>	<b>1737578.48</b>
<sup>3</sup> Includes those issued to sub-contractors for Job Works	15602.94	10618.46
<b>NOTE 18 : TRADE RECEIVABLES</b>		
<b>(A) Debts outstanding for a period exceeding Six months</b>		
Secured Considered Good	2268.18	2045.79
Unsecured Considered Good	75215.43	53970.53
Doubtful	407.54	570.31
	77891.15	56586.63
Less: Provision for Doubtful Debts	407.54	570.31
<b>Sub Total (A)</b>	<b>77483.61</b>	<b>56016.32</b>
<b>(B) Debts outstanding for a period less than Six months</b>		
Secured Considered Good	11020.84	6879.09
Unsecured Considered Good	298744.79	167767.19
<b>Sub Total (B)</b>	<b>309765.63</b>	<b>174646.28</b>
<b>Total (A+B)</b>	<b>387249.24</b>	<b>230662.60</b>

## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 19 : CASH AND BANK BALANCES</b>		
<b>A) CASH AND CASH EQUIVALENTS</b>		
Cash on Hand	78.18	109.16
Cheques, Drafts on Hand	0.25	2.44
Balances with Bank		
Current Account <sup>4</sup>	28873.49	40468.72
Short Term Deposits	2164300.00	1969348.28
<b>B) OTHER BANK BALANCES</b>	-	-
<b>TOTAL CASH AND BANK BALANCES (A + B)</b>	<b>2193251.92</b>	<b>2009928.60</b>
C) Earmarked Balance with Banks	NIL	NIL
D) Balance with Banks to the extent held as Margin Money or Security against Borrowings, Guarantees, Other Commitments	NIL	NIL
E) Repatriation restrictions, in respect of Cash and Bank Balances	NIL	NIL
<sup>4</sup> Refer Clause No. 11 in Note 34 - Explanatory Notes		
<b>NOTE 20 : SHORT TERM LOANS AND ADVANCES</b>		
<b>A. Secured Considered Good</b>		
Loans and Advances to Related Parties	560.00	-
Advances against Goods and Services	159157.88	135747.17
Employee advances <sup>5</sup>	1018.05	852.97
Other Loans and Advances	3000.00	749.93
<b>Sub Total (A)</b>	<b>163735.93</b>	<b>137350.07</b>
<b>B. Unsecured Considered Good</b>		
Security Deposit		
Government Departments for Customs Duty and for Supplies	37.53	67.50
Public Utility Concerns	175.06	17.41
Others	328.48	686.96
Loans and Advances to Related Parties	9.96	15.86
Advances against Goods and Services	142785.74	82423.34
Employee advances <sup>5</sup>	2377.08	2211.69
Advance Tax	-	1.40
Other Loans and Advances	909.09	22.94
<b>Sub Total (B)</b>	<b>146622.94</b>	<b>85447.10</b>
<b>C. Considered Doubtful</b>	-	-
<b>Sub Total (C)</b>	-	-
<b>TOTAL (A + B + C)</b>	<b>310358.87</b>	<b>222797.17</b>
<sup>5</sup> Amount due by the Officers of the Company at the end of the year	1.39	1.27
<b>NOTE 21 : OTHER CURRENT ASSETS</b>		
<b>Interest Accrued and Not Due</b>	68621.56	39586.93
<b>Claims Receivable</b>		
Considered Good	98300.77	161741.32
Considered Doubtful	38.34	44.79
	98339.11	161786.11
<b>Less: Provision for Doubtful Claims</b>	38.34	44.79
	<b>98300.77</b>	<b>161741.32</b>
Prepaid Expenses	1455.04	1362.97
Revenue Stamps	0.01	0.01
Balances in Franking Machine	3.67	3.13
Deferred Debt - 45 yrs	19.76	19.76
<b>Total</b>	<b>168400.81</b>	<b>202714.12</b>

Forming part of the Accounts for the Year ended 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 22 : REVENUE FROM OPERATIONS</b>		
<b>a) Sale of Products</b>		
<b>Inland Sales</b>		
Finished Goods	891326.42	998624.79
Spares	89031.11	64113.28
Development	73675.45	60482.37
Miscellaneous	49388.11	52.06
Prior Period	1270.36	-809.68
<b>Total Inland Sales of Products</b>	<b>1104691.45</b>	<b>1122462.82</b>
<b>Export Sales</b>		
Finished Goods	23808.53	14048.90
Spares	8767.02	8007.74
Development	28.80	133.88
Prior Period	-	-19.70
<b>Total Export Sales of Products</b>	<b>32604.35</b>	<b>22170.82</b>
<b>Total Sale of Products (a)</b>	<b>1137295.80</b>	<b>1144633.64</b>
<b>b) Sale of Services</b>		
<b>Inland Sale of Services</b>		
Repair and Overhaul	274871.51	161568.34
Other Services	5090.03	3780.73
Prior Period	935.09	-
<b>Total Inland Sales of Services</b>	<b>280896.63</b>	<b>165349.07</b>
<b>Export Sale of Services</b>		
Repair and Overhaul	1700.25	1359.30
Other Services	528.79	208.42
<b>Total Export Sales of Services</b>	<b>2229.04</b>	<b>1567.72</b>
<b>Total Sales of Services (b)</b>	<b>283125.67</b>	<b>166916.79</b>
<b>Total Sales (a+b)</b>	<b>1420421.47</b>	<b>1311550.43</b>
<b>c) Other Operating Revenues</b>		
(i) Disposal of Scrap and Surplus / Unserviceable Stores	808.76	965.19
<b>Total Operating Revenues</b>	<b>808.76</b>	<b>965.19</b>
<b>Gross Revenue from Operations (d) = (a+b+c)</b>	<b>1421230.23</b>	<b>1312515.62</b>

## NOTES

Forming part of the Accounts for the Year ended 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 23 : OTHER INCOME</b>		
<b>Interest Income</b>		
Short term Deposits / Loans	210699.53	134086.89
Sundry Advances - Employees	93.76	74.59
Other Deposits	555.97	98.03
<b>Less: Interest Liability to Customer</b>	365.15	30.15
	<b>210984.11</b>	<b>134229.36</b>
Dividend Income		
Dividend Income from JVs	89.78	32.78
Other Non-Operating Income		
Transportation - Employees	95.86	127.36
Canteen	30.23	29.67
Other Welfare Schemes	1786.84	1647.22
Profit on Sale of Assets (Net)	73.67	4.52
Miscellaneous <sup>6</sup>	34648.85	92639.27
Prior Period Items	3336.79	21.02
	<b>251046.12</b>	<b>228731.20</b>
<sup>6</sup> Includes Provision no Longer Required	24337.43	53912.62
<b>NOTE 24 : COST OF MATERIAL CONSUMED</b>		
<b>CONSUMPTION OF RAW MATERIAL, COMPONENTS, STORES AND SPARE PARTS <sup>7</sup></b>		
Opening Stock	657771.59	610696.99
Add: Purchases	604208.26	1224601.65
Add: Subcontracting, Fabrication and Machining Charges	13997.35	12312.78
Less: Closing stock	661403.82	657771.59
	<b>614573.38</b>	<b>1189839.83</b>
Less: Transfer to		
Special Tools and Equipment	40629.00	26149.48
Capital Works	6.12	45.42
Development Expenditure	1377.27	1249.58
Expense Accounts and Others	11429.73	23335.93
	<b>53442.12</b>	<b>50780.41</b>
	<b>561131.26</b>	<b>1139059.42</b>
<sup>7</sup> includes Prior Period Items	91.09	-335.00
<b>NOTE 24 A : PURCHASE OF STOCK-IN-TRADE</b>		
<b>STOCK-IN-TRADE</b>	<b>14995.86</b>	<b>38183.12</b>

