

ANNUAL REPORT

2012 - 2013



HINDUSTAN AERONAUTICS LIMITED





**Dhruv (Advanced Light Helicopter) at
Uttarakhand Floods Rescue Mission**



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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.

RUDRA

Weaponised Advanced Light Helicopter

ROLES

- Search and Rescue (SAR)
- Reconnaissance
- Casualty Evacuation
- Law Enforcement
- VIP Ferry
- Troop Transport
- Weaponised Platform







BOARD OF DIRECTORS



Dr. R. K. Tyagi
Chairman

Dr. R. K. Tyagi is an Engineering graduate in Electronics and Telecommunication from IIT Roorkee (1975 Batch) and holds a Masters in Business Administration. Dr. 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) for the period from May 2007 to February 2012.

Dr. 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). Dr. Tyagi has played an effective role in several development programmes related to Defence, Civil Aviation and Oil & Natural Gas Sectors.



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 and Army Construction Works. 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 the 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 United Nations.



Shri Kamlesh K. Pant
Joint Secretary (Aerospace),
Ministry of Defence

Shri Kamlesh K. Pant, Joint Secretary (Aerospace), MoD was appointed as a part-time Official Director of HAL with effect from 16th January, 2013.

Shri Pant is a Mechanical Engineer from IIT, Kanpur and joined the Indian Administrative Service in the year 1993. Before taking over as Joint Secretary (Aerospace), he had served as Director (State Taxes) in the Ministry of Finance, Government of India.

Besides serving in District Administration he had served in the Government of Himachal Pradesh in various capacities, such as Secretary in Finance Department, Director (Institutional Finance), Director (Treasury, Accounts & Lotteries), Managing Director – Himachal Pradesh Financial Corporation, Managing Director – State Industrial Development Corporation and Managing Director – Uttarkhand Transport Corporation.



Shri Ajay Shankar
Director

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 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.



Shri V. V. R. Sastry
Director

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 32 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

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 Surendra Kumar
Director



BOARD OF DIRECTORS



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 Manger (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 the "Chanakya Award" for Business Excellence in HR on 12th February, 2012 by the Public Relations Council of India (PRCI) during its Annual Conclave at Mumbai in February 2012. He is also holding the additional charge of the post of Managing Director (Accessories Complex), HAL in respect of Hyderabad and Korwa Divisions, since 1st August, 2013.



Shri K. Naresh Babu

Managing Director

(Bangalore Complex)

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 to Airframe and Accessories repair / overhaul activities pertaining to Canberra, Marut, Devon, Packet, Ajeet, HT-2 aircraft.

He was General Manager of the 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 and development activities of the Company.

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



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, Dr. Mishra 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, Dr. Mishra 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 utilising 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, is an Engineering Graduate with an 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 the establishment of repair / overhaul facilities of Jaguar, Mirage, LCA, HAWK, LRUs. Under his leadership the Company has 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. Shri Raju is a 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 as regular Director (Design & Development) with effect from 1st February, 2012. He is also holding the additional charge of the post of Managing Director (Helicopter Complex), since 1st June, 2013.



Shri T. Suvarna Raju

Director
(Design & Development)

Shri S. Subrahmanyan, an Engineering Graduate in Mechanical Engineering and Post Graduate in Aircraft Production from IIT, Madras, joined HAL as Management Trainee, XIV Batch in August 1980.

He rose to the position of the Chief of Projects, Helicopter Division and was the Chief of Projects at Corporate Office prior to taking over as MD(M).

With rich experience of over 32 years, he has contributed immensely to the success of many important projects such as ROH for Cheetah/Chetak, manufacturing of Cheetal Helicopters, Project Planning and Productionisation of Advanced Light Helicopter, setting up of the Centre for Excellence for landing gear manufacture & Overhaul, setting up of a manufacturing facility for mega projects of Su-30MKI Aircraft, development of supply chain and outsourcing of major structural work packages of flight control system.

Shri S. Subrahmanyan was appointed as Managing Director (MiG Complex) with effect from 1st December, 2012. He is also holding the additional charge of the post of Managing Director (Accessories Complex), HAL in respect of Lucknow Division and TAD Kanpur, since 1st August, 2013.



Shri S. Subrahmanyan

Managing Director
(MiG Complex)

**BOARD OF DIRECTORS**

(As on 27th September, 2013)

Dr. R. K. Tyagi

Chairman

Shri V. M. Chamola

Director (Human Resources) &
Addl. Charge of Managing Director
(Accessories Complex) in respect of
Hyderabad & Korwa Divisions

Shri K. Naresh Babu

Managing Director
(Bangalore Complex) &
Addl. Charge of Director
(Corporate Planning & Marketing)

Dr. A. K. Mishra

Director (Finance)

Shri T. Suvarna Raju

Director (Design & Development) &
Addl. Charge of Managing Director
(Helicopter Complex)

Shri S. Subrahmanyam

Managing Director (MiG Complex) &
Addl. Charge of Managing Director
(Accessories Complex) in respect of
Lucknow Division and TAD Kanpur

Shri P. K. Kataria

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

Shri Kamlesh K. Pant

Joint Secretary (Aerospace)
Ministry of Defence

Shri Ajay Shankar

Director

Shri V. V. R. Sastry

Director

Shri Surendra Kumar

Director

Prof. (Dr.) R. Venkata Rao

Director

**MEMBERS OF THE MANAGEMENT
COMMITTEE****Dr. R. K. Tyagi****Shri V. M. Chamola****Shri K. Naresh Babu****Dr. A. K. Mishra****Shri T. Suvarna Raju****Shri S. Subrahmanyam****AUDIT COMMITTEE****Shri Ajay Shankar**

Chairman

Shri V. V. R. Sastry

Director

Shri Surendra Kumar

Director

Prof. (Dr.) R. Venkata Rao

Director

Shri P. K. Kataria

Addl. FA(K) & JS

Shri Kamlesh K. Pant

Joint Secretary (Aerospace)
Ministry of Defence

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. Tandon Seth & Co.,
Chartered Accountants, Kanpur

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

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

M/s. Punneya & Co.,
Chartered Accountants, Bangalore

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

M/s. Patnaik & Co.,
Chartered Accountants, Cuttack

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

M/s. Vijay Panchappa & Co.,
Chartered Accountants, Bangalore

M/s. G.K.P. Associates,
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. Sundaresha & Associates,
Chartered Accountants, Bangalore

M/s. Bhaskaran & Ramesh,
Chartered Accountants, Bangalore

M/s. Ranga & Co.,
Chartered Accountants, Bangalore

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

M/s. Mallya and Mallya,
Chartered Accountants, Bangalore

M/s. Rao & Swami,
Chartered Accountants, Bangalore

LEGAL ADVISERS

M/s. Sundaraswamy & Ramdas,
Advocates, Bangalore

TAX CONSULTANT

M/s. PricewaterhouseCoopers Pvt. Ltd.

CREDIT RATING AGENCY

ICRA, CRISIL



FINANCIAL HIGHLIGHTS

Sl. No.	Particulars	Units	98-99	99-00	00-01	01-02	02-03	03-04
A	Our Earnings							
	Sales - Inland	₹ Cr.	2003.70	2353.92	2387.94	2707.96	3016.53	3584.43
	Export Sales	₹ Cr.	44.03	46.96	58.61	66.85	103.89	215.35
	Total Sales	₹ Cr.	2047.73	2400.88	2446.55	2774.81	3120.42	3799.78
	Changes in WIP & SIT	₹ Cr.	41.30	53.55	156.71	188.63	357.42	-43.64
	Total	₹ Cr.	2089.03	2454.43	2603.26	2963.44	3477.84	3756.14
B	Our Outgoings							
	Cost of Materials	₹ Cr.	807.36	787.06	927.67	1255.85	1607.51	1673.36
	Manpower Cost	₹ Cr.	508.66	762.09	837.02	724.00	746.80	773.25
	Net Operating Cost	₹ Cr.	514.47	553.61	805.55	829.16	953.48	899.91
	Net Financing Cost	₹ Cr.	36.64	-90.10	-263.25	-257.02	-308.54	-247.01
	Depreciation	₹ Cr.	24.16	26.51	31.12	37.98	45.22	57.21
	Total	₹ Cr.	1891.29	2039.17	2338.11	2589.97	3044.47	3156.72
C	Our Savings							
	Profit Before Tax	₹ Cr.	197.74	415.26	265.15	373.48	433.37	599.42
	Provision For Tax	₹ Cr.	20.00	47.00	21.50	28.70	43.41	189.63
	Profit After Tax For Appropriation	₹ Cr.	177.74	368.26	243.65	344.78	389.96	409.79
D	We Own							
	Net Block	₹ Cr.	213.35	245.63	278.10	352.19	434.74	515.44
	Other Assets (Net)	₹ Cr.	975.23	1256.79	1448.72	2037.90	2038.46	2450.61
	Total	₹ Cr.	1188.58	1502.42	1726.82	2390.09	2473.20	2966.05
E	We Owe							
	Equity	₹ Cr.	120.50	120.50	120.50	120.50	120.50	120.50
	Reserves and Surplus	₹ Cr.	867.32	1201.83	1379.11	1640.41	1810.31	2120.92
	Shareholders' Funds	₹ Cr.	987.82	1322.33	1499.61	1760.91	1930.81	2241.42
	Deferred Tax Liability	₹ Cr.	-	-	-	-	166.85	354.27
	Borrowings	₹ Cr.	181.54	179.48	227.21	380.06	374.47	365.34
	Cash Credit Loan	₹ Cr.	19.22	0.61	-	249.12	1.07	5.02
	Total Borrowings	₹ Cr.	200.76	180.09	227.21	629.18	375.54	370.36
	Total	₹ Cr.	1188.58	1502.42	1726.82	2390.09	2473.20	2966.05
F	Financial Statistics							
	Value of Production	₹ Cr.	2089.03	2454.43	2603.26	2963.44	3477.84	3756.14
	Value Added	₹ Cr.	1281.67	1667.37	1675.59	1707.59	1870.33	2082.78
	Dividend Paid (including Tax)	₹ Cr.	26.75	26.75	53.70	68.96	87.99	92.46
	R & D Expenditure	₹ Cr.	146.35	171.66	204.09	203.72	265.06	313.81
	Gross Margin	₹ Cr.	362.26	554.88	404.70	531.83	594.54	800.36
	Gross Block	₹ Cr.	856.27	914.20	976.53	1085.41	1211.04	1344.26
	Inventory	₹ Cr.	1293.78	1500.35	1905.41	2073.24	2394.95	2576.52
	Sundry Debtors	₹ Cr.	501.59	226.80	210.19	248.23	510.02	990.20
	Net Worth	₹ Cr.	934.11	1259.67	1015.20	1229.38	928.18	799.72
	No. Of Employees	Nos.	34828	34448	32642	31652	31138	30450
G	Financial Ratios							
	Sales Per Employee	₹	587955	696957	749508	876663	1002126	1247875
	Value Added Per Employee	₹	367999	484026	513323	539487	600658	684000
	PBT to Sales	%	9.66	17.30	10.84	13.46	13.89	15.78
	PAT to Net Worth	%	19.03	29.23	24.00	28.04	42.01	51.24
	Debt Equity Ratio	Times	0.18	0.14	0.15	0.22	0.19	0.16
	Earnings Per Share	₹	14.75	30.56	20.22	28.61	32.36	34.01
	Dividend as %age of Equity (including Dividend Tax)	%	22.20	22.20	44.56	57.23	73.02	76.73



04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13
4383.75	5155.31	7513.10	8284.24	9936.80	11252.03	12878.12	13855.88	13940.81
150.05	186.19	270.51	341.09	436.58	204.67	237.38	348.33	382.82
4533.80	5341.50	7783.61	8625.33	10373.38	11456.70	13115.50	14204.21	14323.63
450.75	575.12	1418.27	166.19	1437.47	2032.89	3335.34	-1510.91	-121.80
4984.55	5916.62	9201.88	8791.52	11810.85	13489.59	16450.84	12693.30	14201.83
2686.17	3313.49	5980.40	4684.43	7635.95	9221.80	11772.43	5761.39	8008.44
808.78	837.69	1054.46	1802.69	2542.78	1954.05	2246.28	2720.66	2446.33
917.87	1014.21	1163.10	1686.02	886.86	984.87	764.68	2812.63	2382.87
-250.96	-452.37	-839.96	-1663.80	-1732.16	-1525.57	-1340.86	-2107.00	-2316.27
65.16	77.31	100.28	117.95	142.55	166.00	168.79	177.10	183.48
4227.02	4790.33	7458.28	6627.29	9475.98	10801.15	13611.32	9364.78	10704.86
757.53	1126.29	1743.60	2164.23	2334.86	2688.43	2839.52	3328.52	3496.97
256.47	355.15	594.84	532.35	595.00	721.02	725.26	789.09	500.06
501.06	771.14	1148.76	1631.88	1739.86	1967.41	2114.26	2539.43	2996.91
525.87	730.34	1020.98	1080.07	1327.56	1465.50	1509.18	1555.83	1548.07
3108.37	3853.59	4352.20	5584.72	6816.16	8163.49	9721.76	11259.90	13396.60
3634.24	4583.93	5373.18	6664.79	8143.72	9628.99	11230.94	12815.73	14944.67
120.50	120.50	120.50	120.50	120.50	120.50	120.50	120.50	120.50
2508.06	3050.58	3913.92	5163.22	6495.97	8003.02	9624.72	11218.10	13257.69
2628.56	3171.08	4034.42	5283.72	6616.47	8123.52	9745.22	11338.60	13378.19
623.90	1047.95	1334.73	1379.05	1525.27	1505.29	1485.55	1476.97	1566.32
363.78	363.88	4.03	2.03	1.98	0.18	0.17	0.16	0.16
18.00	1.02	-	-	-	-	-	-	-
381.78	364.90	4.03	2.03	1.98	0.18	0.17	0.16	0.16
3634.24	4583.93	5373.18	6664.79	8143.72	9628.99	11230.94	12815.72	14944.67
4984.55	5916.62	9201.88	8791.52	11810.85	13489.59	16450.84	12693.30	14201.83
2298.38	2603.13	3221.48	4107.09	4174.90	4267.78	4678.42	6931.91	6193.39
113.92	228.62	285.42	382.57	407.12	460.35	492.56	946.06	957.32
306.63	433.58	637.79	662.14	674.78	832.12	986.96	967.51	1948.95
974.46	1408.15	2124.53	2650.95	2905.32	3382.75	3654.32	4050.83	4098.30
1417.27	1694.58	2080.89	2254.97	2638.09	2933.53	3142.73	3362.97	3524.81
3508.64	4809.74	7222.52	8614.64	10431.19	13660.03	17427.18	16152.99	17980.42
1106.20	1404.13	1281.18	1486.10	1848.26	1858.03	2318.22	3916.73	5530.17
882.07	1440.85	2084.99	3326.53	4635.76	6157.30	9745.22	11338.60	13378.19
29807	29668	31666	34323	34822	33990	33681	32659	32644
1521052	1800426	2458034	2512989	2978973	3370609	3894036	4349250	4387830
771087	877424	1017330	1196600	1198926	1255600	1389038	2122513	1897252
16.71	21.09	22.40	25.09	22.51	23.47	21.65	23.43	24.41
56.81	53.52	55.10	49.06	37.53	31.95	21.70	22.40	22.40
0.14	0.12	0.001	0.00038	0.00030	0.00002	0.00002	0.00001	0.00001
41.58	64.00	95.33	135.43	144.39	163.27	175.46	210.74	248.71
94.54	189.73	236.86	317.49	337.86	382.04	408.76	785.11	794.46



CHAIRMAN'S STATEMENT



Dear Shareholders,

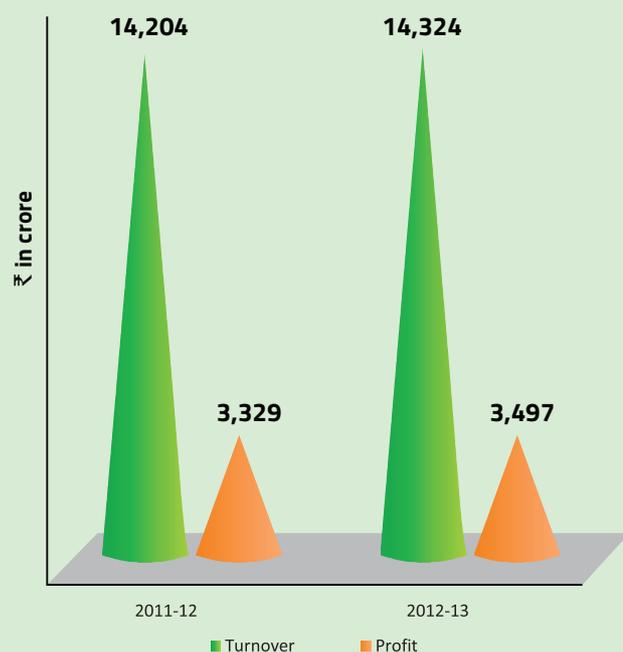
It is indeed my proud privilege to welcome you all to the 50th Annual General Meeting of the Company.

The Annual Accounts for the year ended 31st March, 2013 along with the Auditors' Report and Directors' Report have been with you, and with your permission, I shall take them as read.

PERFORMANCE OVERVIEW

Your deep and abiding trust has enabled Team HAL to continuously improve its performance. In the midst of challenging economic conditions, the Company has achieved a turnover of ₹14,323.63 crore during the financial year 2012-13 as against ₹ 14,204.21 crore in the previous year. The profit before tax has grown by 5.06 per cent at ₹ 3,497 crore.

The Directors' Report showcases the significant achievements of the Company. I would like to take this opportunity to highlight certain noteworthy achievements:





- On the financial front, your Company has a consistent track record of dividend payment. The Company has surpassed its previous record of highest payment of dividend which stood at ₹ 814 crore by paying a dividend of ₹ 823.70 crore, which is 684 per cent of the Paid up capital of ₹120.50 crore.
- The Company has added yet another “Excellent Rating” to its trophy-shelf for the year 2011-12. This is the 12th consecutive year in which the Company’s performance has been rated as Excellent. The performance during the year 2012-13 is also expected to earn the ‘Excellent’ score under the MoU with the Government of India.
- Significant progress has been made on the Design and Development front. The Company has achieved the Initial Operation Clearance (IOC) for the weaponised variant of Advanced Light Helicopter (ALH) –Rudra. The maiden flight for Jaguar Darin-III upgrade aircraft on 28th November, 2012 was another milestone towards successful indigenous design capability development. The progress made in LCA programme during the year 2012-13 has been very encouraging.
- “Fly-off and Survive Black Box” for Dornier-228 Aircraft has been designed, developed and demonstrated for the first time in the country by Korwa Division.
- Deliveries of Hawk & Do-228 aircraft have been carried out ahead of contracted schedule.

NEW INITIATIVES AND PROJECTS

“Integrity” is one of the seven values that your company continues to achieve in all its business transactions. Keeping in line with the highest standards of corporate governance that the company has set for itself, the Company has signed a Memorandum of Understanding (MoU) with Transparency International India (TII) for bringing more transparency in procurements as well as better compliance with the CVC guidelines on Integrity Pact (IP). It became the first Defence PSU to sign such a MoU with TII.