Forming part of the Accounts for the Year ended 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 25 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN- PROGRESS, STOCK-IN-TRADE AND SCRAP</b>		
<b>(A) CHANGE IN INVENTORIES OF FINISHED GOODS,WORK-IN-PROG-RESS AND STOCK IN TRADE</b>		
<b>Accretion / (Decretion)</b>		
Opening Balance		
(i) Finished Goods	224488.79	144475.15
(ii) Work-in-progress	831609.74	576373.75
(iii) Stock in Trade	4574.52	6290.21
	<b>1060673.05</b>	<b>727139.11</b>
Closing Balance		
(i) Finished Goods	164584.16	224488.79
(ii) Work-in-progress	736552.77	831609.74
(iii) Stock in Trade	8433.68	4574.52
	<b>909570.61</b>	<b>1060673.05</b>
<b>Accretion / (Decretion)</b>	<b>-151102.44</b>	<b>333533.94</b>
<b>(B) CHANGE IN DISPOSABLE SCRAP</b>		
Opening Balance	509.28	653.14
Closing Balance	701.92	509.28
<b>Accretion / (Decretion)</b>	<b>192.64</b>	<b>-143.86</b>
<b>TOTAL (A+B)</b>	<b>-150909.80</b>	<b>333390.08</b>
<b>NOTE 26 : EMPLOYEES BENEFIT EXPENSES <sup>8</sup></b>		
Salaries and Wages	247002.55	162302.63
Contribution to Provident and Other Funds		
Contribution to Provident Fund	14100.64	13320.34
Contribution to Gratuity	2200.47	36661.99
Others	8.74	-
Staff Welfare Expenses	12590.06	12041.31
Rent for Hiring Accomodation for Officers / Staff	270.11	259.20
Prior Period	6.01	42.78
	<b>276178.58</b>	<b>224628.25</b>
<sup>8</sup> Includes Directors' Remuneration		
Salaries	271.37	173.39
Contribution to Provident Fund	13.95	12.64
Gratuity	40.00	2.76
<b>NOTE 27 : FINANCE COST</b>		
Other Borrowing Costs		
Deferred Liabilities	-	0.45
		<b>0.45</b>
<b>NOTE 28 : DEPRECIATION AND AMORTISATION EXPENSES</b>		
<b>A. DEPRECIATION ON ASSETS</b>	17709.60	16878.95
<b>B. AMORTISATION</b>	54521.75	64600.62
<b>TOTAL (A + B)</b>	<b>72231.35</b>	<b>81479.57</b>
Prior Period - Amortisation	-	8.35

## NOTES

Forming part of the Accounts for the Year ended 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 29 : OTHER EXPENSES</b>		
Shop Supplies	9893.32	8758.01
Power and Fuel	14440.80	13018.67
Water Charges	4116.53	3383.35
Rent for Office Premises etc.	136.81	94.15
Travelling (includes Foreign Travel)	6534.48	6135.23
Training (includes Foreign Training)	872.83	553.86
Repairs:		
Buildings	6523.51	4730.88
Plant, Machinery and Equipment	8332.97	7813.62
Others	2901.84	3292.43
Expenses on Tools and Equipment	6655.31	5549.96
Insurance	1439.29	1357.64
Rates and Taxes	978.16	1736.75
Postage and Telephones	753.18	748.68
Printing and Stationery	1162.44	1170.59
Publicity	1683.09	1487.63
Advertisement	996.20	893.08
Bank Charges	612.00	729.30
Loss on Foreign Currency Transaction and Translation	4139.98	5154.95
Legal Expenses	121.74	182.97
Auditors' Remuneration:		
For Audit Fee	25.19	25.20
For Taxation matters	2.65	2.62
For Other Services	3.06	1.56
Selling Agents Commission	135.09	71.08
Donations	68.44	51.98
Handling Charges	231.60	257.71
Write Off:		
Fixed Assets	-	0.63
Stores	117.40	666.57
Shortages / Rejections	-	10.33
Others	0.09	77.71
Freight and Insurance	916.00	989.86
Liquidated Damages	9270.37	6543.72
JWG share of Profit	123.18	31.82
Cost of Warranty	6564.18	12877.48
Corporate Social Responsibility	1444.26	78.22
Miscellaneous Operating Expenses <sup>9</sup>	13083.80	11484.88
Prior Period Items	315.35	723.46
	<b>104595.14</b>	<b>100686.58</b>
<sup>9</sup> includes Director's Sitting Fees	17.60	6.60

Forming part of the Accounts for the Year ended 31<sup>st</sup> March, 2012

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>NOTE 30 : DIRECT INPUT TO WIP/EXPENSES CAPITALISED</b>		
<b>A) DIRECT INPUT TO WIP</b>		
Project related Travel	625.46	506.38
Project related Training	729.15	548.88
Project related other Expenditure	3260.92	6673.13
Travel outstation jobs	64.42	70.01
Royalty	1391.36	1777.73
Foreign Technician Fee <sup>10</sup>	3262.37	4102.30
Ground Risk Insurance	1787.29	2117.85
Quality Audit Expenses	48.43	43.25
Collaboration Charges	5.70	32.79
Design and Development	1563.34	-
Sundry Direct Charges - Others	27425.64	3567.01
<b>Sub Total (A)</b>	<b>40164.08</b>	<b>19439.33</b>
<b>B) EXPENSES CAPITALISED</b>		
Licence Fees	16461.99	4448.65
Computer software	700.99	1041.44
Documentation	9873.15	4059.46
<b>Sub Total (B)</b>	<b>27036.13</b>	<b>9549.55</b>
<b>Total (A + B)</b>	<b>67200.21</b>	<b>28988.88</b>
<sup>10</sup> Prior Period Items	-	87.95
<b>NOTE 31 : PROVISIONS</b>		
Replacement and Other Charges	11140.47	3501.82
Warranty	29908.66	29342.10
Raw Materials and Components, Stores and Spare parts and Construction Materials	8712.83	6587.72
Liquidated Damages	23598.78	8619.02
Doubtful Debts	12.13	133.72
Doubtful Claims	556.49	474.50
	<b>73929.36</b>	<b>48658.88</b>
<b>NOTE 32 : EXPENSES RELATING TO CAPITAL AND OTHER ACCOUNTS</b>		
Expenses allocated to:		
Deferred Revenue Expenditure	27036.12	9549.55
Special Tools	3244.23	3104.71
Capital Works	-	124.19
Development Expenditure	6531.52	8268.75
Warranty	6564.18	12877.48
Others	-61505.02	37218.31
	<b>-18128.97</b>	<b>71142.99</b>
<b>NOTE 33 : PRIOR PERIOD GAIN / (EXPENSE)</b>		
<b>(A) Income</b>		
Inland Sales	2205.45	-809.68
Export Sales	-	-19.70
Other Income	3336.79	21.02
<b>Sub Total (A)</b>	<b>5542.24</b>	<b>-808.36</b>
<b>(B) Expenditure</b>		
Consumption of Raw Material, Components, Stores and Spare Parts	91.09	-335.00
Amortisation	-	8.35
Direct Input to WIP / Expenses Capitalised	-	87.95
Salaries and Wages	6.01	42.78
Depreciation	33.28	109.47
Other Expenses	315.35	723.46
<b>Sub Total (B)</b>	<b>445.73</b>	<b>637.01</b>
<b>Total (A + B)</b>	<b>5096.51</b>	<b>-1445.37</b>



## NOTE 34 : EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>7</b> Earnings in Foreign Exchange :		
(i) Export on FOB Basis	32604.35	22170.82
(ii) Services	2229.04	1567.72
<b>Total</b>	<b>34833.39</b>	<b>23738.54</b>
<b>8</b> The effect on Profit due to Prior Period Transactions	5096.51	-1445.37
<b>9</b> Impact on Profit due to Changes in Accounting Policies	Nil	Nil
<b>10</b> 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:	<b>For 31<sup>st</sup> March, 2012 &amp; 31<sup>st</sup> March, 2011</b>	
	<b>Rate being charged</b>	<b>Schedule XIV Rate</b>
<b>Assets</b>		
Computers (Capitalised on or after 1-4-93)	31.70%	16.21%
CNC Machines	16.21%	7.42%
Plant and Equipment (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 ₹ 10,000/- and below are depreciated fully in the year of purchase		
		(₹ in Lakhs)
Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>11</b> Balances in Current Account with Foreign Banks		
SBI Paris	151.45	4.45
SBI London	29.61	22.39
JSC VTB Bank, Moscow	24.32	36.11
Maximum balance outstanding during the year		
SBI Paris	203.15	95.11
SBI London	218.46	243.26
JSC VTB Bank, Moscow	38.28	36.11
<b>12</b> Exemption had been granted to the Company from compliance of the provisions 3(i) (a), 3(ii)(a)(1), 3(ii)(a)(2), 3(ii)(d) and 4C contained in Part II of the erstwhile Schedule VI to the Companies Act, 1956 vide Ministry of Law, Government of India Letter no. 3/33/72-CL VI dated 06/06/1974. The Company based on the erstwhile Schedule VI Exemption has not disclosed Rawmaterials under broad heads, Goods Purchased under broad heads, Purchases, Sales and Consumption of Raw Material under broad heads, Work-in-Progress under broad heads provisions of 5(ii)(a)(1), 5(ii)(a) (2) ,5(ii)(d),5(iii) respectively of the Revised Sch VI to the Companies Act, 1956 vide Notification No. SO 653(E), dated 30-03-2011, w.e.f. 01-04-2011.		
<b>13</b> Long term Investments are carried at cost. Any diminution other than temporary in nature is provided.		