The Company has also launched a supplier relationship management portal to further strengthen the relations with its business partners. HAL has been holding an Annual International/Global Vendors meet to address issues related to supply chain management. The Purchase Manual has been revised to align with the best practices prevalent in the global aerospace industry.

The other initiatives on this front include procurement / resource management, supply chain preparedness for the year 2013-14 and 2014-15, building the team for better project management and strengthening customer relations.

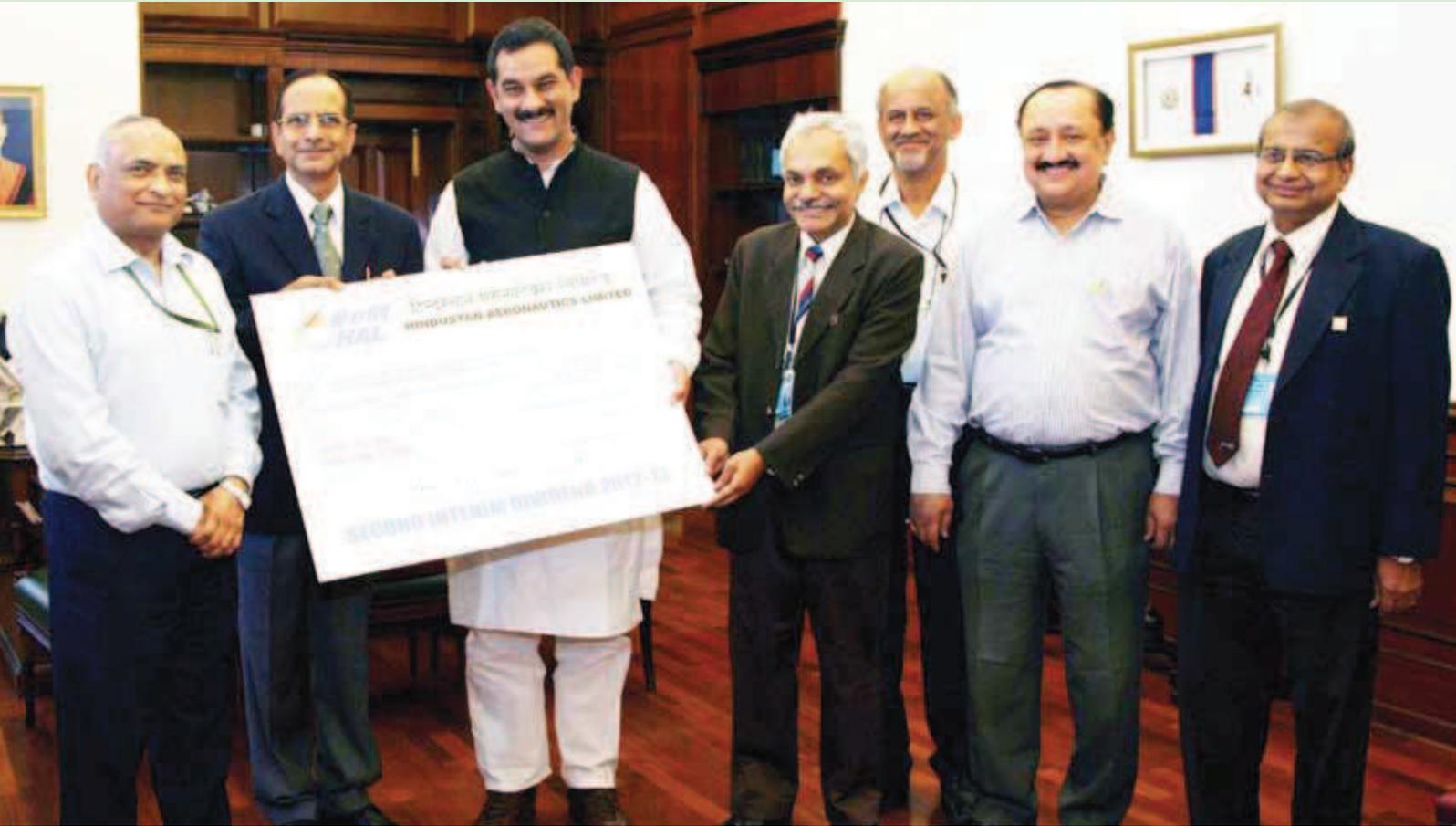
The Company had deputed its senior executives to the customer bases for a deeper insight on the customer’s requirements and get a direct feedback on HAL’s products and services. The feedback of the exercise “reach out to the customer” was analysed and necessary action initiated to improve aspects of customer support.



Fifth Generation Fighter Aircraft - FGFA



CHAIRMAN'S STATEMENT



Dr. R.K. Tyagi, Chairman, HAL, presents the dividend cheque to Shri Jitendra Singh, Ministry of State for Defence in New Delhi on 18th March, 2013.

Your Company has taken a host of initiatives to strengthen the Human Resource Management, important among them are :

- a. For the first time, a leadership development programme for 30 executives at Indian Institute of Management, Ahmedabad is in progress towards developing senior management cadre in the Company.
- b. Release of revised Recruitment Manual to streamline recruitment process in the Company.

Another important initiative taken by your Company is to hold "Key Executives' Meet" at regular intervals. These meetings serve as a platform for sharing of experiences, good practices and learning, followed by presentations from Executives on their short and long-term plans. The "Vichardhara" thus evolved is then passed on to grass root levels.

HAL has embarked on a modernisation and expansion plan while implementing its ongoing and new projects. New production units are planned with enhanced rate of production and reduced production cycle-times by incorporating several advanced aerospace technologies. The Company has drawn up ambitious plans to revamp the capabilities and capacity.

Your Company has made a roadmap for development of key technologies like stealth, advanced sensors, highly integrated avionics suite, enhanced situational awareness, internal carriage of weapons, operation data link application etc., while implementing the new co-development/co-production projects and in-house R&D initiatives. The plan also includes bringing in critical and modern technologies in the areas of design, manufacture, maintenance and training by collaborating with leading technology suppliers across the globe.



As part of its expansion, your Company has established a state-of-the-art facility at Kasaragod, Kerala to manufacture strategic electronic equipment such as critical mission computers. This will serve as a branch factory to complement the Hyderabad facility.

HAL believes that innovation and creativity are the pillars for being competitive in the complex aerospace and defence business. HAL has indeed risen to the occasion and your Company has filed 71 patent applications during the last year. The Company has also signed various Technology Co-operative Initiatives to strengthen its R&D Capabilities. Following are noteworthy:

- With IIT, Madras for establishing a Centre for Aerospace Transmission Systems (CATS),
- With IIT, Kanpur for developing Aero Elastic Code for predicting Helicopter Rotor Vibrator Loads,

- Memorandum of Understanding with the Indian Institute of Science (IISc), Bangalore for Micro-UAV,
- With IIT, Roorkee for establishing HAL Chair for R&D in aviation.

FUTURE OUTLOOK

Backed with long experience in military aviation with extensive infrastructure, HAL is focusing on plans to foray into the civil segment which has a promising growth potential. Separate operations are planned to handle civil segment including suitable partnerships with private Indian industries and foreign OEMs. It is pertinent to mention that company's airport at Ojhar, Nasik has been certified by DGCA for Civil operations.

Unmanned Aerial Vehicles (UAVs) are the need of the hour and the demand for these are on the rise. HAL is pursuing its plans to enter this segment in a big way.



Shri A. K. Antony, Defence Minister, handing over HAL's DO-228 to Mr. Jean-Paul Adam, Minister of Foreign Affairs of Seychelles, at a function in New Delhi on 31st January, 2013.



CHAIRMAN'S STATEMENT

Despite a tough global economic outlook, India continues to be one of the many promising A&D markets in the world. There is a continuous requirement for making Defence Products better, safer and technologically advanced. The Company plans to enter into strategic partnerships with International and Domestic companies to expand and continue to maintain its leadership position. In line with this thinking, HAL has entered into an MOU with SBI capital markets for financial advice on Project Appraisals, Mergers & Acquisitions etc.

The Company aims to achieve business excellence while pursuing its mandate of nation building. It has plans to add capacity to handle the future programs like Medium Multi-Role Combat Aircraft (MMRCA), Fifth Generation Fighter Aircraft (FGFA), Multi-role Transport Aircraft (MTA), Light Combat Helicopter (LCH) and Light Utility Helicopter (LUH).

HAL, a Navratna Public Sector Undertaking, is ranked

35th among the Top 100 Aerospace Manufacturing Companies and aims to improve its ranking to be in the Top 20 Aerospace Manufacturing Companies in the world.

In advancement of its forward looking approach, the Company is contemplating disinvestment to the tune of 10 per cent of its shares, for the purpose of getting itself listed on the stock exchange in furtherance to achieving the 'Maharatna' status in the near future.

CORPORATE GOVERNANCE

Your Company has implemented the guidelines on Corporate Governance enunciated by the Department of Public Enterprises. HAL is continuously working for the optimum benefit of its Stakeholders and has thus moulded its corporate conduct to fulfill these responsibilities. HAL believes and endeavours to transcend beyond the basic regulatory framework and strives to be the benchmark for corporate citizenship. A



Shri A.K. Antony, Defence Minister inaugurates HAL's Strategic Electronics Factory at Kasaragod (Kerala) on 17th November, 2012.



Hindustan Aeronautics Ltd's Strategic Electronics Factory at Kasaragod (Kerala)

detailed report on Corporate Governance is annexed to the Directors' Report.

ACKNOWLEDGEMENT

I, on behalf of Team HAL, take this opportunity to thank you for the support and hope to receive the same encouragement in the days to come.

I extend my sincere gratitude to the Department of Defence Production, Defence Acquisition, Defence Finance, Department of Civil Aviation, our valued customers viz., the Indian Air Force, Army, Navy & Coast Guard, Global Aviation Majors and other Countries which have shown trust in HAL products and given us an opportunity to serve them.

I sincerely thank and acknowledge all the agencies who are partners in running our enterprise viz., DGAQA, CEMILAC, DGCA, Principal Director Commercial Audit, C&AG, Statutory and Branch Auditors, Legal Advisors, Collaborators and Partners, Suppliers, Bankers and other Government Agencies for their support.

I am grateful to my colleagues on the Board for their valuable guidance. I take this opportunity to place on record my appreciation for the dedication and commitment displayed by the Employees at all levels.

Place: Bangalore
Date: 27th September, 2013

(Dr. R. K. TYAGI)
Chairman



DIRECTORS' REPORT

To,
The Members,
Hindustan Aeronautics Ltd.,

Dear Members,

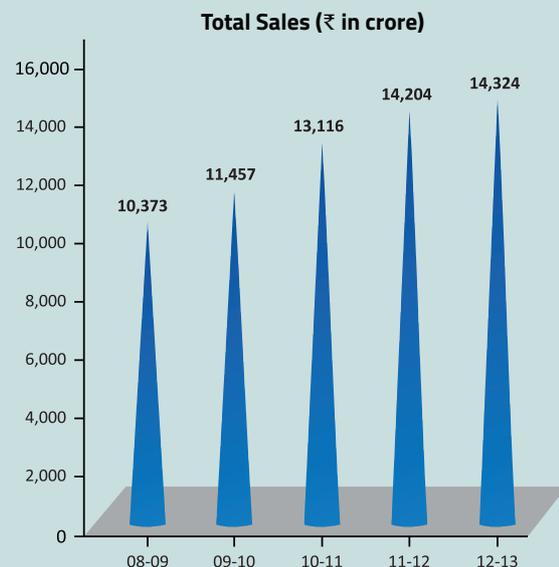
The Board of Directors is pleased to present the 50th Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31st March, 2013.

OPERATING RESULTS

Your Company has continued on the growth path and achieved the turnover of ₹ 14,324 crore during the financial year 2012-13 and Profit Before Tax of ₹ 3,497 crore. While there was marginal growth in the sales, profit grew by 5.06 per cent over the previous year.

The financial highlights for the year ended 31st March, 2013 are summarised as under: -

FINANCIAL HIGHLIGHTS		(₹ in crore)
PARTICULARS	2012-13	2011-12
Turnover	14,323.63	14,204.21
Exports	382.82	348.33
Profit Before Tax (PBT)	3,496.97	3,328.52
Provision for Tax	500.06	789.09
Profit After Tax (PAT)	2,996.91	2,539.43
R&D Expenditure	1,948.95	967.51
APPROPRIATION		
Interim Dividend on Equity Shares	823.70	747.70
Proposed Final Dividend on Equity Shares	-	66.30
Total Dividend	823.70	814.00
Tax on Dividend	133.62	132.06
Transfer to General Reserve	2039.59	1,593.38



DIVIDEND

The Company has paid interim Dividends of ₹ 823.70 crore, at ₹ 68.36 per share i.e. 68.4 per cent of Share Capital, in three phases for the year 2012-13.



A table showing the dividends paid by the Company on equity shares for the years 2012-13 and 2011-12 is given below:-

Particulars	Equity Shares (Nos.)	2012-13				2011-12	
		Dividend per share of ₹ 10/- (in ₹)	Dividend amount (₹ in cr.)	Dividend Tax (₹ in cr.)	Total outflow (₹ In cr.)	Dividend per share (₹)	Total Outflow including Dividend Tax (₹ in cr.)
First Interim Dividend	12,05,00,000	4.00	48.20	7.82	56.02	4.00	56.02
Second Interim Dividend	12,05,00,000	63.36	763.45	123.85	887.30	58.05	812.98
Third Interim Dividend	12,05,00,000	1.00	12.05	1.95	14.00	-	-
Sub-Total		68.36	823.70	133.62	957.32	62.05	869.00
Final Dividend	12,05,00,000	-	-	-	-	5.50	77.06
TOTAL		68.36	823.70	133.62	957.32	67.55	946.06

The total outflow as Dividend on the equity shares of the Company including the Dividend Tax for the year 2012-13 translates to 31.94 per cent of the Profit After Tax.

PERFORMANCE VIS-À-VIS MOU

Your Company's performance has been rated as "Excellent" in terms of MoU signed with the Government of India for the year 2011-12. The Company has been getting an Excellent rating since 2000-01. The MoU rating for the year 2012-13 is yet to be announced by the Government. However, based on the self assessment, your Company is likely to achieve "Excellent" rating for 2012-13.

CREDIT RATING / FINANCE

The Company continues to maintain the highest credit rating for both, short-term as well as long-term debt programme (Bank Loan Facilities) for ₹1,500 crore from the Investment Information & Credit Rating Agency (ICRA) and CRISIL.

Although HAL is a 'Zero-Debt' Company, it has been availing Cash Credit facility from the Bankers to meet its short-term requirements from time to time. The highest credit rating of the Company has enabled it to source funds at the best possible rates.

The Untied cash and bank balances at the end of the year under review stood at ₹ 5,534.21 crore.

During the year, the Delegation of Powers was revised to facilitate decentralised and prompt decision making at operating levels w.e.f. September 2012. The Purchase and Cost Manuals were updated and revised to bring in more transparency into the system.

SIGNIFICANT ACHIEVEMENTS

The significant achievements during the year are as follows:-

- The Company produced more than 50 aircraft and helicopters, more than 100 new engines and their accessories.



DIRECTORS' REPORT



Shri. A.K. Antony, Defence Minister takes a glimpse of LCH during Aero India 2013, on 6th February, 2013

- The Company overhauled over 200 Aircraft / Helicopters and more than 100 Engines.
- The maiden flight of the upgraded Jaguar Darin-III aircraft (Maritime) was carried out successfully on 28th November, 2012. The Design and Development work for the upgrade is being carried out indigenously by the Company.
- The Preliminary Design Phase (PDP) Contract for Design & Development of Multi-role Transport Aircraft (MTA) was signed with UAC-Transport Aircraft, Russia and Multirole Transport Aircraft Ltd. on 12th October, 2012 and PDP activities commenced from 1st December, 2012.
- On the Design and Development front, a major milestone was achieved with the Initial Operation Clearance (IOC) for the weaponised variant of ALH -WSI, christened "Rudra" in February 2013.
- The Flight trials of Intermediate Jet Trainer (IJT) on the Anti Spin Parachute, sea level trials and night flying trials were successfully carried out.
- The Light Combat Aircraft was flown on 31st March 2013 and with this, the focus of LCA production activities would shift towards Series Production programme. Hot weather trials, cold weather trials, high altitude trials and weapon trials on LCA prototypes and LSPs were also carried out.



- To enhance self-reliance and to overcome obsolescence, 3517 types of spares and equipment of aircraft / engine / accessories were indigenised during the year. The projected Foreign Exchange saving is of the order of ₹ 60.13 crore per annum.

SIGNIFICANT EVENTS

In order to strengthen and restructure HAL, the Government had constituted an Expert Group under the Chairmanship of Shri B.K. Chaturvedi, Member - Planning Commission, in October 2011. The Expert Group had submitted the Report to the Government in September 2012. The Ministry of Defence has communicated its acceptance of the recommendations of the Expert Group along with an Action Plan for its implementation in April 2013. The process of implementation of the recommendations of the Expert Group has begun and will be completed in a time-bound manner.

Your Company is a wholly owned Government of India Undertaking. The Ministry of Defence has communicated the decision of the Government to disinvest 10 per cent from its Shareholding in the Company, in April 2013. The process of Disinvestment has commenced with the kick-off meeting in May 2013.

EXPORT AND PARTICIPATION IN AIRSHOWS

HAL continued to make strides on the export front with various export promotional initiatives. One Do-228 aircraft configured in Maritime Role was delivered to the island nation of Seychelles much before the contractual delivery date.

Further, the Company produced three Chetak Helicopters in utility role for the Government of Suriname and carried out the Repair and Overhaul of one Chetak Helicopter for the Namibian Defence Forces.

During the year, the Company developed new export market in the civil sector by securing a trial order for supply of Steel Forgings for the Boeing-787 Dreamliner programme.

The Company continued exports to leading global aviations majors against long term contracts.

Export orders worth ₹ 302 crore were secured during the year, including orders for supply of avionics to Russia and 450 ship sets of structural work packages (Up lock Box Assembly) for the Boeing-777 project.



The Jaguar's formation flight at Aero India 2013



DIRECTORS' REPORT



Shri Jitendra Singh, the Union Minister of State for Defence, checks out HTT-40 at HAL stall during Aero India 2013, on 6th February, 2013.

The Company participated in leading international Air shows/ Exhibitions, viz., Eurosatory (2012) at Paris, Farnborough Air Show (2012) in the UK, African Aerospace (2012) in South Africa and Aero India (2013) at Bangalore to showcase its products as well as capabilities and capacities.

OFFSET BUSINESS

With an objective to maximise export opportunities arising out of Offset programmes linked to Indian Defence acquisition programmes, various strategic initiatives were taken to establish and progress business framework / agreement with the OEMs.

OUTSOURCING AND SUPPLY CHAIN MANAGEMENT

The Company has devised a strategy to achieve higher level of outsourcing by developing Tier-II and gradually Tier-I suppliers over a period of time. With the development of Tier-II and Tier-I vendors, HAL will outsource the manufacture of sub-assembly and major assemblies along with detailed components to achieve an outsourcing level of 50 per cent in terms of Standard Man Hours (SMH).

The Company has achieved "Excellent" rating by meeting the MoU target for outsourcing of 25 per cent in terms of SMH. The Vendor base was broadened by increasing the number of vendors from 2,323 in the previous year to 2,532 in 2012-13.



The Company has taken several initiatives to improve its supply chain, namely:-

- The first Vendors' meet was organised in July 2012 with a view to understand / address their concerns and difficulties as well as to apprise them about the measures taken by the Company to speed up the process of procurement. It called upon the vendors to play a wider role as HAL's partner in its progress.
- An online Bill Tracking System for vendors and e-payment was introduced.
- Introduction of system of e-Procurement for all procurements above ₹ 5 lakh.

The Company has made purchases to the tune of ₹ 172.67 crore from 246 Small Scale Units, during the year.

Research & Development (R&D)

Your Company recognises that strong R&D orientation is the key to achieving the objective and goal of becoming a significant global player in the Aerospace Industry. Accordingly, the R&D Policy has been reviewed. A Committee of Institutions Network (COIN) under the Chairmanship of Director (D&D) and consisting of Heads of all R&D Centres has been setup for coordination as well as preparation of R&D plans.



Dr. R.K. Tyagi, Chairman HAL, handing over the first indigenously built Weapon System Integrated (WSI) helicopter-Rudra (ALH WSI Mk IV) to Lt Gen Narendra Singh, Deputy Chief of Army Staff, at Aero India 2013 on 8th February, 2013.



DIRECTORS' REPORT



HAL signed the Preliminary Design Phase (PDP) Contract in New Delhi on 12th October, 2012 with the United Aircraft Corporation - Transport Aircraft (UAC-TA), the Russian partner and their JV - Multirole Transport Aircraft Ltd (MTAL) for the Multirole Transport Aircraft (MTA) project as a follow on contract of the General Contract signed between the three parties in May 2012.

The Company has signed MoUs with academic institutions, namely, Indian Institute of Science, Bangalore, Indian Institutes of Technology (IITs) - Chennai & Kanpur, for undertaking joint research in the areas of micro UAVs, Aerospace Transmission System and Aero Elastic Code for predicting helicopter rotor vibrator loads, respectively.

In order to pool R&D resources of the country in Aviation, the Government has recommended the constitution of a Design & Development Management Board under the Chairmanship of Chairman, HAL with representatives from various R&D Labs from the Defence Research and Development Organisation (DRDO), the Council of Scientific and Industrial Research (CSIR) and the Services. Your Company has initiated the process of setting up the Design and Development Management Board.

Considerable progress has been achieved with respect to major R&D / development projects being pursued by the Company.

JOINT VENTURE COMPANIES

Driven by prudent operational stratagem and aimed at facilitating development of new technologies and products, services and risk sharing, your Company has established 11 Joint Venture Companies (JVCs) in collaboration with leading international aviation and Indian organisations.



Of the 11 JVCs, Multirole Transport Aircraft Limited (MTAL) is engaged in the Design and Development of Multi-role Transport Aircraft, and, yet to commence commercial production. Another JVC, viz., International Aerospace Manufacturing Pvt. Ltd., set up with Rolls-Royce, UK, commenced production activities w.e.f December 2012. Of the remaining nine, five JVCs have reported profitable operation, whereas four have incurred losses.

The Company has made a total investment of ₹ 224.56 crore in the equity capital of the JVCs as on 31st March 2013. During the year under review the total turnover reported by the JVCs is to the tune of ₹ 220.30 crore as per details given below:-

(₹ in crore)

Sl. No.	Name of the JVC	HAL share holding (%)	Turnover (Provisional)	Profit Before Tax / (Loss) (Provisional)
I	BAeHAL Software Limited	49	21.45	2.04
II	Indo Russian Aviation Limited	48	58.30	11.52
III	Snecma HAL Aerospace Private Limited **	50	42.89	5.10
IV	Samtel HAL Display Systems Limited	40	27.37	0.03
V	HAL Edgewood Technologies Private Limited	50	--	(1.36)
VI	HALBIT Avionics Private Limited	50	46.32	(1.42)
VII	Infotech HAL Limited	50	2.63	(0.07)
VIII	TATA HAL Technologies Limited	50	5.64	0.23
IX	HATSOFF Helicopter Training Private Limited	50	15.70	(18.94)
X	International Aerospace Manufacturing Private Limited	50	0	(18.34)
XI	* Multirole Transport Aircraft Limited	50	*	*

* JVC yet to commence commercial production

** Financial year ending 31.12.2012



Multi-role Transport Aircraft - MTA



DIRECTORS' REPORT

QUALITY INITIATIVE AND SAFETY

Besides maintaining international quality standards, the Company is continuously striving to maintain enthusiasm of the Quality Circles and encourage the employees to participate in National and International Quality Circle events, with a view to promote self development and synergy at the work place.

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

The Company has been regularly interacting with its customers, namely, the Indian Air Force, Indian Army, Indian Navy and Indian Coast Guard to find solutions to the issues of fleet serviceability.

Your Company conducted the first ever Flight Safety Conference in September 2012 at Bangalore, wherein representatives of the customers, CEMILAC and DGAQA participated. The deliberations during the Conference and exposure to the in-built safety measures in the manufacturing process of HAL have created a higher level of confidence amongst them, while enabling HAL to appreciate the concerns of the customers on flight safety.

HR DEVELOPMENT

Your Company takes pride in its highly efficient and engaged work force, which has been the driving force behind its continuous rise in value added per employee over the years.

The strength of employees as on 31st March, 2013 was 32,644. During the year, 135 Design Trainees and 327 Management Trainees were inducted in various disciplines to meet the manpower requirements of the Company.

Sponsorship for Post Graduate Programmes at Cranfield University, UK; Management Development Institute (MDI), Gurgaon; International Management Institute (IMI), Delhi; Indian Institutes of Technology (IITs), Kanpur & Kharagpur and Indian Institutes of Management (IIMs) provided opportunities to the Officers to further build their knowledge base and competencies. During the year 2012, 51 Officers were sponsored for higher studies.

A total of 2,887 Apprentices (including Diploma Holders and Engineering Graduates) have completed their training during the year, under the Apprentices Act, 1961.

REPRESENTATION OF SC/ST

Your Company has been complying with Reservation Policy in terms of Presidential Directives and other guidelines issued from time to time by the Government of India with respect to providing reservation in matters of employment to candidates belonging to Schedule Castes (SCs), Schedule Tribes (STs), Other Backward Classes (OBCs) and Persons with Disabilities (PWDs) in Direct recruitment.

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, 2012 AND 1ST JANUARY, 2013

Category (Grade / Scale)	Total strength as on		Number of SCs as on		Number of STs as on	
	1.1.2012	1.1.2013	1.1.2012	1.1.2013	1.1.2012	1.1.2013
A (Grade-II and above)	8,454	9,130	1,515	1,622	485	538
B (Grade-I)	1,068	831	172	140	66	52
C (Scales-3 to Special Scale)	23,339	22,680	4,052	3,950	1,597	1,539
D (Scales 1 & 2)						
i) Excluding Safai Karamcharis	28	27	10	10	1	1
ii) Safai Karamcharis	4	-	2	-	-	-
TOTAL	32,893	32,668	5,751	5,722	2,149	2,130



RECRUITMENTS MADE DURING THE PERIOD 1ST JANUARY, 2012 TO 31ST DECEMBER, 2012 AND THE SCs, STs AMONGST THEM

Category (Grade / Scale)	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)	676	102	43	103	44
B (Grade-I)	18	00	02	00	02
C (Scales 3 to Special Scale)	380	63	36	63	36
D (Scales 1 & 2)					
i) Excluding Safai Karamcharis	-	-	-	-	-
ii)Safai Karamcharis	-	-	-	-	-
TOTAL	1,074	165	81	166	82

VACANCY- BASED PROMOTIONS MADE DURING THE PERIOD 1ST JANUARY, 2012 TO 31ST DECEMBER, 2012 AND SCs & STs AMONGST THEM

Category (Grade / Scale)	Total number promoted	Number of Reservations made for		Number of posts filled by promotion of	
		SCs	STs	SCs	STs
A (Grade-II and above)	1,339	-	-	236	64
B (Grade-I)	137	20	08	21	06
C (Scales 3 to Special Scale)	-	-	-	-	-
D (Scales 1 & 2)					
i) Excluding Safai Karamcharis	-	-	-	-	-
ii)Safai Karamcharis	-	-	-	-	-
TOTAL	1,476	20	08	257	70

EMPLOYEE RELATIONS

It has been the constant endeavour of the Company to establish and maintain meaningful and effective communication between the Management and employees to reduce and progressively eliminate any scope for differences and conflict, resulting in better appreciation of each other's point of view and thus facilitate maintenance of industrial harmony. The Employee Relations Policy of the Company has contributed effectively for the establishment of mutual trust and understanding between the Management and employees.

The Management holds quarterly meetings with the representatives of the Recognised Unions/Officers' Associations of the Company. In the Quarterly Meetings with the Unions and Officer's Association, Physical Production Performance, Financial Performance, Productivity and other issues of concern are discussed and reviewed. This sharing of information contributes towards a sense of belonging and mutual trust.



DIRECTORS' REPORT

To ensure the involvement of employees in decision making process and in the mainstream of organisational operations, various Forums for workers participation viz. Plant/Shop level Committees, Bipartite Forums etc. are active in the Company. In order to address Employee/Public Grievance/Representations, Grievance Redressal Mechanisms are in place in the Company.

CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABLE DEVELOPMENT (CSR & SD)

The Company has laid down a policy on Corporate Social Responsibility and Sustainability Development (CSR & SD) modelled on the Guidelines prescribed by the DPE. The CSR & SD Committee headed by an Independent Director, monitors implementation of various CSR Schemes and SD initiatives from time to time.

The Company has adopted a few villages in the surroundings of some of the Divisions. The Company has participated in various Community Development activities over the years, not only in the adopted villages but also in other areas which are in the vicinity of its Divisions.

During the year, the Company spent ₹ 11.64 crore against an allocated budget of ₹ 11.01 crore towards CSR & SD and undertook specific activities in accordance with the MoU entered with the Government.

HAL has been conferred with the IPE CSR Corporate Governance Award – 2012, instituted by the Institute of Public Enterprises, Hyderabad, for the second consecutive year, in recognition of its contribution to the Society under CSR activities.



HAL has adopted the Red Headed King Vulture, an endangered species at the Kanpur Zoological Park under its Corporate Social Responsibility (CSR).



Shri Jitendra Singh, Union Youth Affairs and Sports Minister inaugurates the Sports Training Centre at HAL Sunabeda (Odisha) on 9th May, 2013.

RAJBHASHA IMPLEMENTATION

HAL is committed to the implementation of Official Language Policy of the Government of India in the Company. Various steps have been taken to propagate Hindi in all the Divisions of HAL. Several programmes such as Official Language Conference, Hindi Utsav, Hindi Workshops are organised from time to time to encourage more and more employees to do their Official work in Hindi. Incentive Scheme for doing work in Hindi is in place to popularise the use of Hindi.

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

The Company, as part of its e-Governance initiative, has established a Strategic Centre called AMRIT - Analytics on Measures for Results Improvement & Transformation, which was inaugurated in February 2013. This Centre will spearhead the Company into an era of data-based decision support systems such as, Project and portfolio management system, Unique Employee badge number system, a Digital library comprising all Office Circulars/Manuals, an Intranet portal for online sharing of views and creating forums to solve any problem online.



DIRECTORS' REPORT



Shri Ajit Singh, the Civil Aviation Minister inaugurates the FAA - Asia Pacific Bilateral Partners meeting hosted by HAL on 16th April, 2013.

A program for integration of ERP System and e-Procurement System was launched to facilitate the Vendors to track their bills' status, pending deliveries and rejections in real time.

The Company has launched a Supplier enablement programme which brings business intelligence to improving relationship with vendors and suppliers of the Company. The portal enables proactive mail alerts for delivery to the vendors as reminder, analytics on payment status and purchase information on particular item across the Company.

In order to evolve the right skill set utilisation / deployment for right job and also to automate many HR processes, HR portal was launched. It is also focused towards generating a unique ID for employees, joining reports, relieving reports and online transfer process for officials between Divisions.

AWARDS & RECOGNITIONS

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

A. Company level:

- Conferred with "Platinum Award for Quality and Excellence" from OMAC, France, in recognition of Quality and Business Excellence.
- "Regional Export Award" from EEPIC India for the year 2010-11.
- "Best Manufacturer / Exporter Award 2012" in large category (Gold) from FKCCI.



- “Digital Inclusion Award - 2012” for ERP and e-procurement implementation across the Company in the silver Category.
- On the eve of Aero India, SAP Media Worldwide awarded HAL three awards in the following categories :-
 - ▶ Outstanding contribution to the Defence Industry
 - ▶ Most Influential Company of the year
 - ▶ Excellence in Indigenous Technology
- HAL was selected for Raksha Mantri’s awards for excellence for the year 2010-11 in the following Categories :-
 - ▶ Institutional Award – Excellence in Performance
 - ▶ Group / Individual Awards – Design Efforts

B. Divisional level:

- Engine Division, Koraput: National Safety Award for outstanding performance in Industrial Safety based on the lowest frequency rate for the year 2010.
- Foundry and Forge Division, Bangalore:
 - ▶ Indian Institute of Metal Quality Award for the year 2011-12 in the category of “Non Ferrous Best Performance Award” for manufacturing of castings and forgings operations.



Dr. R.K. Tyagi (second from right), Chairman, receiving the Raksha Mantri’s Award for “Excellence in Performance” in the “Institutional Category” for the year 2010-11 from Defence Minister, Shri A.K. Antony at a ceremony in New Delhi on 5th October, 2012.



DIRECTORS' REPORT

- ▶ "Best Vendor for the year 2011-12" from Electrical Machine Division BHEL – Hyderabad, in recognition of products supplied and services rendered.
- HAL Management Academy, Bangalore: Golden Peacock Award 2011-12.
- HAL Korwa Division: Raksha Mantri Award for Excellence 2010-11 for Design & Development of indigenous Solid State Flight Data Recorder and Group Support Equipment.
- National Quality Excellence Awards 2012 were awarded by Stars of the Industry group under the following three categories:
 - ▶ Best process improvement Project – Avionics Division, Hyderabad and MCSRDC, Bangalore.
 - ▶ Quality Excellence Award in Product Development – Avionics Division, Hyderabad.
 - ▶ Quality Excellence Award in supply chain – Business Process Excellence Award – Nasik Division
- Quality Circle Teams from Avionics Division, Hyderabad and Overhaul Division, Bangalore had participated in "International Convention on Quality Control Circles-2012" held in Kuala Lumpur, Malaysia. Both the teams were awarded the highest 3 stars rating.

C. Individual level:

- Shri P. Soundara Rajan, Managing Director (Helicopter Complex) who superannuated on 31st May, 2013, was conferred with the prestigious National Aeronautical Award in recognition of his unique contribution to Indian aerospace industry. The award was given by Shri M. Pallam Raju, Union Minister for Human Resources Development (HRD).
- Shri V.M Chamola, Director (HR) was conferred the PRCI Chanakya Business Excellence in HR Award for the year 2012, for his outstanding contribution to the profession, industry and society.
- Dr. A. K. Mishra, Director (Finance) was bestowed the third annual CFO100 India Roll of Honour in recognition of his exceptional contribution to corporate finance under the category "Winning Edge in Innovation- Revenue Above Rs. 1000 crore".
- Shri Prashant Singh Bhadoria, Deputy Project Manager, ARDC won an Award in Avionics for his work as part of the Individual Research Project titled "Commissioning of the A3SIR BAe146 Rig and IVHM system" at Cranfield University, UK.



HAL Management Academy, Bangalore being conferred with the Golden Peacock Award at Bangalore on 8th February, 2013.



Shri RP Khapli, DGM(D), Shri Paresh Gupta, Manager (Design) and Shri Shrikant Dudhe, Sr. Manager (Design) of HAL Nasik receiving the Gold award instituted by SODET (Society of Defence Technologists) from Dr. R.K. Tyagi, Chairman, HAL at a function in Bangalore on 20th September, 2013.

- Shri M.S. Velpari, DGM, Foundry & Forge Division, received the award in the category "Indigenisation of aeronautical equipment" for his path breaking contribution in the field of shape memory alloy. The award was given by Shri M. Pallam Raju, Union Minister for Human Resources Development (HRD).
- Dr. R. Raghavendra Bhat, CM-Lab of Foundry & Forge Division, Bangalore has been awarded the 'Metallurgist of the Year 2011 Award' instituted by the Ministry of Steel.
- Indira Gandhi Sadbhavana Award was conferred to Smt. V. Sreedevi, Chief Manager (HR), Foundry & Forge Division, Bangalore on 18th November, 2012 at New Delhi during the 95th birth anniversary celebrations of the late Smt. Indira Gandhi.
- Ms. S. M. Kavitha, DM(IT), Helicopter Division, has been awarded "Future Chief Information Officer of India" on 2nd December, 2012 by IT Next Magazine.

VIGILANCE

The main thrust of vigilance activities in your Company is on preventive actions rather than punitive vigilance activities. In accordance with this objective, routine and surprise checks were carried out, studies conducted and corrective measures suggested.

As a step towards Green endeavour and enhancing the efficiency through leveraging technology, the Vigilance Department has started the process of issuance of Vigilance Clearance online (OLIV).

Vigilance Awareness week was observed throughout the Company from 29th October, 2012 to 3rd November, 2012, with an emphasis on "Participative Vigilance". In addition, a Vigilance Officers Conference and Vigilance Awareness programmes were held during the year.

BOARD OF DIRECTORS

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

Shri V. K. Misra and Prof. N. K. Naik, Independent Directors, ceased to be the Directors with effect from 10th November 2012, consequent to completion of their tenure.



DIRECTORS' REPORT

Shri P. V. Deshmukh, ceased to be the Managing Director (MiG Complex) consequent to superannuation on 30th November, 2012.

Shri S. Subrahmanyam was appointed as Managing Director (MiG Complex) with effect from 1st December, 2012.

Shri Kamlesh K. Pant, Joint Secretary (Aerospace) was appointed as Part-time Official Director with effect from 16th January, 2013 vice Shri Manoj Saunik.

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) since 11th October, 2011.

Shri P. Soundara Rajan, Managing Director (Helicopter Complex) superannuated on 31st May, 2013. Shri T. Suvarna Raju, Director (D&D) has been assigned additional charge of the post of MD (HC) with effect from 1st June, 2013.

Shri S. K. Jha, Managing Director (Accessories Complex)* superannuated on 31st July, 2013.

* Shri V M Chamola was assigned with Addl. Charge of Managing Director (Accessories Complex) in respect of Hyderabad & Korwa Divisions and Shri S Subrahmanyam was assigned with Addl. Charge of Managing Director (Accessories Complex) in respect of TAD, Kanpur & Lucknow Divisions w.e.f. 1st August, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act 1956, your Directors confirm that: -

In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.

The Directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for the year under review.

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

The Directors have prepared the Annual Accounts for the financial year ended 31st March, 2013 on a 'going concern' basis.

AUDITORS

M/s. Dagliya & Co., Chartered Accountants, Bangalore were appointed as Statutory Auditors for auditing the Accounts of the Company for the year ended 31st March, 2013 and 20 firms of Chartered Accountants were appointed as Branch Auditors.

AUDITORS' REPORT

Auditors' Report on the Annual Accounts for the financial year 2012-13 and comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 along with replies of the Company are appended to this Report.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is annexed herewith. The Certificate for Compliance of the policy/DPE Guidelines on Corporate Governance along with Secretarial Compliance Certificate by Shri S. Viswanathan, Practicing Company Secretary, Bangalore, is annexed to this Report.



Upgraded Jaguar Aircraft - Darin III

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 1975 is concerned, none of the employees was in receipt of remuneration of more than ₹ 5 lakh per month or ₹ 60 lakh per year during the year.

ACKNOWLEDGEMENT

The Board places on record its sincere appreciation towards the Company's valued customers, in particular the Defence Services, for the support and confidence reposed by them in the Management of the Company and look forward to the continuance of this mutually supportive relationship in future.

The Directors express their gratitude for the valuable guidance, co-operation and support provided by the Government of India in particular the 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.

Last but not the least, the Board wishes to place on record its deep appreciation for the hard work, dedication and unstinting efforts of HALites whose enthusiasm, team work, devotion and loyalty has made this Company proud.

For and on behalf of the Board of Directors

Dr. R. K. TYAGI
CHAIRMAN

Place : Bangalore

Date : 26th September, 2013



Management Discussion & Analysis Report

1. Industry Scenario

1.1 Global Scenario

1.1.1 The Global Aerospace and Defence (A&D) Sector has continued to see a decline in the revenues for the third consecutive year, due to continued global economic challenges and decrease in military spending. However, the commercial aircraft industry is continuing to look up with increased production rates, introduction of new generation aircraft and growing orders. The industry is witnessing declining revenues on the whole, resulting in overall low growth for the entire sector.

1.1.2 In the defence segment, the decline in the revenue because of the budget reductions in the US, UK and the rest of Europe is partially offset with smaller aggregate increases, principally in Russia, China, India, Saudi Arabia, UAE and Brazil. The decline will be more pronounced, if the US Budget Control Act automatic cuts, referred to as 'Sequestration' (additional budget reduction of 492 BUSD over a period of nine years, over and above the 487 BUSD budget reduction in 10 years which is under implementation) also comes into effect. In view of the declining revenues, the defence segment is likely to witness streamlining of its cost structure, divestiture of non-core assets and game-changing acquisitions.

1.1.3 The impact of budget cuts in the US on the global defence segment can be gauged by the following data. The military expenditure database of SIPRI (Stockholm International Peace Research Institute) indicates that the global defence expenditure for the year 2012 is estimated at 1.74 Trillion USD. The United States military expenditure at 682.5 BUSD is nearly four times the defence spending of China and is around 40 per cent of the total defence expenditure in the world.

1.1.4 In response to the declining overall sales, it is assessed that the Aerospace & Defence companies in the US and Europe will strengthen their marketing and competitive positioning in the emerging markets especially in India, Brazil, South Korea, Saudi Arabia,

Japan and the UAE. This will provide an opportunity to the emerging markets to leverage for better prices and technologies.

1.1.5 However, the growth in the commercial aircraft segment is expected to achieve record levels in 2013, based on increased production rates and the introduction of next generation aircraft. According to some estimates, the Airbus and Boeing have, on an average, a seven year order backlog. This trend is being driven by growth in passenger travel demands particularly in Asia and the Middle East as well as the need for more fuel-efficient aircraft.

1.2 The Indian Scenario

1.2.1 The Indian Aerospace & Defence market is continuing with the trend of growth in line with the emerging markets due to an increased demand from both the armed forces and growing air traffic in the civil sector.

1.2.2 The Indian defence budget allocation for the year 2013-14 is ₹ 2.04 lakh crore which is 5.3 per cent more than the previous year's budget of ₹ 1.93 lakh crore. The growth in the defence budget is nominal when compared to the growth rates of 17.6 per cent and 15.50 per cent in the previous two budgets. This reduction in growth of defence allocation is due to the challenging economic environment and the government's drive to check the fiscal deficit. However the defence allocation may see a significant growth to provide for the global inflation and adverse Rupee-Dollar exchange rate and to continue with the expansion and modernisation plans of the armed forces. India continues to be among the top 10 defence spenders in the world and is one of the largest importers of conventional defence equipment.

1.2.3 Milestones in certain deals are expected to be reached during the current financial year, such as submarines, missiles and the Medium Multi-Role Combat Aircraft (MMRCA) programs. Deals worth about 25 BUSD are expected to be closed during the current fiscal 2013-14 by the Government. Furthermore, there



is an emerging demand for Helicopters and Unmanned Aerial Vehicles (UAVs) from various Defence Services.

1.2.4 India not only offers an attractive market, but also provides cost advantages in basic Design, Engineering and Manufacturing services. This could lead to the integration of foreign OEMs with the local manufacturing sector for supplies to the Indian Armed Forces.

1.2.5 At the same time, the Indian defence expenditure has grown significantly to support modernisation and expansion plan of the Armed Forces. It is estimated that during the next decade India is likely to import defence equipment, worth USD 100 Billion.

1.2.6 In order to strengthen the defence manufacturing base in the country, accelerate the pace of indigenisation, and to provide a level playing environment to the Indian defence industry, major changes were made in Defence Procurement Procedure (DPP) 2013. The changes that would have a significant impact on the industry are:

- Preference for indigenous procurement by according higher preference to BUY (INDIAN), BUY & MAKE (INDIAN) and MAKE categories.
- Selection of Maintenance ToT partners no longer on nomination basis.

1.2.7 It is assessed that preference for 'BUY (INDIAN)' and 'BUY & MAKE (INDIAN)' categories will provide huge opportunities to the Indian defence industry. The industry could witness formation of Joint Ventures with foreign OEMs to vie for the Indian defence market. The companies which will adapt to the changing business environment and collaborate with the right partners to make them more competitive will win the market. HAL is in the process of developing strategies to adapt itself to these business environment changes and has to align its procedures and operations to partnerships, Mergers & Acquisitions.

1.2.8 The concept of Defence Offsets has provided a huge business opportunity for Public and Private

Sector companies in the country. Considering the estimated capital acquisition of around 100 BUSD by the Indian Armed Forces, in the next decade, the offset opportunity will be to the tune of 30 BUSD. It is expected that the revised offset guidelines issued in Aug 2012 will give an impetus to the growth of Micro Small and Medium Enterprises (MSMEs) in the defence sector and Technology infusion in the manufacturing sector to begin with, more so in the Systems, Equipment and Accessories Segments.

1.2.9 Another initiative towards developing the defence eco-system in the country is the setting-up of a fund to provide financial support to the MSMEs for development of defence equipment. Small Industries Development Bank of India (SIDBI) has decided to earmark an amount of ₹ 500 crore for providing loans, and further, a fund of ₹ 50 crore for equity support out of "India Opportunities Fund".

1.2.10 It is expected that the offset business opportunities along with the financial support being planned by the Government will encourage and facilitate the MSMEs to build their capabilities and collaborate with leading OEMs to become potential Tier I & Tier II suppliers/ partners.

1.2.11 Another important policy which can have far-reaching ramifications in the defence sector is the Foreign Direct Investment (FDI) policy. Recently the Government decided against an increase in sectoral FDI cap for defence; however, the cap can be increased on case-to-case basis with the approval of competent authority in the Government.

1.2.12 It is pertinent to note that defence sector is not pure commerce and has a lot of strategic strings attached to it. There are strategic and geopolitical factors of national security that need to be addressed while dealing with this sector so that a fine balance between national security interest and economic interest can be maintained throughout.



Management Discussion & Analysis Report

1.2.13 Further, as a result of the liberalisation and proactive policies during the last decade, several large domestic Private Sector groups and a large number of smaller companies have entered the defence sector. Most of the leading global OEMs from US and Europe have also established their presence in India.

1.2.14 In the commercial aviation scenario, India is one of the fastest growing aviation markets and is expected to be the third largest domestic market after US and China by 2020. The commercial aviation market in India during this is expected to grow at a Compound Annual Growth Rate (CAGR) of 18 per cent, and the market for new passenger aircraft in India is expected to be US\$150 billion, with 1,320 new aeroplanes delivered over the next 20 years. In addition, the flourishing Indian private general aviation and business jet market is expected to grow to 12 per cent of the global market, surpassing China and Japan. The commercial aircraft segment in India provides a very good business opportunity to the Indian industry. HAL being the leading aeronautical company is well positioned to tap and exploit this business opportunity.

2. Organisation Structure

2.1 Presently, HAL has 19 Production / Overhaul Divisions and 10 Research & Design Centres co-located with the production Divisions across the country. These Divisions are organised into five complexes, with each complex headed by a Managing Director / Director, as given below:

- Bangalore Complex – Production and ROH of Fixed Wing Aircraft/ Engines (Indian & Western origin)
- MiG Complex – Production and ROH of Fixed Wing Aircraft / Engines (Russian origin)
- Helicopter Complex – Design, Production and ROH of Helicopters
- Accessories Complex – Production and ROH of Accessories and Avionics
- Design Complex – Design & Development of Fixed Wing aircraft

2.2 In addition, the Company has three functional directorates responsible for Corporate Planning, Finance

and Human Resources who support the Chairman in evolving business strategies, plans, policies and monitoring the performance of the Company vis-a-vis the planned targets.

2.3 The Company has 32,644 employees on its rolls as on 31st March, 2013 including 9,919 executives, 13,641 technicians and 9,084 support staff.

3. Products & Services

3.1 The Company has a comprehensive Design & Development set up and 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.

3.2 The Company has identified additional key technology thrust areas such as UAVs and Civil Aviation which are being pursued earnestly.

4. STRENGTHS AND WEAKNESSES

4.1 The nation's drive to modernise its armed forces and favourable Offset policies will create huge opportunities for your Company in the defence domain. The rapidly growing civil aviation market fuelled by a growing middle class with disposable income augurs well for the growth of the civil domain, thus providing an opportunity to diversify. The Government's resolve to eliminate the internal security threats will provide the required impetus for the Helicopters and UAVs market.

4.2 To realise its true potential your Company will draw strength from the vast experience it has in the field of aeronautics. Over the years, the Company has accumulated the unique mix of a state-of-the-art infrastructure, sound customer relations based on mutually beneficial associations and a skilled manpower base, trained across the complete range of Aerospace Design, Development, Production, Support and certification process. Despite the current slowdown in the economy, your Company has maintained its sound financial position and is all set to leverage the same towards expanding its capacity and strengthening its capabilities through modernisation.



4.3 With the increasing interest by foreign companies in the Indian defence market at one hand, and the growing policy impetus to promote Private Sector on the other hand, your Company faces the threat of greater competition. Threat of attrition of the work force and obsolescence of Technologies will closely follow the competition.

4.4 To shield itself from the consequences of denial of critical technologies and to create a competitive advantage, the Company needs to overcome its limitations in attracting and retaining talent, evolve a world class R & D culture and develop an indigenous base of niche and critical technologies. In order to pre-empt itself from the vagaries of a limited customer base, your Company intends to diversify its product portfolio.

5. Product-wise performance

5.1 Keeping in view the nature of its 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 future outlook of the Company is promising and the Company is expected to be on continuous growth path, as new projects are on the threshold of certification / production and indigenous design and development programmes have made significant progress during the year.

6.2 As R&D is the key to achieve sustainable growth, HAL continues to enhance its Innovation, Design, Development / R&D efforts. HAL has initiated the process of carrying out an audit of its Intellectual Property (IP) to prepare an inventory and also take necessary steps to build its profile of IP. During the current financial year, HAL has filed 69 patent applications.

6.3 The Company has drawn up a Perspective Plan to realise its 'Vision' covering the period from 2012 to

2022 (i.e., up to the end of the 13th Plan).The plans for Technology acquisition, Modernisation, Expansion, have been prepared in line with the overall strategy and are being implemented.

6.4 In order to realise the imminent opportunities in the domain of UAVs and Civil aircraft, investments are planned in this direction. The requirement and application of UAVs in civil airspace is a challenge which HAL is trying to address with interactions with key players in the domain. The Company has forged strategic alliances with National Aerospace Laboratory (NAL) and Aeronautical Development Establishment (ADE) for pursuing these interests.

6.5 HAL, a "Navaratna PSU", is ranked 35th among the Top 100 Aerospace Manufacturing Companies in the year 2012 as per the survey by the reputed Flight International magazine. It aims to break into the top 20 Aerospace Manufacturing Companies in the world, in the near future.

7. Measures to tackle Challenges

7.1 The measures taken by HAL to address the challenges, concerns and risks are as follows:

Technology Development / Acquisition

7.2 The Company has acquired capabilities in Design, Development, Manufacture and Maintenance of Aircraft, Aero-Engines & Accessories through a mix of Licence Production & Indigenous Development. In the process HAL has acquired considerable strength and capabilities. It would be relevant to state that acquisition of latest technologies is becoming increasingly difficult due to strategic denials and / or exorbitantly high costs.

7.3 HAL has developed a strategy for technology acquisition through licence arrangements, indigenous R&D efforts as well as through acquisition of companies abroad, being a zero debt Company.

7.4 The Company has taken up the task of design and development of a 20 KN engine. With this project,



Management Discussion & Analysis Report

the Company aims to build the design capabilities in the aero engines segment, which would serve as a launching pad to scale up to higher powered engines.

7.5 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 and Composites etc.

Customer Orientation

7.6 The Company is interacting with its Customers regularly and structured meetings are organised with the principal customers wherein the issues and concerns of the customers are discussed for solution. The feedback given by the customers is analysed and remedial action taken. 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.

7.7 With a view to improve the Customer Services, a Customer Satisfaction System has been evolved to measure the level of satisfaction of customers. It will help the Company to institute specific remedial measures based on the feedback. Under the System, inputs on various parameters are obtained from the customers and levels of satisfaction evaluated. This system indicates the areas where the Divisions are required to improve and thus device their action plans for specific remedial measures to be taken to further improve the satisfaction level.

7.8 The Company also launched "Voice of Customer", an IT-based system in March 2013, to facilitate prompt communication by the customers with concerned Divisions through HAL e-mail to render speedy Repair Overhaul / support services.

7.9 Visit by top 50 Officers of the Company to the Customer Bases has enabled an increased level of rapport, which has helped both the customer as well as HAL to appreciate the issues / concerns and resolve them.

7.10 It has been decided to set up Customary Advisory Cells in each complex for better coordination and appreciation of requirements of the Customers during design, development and manufacturing stages.

Business Processes

7.11 The Company has developed, over the years various systems and processes for managing men, products and technology. The human resources are organised either on a functional organisational structure or a project-oriented structure depending upon the scale of operations of the project and product mix of the Divisions.

7.12 The Enterprise Resource Planning (ERP) system implemented to achieve operational excellence across the Company, has been reviewed for upgradation based on the experience. A state-of-the-art tier-II data center with ISO 27001 certification has been set up to cater to the requirements of ERP infrastructure.

7.13 An enterprise knowledge and information exchange portal has been developed and made operational during the year to streamline document management and exchange of knowledge.

7.14 The current production processes are being thoroughly reviewed to remove bottlenecks and enhance productivity by the addition of suitable machinery / equipment, processes and technology, with an objective to set up world class infrastructure in each Division.

7.15 The Delegation of Powers (DoP) within the organisation was revised and implemented with effect from September 2012 to further empower the senior and middle level management with more authority and accountability in order to facilitate prompt decision making.

7.16 The Purchase Manual and the Stores Manual have been reviewed to weed out non-value adding activities to improve the efficiency and reduce the cycle times. The Purchase Manual has been revised and will be implemented with effect from September 2013.



7.17 The Divisions are being encouraged to enter into Long Term Business Agreements with vendors to supply the material in split quantities at periodic intervals in line with the requirement schedule, to ensure timely supply of the raw materials.

Business Environment

7.18 Since 2001, Indian A&D Sector has undergone a paradigm shift with the opening up of the industry and the Government's regulatory regime to encourage the participation of the private sector. 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. The basic objective is to reverse the ratio of 70:30, between the import content and indigenous manufacture.

7.19 HAL has re-oriented the policy to utilise offsets for business development and exports and conclude business framework / agreement with the OEMs.

7.20 HAL has drawn a plan to enhance the outsourcing from the current level of around 25 per cent to 50 per cent in terms of the Standard Man Hours (SMH), in a phased manner considering the available infrastructure and capacity, to shift from a vertically integrated industry to an aircraft integrator with established supply chain. This will enable HAL to use its capacity more optimally and focus on core competencies.

7.21 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.

Diversification into Civil Aerospace

7.22 HAL has a dedicated Division i.e. Transport Aircraft Division, Kanpur to manufacture Transport Aircraft, where the DO-228 is currently being manufactured.

7.23 Taking into consideration the Market analysis reports and growth prospects in the Civil Aviation Sector, HAL is exploring the avenues to enter this Sector in a big way. Options to co-design/develop Civil Aircraft for regional services are being explored besides other avenues of cooperation in this field.

7.24 The approval of Directorate General of Civil Aviation (DGCA) for civil operations from HAL Ojhar Airport, Nasik has been obtained. In order to exploit the available infrastructure in Nasik, a separate business group is being established to assess the business viability of the MRO business opportunities in the commercial aircraft sector.

8. Internal control systems and their adequacy

8.1 The Company has over a period of time, developed a robust Internal Control Mechanism. Standard procedures, Manuals and Guidelines are issued and updated from time to time to institutionalise best practices in all facets of activities.

8.2 The Systems Audit Department continuously reviews implementation and compliance of the Company's rules, regulations, policies and procedures under a well defined annual audit programme. In addition, Internal Audit has been outsourcing to firms of Chartered Accountants appointed to focus on transaction audit, verification of stock and fixed assets, confirmation of balances and internal controls etc.

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.



Management Discussion & Analysis Report

9. Financial performance

9.1 The financial performance of the Company for the year 2012-13 is summarised below:

Particulars	Unit	31.3.2013	31.3.2012
Total Sales	₹ Cr.	14,323.63	14,204.21
Export Sales	₹ Cr.	382.82	348.33
Total Profit	₹ Cr.	3,496.97	3,328.52
Gross Margin	₹ Cr.	4,098.30	4,050.83
Net Worth	₹ Cr.	13,378.19	11,338.60
R&D Expenditure	₹ Cr.	1,948.95	967.51
Dividend Pay-out (Excluding Dividend Tax)	₹ Cr.	823.70	814.00
Dividend as a percentage to Paid-up Capital	%	683.57	675.52
Sales Per Employee	₹ Lakh	43.88	43.49
Debt-Equity Ratio	Times	0.00001	0.00001
Earnings Per Share	₹	248.71	210.74

9.2 Analysis of Financial Performance 2012-13:

9.2.1 The Sales registered a marginal growth of 0.84% from ₹ 14,204.21 crore to ₹ 14,323.63 crore.

9.2.2 The Company has recorded highest profit of ₹ 3,496.97 crore during the year as compared to ₹ 3,328.52 crore in the previous year.