**NOTE 34 : EXPLANATORY NOTES**

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>Disclosures as per Accounting Standards</b>		
<b>14</b> 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	Nil	Nil
(b) Exchange rate variation recognised in Statement of Profit and Loss towards Capital Assets	81.65	152.12
(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 Non-Current Assets, Current Assets (recoverable within one year), Non-current Liabilities and Current Liabilities (to be settled within one year)		
(d) Net Gain / (Loss) on Foreign Currency Transaction and Translation	-4139.98	-5154.95
<b>15</b> Fixed Assets acquired with financial assistance / subsidy from outside agencies either wholly or partly are capitalised at net cost to the company.	14151.63	13691.44
Gross block does not include Assets given by the customer for use of their jobs by the Company	62599.26	57860.71
Amount of Capital WIP of the customer adjusted to Advances received from the Customer	2740.23	2010.76
<b>16</b> DRE represents items funded by the Customers and are being amortised over the number of units delivered based on programmes which may or may not exceed 10 years and to the extent not amortised are carried forward		
<b>17</b> As per AS-12 relating to Accounting for Government Grants, amount received for Fixed Assets	Nil	Nil
<b>18</b> As per AS-13 relating to Accounting for Investments, amount being Dividend received from Joint Venture companies.	89.78	32.78
<b>19</b> Provision for Gratuity and Vacation Leave has been made based on Actuarial Valuation. The date of Actuarial valuation is of 31st March.		
<b>Employee Benefits:</b>		
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 / long term benefits.		
<b>A Gratuity:</b>		
The Company has a Gratuity Scheme for its employees, which is a funded plan. Every year the Company funds to 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 with a ceiling of ₹ 10 (Ten) Lakhs.		
The following tables summarise the components of net benefit expense recognised in the Statement of Profit and Loss and the funded status and amounts recognised in the Balance Sheet for the plan as furnished in the Disclosure Report provided by the Actuary:		

## NOTE 34 : EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>Gratuity:</b>		
(i) Change in Benefit Obligations :		
Present Value of Obligation (PVO) as at the beginning of the year	71145.65	46917.66
Current Service Cost	3120.95	1772.14
Interest Cost	5401.33	3416.57
Actuarial (gain) / Loss	1831.85	13151.09
Past Service Cost	Nil	23653.37
Benefits Paid	(9807.15)	(17765.18)
Present Value of Obligation as at the end of the period	71692.63	71145.65
(ii) Change in Fair Value of Plan Assets :		
Fair Value of Plan Assets at the beginning of the year	55429.01	41663.98
Expected return on Plan Assets	4592.91	3284.76
Contributions	15716.64	26199.03
Benefit Paid	(9807.15)	(17765.18)
Actuarial gain / (Loss) on Plan Assets	3560.75	2046.42
Fair Value of Plan Assets at the end of the year	69492.16	55429.01
(iii) Expenses Recognised in the Statement of Profit and Loss :		
Opening Net Liability	Nil	Nil
Current Service Cost	3120.95	1772.14
Interest Cost	5401.33	3416.57
Expected return on Plan Assets	(4592.91)	(3284.76)
Net Actuarial (gain) / loss recognised in the period	(1728.90)	11104.67
Past Service Cost	Nil	23653.37
Expenses Recognised in the Statement of Profit and Loss	2200.47	36661.99
Actual Return on Plan Assets	8153.66	5331.18
(iv) Amounts Recognised in Balance Sheet :		
Present Value of Obligation as at the end of the period	71692.63	71145.65
Fair Value of Plan Assets at the end of the Period	69492.16	55429.01
Funded Status		
Unrecognised Actuarial (gain) / losses		
Liability recognised in Balance Sheet	2200.47	15716.64
(v) Category of Assets as at March 31 :		
State Government Securities	Nil	2500.00
Government of India Securities	4925.00	4925.00
High Quality Corporate Bonds	500.00	4200.00
Investment with Insurer	91112.50	68073.42
Dues to HAL	(27544.41)	(25108.65)
Others	499.07	839.24
	69492.16	55429.01
(vi) Reconciliation of Net Liability for the period :		
Opening Net Liability	15716.64	5253.68
Add: Employee Benefit Expenses for the period	2200.47	36661.99
Less: Contributions by Employer	15716.64	26199.03
Closing Net Liability	2200.47	15716.64

**NOTE 34 : EXPLANATORY NOTES**

(₹ in Lakhs)

Particulars	For the period ended			
	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
(vii) Experience Adjustments :				
Defined Benefit Obligation	71692.64	71145.65	46917.66	33401.51
Plan Assets	69492.17	55429.01	41663.98	32093.18
Surplus/(Deficit)	(2200.47)	(15716.64)	(5253.68)	(1308.33)
Experience Adjustment on Plan Liabilities	3228.70	14750.16	7648.66	(1718.41)
Experience Adjustment on Plan Assets	3560.75	2046.42	1632.25	(14165.18)

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
(viii) Principal Assumptions:		
Discounting Rate	8.50%	8.20%
Salary escalation rate	6.00%	6.00%
Expected rate of return on Plan Assets	9.00%	9.00%
<b>B Compensated Absences</b>		
The Actuarial Liability of Accumulated absences of the employees of the Company as at March 31	51740.73	44521.94
Discounting Rate	8.50%	8.20%
Salary escalation rate	6.00%	6.00%
Retirement Age	60 years	60 years
<b>C Post Retirement Medical Scheme</b>		
It is non funded - No impact on the Company's Operations		
<b>20</b> As per AS-16 relating to Borrowing Costs, Amount of Interest capitalised during the year.	Nil	Nil
<b>21</b> 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.		

(₹ in Lakhs)

**NOTE 34 : EXPLANATORY NOTES  
22A : DISCLOSURE RELATING TO AS-18 ON RELATED PARTY DISCLOSURES**

		CURRENT YEAR										
(a)	The name of the transacting related party	M/s. Indo Russian Aviation Limited	M/s. Bae HAL Software Limited	M/s. Snecma HAL Aerospace Private Limited	M/s. SAMTEL HAL Display Systems Limited	M/s. HAL-Edgewood Technologies Private Limited	M/s. HALBIT Avionics Private Limited	M/s. Infotech HAL Limited	M/s. HATSOFF Helicopter Training Private Ltd.	M/s. Tata HAL Technologies Ltd.	M/s. International Aerospace Manufacturing Pvt. Ltd.	M/s. Multirole Transport Aircraft 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	Joint Venture	Joint Venture
(c)	Description of the nature of the transactions	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services
(d)	Volume of the transactions either as an amount or as an appropriate proportion (Previous Year)	4288.09 (3390.43)	1488.58 (2499.10)	9.55 (41.15)	4654.59 (1638.18)	365.23 (256.55)	1801.56 (285.09)	3.03 (37.78)	37.35 (585.18)	209.79 (28.79)		
(e)	Any other elements of the related party transactions necessary for an understanding of the financial statements (Previous Year)											
(f)	(i) Amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date (Previous Year)	124.73 (497.61)	89.58 (130.39)		189.86				447.51 (469.20)			
(g)	(ii) Provisions for doubtful debts from such parties at that date (Previous Year)											
	Amounts written off or written back in the period in respect of debts due from or related parties (Previous Year)											

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

Shri Ashok Nayak	- Chairman HAL	- till 31.10.2011
Shri P.V. Deshmukh	- Managing Director - (MIG Complex) Additional Charge of Chairman HAL	- from 01.11.2011 to 02.03.2012
Shri P. Soundara Rajan	- Managing Director (Helicopter Complex)	- From 28.10.2011
Dr. A.K. Mishra	- Director (Finance)	- From 05.09.2011
Shri S.K. Jha	- Managing Director (Accessories Complex)	- Till 31.05.2011
Shri K. Nareish Babu	- Managing Director - (Bangalore Complex)	- Till 30.06.2011
Shri R. Srinivasan	- Director (HR)	- Till 31.08.2011
Shri N.C. Agarwal	- Director (D&D)	- Till 11.10.2011
Shri D. Balasunder	- MD (BC)	- Till 11.10.2011
Shri Sqn. Ldr. (Retd.) Baldev Singh	- Director (Corporate Planning & Marketing)	- Till 11.10.2011

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

**NOTE 34 : EXPLANATORY NOTES**

(₹ in Lakhs)

**22 B Disclosure with regard to Joint Ventures**

CURRENT YEAR											
Name of the Joint Venture	M/s. BAE HAL Software Limited	M/s. Indo Russian Aviation Limited	M/s. Snecma HAL Aerospace Private Limited	M/s. SAMTEL HAL Display Systems Limited	M/s. HAL-Edgewood Technologies Private Limited	M/s. HALBIT Avionics Private Limited	M/s. Infotech HAL Limited	M/s. HATSOFF Helicopter Training Private Ltd.	M/s. Tata HAL Technologies Ltd.	M/s. International Aerospace Manufacturing Pvt. Ltd	M/s. Multirole Transport Aircraft Ltd.
Country of Incorporation	India	India	India	India	India	India	India	India	India	India	India
Share of the Company (Previous Year)	49% (49%)	48% (48%)	50% (50%)	40% (40%)	50% (50%)	50% (50%)	50% (50%)	50% (50%)	50% (50%)	50% (50%)	50% (50%)
Total Assets (Previous Year)	2375.46 (3134.51)	8202.45 (8083.09)	2542.59 (2456.82)	518.23 (446.58)	2031.10 (942.54)	2434.62 (732.50)	1163.64 (1222.48)	25014.50 (26537.35)	341.54 (519.10)	2452.00 (936.21)	1854.51 (Nil)
Total Liabilities (Previous Year)	2375.46 (3134.51)	8202.45 (8083.09)	2542.59 (2456.82)	518.23 (446.58)	2031.10 (942.54)	2434.62 (732.50)	1163.64 (1222.48)	25014.50 (26537.35)	341.54 (519.10)	2452.00 (936.21)	1854.51 (Nil)
Total Income (Previous Year)	2683.52 (3110.80)	1075.00 (393.04)	4341.68 (3099.88)	4796.06 (1908.40)	150.12 (7.26)	1510.27 (699.03)	225.40 (127.10)	645.60 (409.47)	163.66 (57.25)	178.00 (20.00)	Nil (Nil)
Dividend Declared (Previous Year)	Nil (Nil)	100% (35%)	Nil (5%)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Dividend Amount (Previous Year)	Nil (Nil)	93.65 (32.78)	57.00 (114.00)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Share of Company (Previous Year)	Nil (Nil)	Nil (Nil)	Nil (57.00)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Contingent Liability (Previous Year)	380.18 (484.47)	Nil (Nil)	446.00 (648.50)	Nil (Nil)	400.77 (400.77)	2228.82 (20.00)	8.10 (Nil)	Nil (Nil)	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.

## NOTE 34 : EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>23 Disclosure relating to AS-19, Accounting of Leases</b>		
Class of Assets	Leasehold Land	Leasehold Land
Gross Carrying Amount	708.00	708.00
Amount of Depreciation recognised in Accounts	7.87	7.87
Cumulative Amortisation	31.48	23.61
Impairment Loss recognised in Accounts	Nil	Nil
Impairment Loss reversed in Accounts	Nil	Nil
Future Minimum Lease payments due		
Not later than 1 year	Nil	Nil
Later than 1 year and not later than 5 years	Nil	Nil
Later than 5 years	Nil	Nil
Contingent Rent recognised in Accounts	Nil	Nil
Indirect cost has been treated as Overhead Expenditure		
<b>24 As per AS-20 relating to Earnings per Share (Basic and Diluted)</b>		
Net Profit After Tax	253943.21	211425.78
Number of Equity Shares of Face Value of ₹10/- each fully paidup	120500000	120500000
Earnings per Share (in ₹) - Basic and Diluted	<b>210.74</b>	<b>175.46</b>
<b>25 Break-up of Deferred Tax Liabilities and Assets are given below:</b>		
<b>Deferred Tax Liability</b>		
Depreciation including Deferred Revenue Expenditure Amortisation	66542.28	67902.16
Special Tools and Equipment	100747.92	97999.51
Accrued Leave Salary	Nil	Nil
<b>TOTAL</b>	<b>167290.20</b>	<b>165901.67</b>
<b>Deferred Tax Asset</b>		
Carry Forward Loss	Nil	Nil
Accrued Leave Salary	17176.41	15050.61
Provision against Trade Receivables/Claims	1525.82	1674.61
Statutory Payments	415.26	146.09
Gratuity	475.07	475.07
<b>TOTAL</b>	<b>19592.56</b>	<b>17346.38</b>
<b>Deferred Tax Liability</b>		
Opening Balance	165901.68	166985.59
Addition / Reversal during the year	1388.53	-1083.91
<b>Total Deferred Tax Liability</b>	<b>167290.21</b>	<b>165901.68</b>
<b>Deferred Tax Assets</b>		
Opening Balance	17346.39	16456.90
Addition during the year	2246.18	889.49
<b>Total Deferred Tax Assets</b>	<b>19592.57</b>	<b>17346.39</b>
<b>Net Deferred Tax Liability</b>	<b>147697.63</b>	<b>148555.29</b>

**NOTE 34 : EXPLANATORY NOTES**

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>26 A Disclosure with regard to Joint Working Groups</b>		
HAL has entered into a Joint Working Agreement with Air India to start Ramp Handling Business and with MSIL and 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	150.03	134.75
CONCOR and MSIL	-25.75	-103.01
HALCON	-1.10	0.08

**26 B Disclosure with regard to Joint Working Group**

(₹ in Lakhs)

Name of the Joint Working Group	AIJWG		ACCJWG		HALCON	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Country of Incorporation	India		India		India	
Share of Company/ Ownership Interest	50%	50%	50%	50%	50%	50%
Principal Activities	Flight Handling		Cargo Handling		Cargo Handling	
Total Assets	1887.39	1981.78	631.85	577.30	676.86	666.88
Total Liabilities	1887.39	1981.78	631.85	577.30	676.86	666.88
Income - Company's Share	370.12	384.24	234.35	59.37	227.97	191.83
Expenditure - Company's Share	220.09	249.49	260.10	162.38	229.07	191.75
Profit Company's Share	150.03	134.75	-25.75	-103.01	-1.10	0.08
Contingent Liability	Nil	Nil	Nil	Nil	Nil	Nil

## NOTE 34 : EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<p><b>27 Useful life / Amortisation rate used for Deferred Revenue Expenditure (DRE) Assets</b></p> <p>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 DRE Assets are amortised over production on technical estimates and to the extent not amortised, are carried forward. For SU-30 Project, Sea King Project, ALH Project and Cheetah / Chetak Projects, DRE Assets are being amortised on the number of units delivered based on programmes which at present exceeds 10 years.</p>		
<p><b>28</b> As per AS - 28 on Impairment Loss - the Impairment Loss recognised in the Books Of Accounts</p>	NIL	NIL

**29** The aggregate amount of Research and Development Expenditure recognised as expenses during the period is as below:

## Research and Development Expenditure

(₹ in Lakhs)

Expenditure in R&D included in :	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
Raw Material Consumption	22773.66	44729.13
Direct Expenses	27515.46	12693.91
Salaries and Wages	31327.16	29649.13
Other Expenses	5519.82	4530.03
Interest	Nil	Nil
Depreciation and Amortisation	4070.32	1294.30
Provisions	51.84	372.73
Inter Services /Common Services	5492.58	5427.05
<b>Total R&amp;D Expenditure</b>	<b>96750.84</b>	<b>98696.28</b>

**NOTE 34 : EXPLANATORY NOTES**

(₹ in Lakhs)

**30** 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	80381.03	29908.66	9107.38	101182.31
(Previous Year)	(76598.08)	(29342.10)	(25559.15)	(80381.03)
Provision for Replacement and Other Charges	30500.92	11140.47	9557.18	32084.21
(Previous Year)	(44796.83)	(3501.82)	(17797.73)	(30500.92)
Provision for Redundancy in Raw Material and Components, Stores and Spares, Construction Material and Loose Tools	30045.07	8712.83	673.31	38084.59
(Previous Year)	(26727.71)	(6587.72)	(3270.36)	(30045.07)
Provision for Doubtful Debts	947.07	12.13	272.84	686.36
(Previous Year)	(1020.29)	(133.72)	(206.94)	(947.07)
Provision for Claims	4998.78	556.49	754.36	4800.91
(Previous Year)	(5002.64)	(474.50)	(478.36)	(4998.78)
Provision for Sustainable Development	Nil	304.00	Nil	304.00
(Previous Year)	(Nil)	(Nil)	(Nil)	(Nil)
Corporate Social Responsibility	Nil	1173.00	Nil	1173.00
(Previous Year)	(Nil)	(Nil)	(Nil)	(Nil)
Provision for Liquidated Damages	10016.44	23598.78	3972.37	29642.85
(Previous Year)	(7997.51)	(8793.18)	(6774.25)	(10016.44)
<b>Total</b>	<b>156889.31</b>	<b>75406.35</b>	<b>24337.44</b>	<b>207958.22</b>
<b>(Previous Year)</b>	<b>(162143.06)</b>	<b>(48833.04)</b>	<b>(54086.79)</b>	<b>(156889.31)</b>