9.2.3 Gross Margin has increased from ₹ 4,050.83 crore to ₹ 4,098.30 crore.

9.2.4 Earnings Per Share is ₹ 248.71 as against ₹ 210.74 in the previous year.

9.2.5 Increase in net worth from ₹ 11,338.60 crore to ₹ 13,378.19 crore.

10. Human Resource Development

10.1 People being a key resource in the Organisation, the objective of Human Resource Development is to build a vibrant learning Organisation that meets the challenges for its growth. A series of initiatives were taken in this direction during the year:

a) Assessment Centers

10.2 Competency Mapping is the central theme for various initiatives like Fast track Promotions, Succession Planning, identifying Competency Gaps for Competency-based Training Programmes etc.

10.3 Assessment Centres were re-introduced in the Company during 2012 after a gap of more than three years. M/s. KPMG Advisory Services Pvt. Ltd have been selected through Open Tender for design and conduct of Assessment Centres for 2012-2015.

10.4 Assessment Centres were conducted for 282 Officers in Grades VI & VII across the Company during 2012-13.

10.5 Based on the Competency Gaps identified in the Assessment Centers conducted during the earlier years, Competency Development Programmes in Business Excellence, Operational Excellence & Leadership Excellence were conducted at IIMs – Ahmedabad, Bangalore and Calcutta respectively, for 326 Executives.

b) Employee Satisfaction and Engagement Survey

10.6 A web-based Survey was administered among the Officers of the Company between October and November 2012. A total of 5,967 Officers participated in the Survey (~62%). The Survey was one of the HRM Performance Evaluation Parameters under "Employee Relations & Welfare" of the MoU for the year 2012-13. Several HR interventions have been initiated to improve the levels of employee satisfaction.

c) Inter Divisional Performance Awards

10.7 The Scheme of Inter Divisional Performance Competition and Awards was re-introduced and the Awards were conferred on 26th January, 2013 to the best Performing Divisions based on factors of Profit Before Tax (PBT) per Employee, Outsourcing to Sales Ratio, Sundry Debtors to Sales Ratio, Inventory to Value of Production (VOP) Ratio, Customer Services Performance, Quality Assurance etc.



d) Innovation Awards-2012

10.8 Innovation Awards were institutionalised during the year 2012-13 to encourage and recognise officers contributing Innovation and Innovative Practices in Manufacturing and Design areas.

e) Continuing Professional Education (CPE)

10.9 The Company has established a Vimanapura Aircraft CPE Study Circle at Bangalore with the approval of the Institute of Chartered Accountants of India (ICAI) for providing Continuous Professional Education to the Finance Executives as well as to facilitate professional interactions with the fellow professionals for continuous updation of knowledge base.

f) Other Initiatives

10.10 HAL has collaborated with the National Law School of India University, Bangalore for conducting training programmes in the areas of Contract Management, Dispute Resolution, Business Negotiation and Legal Advice in Management & Execution of Contracts. A training program on Intellectual Property Rights (IPR) was conducted between 26th - 28th December, 2012 and 25 Officers participated in it.

10.11 Introduction of internal communication channels like HAL Connect has helped the Company in fast dissemination of information and the key happenings in the business front.

11. Environment Protection and Conservation

11.1 The Divisions of HAL are certified to ISO-14001-2004 EMS (Environmental Management System) standard.

11.2 Water is an increasingly valuable resource. Many parts of the country have regular water shortages. Saving rain water and using the same is a great help towards environment protection. Realising the same, the Company has installed Rain Water Harvesting Systems in the Divisions. The harvested water is being used thereby reducing consumption of public water supply.

11.3 The Company has conducted energy audits for identifying energy saving potentials. Measures such as the use of solar street lights, replacement of high energy consuming street lights with LED/CFL lights, relining of furnaces etc., have been taken for energy conservation. Shop Floors are installed with transparent sheets for natural lighting. The concept of green building has been adopted for all new constructions.

11.4 As part of Municipal Solid Waste (MSW) management activity, two units of Organic Waste Converters (OWC) were installed at the Senior Officers' Quarters in Bangalore during the year 2012-13. The OWC will convert kitchen and other organic waste into garden manure. It is a step towards achieving zero waste disposal in the townships.

11.5 In another initiative towards solid waste management, two units of Biogas plants with a capacity of 500kg/day and 1000kg/day each were installed at the Central Test House (CTH) area by Facilities Management Division, HAL, Bangalore. The biogas that is generated is used for cooking.

11.6 The Company has been planting saplings every year. The Division-wise details of saplings planted during the years 2011-12 and 2012-13 are as indicated below:

Sl. No.	Name of the Division / Complex	Total number of saplings planted during	
		2011-12	2012-13
1	Bangalore Complex	950	5,150
2	Koraput Division	37,000	31,800
3	Nasik Division	12,000	7,500
4	Korwa Division	1,500	1,200
5	Lucknow Division	10,300	5,500
6	Barrackpore Division	19,050	23,890
7	TAD Kanpur	500	00
8	Hyderabad Division	00	200
	TOTAL	81,300	75,240



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 and work towards Sustainable Development. It believes that all operations must be spearheaded towards attaining the final objective of enhancing stakeholders value.

The Company's vision is to become a significant global player in the aerospace industry and is working towards this objective by expanding its capacities and becoming globally competitive. As a growth strategy, the Company has adopted the best practices in the area of Corporate Governance, much beyond the regulatory framework. 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
- Well laid-down administrative setup to facilitate decentralised and transparent decision making
- Compliance of applicable Laws, Rules & Regulations
- Accuracy and transparency in disclosures regarding operations, performance and financial position
- Conduct, Discipline and Appeal Rules for Employees
- Voluntary Secretarial Audit to ensure compliance of laws

BOARD OF DIRECTORS

The Board of Directors is entrusted with the responsibility of the management, general affairs and direction of the Company with requisite powers and authority. The Board sets the goals, both short and long term, defines the policies and programmes and oversees its implementation. It has constituted eight Sub-Committees to facilitate smooth and efficient flow of the decision-making process.

Composition

Your Company being a Government Undertaking, the appointment / nomination of all the Directors is done by the President of India, through the Ministry of Defence. The Board of Directors headed by an Executive Chairman, has an appropriate mix of Executive, non-Executive (official) and Independent Directors.

The composition of the Board 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 17 Directors, i.e. 9 Whole Time Directors, including the Chairman, 2 Part-Time Official Directors and 6 Part-Time Non-Official / Independent Directors.

As against 17, the posts of one Whole Time Director and two Independent Directors were vacant consequent to superannuation / completion of tenure of Directors as on 31st March, 2013.



It would be relevant to mention that based on the recommendations of the Expert Group and proposed Disinvestment by the Government, the Board of Directors of HAL is being restructured by the Government. The proposed Structure provides for a total strength of 14 Directors, viz., Chairman and Managing Director, 4 Functional Directors, 2 Part-Time Official Directors and 7 Part-Time Non-Official / 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 2013, thirteen Board Meetings were held i.e. on 20th April, 2012, 24th May, 2012, 22nd June, 2012, 28th July, 2012, 13th August, 2012, 26th September, 2012, 1st October, 2012, 27th October, 2012, 26th November, 2012, 10th December, 2012, 11th January, 2013, 9th February, 2013 and 12th March, 2013. Details of attendance of the Directors at the Board Meetings during 2012-13 are given below:-

Sl. No.	Directors	Board Meetings held during respective tenure of Director	No. of Board Meetings attended
1	Dr. R. K. Tyagi, Chairman	13	13
2	Shri Manoj Saunik *	11	8
3	Shri Kamlesh K. Pant *	2	2
4	Shri P. K. Kataria	13	8
5	Shri P. V. Deshmukh *	9	8
6	Shri S. K. Jha	13	13
7	Shri P. Soundara Rajan	13	11
8	Shri V. M. Chamola	13	11
9	Shri K. Naresh Babu	13	13
10	Dr. A. K. Mishra	13	13
11	Shri T. Suvarna Raju	13	12
12	Shri V. K. Misra *	8	8
13	Dr. N. K. Naik *	8	8
14	Shri Ajay Shankar	13	13
15	Shri V. V. R. Sastry	13	12
16	Shri Surendra Kumar	13	13
17	Prof.(Dr.) R. Venkata Rao	13	12
18	Shri S. Subrahmanyam *	4	4

* Change in Board of Directors

- Shri V. K. Misra and Dr. N. K. Naik ceased to be Directors with effect from 10th November, 2012.
- Shri P. V. Deshmukh, ceased to be the Managing Director (MiG Complex) with effect from 30th November, 2012.
- Shri S. Subrahmanyam was appointed as Managing Director (MiG Complex) with effect from 1st December, 2012.
- Shri Kamlesh K. Pant, Joint Secretary (Aerospace) appointed as Director with effect from 16th January, 2013 vice Shri Manoj Saunik.



CORPORATE GOVERNANCE REPORT

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 (CPSEs) issued by the Department of Public Enterprises (DPE Guidelines).

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

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

- Shri Ajay Shankar, Chairman
- Shri V.V.R. Sastry
- Shri Surendra Kumar
- Prof. (Dr.) R. Venkata Rao
- Shri P. K. Kataria, Addl FA (K) & JS, MoD
- Shri Kamlesh K. Pant, Joint Secretary (Aerospace), MoD

The Statutory Auditors of the Company, Director (Finance), Director (CP&M) are permanent invitees. The Head of the Systems Audit Department also attends the meetings of the Audit Committee regularly.

During the year ended on 31st March, 2013, the Audit Committee met four times on 21st June, 2012, 27th July, 2012, 26th November, 2012 and 9th February, 2013. 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 Comm. Meetings attended
1	Shri V. K. Misra, Chairman *	2	2
2	Shri Ajay Shankar, Chairman *	2	2
3	Dr. N. K. Naik *	2	1
4	Shri V.V.R. Sastry	4	3
5	Shri Surendra Kumar	4	4
6	Prof. (Dr.) R. Venkata Rao	2	1
7	Shri P. K. Kataria	4	1
8	Shri Manoj Saunik *	3	2
9	Shri Kamlesh K. Pant *	1	1

* Change in Chairman / Members of the Audit Committee

- Shri V. K. Misra and Dr. N. K. Naik ceased to be members of the Committee with effect from 10th November, 2012 consequent to vacation of office of the Director due to completion of tenure.
- Shri Ajay Shankar, Prof. (Dr.) R. Venkata Rao, Independent Directors were nominated as members of the Committee with effect from 26th November, 2012.
- Shri Kamlesh K. Pant, Joint Secretary (Aerospace), MoD was appointed as Director vice Shri Manoj Saunik w.e.f. 16th January, 2013 and accordingly assumed the membership of the Committee.

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



Remuneration Committee

The Remuneration Committee, headed by Shri Ajay Shankar, Independent Director consists of Shri Surendra Kumar, Independent Director, Government Directors, namely, Joint Secretary (Aerospace) and Addl. FA & JS, MoD. The Committee 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.

During the year, the Remuneration Committee met once, i.e. on 12th March, 2013. The attendance of Chairman and Members in this meeting was as follows:

Sl. No	Name	Position	Attendance
1	Shri Ajay Shankar	Chairman	Attended
2	Shri Surendra Kumar	Member	Attended
3	Shri K.K. Pant, JS (Aerospace)	Member	Attended
4	Shri P.K. Kataria, Addl. FA (K) & JS	Member	Attended
5	Director (HR)	Permanent Invitee	Attended
6	Director (Fin)	Permanent Invitee	Attended

Being a Central Public Sector Enterprise, the appointment of a 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 for the Board and Committee Meetings. The Government Directors are neither paid any remuneration nor any sitting fee.

The Sitting fee paid to the Independent Directors during the year 2012-13 is as follows:

(₹ in Lakh)

Sl. No	Name of Independent Director	Board Meetings	Committee Meetings	Total Remuneration
1	Shri V.K. Misra	1.60	0.40	2.00
2	Dr. N.K. Naik	1.60	1.20	2.80
3	Shri Surendra Kumar	2.60	2.40	5.00
4	Shri V. V. R. Sastry	2.40	1.80	4.20
5	Prof. (Dr.) R. Venakata Rao	2.40	0.60	3.00
6	Shri Ajay Shankar	2.60	0.60	3.20

Details of remuneration of Whole Time Directors during the year 2012-13 are given below:

(₹ in Lakh)

Name of Director	Salary *	Company Contribution to PF & Gratuity	Commission	Total
Dr. R. K. Tyagi, Chairman	33.89	2.06	-	35.95
Shri P. V. Deshmukh, Ex –MD(M)	23.11	1.29	-	24.40
Shri S. K. Jha, MD(A)	33.03	2.13	-	35.16
Shri P. Soundara Rajan MD(HC)	37.90	1.93	-	39.83
Shri V. M. Chamola, D(HR)	31.42	1.81	-	33.23
Shri K. Naresh Babu, MD(BC) & D(CP&M)	21.58	1.83	-	23.41
Dr. A. K. Mishra, Director (Finance)	28.23	1.81	-	30.04
Shri T. Suvarna Raju, Director (D&D)	22.05	1.84	-	23.89
Shri S. Subrahmanyam, MD(M)	11.08	0.61	-	11.69

*Salary includes Perquisites, arrears



CORPORATE GOVERNANCE REPORT

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 Board at its 354th Meeting held on 26th November, 2012 had re-constituted the HR Committee with the following members:

Sl.No.	Name (Shri/S)	Position
1	Shri V. V. R. Sastry	Chairman
2	Prof. (Dr.) R Venkata Rao	Member
3	JS(Aero)	Member
4	Director (HR)	Member
5	Director (Fin)	Member
6	GM (HR)	Secretary

(b) The Technology Development Committee (TDC) reviews the technological base and guides the Company in devising a strategy for the development of critical technologies. The Committee consists of the following members:

- Shri Surendra Kumar, Chairman
- Shri V.V. R. Sastry
- Director (CP&M)
- 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 ₹ 60 crore and up to ₹ 100 crore:

- Dr. R. K. Tyagi, Chairman
- Shri Kamlesh K. Pant, Joint Secretary (Aerospace), MoD
- Shri P. K. Kataria, Addl. FA(K) & JS, MoD
- Director (Finance)
- Director (CP&M)
- Concerned Managing Director(s)/Director(s)

(f) CSR & SD Committee, headed by an Independent Director, oversees implementation of CSR and SD activities in the Company.

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.



All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct during the year 2012-13. 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 paid up 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	Venue	Date & Time
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 2.30 pm
2011-12	Hindustan Aeronautics Limited 15/1, Cubbon Road, Bangalore – 560001. Karnataka	26th September, 2012 at 3.00 pm

No Special Resolutions were put up at two Annual General Meetings (47th & 48th AGMs) held on 20th August, 2010 and 13th September, 2011 respectively.

At the 49th Annual General Meeting held on 26th September, 2012, one Special Resolution was passed for alteration of Article 119(b) of the Articles of Association of the Company titled “Powers of Directors” regarding powers reserved for the decision of the President.

The Annual General Meeting for the current year 2012-13 will be held on:-

Date : 27th September, 2013
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

Related Party Transactions are disclosed in Clause Nos. 22A & 22B of Notes to Accounts (Note 34 to the Statement of Profit and Loss of the Company for the year ended 31st March, 2013). The Company does not have any materially-significant related party transactions, which may have potential conflict with its interest at large.



CORPORATE GOVERNANCE REPORT

(b) Accounting Standards

The Company is complying with all mandatory Accounting Standards except 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.

(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. The policy has been posted in the Company's website i.e. www.hal-india.com

(e) Presidential Directives

HAL has been following the Presidential Directives and Guidelines issued by the Government of India from time to time regarding the reservation of SCs, STs and OBCs, in letter and spirit. Liaison Officers are appointed at all Units / Offices to ensure implementation of the Government Directives. The officers 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. The representation of SCs/STs/OBCs in HAL as on 31st December 2012 was as under:

Category of Employees	Group A	Group B	Group C	Group D	Total
Scheduled Caste	1,622	140	3,950	10	5,722
Scheduled Tribe	538	52	1,539	1	2,130
Other Backward Classes	1,962	131	5,345	7	7,445

HAL has been implementing the Government Directives on reservation for Persons with Disabilities and Ex-servicemen. Their representation as on 31st December 2012 was as under:

Category of Employees	Group A	Group B	Group C	Group D	Total
Physically Handicapped	153	15	507	4	679
Ex-Servicemen	118	07	1,781	00	1,906

The Company has implemented Presidential Directives on the Official Languages Act, 1963.

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

No items 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 2012-13.

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

During the year, the Company had spent ₹ 11.64 crore against an allocated budget of ₹ 11.01 crore towards CSR and Sustainable Development. Specific activities were undertaken in accordance with the MoU entered with the Government.

(i) Integrity Pact

Integrity Pact (IP), a vigilance tool conceptualised and promoted by Transparency International has been suggested for implementation for large value transactions in PSUs 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 they 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.

(j) Means of Communications

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.

(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, 2013.

For Hindustan Aeronautics Limited

Dr. R. K. TYAGI
CHAIRMAN

Place : Bangalore

Date : 26th September, 2013



ANNEXURE TO DIRECTORS' REPORT

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Corporate Identification No. : U35301KA1963GOI001622

Authorised Capital : ₹ 1,600,000,000

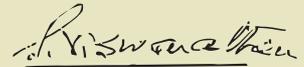
To,

The Members of
Hindustan Aeronautics Limited
Bangalore

We have examined all the relevant records of Hindustan Aeronautics Limited for the year ended 31st March, 2013 for the purpose of certifying compliance of the conditions of 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 certification.

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 conditions of Corporate Governance.

On the basis of our examination of the records produced and the explanations and information furnished, we certify that the Company has maintained proper records and complied with the conditions of Corporate Governance as stipulated In DPE Guidelines 2010 on Corporate Governance for Central Public Sector Enterprises for the financial year ending 31st March, 2013.



S. VISWANATHAN

Practicing Company Secretary

C.P. No.5284

Place : Bangalore

Date : 24th July, 2013



ANNEXURE TO DIRECTORS' REPORT

SECRETARIAL COMPLIANCE CERTIFICATE

Registration No. : 001622
CIN No. : U35301KA1963GOI001622
Authorised Capital : ₹ 1,600,000,000
Paid up Capital : ₹ 1,205,000,000

To,

The Members,
HINDUSTAN AERONAUTICS LIMITED,
15/1, CUBBON ROAD,
POST BOX NO.5150,
BANGALORE – 560 001.

I, have examined the registers, records, books and papers of M/s. **HINDUSTAN AERONAUTICS LIMITED** (the Company), as required to be maintained under the Companies Act, 1956 (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended **31st March, 2013** (financial year). In my opinion and to the best of my Information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all Registers as stated in Annexure 'A' to this Certificate, as per the provision 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. The Company being a Wholly Owned Government Public Limited Company, it has a paid up Capital of Rs.1,205,000,000/- with minimum 7 members during the said financial year.
4. The Board of Directors duly met 13 (Thirteen only) times on 20th April 2012, 24th May 2012, 22nd June 2012, 28th July 2012, 13th August 2012, 26th September 2012, 1st October 2012, 27th October 2012, 26th November 2012, 10th December 2012, 11th January 2013, 9th February 2013 and 12th March 2013. Proper notices were given and the proceedings were properly recorded and signed including circular resolution(s) passed, In the Minutes Book maintained for the purpose.
5. Being a Wholly Owned Government Public Limited Company, it was not required to close its Register of Members during the financial year and as such was not required to comply with the provisions of Section 154 of the Act.
6. The Annual General Meeting for the financial year ended on 31st March 2012 was held on 26th September 2012; after giving due notice to the members of the Company and the resolution(s) passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extra-Ordinary General Meeting was held during the year under review.
8. The Company has not advanced any loan to its Directors and/or persons or firms or companies coming under the purview of Section 295 or the Act and therefore, was not required to comply with the provisions 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.



ANNEXURE TO DIRECTORS' REPORT

10. The Company has made necessary entries in the Register maintained under Section 301 of the Act.
11. The Company was not required to obtain any approvals from the Board of Directors, Members or Central Government, as there were no instances falling within the purview of Section 314 of the Act.
12. The Company has not issued any duplicate Share Certificate during the period under scrutiny.
13. The Company:
 - i) has delivered all the certificates on lodgement thereof for transfer in accordance with the provisions of the Act;
 - ii) has paid interim and final dividend by cheque to the President of India in compliance with provisions of the Act;
 - 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 the applicable requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly 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 was not required to obtain any approvals of the Company Law Board, and Registrar of Companies, Central Government, Regional Director and /or such authorities prescribed under the various provisions of the Act during the period under scrutiny.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and Rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the period under scrutiny.
20. The Company has not bought back any shares during the period under scrutiny.
21. The Company has not issued debentures or preference shares and hence the matter of redemption does not arise.
22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Companies Act, 1956 during the period under scrutiny.
24. The Company has not borrowed any amount during the period under scrutiny and hence was not required to comply with the provisions of Section 293(1)(d) of the Act.



ANNEXURE TO DIRECTORS' REPORT

25. The Company has not made any loans or advances or given guarantees or provided securities to other body 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 of Association 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 of Association with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum of Association with respect to Name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum of Association with respect to Share Capital of the Company during the year under scrutiny.
30. The Company has altered its Articles of Association after obtaining approval of members in the Annual General Meeting held on 26th September, 2012 and the amendment to the Articles of Association have been duly filed with the Registrar of Companies.
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 period under scrutiny.
33. The Company has complied with the provision of Section 418 of the Act.

S. VISWANATHAN

Place : Bangalore

Practicing Company Secretary

Date : 6th August, 2013

C.P. No.5284



ANNEXURE TO DIRECTORS' REPORT

ANNEXURE "A"

Registers as maintained by the Company:

Statutory Registers

Sl. No.	Name of the Register	Under Section	Remarks
1	Register of Members	150 & 151	Updated
2	Register of Directors	303	Updated
3	Register of Directors' Shareholding	307	Updated
4	Minutes book of Board Meetings and General Meetings	193	Updated
5	Books of Accounts	209	Updated
6	Register of Charges	143	Updated
7	Register of Contracts	301	Updated
8	Register of Investments	372A	Updated

Other Registers

Sl. No.	Name of the Register
1	Register of Share Transfers
2	Directors' Attendance Register
3	Members Attendance Register



ANNEXURE TO DIRECTORS' REPORT

ANNEXURE "B"

Forms and Returns as filed by the Company with the Registrar of Companies during the financial year ending on 31st March 2013.

Sl. No.	Forms	U/s	For	SRN No.	Whether filed within the prescribed time Yes/No	If delay in filing whether requisite additional fee paid Yes/NA
1	Form 32	303 read with 264	Appointment of Mr. Kamlesh Pant and Cessation of Mr. Manoj Saunik, as Director, with effect from 16th January, 2013	B67778068	YES	--
2	Form 32	303 read with 264	Cessation of Mr. P.V. Deshmukh as Director with effect from 30th November, 2012 and appointment of Mr. Subrahmanyam.S as Director with effect from 1st December, 2012	B63595862	YES	--
3	Form 32	303	Cessation of Mr. V. K. Mishra and Mr. N. K. Naik as Director with effect from 11th November, 2012	B62190665	YES	--
4	Form 32	303	Appointment of Mr. Samir Kumar Padhi as Manager of the Company with effect from 26th November 2012	NA	YES	--
5	Form 23	192	Alteration of Articles of Association by inserting Clause (b) after clause (a) of Article 119 vide AGM Resolution dated 26th September, 2012	B60121084	YES	--
6	Form 23AC and Form 23ACA (XBRL)	220	Balance Sheet, Profit & Loss Account along with Notes, Scheduled and annexures thereto for the financial year ended 31st March 2012	P95394433	YES	--
7	Form Schedule V	159	Annual Return of the Company as on 26th September, 2012	P94866829	YES	--



S. VISWANATHAN

Practicing Company Secretary

C.P. No.5284

Place : Bangalore

Date : 6th August, 2013



ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements are prepared on accrual basis of accounting at historical cost convention to comply in all material aspects in accordance with Generally Accepted Accounting Principles in India, the relevant provisions of the Companies Act, 1956 including Accounting Standards notified by the Companies (Accounting Standards) Rules 2006, 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 / deficit of sale proceeds over the net book value of Fixed Assets is transferred to the Statement of Profit and Loss.

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 Non-current 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. NON-CURRENT ASSETS - INTANGIBLE ASSETS / OTHER NON-CURRENT ASSETS

5.1 Research and Development Expenditure

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

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



5.2 Expenditure on licence fees, documentation charges etc. based on the definition criteria of intangible assets in terms of identifiability, control and future economic benefits from the assets, are 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 recognized as an intangible asset in the Books of Accounts and is amortised over a period not exceeding three years, on straight line method. Amortisation commences when the asset is available for use.

6. DEFERRED DEBTS

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

7. SUNDRY DEBTORS

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

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 costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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. 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.

8.5 Saleable / Disposable scrap is valued at estimated realisable value.

9. SALES

9.1 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.
- Sales are set up based on prices agreed with the customers. Where the prices are yet to be agreed with the customer, sales are set up on provisional basis.

9.2 Development Sales

Development sales are set up on incurrance of expenditure identifiable to work orders and milestones achieved as per contract. Where milestones have not been defined sales will be as per actual incurrance of expenditure.

10. EMPLOYEE BENEFIT

10.1 Liability towards gratuity provided on yearly actuarial valuation in respect of all employees is remitted to a trust progressively.

10.2 Provision for vacation leave is made on the basis of actuarial valuation.

11. DEPRECIATION

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

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



ACCOUNTING POLICIES

12. 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.

13. 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 recognised in Accounts on acceptance.

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

14. WARRANTY

Provision for warranty is made at the time of setting up of sales for manufactured / overhauled aircraft / Helicopters/ engines / rotables / accessories and supply of spares within the frame work of the conditions agreed with the customers.

Incurrence of Expenditure:

Expenditure incurred against Work Order towards warranty is charged to revenue and corresponding provision is withdrawn.



(Dr. A.K. MISHRA)

Director (Finance)



(Dr. R.K. TYAGI)

Chairman



(ASHOK TANDON)

Executive Director
(Company Secretary)

Place: Delhi

Date: 5th August, 2013



ENGINES

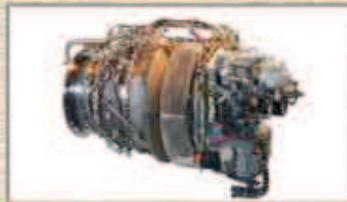
Manufactured and Overhauled by HAL



ADOUR Mk.871



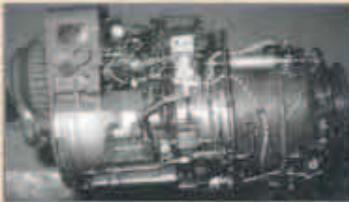
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SHAKTI



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GARRETT TPE-331-5



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ARTOUSTE-III B



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ORPHEUS



DART



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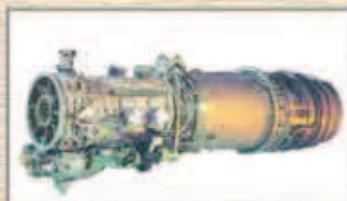
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LYCOMING



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ALLISON 501K



INDL. AVON



BALANCE SHEET

As at 31st March, 2013

(₹ in Lakhs)

Particulars	Note No.	31 st March, 2013	31 st March, 2012
I. Equity and Liabilities			
(1) Shareholders' Funds			
(a) Share Capital	1	12050.00	12050.00
(b) Reserves and Surplus	2	1325769.26	1121809.89
(c) Money Received Against Share Warrants		-	-
Sub Total		1337819.26	1133859.89
(2) Share Application Money Pending Allotment			
		-	-
(3) Non-Current Liabilities			
(a) Long Term Borrowings	3	479.04	504.55
(b) Deferred Tax Liabilities (Net)	4	156632.08	147697.63
(c) Other Long Term Liabilities	5	686584.64	924451.90
(d) Long Term Provisions	6	50065.32	73356.79
Sub Total		893761.09	1146010.87
(4) Current Liabilities			
(a) Short Term Borrowings	7	-	-
(b) Trade Payables	8	211973.29	135789.28
(c) Other Current Liabilities	9	3077890.56	2873958.82
(d) Short Term Provisions	10	230789.69	240896.13
Sub Total		3520653.54	3250644.23
Total - I (1+2+3+4)		5752233.89	5530514.99
II. Assets			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets			
Gross Block	11A	352481.17	336296.59
Less: Accumulated Depreciation	11B	197673.69	180713.46
Net Block		154807.48	155583.13
(ii) Intangible Assets			
Gross Carrying Amount	11C	74942.05	62518.78
Less: Cumulative Amortisation and Impairment Loss	11D	28902.55	24273.78
Net Carrying Amount		46039.50	38245.00
(iii) Capital Work-In-Progress	12	10266.42	6997.87
(b) Non-Current Investments	13	70734.86	52745.04
(c) Long Term Loans and Advances	14	67886.55	68422.29
(d) Other Non-Current Assets	15	1140057.57	537964.78
Sub Total		1489792.39	859958.11
(2) Current Assets			
(a) Current Investments	16	-	-
(b) Inventories	17	1786271.48	1608882.67
(c) Trade Receivables	18	548851.00	390622.52
(d) Cash and Bank Balances			
(i) Cash and Cash Equivalents	19A	553420.56	2191453.85
(ii) Balance with Bank for Committed Liabilities	19B	784375.95	1800.00
(e) Short Term Loans and Advances	20	457110.86	312122.85
(f) Other Current Assets	21	132411.65	165675.00
Sub Total		4262441.50	4670556.89
Total - II (1+2)		5752233.89	5530514.99
Notes on Accounts	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. 06715


(P. MANOHARA GUPTA)

Partner

Membership No. 16444

Place : Delhi

 Date : 5th August, 2013.


(Dr. A. K. MISHRA)

Director (Finance)


(Dr. R. K. TYAGI)

Chairman


(ASHOK TANDON)

Executive Director

(Company Secretary)

STATEMENT OF PROFIT AND LOSS

for the year ended 31st March, 2013

(₹ in Lakhs)

S. No.	Particulars	Note No.	31 st March, 2013	31 st March, 2012
I.	Revenue from Operations	22	1432928.49	1421230.23
	Less: Excise Duty		149.72	124.27
	Net Revenue from Operations		1432778.77	1421105.96
II.	Other Income	23	332738.85	251046.15
III.	Total Revenue (I + II)		1765517.62	1672152.11
IV.	Expenses:			
	Cost of Materials Consumed	24	687830.31	550736.12
	Purchase of Stock-in-Trade	24	113013.63	25402.54
	Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	25	12053.06	150898.27
	Employee Benefits Expenses	26	244632.83	272065.65
	Finance Costs	27	-	-
	Depreciation and Amortisation Expenses	28	60133.15	72231.35
	Other Expenses	29	119763.01	107231.08
	Direct Input to WIP / Expenses Capitalised	30	140050.53	67200.21
	Provisions	31	73966.37	75406.36
	Total Gross Expenses		1451442.89	1321171.57
	Add/Deduct: Expenses relating to Capital and Other Accounts	32	35622.30	-18128.97
	Total Net Expenses		1415820.58	1339300.54
V.	Profit before exceptional and extraordinary items and tax (III - IV)		349697.03	332851.55
VI.	Exceptional items		-	-
VII.	Profit Before Extraordinary Items and Tax (V - VI)		349697.03	332851.55
VIII.	Extraordinary Items		-	-
IX.	Profit Before Tax (VII - VIII) *		349697.03	332851.55
	* includes Prior Period Gain / (Expense)	33	(65094.20)	5096.51
X.	Tax expenses			
	(1) Current Tax		72500.00	79766.00
	(2) Minimum Alternate Tax (MAT) Credit Entitlement		-31428.82	-
	(3) Deferred Tax		8934.45	-857.66
XI.	Profit / (Loss) for the period from Continuing Operations (IX - X)		299691.40	253943.21
XII.	Profit/(Loss) from Discontinuing Operations		-	-
XIII.	Tax expense of Discontinuing Operations		-	-
XIV.	Profit/(Loss) from Discontinuing Operations (After Tax) (XII - XIII)		-	-
XV.	Profit(Loss) for the Period (XI + XIV)		299691.40	253943.21
XVI.	Earnings per Equity Share (Rs.)			
	Basic and Diluted		248.71	210.74
	Notes on Accounts	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. 06715



(P. MANOHARA GUPTA)

Partner

Membership No. 16444

Place : Delhi

Date : 5th August, 2013.



(Dr. A. K. MISHRA)

Director (Finance)



(Dr. R. K. TYAGI)

Chairman



(ASHOK TANDON)

Executive Director

(Company Secretary)



NOTES

Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 1 : SHARE CAPITAL		
Authorised Capital	16000.00	16000.00
16,00,00,000 Equity Shares of ₹ 10 each		
Issued, Subscribed and Fully Paid up	12050.00	12050.00
12,05,00,000 Equity Shares of ₹10 each fully paidup		
Subscribed and not Fully Paid up	-	-
Par Value per Share (₹)	10.00	10.00
Reconciliation of the Number of Shares Outstanding at the beginning and at the end of the Reporting period		
Opening Equity Shares (Nos.)	120500000	120500000
Add: Shares Issued (Nos.)	-	-
Less: Shares Bought Back (Nos.)	-	-
Closing Equity Shares (Nos.)	120500000	120500000
Shares in the Company held by each Shareholder holding more than 5 percent shares specifying the number of Shares held	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
Terms/ Rights attached to Equity Shares:		
The Company has one (1) Class of Shares i.e. Equity Shares		
The Equity Shares rank Parri Passu in all respects including right to Dividend, Issue of New Shares, Voting Rights and in the Assets of the Company in the event of Liquidation. Entire Capital is held by Single Share Holder.		
NOTE 2 : RESERVES AND SURPLUS		
General Reserve As per last Balance Sheet	1121809.89	962472.24
(+/-) Surplus Transferred from Statement of Profit and Loss	203959.37	159337.65
Closing Balance	1325769.26	1121809.89
Surplus in Statement of Profit and Loss		
Add: Net Profit / (Net Loss) for the Current Year	299691.40	253943.21
Less: Appropriations / Allocations		
Interim Dividend (CY ₹ 68.36 and PY ₹ 62.05 Per Share)	82370.00	74770.00
Proposed Final Dividend (CY ₹ Nil and PY ₹5.50 Per Share)	-	6630.00
Tax on Dividend (Interim and Final)	13362.03	13205.56
	95732.03	94605.56
Transferred To General Reserve	203959.37	159337.65
NOTE 3 : LONG TERM BORROWINGS		
A. Secured Long Term Borrowings:	-	-
Sub Total (A)		
B. Unsecured Long Term Borrowings:		
Deferred Liabilities		
Towards:		
10/15 Years	123.94	124.72
45 Years	355.10	379.83
Sub Total (B)	479.04	504.55
Total (A + B)	479.04	504.55
NOTE 4 : DEFERRED TAX LIABILITIES (Net)		
As per last Balance Sheet	147697.63	148555.29
Add / (Less): Current Year's Provisions	8934.45	(857.66)
	156632.08	147697.63

Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 5 : OTHER LONG TERM LIABILITIES		
Trade Payables		
Other than Micro and Small Enterprises	1873.02	2117.04
Sub Total	1873.02	2117.04
Advances from Customers		
A. Outstanding Advances from Customers		
Defence	110806.90	183606.19
Others	7977.21	80.70
Sub Total (A)	118784.11	183686.89
B. Outstanding Milestone Receipts		
Defence	444956.80	630862.94
Others	9542.52	6104.74
Sub Total (B)	454499.32	636967.68
Total (A + B)	573283.43	820654.57
Dues to Employees	11.06	17.26
Other Liabilities	111417.13	101663.03
Total	686584.64	924451.90
NOTE 6 : LONG TERM PROVISIONS		
A. Provisions for Employee Benefits		
Vacation Leave	26610.29	25870.36
Sub Total (A)	26610.29	25870.36
B. Others		
Replacement and Other Charges	10300.95	11799.56
Warranty	12577.99	34640.38
Liquidated Damages	576.09	1046.49
Sub Total (B)	23455.03	47486.43
Total (A + B)	50065.32	73356.79
NOTE 7 : SHORT TERM BORROWINGS		
A. Secured Short Term Borrowings:	-	-
Sub Total (A)	-	-
B. Unsecured Short Term Borrowings:	-	-
Sub Total (B)	-	-
Total (A + B)	-	-
NOTE 8 : TRADE PAYABLES		
Trade Payables		
Micro and Small Enterprises	1418.11	1356.28
Other than Micro and Small Enterprises	210555.18	134433.00
Total	211973.29	135789.28