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>31</b> Gain/Loss arising out of Derivatives	Nil	Nil
<b>32</b> Rates and Taxes includes interest on Self Assessment Tax	Nil	370.91
<b>33</b> Trade Payables and Unsecured Advances includes amounts due to Joint Venture for Investments - Company's Share	3000.00	750.00
<b>34</b> Total Land held (in Acres). (Refer Note -11)	11267.09	11267.09

## NOTE 34 : EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	Division	Assets	Acres	Amount
34.1 Instruments of transfer in respect of land and building taken possession by the Company have not been executed	Lucknow/ Kanpur / FMD	Land	2737.57	319.68
	(Previous Year)	Land	(2689.68)	(15.17)
	Kanpur	Building	Nil	Nil
	(Previous Year)	Building	(0.16)	(26.47)
34.2 Land has been handed over /ear-marked to the Government / other agencies pending execution of instruments of transfer	FMD/ Nasik/ Korwa	Land	998.10	56.46
	(Previous Year)	Land	(959.42)	(56.46)
	Engine	Land	0.18	0.12
	(Previous Year)	Land	(Nil)	(Nil)
34.3 Land has been given on lease to the Government/ other agencies	FMD/ Nasik/ Lucknow/ Kanpur	Land	180.46	154.91
	(Previous Year)	Land	(180.23)	(96.10)
	FMD	Land	0.17	0.09
	(Previous Year)	Land	(0.17)	(0.09)

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<p>34.4 HAL Barrackpore Unit is in possession of 22.51 acres (22.51 acres) of land on which the division has its buildings, hangar, Plant and 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 ₹ 29.50 Lakhs (Previous year ₹ 29.00 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 ₹ 708.00 Lakhs (200 acres). This cost is amortised over the lease period of 90 years. The Lease charges for the year amounting to ₹ 7.87 Lakhs has been considered under Depreciation for the year.</p>		

**NOTE 34 : EXPLANATORY NOTES**

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<p><b>34.5</b> FMD Division is holding 2098.831 Acres (2098.831 Acres) land of which 12.184 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 has taken over 6 acres of land from KIADB (Karnataka Industrial Area Development Board) in Aerospace Park at Devanhalli on Lease-cum-Sale basis, in lieu of transfer of HAL Land measuring 3.2 acres to BMRCL (Bangalore Metro Rail Coporation Ltd) for Bangalore Metro Project, pending execution of the Lease-cum-Sale Agreement. An amount of ₹ 1553.02 Lakhs towards Lease cum Rental charges with various parties has not been considered in the books of accounts of FMD, pending rate dispute settlement. 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. 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><b>35</b> Special Tools and Equipment includes Tools and Equipment in progress, under inspection and in transit.</p>	8213.63	2700.87
<p><b>36</b> The Company has detected a fraud which has been committed by a Contract Employee, the impact for the Current year is ₹ 86.80 Lakhs and the total amount of fraud is ₹ 391.06 Lakhs.</p>		
<p><b>37</b> Sales include deliveries for which amendment to firm task is awaited from the customer.</p>	4912.21	2363.00
<p><b>37 (a)</b> 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><b>37 (b)</b> The Total Inventory of :-</p>	1615299.48	1742718.06
<p>(i) does not include materials belonging to customers but held by the Company on their behalf, worth approximately</p>	49565.50	43505.77
<p><b>38</b> Liability towards LD recovered by the Company payable to M/s HMT in terms of BIFR Rehabilitation Scheme</p>	Nil	67.58
<p><b>39</b> In IMGT Division, Inventory worth ₹1800.52 Lakhs (Previous year ₹1490.27 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 utilized by ONGC for North Zone fields, whereas engine from South Zone Fields are duty exempted. 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>		

## NOTE 34 : EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>40</b> Dividend		
(a) The amount of dividend proposed to be distributed to Equity share holders	6630.00	12317.00
(b) Amount per share (₹)	5.50	10.22
<b>41</b> Total amount remitted during the year in foreign currencies on account of dividends	NA	NA
(i) Total Number of Non-resident Shareholders		
(ii) Total Number of Shares held by Non-resident Shareholders on which the Dividends were due and the year to which the Dividends related		
<b>42 a</b> 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.		
<b>42 b</b> In view of the Supreme Court Orders in the case between HAL Vs. State of Karnataka and HAL Vs. State of Orissa in favour of HAL, the Company is of the view that no Sales Tax/VAT is payable on supplies made to Ministry of Defence. Karnataka Appellate Tribunal (KAT) in its order dated 18.04.2006 and 08.03.2007 also upheld that no occasion of a transaction of sale between HAL and Government of India would attract sales tax liability.  Commercial Tax Department had issued Re-Assessment Order and raised demand for ₹ 1512.77 Crs. during February, 2010. Aggrieved by the order of Commercial Tax Department, Company went on appeal with Hon'ble High Court of Karnataka. Hon'ble High Court in its order dated 11.03.2010 remanded the assessments for the years 1994-95 to 2000-01 to the Assessing Authority. Further, with reference to the Writ Petitions/Writ Appeal filed by the Company for the Assessment Years 2005-06 to 2008-09, the Hon'ble High Court in the order passed in March, 2010 also remanded the Assessment to the Departmental Appellate Authority.  Aggrieved by the orders of Hon'ble High Court of Karnataka, Company has filed Special Leave Petitions (SLPs) in the Hon'ble Supreme Court of India. In its order dated 11th January 2011, the Hon'ble Supreme Court of India has directed that Secretary, Defence Production, Ministry of Defence (MOD) and Chief Secretary, Govt. of Karnataka to have meeting and try to resolve the issues arising for consideration of the Hon'ble Supreme Court.  Several meetings have been held between officials of Department of Defence Production, MOD, HAL, Commercial Tax Department and Finance Department, Govt. of Karnataka to verify and establish the factual details of transactions. The verification is in process and after completion of the same, the matter will be brought up before Hon'ble Supreme Court of India.  The Process of Verification by the Commercial Tax Department has been completed. The issue is under further discussion with MOD and Government of Karnataka for resolution of the same.		

**NOTE 34 : EXPLANATORY NOTES**

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2011
<b>43</b> Information under Micro and Small Enterprises		
1) The Principal Amount and the Interest due thereon remaining unpaid to any Supplier as at the end of the accounting year	1216.80	567.90
2) The amount of Interest paid during the year along with the amounts of payment made to the Supplier beyond the appointed date during each accounting year	Nil	Nil
3) The amount of Interest due and payable for the period (where the Principal has been paid but Interest not paid)	101.64	Nil
4) The amount of Interest accrued and remaining unpaid at the end of accounting year	157.45	3.88
5) The amount of further Interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the Small Enterprise, for the purpose of disallowance as a deductible expenditure	Nil	Nil
<b>44</b> Miscellaneous Sales include ₹ 47302 Lakhs being impact on account of Gratuity claims for Wage Revision and increase in the Statute from ₹ 3.5 Lakhs to ₹ 10 Lakhs.		
<b>45</b> Referring to the Accounting policy No.10, current year sales includes the element of differential sales arising out of finalisation of fixed price quotation prices relating to earlier years with the customer. The prices have been firmed up based on verification carried out in the Divisions and the finalised prices having been agreed to by the Pricing Policy Review Committee (PPRC) set up by the Ministry of Defence. The Government Notification in this regard is under process. The details are as below:		
Repair and Overhaul	69181.36	1237.30
Spares	4179.41	114.73
<b>Total</b>	<b>73360.77</b>	<b>1352.03</b>
	<b>31<sup>st</sup> March, 2012 &amp; 31<sup>st</sup> March, 2011</b>	
<b>46</b> Operating Cycle	HAL is having Multiple Business Activity. Operating Cycles are determined by Divisions based on Product Profile and Guidelines on Revised Schedule VI issued by ICAI	
<b>47</b> Figures in brackets relates to previous year and they have been rearranged or regrouped wherever necessary.		

Note '1' to '34' and Accounting Policies attached form part of the Accounts

As per our Report attached  
for **M/s.DAGLIYA & CO.,**  
Chartered Accountants  
Firm Regn. No. 0671S

  
**(Dr. A.K. MISHRA)**  
Director (Finance)

  
**(R.K. TYAGI)**  
Chairman

  
**(P. MANOHARA GUPTA)**  
Partner  
Membership No. 16444  
Place : Bangalore  
Date : 1st August, 2012.

  
**(ASHOK TANDON)**  
Executive Director  
(Company Secretary)

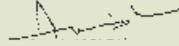
## STATEMENT OF CASH FLOW FOR THE YEAR ENDED

(₹ in Lakhs)

Sl. No.	Particulars	31 <sup>st</sup> March, 2012		31 <sup>st</sup> March, 2011	
<b>I.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
	Net Profit Before Tax		332851.59		283952.39
	Adjustment To Reconcile Net Income To Net Cash				
	Providing by Operating Activities:				
	Depreciation and Amortisation Expense	72231.35		81479.57	
	Interest Paid	-		0.45	
	Profit on Sale of Fixed Assets	(73.68)		(4.52)	
	Interest Received - Net of Interest Liability to Customer	(210984.10)		(134229.35)	
	Dividend Received	(89.78)		(32.80)	
	<b>Sub Total</b>		<b>(138916.21)</b>		<b>(52786.65)</b>
	<b>Operating Profit Before Working Capital Changes</b>		<b>193935.38</b>		<b>231165.74</b>
	Adjustment For Changes In Operating Assets And Liabilities:				
	Trade Receivables, Loans and Advances	(202089.33)		(56329.39)	
	Inventories	127418.58		(376714.62)	
	Trade Payables, Current Liabilities and Provisions	139985.24		387014.03	
	<b>Sub Total</b>		<b>65314.49</b>		<b>(46029.98)</b>
	Adjustment For Other Assets		<b>259249.87</b>		<b>185135.76</b>
	Special Tools and Equipment	(43873.23)		(29254.18)	
	Deferred Revenue Expenditure	(26166.57)		(19067.88)	
	<b>Sub Total</b>		<b>(70039.80)</b>		<b>(48322.07)</b>
	<b>Cash Generated From Operations</b>		<b>189210.07</b>		<b>136813.69</b>
	Direct Tax Paid		(76914.41)		(52493.35)
	<b>Net Cash Provided By Operating Activities ( a )</b>		<b>112295.66</b>		<b>84320.34</b>
<b>II.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
	Purchase Of Fixed Assets <sup>1</sup>	(17613.15)		(12019.18)	
	Sale Of Fixed Assets	156.13		172.46	
	Intangible Assets	(8355.06)		-	
	Interest Received - Net Of Interest Liability To Customer	210984.10		134229.37	
	Dividend Received	89.78		32.78	
	Investments in Joint Ventures	(12993.97)		(16685.47)	
	<b>Net Cash Provided By (used in) Investing Activities ( b )</b>		<b>172267.84</b>		<b>105729.96</b>
<b>III.</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
	Repayment of Deferred Liabilities - Net	(25.49)		(1.35)	
	Interest Paid	-		(0.45)	
	Dividend Paid	(101214.69)		(45883.47)	
	<b>Net Cash Provided By Financing Activities ( c )</b>		<b>(101240.18)</b>		<b>(45885.27)</b>
	<b>Abstract :</b>				
I.	Net Cash Provided By Operating Activities ( a )		112295.66		84320.34
II.	Net Cash Provided By (used in) Investing Activities ( b )		172267.84		105729.96
III.	Net Cash Provided By Financing Activities ( c )		(101240.18)		(45885.27)
	<b>Net Increase In Cash And Cash Equivalents During The Year</b>		<b>183323.32</b>		<b>144165.04</b>
	Cash And Cash Equivalents At Beginning Of The Year <sup>2</sup>		2009928.60		1865763.56
	Cash And Cash Equivalents At The End Of The Year <sup>2</sup>		2193251.92		2009928.60
	<b>Net Increase In Cash And Cash Equivalents During The Year</b>		<b>183323.32</b>		<b>144165.04</b>

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

As per our Report attached  
for M/s.DAGLIYA & CO.,  
Chartered Accountants  
Firm Regn. No. 0671S

  
(Dr. A.K. MISHRA)  
Director (Finance)

  
(R.K.TYAGI)  
Chairman

  
(P. MANOHARA GUPTA)  
Partner  
Membership No. 16444  
Place : Bangalore  
Date : 1st August, 2012.

  
(ASHOK TANDON)  
Executive Director  
(Company Secretary)

## AUDITORS' REPORT

**The Members of Hindustan Aeronautics Limited,  
Bangalore**

**Report on the Financial Statements:**

We have audited the attached Balance Sheet of HINDUSTAN AERONAUTICS LIMITED as at 31st March, 2012 and the Statement of Profit and Loss and Cash Flow Statement for the year ended that date annexed thereto which incorporates all the 38 Divisions of Hindustan Aeronautics Limited audited by the Division Statutory Auditors in accordance with the allocation made by the Comptroller & Auditor General of India, New Delhi, our work being confined to the Consolidated Annual Accounts only. This includes two foreign liaison offices incorporated in the respective division accounts audited by that division statutory auditor. The consolidated accounts takes into account particulars and information made available to us and also changes carried out at consolidation.

**Management's Responsibility for the Financial Statements:**

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.

**Auditors Responsibility:**

We 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 mis-statement. 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 the opinion.

**Companies (Auditor's Report) Order, 2003 (CARO):**

I. As required by the Companies (Auditor's Report) Order, 2003 (As amended in 2004) issued by the

Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, in our opinion and based on such checks as we considered appropriate and according to the information and explanations given to us and based on the reports of the Auditors of all the divisions, we state that:

**Fixed Assets:**

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and the situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year in accordance with its phased programme designed to cover the assets of all locations/units by physical verification over a period of one to five years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, fixed assets at certain locations were physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) The Company has not disposed off any substantial part of the fixed assets during the year, which affects the going concern status of the Company.

**Inventories:**

2. (a) As informed to us, the inventories other than those held by third parties at Aircraft Division Nasik, TAD Kanpur and F&F Bangalore Divisions have been physically verified during the year by the management. Subject the above, in our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size

## AUDITORS' REPORT

of the Company and the nature of its business

- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material having regard to the nature of business and volume of operations and the same have been properly dealt with in the books of accounts.

### Loans borrowed or given:

3. The Company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence, clauses (a) to (g) of the said order are not applicable.

### Internal control System:

4. In our opinion and according to the information and explanations given to us, and as per our evaluation, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services, except at Aerospace Division, where system needs to be strengthened as reported by the auditors of the said division. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

### Transactions covered u/s 301 of the Companies Act, 1956:

5. (a) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 having regard to the view taken that the transactions with the government companies need not be entered in the register as no personal interest of the directors is involved.

- (b) In our opinion and according to the information and explanations given to us, as there are no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956, paragraph 4 (v) (b) of the Order is not applicable.

### Deposits from Public:

6. The Company has not accepted any deposits from the public within the meaning of section 58A of the Companies Act, 1956 and Rules framed there under and accordingly the provisions of Section 58A and 58AA of the Companies Act, 1956 are not applicable to the Company.

### Internal Audit System:

7. The Company's internal audit system comprises of Internal Audit conducted by external firms of Chartered Accountants appointed and also by the Systems Audit Department of the Company. According to the information and explanations given to us and based on our evaluation, we are of the opinion that the Company has an internal audit system commensurate with the size of the Company and nature of its business.

### Maintenance of Cost records:

8. We have broadly reviewed the cost accounting records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained.

### Remittance of Statutory dues:

9. (a) The Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues applicable to it.

## AUDITORS' REPORT

(b) According to the information and explanation given to us no undisputed dues payable in respect of income tax, sales tax, service tax, customs duty, wealth tax, excise duty, cess applicable were outstanding at the year end for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us and as per records of the Company, there are no dues of income tax, sales tax, service tax, customs duty, excise duty, cess which have not been deposited on account of any dispute, other than the following:

Sl. No	Nature of the Dues	Amount (₹ in Lakhs)	Forum where dispute is pending
1.	Sales Tax/VAT/WCT/Entry Tax	250912.30	Appellate Authority
2.	Service Tax	43764.05	Appellate Authority
3.	Income Tax	50570.93	Appellate Authority
4.	Non-Agricultural cess	2063.02	Appellate Authority
	Total	347310.30	

### Accumulated Cash Losses:

10. The Company neither has accumulated losses at the end of the financial year nor has it incurred cash losses during the current and the immediately preceding financial year.

### Dues to Banks & Financial Institutions:

11. The Company has not defaulted in repayment of dues to banks. The Company has neither borrowed any loans from Financial Institutions nor issued any debentures and consequently the question of default in repayment does not arise.

### Loans and Advances against Securities:

12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

### Provisions applicable to Nidhi and Chit Fund Companies:

13. The Company is not a Chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4 (xiii) of

the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

### Dealing in shares and securities:

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. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

### Guarantees given by the Company for loans taken by others:

15. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.

### End use of Term Loans raised :

16. According to the information and explanations given to us the Company has not obtained any term loans. Hence the question of application of the term loans for the purpose for which they were obtained does not arise.

### Utilisation of Short Term Funds:

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

### Preferential Allotment of Shares:

18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

### Security for Debentures:

19. According to the information and explanations given to us, the Company has not issued any debentures during the year. Hence creation of security does not arise.

### Public Issues:

20. The Company has not raised any money by way of

## AUDITORS' REPORT

public issues during the year. Hence disclosure and verification of end use of money raised by public issue does not arise.

### Frauds:

21. *The Company has detected a fraud in its 'Aerospace Division' and based on the audit procedures performed and according to the information and explanation given to us, the fraud had been committed by one of the contract employees, by way of unauthorized transfer from bank account of the said division to his account amounting to ₹ 86.80 Lakhs during the year ended 31st March 2012. The total amount of Fraud is ₹ 391.06 Lakhs. The Company has initiated administrative and legal action. The involved contract employee is in judicial custody. (Refer clause 36 of Note 34 of the accounts)*

2) Further to our comments in Para (1) above

A) *Attention is drawn to*

(1) *Clause 21 of Note 34 of the accounts regarding non disclosure of segment information as required by Accounting Standard - 17 "Segment Reporting" prescribed by The Companies (Accounting Standards) Rules, 2006. The net effect on the Financial Statements of such non-disclosure is NIL.*

(2) *Clauses 42a and 42b of Note 34 of the accounts, 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 to defence customers in some of the Divisions. The Company has not provided for the demands from the Commercial Taxes Departments, since the demand is disputed by the Company. The same is disclosed as a contingent Liability in Clause 2 of Note 34 of the accounts. The respective agreements for such sale and repairs/overhaul provide for furnishing an exemption certificate or re-imburement of sales tax and similar statutory levies when determined. However, the reimbursement of penalties, if any and/or interest*

*levied on such non-payment have not been dealt with in the agreement and the same is not quantified by the Company. Although, the taxes are to be reimbursed by the customers in terms of the respective agreements, the Company has neither quantified nor provided for the interest and/or penalties, if any, on such taxes in case the same are payable. We are unable to quantify the Net Impact of such non provision/ non-disclosure on the Financial Statements.*

B) We further report that:

### Information and Explanations:

(1) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

### Maintenance of books of accounts:

(2) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

(3) The Balance Sheet and Statement of Profit and Loss referred to in this report are in agreement with the Books of Accounts.

### Returns of the Divisions/Branches:

(4) Proper returns adequate for the purposes of our audit have been received from the Divisions/Branches not visited by us. The reports on the accounts of the Divisions/Branches audited by the branch auditors have been forwarded to us and have been appropriately dealt with considering further information and explanations furnished to us by the management.

### Compliance with Accounting Standards:

(5) *In our opinion, the Balance Sheet and the Statement of Profit and Loss dealt with by this report are in compliance with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956 except for disclosure requirements of Accounting Standard - 17 on 'Segment Reporting'.*

## AUDITORS' REPORT

### Reporting Requirements under Section 274 (1) (g):

(6) 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 Government Company, is exempt from provision of Section 274(1)(g) of The Companies Act, 1956 regarding Disqualification of Directors.

### Opinion:

(7) Subject to paras 2 A (1) and (2) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes and accounting policies thereon, 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, 2012;
- ii) In the case of the Statement of Profit and Loss, of the PROFIT for the year ended that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For DAGLIYA & CO.**  
Chartered Accountants  
FRN : 0671S



**(P. MANOHARA GUPTA)**

Partner

M.No. 16444

Place: Bangalore  
Date: 1st August, 2012.

## Observations by the Statutory Auditors on the Accounts of Hindustan Aeronautics Ltd., Bangalore for the year ended 31<sup>st</sup> March, 2012 and Replies by the Company

Sl. No.	AUDITOR'S QUALIFICATIONS	COMPANY'S REPLIES
1	<p>The Company has detected a fraud in its 'Aerospace Division' and based on the audit procedures performed and according to the information and explanation given to us, the fraud had been committed by one of the contract employees, by way of unauthorized transfer from bank account of the said division to his account amounting to ₹ 86.80 Lakhs during the year ended 31st March, 2012. The total amount of Fraud is ₹ 391.06 Lakhs. The Company has initiated administrative and legal action. The involved contract employee is in judicial custody. (Refer clause 36 of Note No 34 of the accounts)</p>	<p>The Company has initiated legal action for recovery of the amount from the accused by attachment of his properties While the legal process may take some time, the Company is hopeful of recovery of the amount from the defendants in the suit filed with Court. Suitable disclosure is also made in clause 36 of Note 34 of the accounts</p>
2	<p>The Company has not complied with Accounting Standard 17 "Segment Reporting" disclosure as stated in clause 21 of Note 34 of the accounts.</p>	<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>Disclosure in this regard has been made at clause 21 of Note 34 on Accounts.</p>
3	<p>Attention is invited to 42a and 42b of Note 34 of the accounts, 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 to Defence customers in some of the Divisions. The Company has not provided for the demands from the Commercial Taxes Departments, since the demand is disputed by the Company. The same is disclosed as a contingent Liability in Clause 2 of Note 34 of the accounts. The respective agreements for such sale and repairs/overhaul provide for furnishing an exemption certificate or re-imbursalment of sales tax and similar statutory levies when determined. However, the reimbursement of penalties, if any and/or interest levied on such non-payment have not been dealt with in the agreement and the same is not quantified by the Company. Although, the taxes are to be reimbursed by the customers in terms of the respective agreements, the Company has neither quantified nor provided for the interest and/or penalties, if any, on such taxes in case the same are payable. We are unable to quantify the Net Impact of such non provision/ non-disclosure on the Financial Statements.</p>	<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 Clause 2 of Note 34 to Accounts.</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 clause No.42a and 42b of Note 34 on Accounts and have been consistently accepted by the audit.</p>

## COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL

Confidential / Secret

No. : Reports/HAL A/CS/2012-2013/375

**OFFICE OF THE PRINCIPAL DIRECTOR OF  
COMMERCIAL AUDIT and Ex-Office  
MEMBER, AUDIT BOARD  
BANGALORE - 560 001**

DATE : 17th September, 2012

To,  
R.K. Tyagi,  
Chairman,  
M/s. Hindustan Aeronautics Limited  
No. 15/1, Cubbon Road, P.B.No. 5150  
Bangalore - 560 001

**Sir,**

**Sub :** Comments of the Comptroller and Auditor General of India under section 619(4) of the companies Act, 1956.

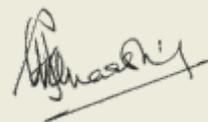
I am to forward herewith "**Comments**" of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of **M/s Hindustan Aeronautics Limited**, Bangalore for the year ended 31st March, 2012.

It may please be ensured that the Comments are:

- (I) printed in toto without any editing.
- (ii) placed next to the Statutory Auditors' Report in the Annual Report of the Company with proper indication in the index; and
- (iii) placed before the AGM as required under Section 619(5) of the Companies Act, 1956.

The receipt of this letter may please be acknowledge.

Yours faithfully,



(C.H. Kharshiing, IA & AS)  
Pr. Director of Commercial Audit  
& ex-officio Member, Audit Board

Encl : As above

## COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL

### COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956 ON THE ANNUAL ACCOUNTS OF HINDUSTAN AERONAUTICS LIMITED, BANGALORE FOR THE YEAR ENDED 31ST MARCH, 2012

The preparation of financial statements of HINDUSTAN AERONAUTICS LIMITED, Bangalore (Company) for the year ended 31 March 2012 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 1st August 2012.

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, 2012. 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. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

Comment on Profitability

I. Balance Sheet

Inventories-Work-in-Progress (Note No. 17): 7,365.53 crore

Statement of Profit and Loss

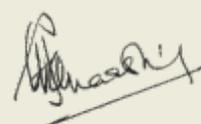
Expense : Changes in Inventories of Finished Goods, Work-in-Progress and

Stock-in-Trade- (Note No. 25): 1,509.09 crore

The Company has accounted for 146.16 crore<sup>1</sup> being the expenditure on foreign technician fee, foreign travel and training as Sundry Direct Charges at cost in Work-in-Progress.

These items of expenditure do not form part of costs directly related to the production or in bringing the inventories to their present location and condition. Hence, they should have been charged off in the Profit & Loss account in the year of incurrance. Their inclusion in Work-in-Progress is in contravention of Accounting Standard 2 prescribed under section 211 (3C) of the Companies Act, 1956 and has resulted in overstatement of Work-in-Progress by 146.16 crore and consequent overstatement of profit by 146.16 crore.

For and on 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 : 17 September 2012

## REPLY OF THE COMPANY ON THE OBSERVATION OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2012

C & AG COMMENT	COMPANY'S REPLY
<p><b>COMMENT ON PROFITABILITY</b></p> <p><b>Balance Sheet – Inventories – Work-in-Progress</b> (Note No.17): ₹ 7365.53 Crs.</p> <p><b>Statement of Profit and Loss – Expense: Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade</b> (Note No.25): ₹ 1509.09 Crs.</p> <p>The Company has accounted for ₹ 146.16<sup>1</sup> Crore being the expenditure on foreign technician fee, foreign travel and training as Sundry Direct Charges at cost in Work-in-Progress.</p> <p>These items of expenditure do not form part of costs directly related to the production or in bringing the inventories to their present location and condition. Hence, they should have been charged off in the Profit &amp; Loss account in the year of incurrence. Their inclusion in Work-in-Progress is in contravention of Accounting Standard-2 prescribed under section 211(3C) of the Companies Act, 1956 and has resulted in overstatement of Work-in-Progress by ₹ 146.16 crore and consequent overstatement of profit by ₹ 146.16 crore.</p> <p><b>(<sup>1</sup> ₹ 34.38 crore in Engine Division; ₹ 24.65 crore in Nashik Division; ₹ 53.77 Crore in Koraput Division and ₹ 33.36 crore in Overhaul Division)</b></p>	<p>Accounting Standard-2 allows Cost of Purchase, Cost of Conversion and other Costs incurred in bringing the Inventories to the present location and condition to be included in the Cost of inventories.</p> <p>Foreign Technician fee, foreign travel and training are Project specific expenditure and have been charged to Work-in-Progress (WIP) on incurrence as these are part of the factor costs related to bringing the Inventories to their present condition. The WIP has therefore been assessed as per Accounting Standard-2 and there is no overstatement of Profit.</p>

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 E-mail : root@bngahal.kar.nic.in Website: www.hal-india.com

(As on 26th September 2012)

### CORPORATE OFFICE

#### Shri R K Tyagi

Chairman

#### Shri V M Chamola

Director (HR)

#### Shri K Naresh Babu

Director (CP&M), Addl. Charge

#### Dr A K Mishra

Director (Finance)

### HAL MANAGEMENT ACADEMY

#### Shri A N Agasthya

Executive Director

### COMPANY SECRETARIAT

#### Shri Ashok Tandon

Executive Director  
(Company Secretary)

### CUSTOMER SERVICES, FOS & QUALITY

#### Shri Sudhir Kumar

Executive Director

### PLANNING & PROJECTS

#### Shri S Mallikarjuna Swamy

Offg ED (Planning & Projects)

#### Shri S Subrahmanyam

COP(Proj)

### VIGILANCE

#### Shri Anurag Sahay, IRS

Chief Vigilance Officer

### FINANCE & ACCOUNTS

#### Shri D Mallick

General Manager (Finance)

#### Shri A K Trivedi

General Manager (Finance)

### INDIGENISATION

#### Shri A K Aseri

General Manager

### SYSTEMS AUDIT

#### Shri Hem Chandra

General Manager

#### Shri S K Padhi

OSD (SYA)

### INTEGRATED MATERIAL MANAGEMENT

#### Shri B K Ramesh

General Manager

### HUMAN RESOURCES

#### Shri A K Tyagi

General Manager (HR)

### INFORMATION TECHNOLOGY

#### Shri Rajeev Agarwal

Addl. General Manager

### MANAGEMENT SERVICES

#### Shri G Balakrishnan

Dy General Manager

### MARKETING

#### Shri M K Mishra

Deputy General Manager

### BANGALORE COMPLEX

#### Shri K Naresh Babu

Managing Director

#### Shri D P Rao

Executive Director (Finance)

#### Shri R Kaveri Renganathan

GM(MMRCA)

### ENGINE DIVISION

#### Shri V Balakrishnan

Executive Director

(Engines & IMGT)

#### Shri A Muthu Kumar Swamy

COP

### LCA/LSP & ASC

#### Shri Benji Mammen

General Manager

#### Shri V Sridharan

Offg. Chief of Projects

### AEROSPACE DIVISION

#### Dr Jeyakar Vedamanickam

General Manager

### IMGT

#### Shri C L Dhar

General Manager

### FOUNDRY & FORGE

#### Shri S P Singh

General Manager

### AIRCRAFT DIVISION

#### Shri T Mohapatra

General Manager

#### Shri M N Shrinath

Chief of Project (Hawk)

### OVERHAUL DIVISION

#### Shri Rajiv Kumar

General Manager

### IJT/LSP PRODUCTION GROUP

#### Shri Tarun Kanti Mandal

General Manager

### FLIGHT OPERATIONS

### FIXED WING

#### Gp Capt (Retd) C Subramaniam

Chief Test Pilot (Fixed Wing)

### MEDICAL & HEALTH

#### Dr H C Anantha Subramanya

Chief of Medical Services

### FACILITIES MANAGEMENT DIVISION

#### Shri M R Uday Kumar

Addl. General Manager

Registered Office :  
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 Telegram : HAL bangalore E-mail : root@bngahal.kar.nic.in Website: www.hal-india.com

### DESIGN COMPLEX

**Shri T Suvarna Raju**  
 Director (Design & Development)

**Shri M Venkatasubramanian**  
 Executive Director (Finance)

**Shri N C Vyas**  
 Executive Director  
 Design Complex

### MISSION & COMBAT SYSTEM R&D CENTRE

**Shri S P Bhattacharya**  
 General Manager

### AIRCRAFT RESEARCH & DESIGN CENTRE

**Shri Praveen Chander**  
 General Manager

### AERDC (ETBRDC)

**Dr V Sridhara**  
 Offg. General Manager

### HELICOPTER COMPLEX

**Shri P Soundara Rajan**  
 Managing Director

**Shri M S Srinath**  
 Executive Director (HC)

**Shri B Venkateswara Rao**  
 General Manager (Finance)

### HELICOPTER DIVISION

**Shri V Sadagopan**  
 General Manager

**Shri N Nagabhushanam**  
 Chief of Proj (Ch/Ck)

### BARRACKPORE DIVISION

**Shri S M Sharma**  
 General Manager

### FLIGHT OPERATIONS - ROTARY WING

**Wg Cdr (Retd) Unni Pillai** Chief  
 Test Pilot (RW)

### HELICOPTER MRO

**Shri S Murali**  
 Offg General Manager

### ROTARY WING RESEARCH & DESIGN CENTRE

**Dr M Vijaya Kumar**  
 Offg. General Manager

### COMPOSITE MANUFACTURING DIVISION

**Shri S V Suresh**  
 Offg General Manager

### MiG COMPLEX

**Shri P V Deshmukh**  
 Managing Director

**Shri S Ranganath**  
 General Manager (Finance)

### AIRCRAFT UPGRADE RESEARCH & DESIGN CENTRE-NASIK

**Shri P K Khanwalkar**  
 General Manager

### AIRCRAFT MANUFACTURING DIVISION-NASIK

**Shri P S Roy**  
 General Manager

**Shri M M Tapase**  
 Offg. General Manager (Proj)

### AIRCRAFT OVERHAUL DIVISION- NASIK

**Shri Daljeet Singh**  
 General Manager

### SUKHOI ENGINE DIVISION- KORAPUT

**Shri Aniruddh Kumar**  
 Offg ED(Engine & SED Koraput)

**Shri Maloy De**  
 General Manager

**Shri Debashish Deb**  
 Offg chief of Projects

### ACCESSORIES COMPLEX

**Shri S K Jha**  
 Managing Director

**Shri V Srinivasan**  
 General Manager (Finance)

**Shri Pramod Saxena**  
 General Manager (Projects)

### AVIONICS DIVISION-KORWA

**Shri R C Sharma**  
 Executive Director  
 (TAD, Kanpur & Korwa)

### AVIONICS DIVISION-LUCKNOW

**Shri C K Vishwakarma**  
 General Manager

### SLRDC-HYDERABAD

**Shri P S Krishna Kumar**  
 General Manager

### TRANSPORT AIRCRAFT DIVISION- KANPUR

**Shri D Balasubramanian**  
 General Manager

### AVIONICS DIVISION-HYDERABAD

**Shri Sunil Kumar**  
 General manager

### ASERDC

**Shri Z A Asif**  
 General Manager