NOTES

Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 9 : OTHER CURRENT LIABILITIES		
Current Maturities of Long term Debt		
Deferred Liabilities Towards 45 Years - Unsecured	25.49	25.49
Advances from Customers		
A. Outstanding Advances from Customers		
Defence	636780.10	674505.49
Others	2996.76	1468.11
Sub Total (A)	639776.86	675973.60
B. Outstanding Milestone Receipts		
Defence	2278446.18	2048694.84
Others	57158.20	58178.75
Sub Total (B)	2335604.38	2106873.59
Total (A + B)	2975381.25	2782847.19
Other Payables		
Taxes	5332.35	11508.74
Dues to Employees	41550.75	34059.87
Other Liabilities	55600.72	45517.52
	3077890.56	2873958.82
NOTE 10 : SHORT TERM PROVISIONS		
A. Provisions for Employee Benefits		
Gratuity	4203.47	2200.47
Vacation Leave	26610.28	25870.36
Others	79014.43	79014.43
Sub Total (A)	109828.18	107085.26
B. Others		
Taxation (Net) (Refer Note 20B) (Provision for Income Tax ₹ 79766.00 Lakhs Less: Advance Tax ₹ 70561.07 Lakhs)	-	9204.93
Proposed Dividend (Incl. Dividend Tax CY ₹ Nil Lakhs and PY ₹ 1076.00 Lakhs)	-	7706.00
Replacement and Other Charges	24891.48	20284.65
Warranty	71125.86	66541.93
Liquidated Damages	23744.53	28596.36
Sustainable Development	332.18	304.00
Corporate Social Responsibility	867.46	1173.00
Sub Total (B)	120961.51	133810.87
Total (A + B)	230789.69	240896.13



Forming part of the Accounts as at 31st March, 2013

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

(₹ in Lakhs)

Description	Gross Block as at 01.04.12	Additions	Reclasfn. / Adjustment	Disposals	Transfer to (-) from (+) Div	Gross Block as at 31.03.13
Fixed Assets ¹						
Land						
Leasehold	708.00	-	-	-	-	708.00
Freehold	1020.35	-	-	-	-	1020.35
Buildings	76188.91	2712.83		4.52		78897.22
Plant and Equipment	212817.59	12621.30	(4.37)	2740.80	(4.75)	222688.96
Furniture and Fixtures	7219.86	808.92	1.80	58.71	(1.16)	7970.70
Vehicles	5305.52	674.73	-	83.91	0.01	5896.35
Office Equipment	11518.14	1344.04	2.57	29.45	5.91	12841.20
Others						
Roads and Drains	5443.30	175.05	-	-	-	5618.35
Water Supply	2806.38	580.62	-	-	-	3387.00
Rail Road Sidings	71.07	-	-	-	-	71.07
Runways	5504.64	-	-	-	-	5504.64
Aircraft/Helicopters	7692.83	184.50	-	-	-	7877.33
Total	336296.59	19101.99	-	2917.39	-	352481.17
Previous Year	314272.60	22457.26	-	433.27	-	336296.59



NOTES

Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

NOTE 11B : ACCUMULATED DEPRECIATION - TANGIBLE ASSETS

Description	Provision as at 01.04.12	Additions		Reclasfn. /Adjustment	Transfer to (-) from (+) Div	Disposals	Provision as at 31.03.13	Net Block as at 31.03.13	Net Block as at 31.03.12
		CY	PY						
Depreciation ²									
Land									
Leasehold*	31.48	7.86	-		-	-	39.35	668.65	676.52
Freehold	-	-	-		-	-	-	1020.35	1020.35
Buildings	21598.90	2058.18	2.37		-	4.52	23654.93	55242.29	54590.01
Plant and Equipment	131586.04	13449.70	414.40	0.56	(0.93)	1288.90	144160.88	78528.08	81231.55
Furniture and Fixtures	4868.90	514.30	0.41	(0.41)	0.88	28.08	5356.00	2614.71	2350.96
Vehicles	3726.67	325.90	1.05		0.01	46.34	4007.30	1889.06	1578.85
Office Equipment	9279.16	738.61	1.15	(0.15)	0.05	20.16	9998.66	2842.54	2238.98
Others									
Roads and Drains	1426.66	78.21	-		-	-	1504.87	4113.47	4016.64
Water Supply	1835.97	128.92	0.09		-	-	1964.98	1422.02	970.41
Rail Road Sidings	71.06	-	-		-	-	71.06	0.01	0.01
Runways	3917.24	191.92	-		-	-	4109.16	1395.48	1587.40
Aircraft / Helicopters	2371.38	435.11	-		-	-	2806.49	5070.84	5321.45
Total	180713.46	17928.70	419.47	-	-	1388.01	197673.69	154807.50	155583.13
Previous Year	163354.66	17676.32	33.28	-	-	350.81	180713.46	155583.13	

Above includes:

Gross Value of Assets with M/s. MIDHANI

Cumulative Depreciation in respect of Assets with M/s. MIDHANI

31.03.13

1195.39

266.14

31.03.13

4487.81

3022.23

1465.58

31.03.12

1195.39

177.44

31.03.12

2082.93

2032.44

50.49

¹ Gross Value of Assets retired from active use

² Less: Cumulative Depreciated Value of Assets retired from active use

WDV of Assets retired from active use

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

Also refer Clause Nos. 10, 15 and 33 of Note-34



Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

NOTE 11C & 11D: INTANGIBLE ASSETS

Description	As on 01.4.2012	Additions	Adjustment	As on 31.03.2013
11C. Gross Carrying Amount				
Development Expenditure	41836.86	11568.88	-	53405.74
Licence Fees	11246.04	306.44	-	11552.48
Computer Software	7393.54	412.35	-	7805.89
Documentation	2042.34	598.39	-462.79	2177.94
Total	62518.78	12886.05	-462.79	74942.05
Previous Year	54163.72	8778.35	-423.29	62518.78

Description	As on 01.4.2012	Amortisation and Impairment Loss	Adjustment	As on 31.03.2013
11D. Cumulative Amortisation				
Development Expenditure	16148.62	3310.24	-	19458.86
Licence Fees	1191.08	740.03	-	1931.11
Computer Software	6208.15	798.37	-	7006.52
Documentation	725.93	150.36	-370.23	506.06
Total	24273.78	4999.00	-370.23	28902.55
Previous Year	19076.52	5197.26	-	24273.78

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 12 : CAPITAL WORK-IN-PROGRESS		
Buildings	3501.03	2058.03
Plant, Machinery and Equipment	1579.82	3646.60
Roads and Drains	112.89	32.39
Water Supply	14.59	266.29
Plant, Machinery and Equipment under Inspection and in Transit	5058.09	994.56
Total	10266.42	6997.87



NOTES

Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 13 : NON-CURRENT INVESTMENTS		
A. INVESTMENTS AT COST (TRADE / UN-QUOTED)		
Investment in Equity Instruments		
- in Joint Ventures		
M/s. BAe-HAL Software Ltd. -29,40,000 (29,40,000 P.Y.) Equity 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.) Equity 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. - 3,78,19,999 (3,22,19,999 P.Y.) Shares of ₹10 FV each fully paid *	3782.00	3222.00
M/s. TATA HAL Technologies Ltd. - 50,70,000 (43,20,000 P.Y.) Shares of ₹10 each fully paid	507.00	432.00
M/s. International Aerospace Manufacturing Pvt. Ltd. - 42,50,000 (20,00,000 - P.Y.) Shares of ₹100 FV each fully paid	4250.00	2000.00
M/s. Multirole Transport Aircraft Ltd. - 78,86,000 (NIL P.Y.) Shares of ₹ 100 FV each fully paid	7886.00	-
Sub Total (A)	18995.15	8224.15
B. INVESTMENTS AT COST (NON-TRADE / UN-QUOTED)		
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)	51739.61	44520.79
Sub Total (B)	51739.71	44520.89
Total (A + B)	70734.86	52745.04
Disclosure		
(i) Aggregate amount of Quoted Investment and Market Value.	NIL	NIL
(ii) Aggregate amount of Unquoted Investments.	70734.86	52745.04
(iii) Aggregate Provision or Diminution in value of Investments	NIL	NIL
* Shares Certificates to the extent of ₹ 560 lakhs (CY) and Nil (PY) are awaited.		



Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 14 : LONG TERM LOANS AND ADVANCES		
A. Secured Considered Good		
Capital Advances	924.36	205.51
Advances against Goods and Services	894.63	8298.85
Advances against Special Tools	-	1060.00
Employee advances ⁵	1010.06	981.13
Sub Total (A)	2829.05	10545.49
B. Unsecured Considered Good		
Capital Advances	808.24	173.90
Security Deposit		
Government Departments for Customs Duty and for Supplies	1282.28	1324.72
Public Utility Concerns	2515.56	2309.92
Others	219.38	333.51
Loans and Advances to Related Parties	3460.56	3000.00
Advances against Goods and Services	56486.57	50459.43
Employee Advances ⁵	66.00	81.28
Other Loans and Advances	218.91	194.04
Sub Total (B)	65057.50	57876.79
C. Considered Doubtful	-	-
Sub Total (C)	-	-
TOTAL (A +B +C)	67886.55	68422.29
⁵ Amount due by the Officers of the Company at the end of the year	Nil	Nil



NOTES

Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 15 : OTHER NON-CURRENT ASSETS		
Inventories³		
Raw materials and Components	33534.36	30268.45
Less: Provision for Redundancy	23435.51	25329.19
	10098.85	4939.26
Stores and Spares Parts	2392.19	2016.29
Less: Provision for Redundancy	1163.14	1064.86
	1229.05	951.43
Loose Tools and Equipment	888.88	794.04
Less: Provision for Redundancy	446.51	267.93
	442.37	526.11
Construction Materials	1.20	2.23
Less: Provision for Redundancy	1.20	2.23
	-	-
Sub Total	11770.27	6416.80
Long Term Trade Receivables		
Secured Considered Good	-	-
Unsecured Considered Good	4166.16	1050.21
Doubtful	416.18	437.39
	4582.34	1487.60
Less: Provision for Bad and Doubtful	416.18	437.39
Sub Total	4166.16	1050.21
Deferred Debts - 10/15 yrs	123.94	125.67
Deferred Debts - 45 yrs	340.31	364.55
Claims Receivable		
Considered Good	63656.43	65988.09
Considered Doubtful	4850.01	4578.93
	68506.44	70567.02
Less: Provision for Doubtful Claims	4850.01	4578.93
Sub Total	63656.43	65988.09
Special Tools (15C)	324411.23	302882.87
Deferred Revenue Expenditure (15A & 15B)	159698.96	160914.68
Balance with Banks ^{4a}	575000.00	-
Prepaid Expenses	122.64	221.91
Interest Accrued but not due	767.63	-
	1140057.57	537964.78
³ includes those issued to Sub-Contractors for Job Works / Customers		
^{4a} Fully Earmarked for Committed Liabilities of more than 12 months		



Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

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

Description	As on 01.4.2012	Additions	Adjustment	As on 31.03.2013
15A. GROSS CARRYING AMOUNT				
Licence Fees	220814.65	9803.00	-	230617.65
Computer Software	275.16	-	-	275.16
Documentation	36984.51	1726.80	462.79	39174.10
Total	258074.32	11529.80	462.79	270066.91
Previous Year	231907.75	26166.57	-	258074.32

Description	As on 01.4.2012	Amortisation and Impairment Loss	Adjustment	As on 31.03.2013
15B. CUMULATIVE AMORTISATION				
Licence Fees	86965.67	11189.61	-	98155.28
Computer Software	259.32	15.82	-	275.14
Documentation	9934.65	1632.67	370.23	11937.55
Total	97159.64	12838.10	370.23	110367.97
Previous Year	77651.99	19507.65	-	97159.64

NOTE 15 C : SPECIAL TOOLS

(₹ in Lakhs)

Description	As on 01.4.2012	Additions	Amortisation	Adjustment	As on 31.03.2013
SPECIAL TOOLS	302882.87	45476.24	23947.88	-	324411.23
Previous Year	288826.48	43873.23	29816.84	-	302882.87

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 16 : CURRENT INVESTMENT		
A. INVESTMENTS AT COST	-	-
	-	-
Disclosure		
(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



NOTES

Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 17 : INVENTORIES ³		
Raw materials and Components	816408.22	612900.07
Less: Provision for Redundancy	14494.95	10933.08
	801913.27	601966.99
Work-in-Progress	745528.00	736552.77
Finished Goods	147403.63	169968.95
Stock-in-Trade	4470.25	3060.43
Stores and Spare Parts	17268.39	16158.38
Less: Provision for Redundancy	339.76	325.46
	16928.63	15832.93
Loose Tools and Equipment	6013.63	5972.40
Less: Provision for Redundancy	157.70	159.23
	5855.93	5813.17
Construction Materials	54.91	46.85
Less: Provision for Redundancy	2.72	2.61
	52.19	44.24
Disposable Scrap	829.14	701.92
Miscellaneous Stores	18.86	31.95
Goods under Inspection and in Transit		
Raw material and Components	52614.93	69771.99
Stores and Spare Parts	9057.67	2059.66
Loose Tools and Equipment	1598.98	3077.68
	63271.58	74909.33
Sub Total Inventories	1786271.48	1608882.67
³ Includes those issued to Sub-Contractors for Job Works / Customers	24056.36	15782.37
NOTE 18 : TRADE RECEIVABLES		
A. Debts outstanding for a period exceeding Six months from the dates they have fallen due		
Secured : Considered Good	1.01	5.06
Unsecured : Considered Good	181443.23	77480.72
Doubtful	405.22	407.54
	181849.46	77893.32
Less: Provision for Doubtful Debts	405.22	407.54
Sub Total (A)	181444.24	77485.78
B. Debts outstanding for a period less than Six months from the dates they have fallen due		
Secured : Considered Good	87.31	93.98
Unsecured : Considered Good	367319.45	313042.76
Sub Total (B)	367406.76	313136.74
TOTAL (A +B)	548851.00	390622.52



Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 19 : CASH AND BANK BALANCES		
A. CASH AND CASH EQUIVALENTS		
Cash on Hand	39.90	78.16
Cheques, Drafts on Hand	2.35	0.75
Balances with Bank		
Current Account ⁴	42878.31	28874.94
Short Term Deposits	510500.00	2162500.00
Sub Total (A)	553420.56	2191453.85
B. Balances with Banks		
Short Term Deposits ^{4a}	784375.95	1800.00
Sub Total (B)	784375.95	1800.00
TOTAL CASH AND BANK BALANCES (A + B)	1337796.51	2193253.85
⁴ Refer Clause No. 11 in Note 34 - Explanatory Notes		
^{4a} Fully earmarked for Committed Liabilities		
NOTE 20 : SHORT TERM LOANS AND ADVANCES		
A. Secured Considered Good		
Loans and Advances to Related Parties	-	560.00
Advances against Goods and Services	186079.14	159157.88
Employee advances ⁵	1042.11	916.49
Sub Total (A)	187121.25	160634.37
B. Unsecured Considered Good		
Security Deposits		
Government Departments for Customs Duty and for Supplies	25.22	37.53
Public Utility Concerns	39.46	42.33
Others	518.86	475.81
Loans and Advances to Related Parties	26.99	9.96
Advances against Goods and Services	211772.58	147104.99
Employee advances ⁵	2968.07	2460.56
Advance Tax - (Net of Provision for Income Tax i.e. Advance Tax ₹ 95096.41 Lakhs Less: Provision for Income Tax ₹ 72500.00 Lakhs)	22596.41	-
Other Loans and Advances (includes ₹ 31428.82 for CY towards MAT Credit)	32042.02	1357.30
Sub Total (B)	269989.61	151488.47
C. Considered Doubtful	-	-
Sub Total (C)	-	-
TOTAL (A +B +C)	457110.86	312122.85
⁵ Amount due by the Officers of the Company at the end of the year	NIL	1.39



NOTES

Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 21 : OTHER CURRENT ASSETS		
Interest Accrued and Due on Non-Current Investments	4664.05	3812.45
Interest Accrued and Due on Advance to Related Party	66.65	-
Interest Accrued and Not Due on Short Term Bank Deposits	64642.48	64809.11
Claims Receivable		
Considered Good	61373.06	95570.56
Considered Doubtful	2008.49	63.41
	63381.55	95633.97
Less: Provision for Doubtful Claims	2008.49	63.41
Sub Total	61373.06	95570.56
Prepaid Expenses	1636.53	1455.04
Revenue Stamps	0.01	0.01
Balances in Franking Machine	4.43	3.70
Current Maturities in Deferred Debt - 45 yrs	24.43	24.13
Total	132411.65	165675.00



Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 22 : REVENUE FROM OPERATIONS		
a) Sale of Products		
Inland Sales		
Finished Goods	838192.59	891326.42
Spares	164251.25	89031.11
Development	181187.79	73675.45
Miscellaneous	2999.32	49388.11
Prior Period	-4085.53	1270.36
Total Inland Sales of Products	1182545.42	1104691.45
Export Sales		
Finished Goods	23049.18	23808.53
Spares	13451.49	8767.02
Development	21.86	28.80
Prior Period	-6.90	-
Total Export Sales of Products	36515.63	32604.35
Total Sale of Products (a)	1219061.05	1137295.80
b) Sale of Services		
Inland Sale of Services		
Repair and Overhaul	276656.66	274871.51
Other Services	4072.90	5090.03
Prior Period	-69193.78	935.09
Total Inland Sales of Services	211535.76	280896.63
Export Sale of Services		
Repair and Overhaul	1736.47	1700.25
Other Services	29.31	528.79
Total Export Sales of Services	1765.78	2229.04
Total Sales of Services (b)	213301.54	283125.67
Total Sales (a+b)	1432362.59	1420421.47
c) Other Operating Revenues		
(i) Disposal of Scrap and Surplus / Unserviceable Stores	565.90	808.76
Total Operating Revenues	565.90	808.76
Gross Revenue from Operations (d) = (a+b+c)	1432928.49	1421230.23



NOTES

Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 23 : OTHER INCOME		
Interest Income		
Short term Deposits / Loans	231626.56	210699.53
Sundry Advances - Employees	87.54	93.76
Other Deposits	87.07	555.97
Less: Interest Liability to Customer	1345.86	365.15
	230455.33	210984.11
Dividend Income		
Dividend Income from Joint Ventures	93.65	89.78
Other Non-Operating Income		
Transportation - Employees	100.04	95.87
Canteen	43.13	30.23
Other Welfare Schemes	1457.16	1786.84
Profit on Sale of Assets (Net)	809.29	73.67
Miscellaneous ⁶	88178.23	34648.86
Gain on Foreign Currency Transaction and Translation	2155.86	-
Prior Period Items ⁶	9446.16	3336.79
	332738.85	251046.15
⁶ Includes Provision no Longer Required (Refer Clause 30 of Note 34)	89786.65	24337.43
NOTE 24 : COST OF MATERIAL CONSUMED		
CONSUMPTION OF RAW MATERIAL, COMPONENTS, STORES AND SPARE PARTS ⁷		
Opening Stock	661392.28	657771.59
Add: Purchases	933481.80	593813.12
Add: Subcontracting, Fabrication and Machining Charges.	15472.26	13997.35
Less: Closing stock	869659.26	661392.28
	740687.08	604189.78
Less: Transfer to		
Special Tools and Equipment	40550.93	40629.00
Capital Works	-	6.12
Development Expenditure	404.41	1377.27
Expense Accounts and Others	10491.60	11429.73
	51446.93	53442.12
Consumption of Raw Material, Components, Store and Spare Parts (A)	689240.14	550747.66
Consumption of Stock-in-Trade (B)	111603.81	25391.00
Total Consumption (A + B)	800843.95	576138.66
Less: Purchase of Stock-in-Trade	113013.63	25402.54
Net Consumption	687830.32	550736.12
⁷ includes Prior Period Items	-	91.09



Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 25 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS, STOCK-IN-TRADE AND SCRAP		
A. CHANGE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK IN TRADE		
Accretion / (Decretion)		
Opening Balance		
(i) Finished Goods	169968.96	229063.31
(ii) Work-in-progress	736552.76	831609.73
(iii) Stock in Trade	3060.43	-
	909582.15	1060673.04
Closing Balance		
(i) Finished Goods	147403.63	169968.95
(ii) Work-in-progress	745528.00	736552.77
(iii) Stock in Trade	4470.25	3060.43
	897401.88	909582.15
(Accretion) / Decretion	-12180.27	-151090.91
B. CHANGE IN DISPOSABLE SCRAP		
Opening Balance	701.92	509.28
Closing Balance	829.14	701.92
(Accretion) / Decretion	127.22	192.64
TOTAL (A+B)	-12053.06	-150898.27
NOTE 26 : EMPLOYEES BENEFIT EXPENSES ⁹		
Salaries and Wages	211482.70	238059.55
Contribution to Provident and Other Funds		
Contribution to Provident Fund	14928.98	14109.38
Contribution to Gratuity	4203.47	2200.47
Staff Welfare Expenses	13587.47	17406.32
Rent for Hiring Accomodation for Officers / Staff	430.21	283.92
Prior Period	-	6.01
	244632.83	272065.65
⁹ Includes Directors' Remuneration		
Salaries	242.29	271.37
Contribution to Provident Fund	15.31	13.95
Gratuity	-	40.00
NOTE 27 : FINANCE COST	-	-
NOTE 28 : DEPRECIATION AND AMORTISATION EXPENSES		
A. DEPRECIATION ON ASSETS	18348.17	17709.60
B. AMORTISATION	41784.98	54521.75
TOTAL (A + B)	60133.15	72231.35



NOTES

Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 29 : OTHER EXPENSES		
Shop Supplies	9517.77	9893.32
Power and Fuel	16055.33	14440.80
Water Charges	3738.70	4116.53
Rent for Office Premises etc.	97.69	136.81
Travelling (includes Foreign Travel)	7186.35	6534.48
Training (includes Foreign Training)	1036.54	872.83
Repairs:		
Buildings	6007.10	6523.51
Plant, Machinery and Equipment	10033.66	8332.97
Others	4294.44	2901.84
Expenses on Tools and Equipment	7481.65	6655.31
Insurance	2029.78	1439.29
Rates and Taxes	1653.79	978.16
Postage and Telephones	811.83	753.18
Printing and Stationery	1043.80	1162.44
Publicity	1824.52	1683.09
Advertisement	1161.41	996.20
Bank Charges	544.18	612.00
Loss on Foreign Currency Transaction and Translation (Net)	-	4139.98
Legal Expenses	157.52	121.74
Auditors' Remuneration:		
For Audit Fee	25.19	25.19
For Tax Audit	2.65	2.65
For Other Services	0.83	3.06
Selling Agents Commission	146.16	134.09
Donations	128.16	68.44
Handling Charges	259.78	231.60
Write Off:		
Stores	170.59	117.40
Others	2.80	0.09
Freight and Insurance	1054.75	916.00
Liquidated Damages	12379.98	9270.37
JWG share of Profit	233.93	123.17
Cost of Warranty	9460.44	6564.18
Sustainable Development	275.82	-
Corporate Social Responsibility	888.12	271.26
Other Operating Expenses ¹⁰	19475.47	16893.74
Prior Period Items	582.28	315.35
	119763.01	107231.08
¹⁰ includes Director's Sitting Fees	20.20	17.60

Forming part of the Accounts as at 31st March, 2013

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
NOTE 30 : DIRECT INPUT TO WIP AND EXPENSES CAPITALISED		
A. DIRECT INPUT TO WIP		
Project related Travel	1241.36	625.46
Project related Training	717.88	729.15
Project related other Expenditure	3363.29	3260.92
Travel outstation jobs	26.07	64.42
Royalty	1283.48	1391.36
Foreign Technician Fee	1909.28	3262.37
Ground Risk Insurance	1850.17	1787.29
Quality Audit Expenses	7.31	48.43
Collaboration Charges	31.96	5.70
Design and Development	1240.47	1563.34
Sundry Direct Charges - Others	115532.29	27425.64
Sub Total (A)	127203.56	40164.08
B. EXPENSES CAPITALISED		
Licence Fees	10109.44	16461.99
Computer software	412.35	700.99
Documentation	2325.18	9873.15
Sub Total (B)	12846.97	27036.13
Total (A + B)	140050.53	67200.21
NOTE 31 : PROVISIONS		
Replacement and Other Charges	13868.00	11140.47
Warranty	31985.61	29908.66
Raw Materials and Components, Stores and Spare parts and Construction Materials	6468.70	8712.83
Liquidated Damages	17775.33	23598.78
Doubtful Debts	6.27	12.13
Doubtful Claims	2288.46	556.49
Sustainable Development	304.00	304.00
Corporate Social Responsibility	1270.00	1173.00
Total	73966.37	75406.36
NOTE 32 : EXPENSES RELATING TO CAPITAL AND OTHER ACCOUNTS		
Expenses allocated to:		
Deferred Revenue Expenditure	12846.96	27036.12
Special Tools	4925.32	3244.23
Development Expenditure	11164.48	6531.52
Warranty	9460.44	6564.18
Others	-2774.90	-61505.02
	35622.30	-18128.97
NOTE 33 : PRIOR PERIOD GAIN / (EXPENSE)		
A. Income		
Inland Sales	-73279.31	2205.45
Export Sales	-6.90	-
Other Income	9446.16	3336.79
Sub Total (A)	-63840.05	5542.24
B. Expenditure		
Consumption of Raw Material, Components, Stores and Spare Parts	-	91.09
Amortisation	252.40	-
Salaries and Wages	-	6.01
Depreciation	419.47	33.28
Other Expenses	582.28	315.35
Sub Total (B)	1254.15	445.73
Total (A + B)	-65094.20	5096.51



NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
6 Expenditure in Foreign currency on account of		
(i) Royalty	1002.76	1359.74
(ii) License Fee	10016.14	1024.89
(iii) Documentation	1342.35	8357.29
(iv) Professional, Consultancy and Foreign Technician Fees	1860.98	3211.41
(v) Foreign Travel	923.27	666.90
(vi) Others	2541.63	1495.13
Total	17687.13	16115.36
7 Earnings in Foreign Exchange :		
(i) Export on FOB Basis	36507.57	32604.35
(ii) Services	1773.84	2229.04
Total	38281.41	34833.39
8 The effect on Profit due to Prior Period Transactions	-65094.20	5096.51
9 Impact on Profit due to Changes in Accounting Policies	33583.85	-
a As per the Accounting practice prior to 31.3.2012, the unutilised portion of warranty is withdrawn in respect of manufacturing contracts at the end of programme. As per the new Accounting policy in force, from 1.4.2012, the unutilised warranty is withdrawn at the end of each Contract within the programme. This change in the accounting practice has impacted by way of increase in the profit for the year by	32999.23	-
b The company, was hitherto accounting expenditure on foreign technician fee, foreign travel, training, etc., to cost of sales and retained the unexecuted portion in WIP which is amortised over deliveries. During the year, these expenditure are charged to revenue on incurrence and recognised as Sales to the extent recoverable from the Customers. Accordingly, balance lying in WIP as of 31.3.2012 is charged off and recognised as sales to the extent recovered from the Customers. This change in the accounting practice has impacted by way of increase in profit for the year by	584.62	-
10 With reference to Accounting Policy No. 11, 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:	For 31st March, 2013 & 31st March, 2012	
	Rate being charged	Schedule XIV Rate
Assets		
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%


NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
11 Balances in Current Account with Foreign Banks :		
SBI Paris	35.97	151.45
SBI London	26.87	29.61
JSC VTB Bank, Moscow	22.09	24.32
Maximum balance outstanding during the year :		
SBI Paris	149.71	203.15
SBI London	306.51	218.46
JSC VTB Bank, Moscow	47.15	38.28
12 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 Raw Materials under broad heads, Goods Purchased under broad heads, Purchases, Sales and Consumption of Raw Material under broad heads, Work-in-Progress under broad heads as required under "General Instructions for preparation of Statement of Profit & Loss" vide paragraphs 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.		
13 Long term Investments are carried at cost. Any diminution other than temporary in nature is provided. Diminution in the value of Investments in Joint Venture Companies is considered as temporary. In view of Long Term commitment in the Joint Ventures, Initial Setbacks are expected to be overcome. Hence, no provision is considered necessary.		
Disclosures as per Accounting Standards		
14 As per AS-11 relating to Accounting for the effects of changes in the Foreign Exchange rates,		
(a) Exchange rate variation recognised in Statement of Profit and Loss towards Capital Assets	56.35	81.65
(b) 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)		
(c) Net Gain / (Loss) on Foreign Currency Transaction and Translation	2155.86	(4139.98)



NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
15 Fixed Assets aquired with financial assistance / subsidy from outside agencies either wholly or partly are capitalised at net cost to the company.		
(a) Gross block does not include Assets given by the customer for use of their jobs by the Company	78274.35	75375.35
(b) Capital Work-in-Progress does not include amount of Capital WIP of the customer towards Capital Items (adjusted to Advances received from the Customer)	10545.59	4118.27
16 DRE under Note 15A and 15B 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	-	-
17 As per AS-12 relating to Accounting for Government Grants, amount received for Fixed Assets	-	-
18 As per AS-13 relating to Accounting for Investments, amount being Dividend received from Joint Venture companies, which is recognised when right to receive Dividend is established.	93.65	89.78
19 Provision for Gratuity and Vacation Leave has been made based on Actuarial Valuation. The date of Actuarial valuation is of 31 st March.		
Employee Benefits:		
The Company has adopted the Revised Accounting Standard (AS)-15 on Employee Benefits. Consequently, the liability thereon is accounted on the basis of actuarial valuation, and is being recognised as short-term benefits / long term benefits:		
A Gratuity:		
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 Rs. 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 st March, 2013	31 st March, 2012
Gratuity:		
(i) Change in Benefit Obligations :		
Present Value of Obligation (PVO) as at the beginning of the year	71692.63	71145.65
Current Service Cost	2878.26	3120.95
Interest Cost	5643.82	5401.33
Actuarial (Gain) / Loss	4190.79	1831.85
Benefits Paid	-9004.89	-9807.15
Present Value of Obligation as at the end of the period	75400.61	71692.63
(ii) Change in Fair Value of Plan Assets :		
Fair Value of Plan Assets at the beginning of the year	69492.16	55429.01
Expected return on Plan Assets	5743.72	4592.91
Contributions	2200.47	15716.64
Benefit Paid	-9004.89	-9807.15
Actuarial Gain / (Loss) on Plan Assets	2765.67	3560.75
Fair Value of Plan Assets at the end of the year	71197.13	69492.16
(iii) Expenses Recognised in the Statement of Profit and Loss :		
Current Service Cost	2878.26	3120.95
Interest Cost	5643.82	5401.33
Expected return on Plan Assets	-5743.72	-4592.91
Net Actuarial (Gain) / Loss recognised in the period	1425.11	-1728.90
Expenses Recognised in the Statement of Profit and Loss	4203.47	2200.47
Actual Return on Plan Assets	8509.39	8153.66
(iv) Amounts Recognised in Balance Sheet :		
Present Value of Obligation as at the end of the period	75400.61	71692.63
Fair Value of Plan Assets at the end of the Period	71197.14	69492.16
Liability recognised in Balance Sheet	4203.47	2200.47
(v) Category of Assets as at March 31 :		
Government of India Securities	4925.00	4925.00
High Quality Corporate Bonds	500.00	500.00
Investment with Insurer	73737.44	91112.50
Dues to HAL	-8402.09	-27544.41
Others	436.79	499.07
	71197.14	69492.16
(vi) Reconciliation of Net Liability for the period :		
Opening Net Liability	2200.47	15716.64
Add: Employee Benefit Expenses for the period	4203.47	2200.47
Less: Contributions by Employer	2200.47	15716.64
Closing Net Liability	4203.47	2200.47



NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	For the period ended				
	31 st March, 2013	31 st March, 2012	31 st March, 2011	31 st March, 2010	31 st March, 2009
(vii) Experience Adjustments :					
Defined Benefit Obligation	75400.61	71692.64	71145.65	46917.66	33401.51
Plan Assets	71197.14	69492.17	55429.01	41663.98	32093.18
Surplus/(Deficit)	(4203.47)	(2200.47)	(15716.64)	(5253.68)	(1308.33)
Experience Adjustment on Plan Liabilities	1979.81	3228.70	14750.16	7648.66	(1718.41)
Experience Adjustment on Plan Assets	2765.67	3560.75	2046.42	1632.25	(14165.18)

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
(viii) Principal Assumptions :		
Discounting Rate	8.05%	8.50%
Salary escalation rate	6.00%	6.00%
Expected rate of return on Plan Assets	9.00%	9.00%
B Compensated Absences		
The Actuarial Liability of Accumulated absences of the employees of the Company as at March 31	53220.57	51740.73
Discounting Rate	8.05%	8.50%
Salary escalation rate	6.00%	6.00%
Retirement Age	60 Years	60 Years
20 As per AS-16 relating to Borrowing Costs, Amount of Interest capitalised during the year.	-	-
21 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**

(a)	The name of the transacting related party	CURRENT YEAR									
		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.
(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
(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
(d)	Volume of the transactions either as an amount or as an appropriate proportion (Previous Year)	3940.37 (4288.09)	886.00 (1488.58)	- (9.55)	2294.78 (4654.59)	- (365.23)	5077.73 (1801.56)	9.32 (3.03)	- (37.35)	77.74 (209.79)	- -
(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)	365.01 (124.73)	101.04 (89.58)	- -	- (189.86)	- -	- -	- -	- (447.51)	22.82 -	- -
	(ii) Provisions for doubtful debts from such parties at that date (Previous Year)	-	-	-	-	-	-	-	-	-	-
(g)	Amounts written off or written back in the period in respect of debts due from or related parties. (Previous Year)	-	-	-	-	-	-	-	-	-	-
(h)	Interest Received (Previous Year)	-	-	-	-	-	-	-	-	-	-
(i)	Dividend Received (Previous Year)	93.65 (32.78)	-	-	-	-	-	-	66.65	-	-
(j)	Key Management Personnel of the Company in Joint Ventures are as follows:										

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

Dr. A.K. Mishra	- Director (Finance)
Shri P.V. Deshmukh	- Managing Director (MiG Complex)
Shri P.Soundara Rajan	- Managing Director (Helicopter Complex)
Shri T. Suvarna Raju	- Director (D&D)
Shri S.K. Jha	- Additional Charge of Managing Director (Helicopter Complex)
Shri K. Naresh Babu	- Managing Director (Accessories Complex)
	- Managing Director - (Bangalore Complex)
	- Additional Charge of Director (Corporate Planning & Marketing)
Shri S. Subrahmanyam	- Managing Director - (MiG Complex)

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	49%	48%	50%	40%	50%	50%	50%	50%	50%	50%	50%
(Previous Year)	(49%)	(48%)	(50%)	(40%)	(50%)	(50%)	(50%)	(50%)	(50%)	(50%)	(50%)
Total Assets	2549.29	8577.22	4724.48	1129.64	1899.70	4349.41	163.89	24282.03	650.00	10805.00	22893.33
(Previous Year)	(2375.46)	(8133.44)	(4094.73)	(665.69)	(1952.31)	(1670.98)	(163.63)	(25139.54)	(341.54)	(2452.00)	(1877.19)
Total Liabilities	2549.29	8577.22	4724.48	1129.64	1899.70	4349.41	163.89	24282.03	650.00	10805.00	22893.33
(Previous Year)	(2375.46)	(8133.44)	(4094.73)	(665.69)	(1952.31)	(1670.98)	(163.63)	(25139.54)	(341.54)	(2452.00)	(1877.19)
Total Income	2332.37	6541.93	4432.11	2729.67	13.54	4760.05	276.13	1593.16	23.06	296.00	254.94
(Previous Year)	(2683.52)	(5760.37)	(3926.55)	(4796.06)	(150.12)	(1506.82)	(225.40)	(645.60)	(510.30)	(178.00)	-
Dividend Declared	10%	110%	-	-	-	-	-	-	-	-	-
(Previous Year)	-	(100%)	-	-	-	-	-	-	-	-	-
Dividend Amount	29.40	103.02	-	-	-	-	-	-	-	-	-
(Previous Year)	-	(93.65)	(28.50)	-	-	-	-	-	-	-	-
Contingent Liability	415.20	80.00	446.40	-	6.00	2763.68	31.14	-	-	218.00	-
(Previous Year)	(380.18)	(50.00)	(446.40)	-	(400.77)	(2228.82)	(25.21)	-	-	-	-
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
23 Key Management Personnel in the Company

(₹ in Lakhs)

Particulars	2012-13			2011-12		
	Salary	Company Contribution to PF and Gratuity	Total	Salary	Company Contribution to PF and Gratuity	Total
(i) Dr. R. K. Tyagi, Chairman	33.89	2.06	35.95	1.73	0.16	1.89
(ii) Shri Ashok Nayak, Ex-Chairman	-	-	-	46.85	11.20	58.05
(iii) Dr. A.K. Mishra, Director(Finance)	28.23	1.81	30.04	25.46	1.56	27.02
(iv) Shri N.C. Agarwal, Ex-D(D&D) & DF	-	-	-	8.26	0.44	8.70
(v) Shri P.V. Deshmukh, Ex- MD(M)	23.11	1.29	24.40	30.99	1.77	32.76
(vi) Shri V.M. Chamola, Director (HR)	31.42	1.81	33.23	11.68	0.98	12.66
(vii) Shri S.K. Jha, MD(A)	33.03	2.13	35.16	30.27	1.63	31.90
(viii) Shri P. Soundara Rajan, MD(HC)	37.90	1.93	39.83	32.09	1.85	33.94
(ix) Shri T. Suvarna Raju, Director (D&D)	22.05	1.84	23.89	2.90	0.23	3.13
(x) Shri K.Naresh Babu, MD(BC) & D(CP&M)	21.58	1.83	23.41	11.57	0.68	12.25
(xi) Shri S. Subrahmanyam, MD(M)	11.08	0.61	11.69	-	-	-
(xii) Shri R. Srinivasan, Ex-Director (HR)	-	-	-	21.95	10.41	32.36
(xiii) Sq. Ldr. (Retd.) Baldev Singh, Ex-Director (CP&M)	-	-	-	39.55	12.09	51.64
(xiv) Shri D. Balasunder, Ex- MD(BC)	-	-	-	8.07	10.95	19.02
	242.29	15.31	257.60	271.37	53.95	325.32

NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
24 As per AS-20 relating to Earnings per Share (Basic and Diluted)		
Net Profit After Tax	299691.40	253943.21
Number of Equity Shares of Face Value of ₹10/- each fully paidup	120500000	120500000
Earnings per Share (in ₹) - Basic and Diluted	248.71	210.74
25 Break-up of Deferred Tax Liabilities and Assets are given below:		
Deferred Tax Liability		
Depreciation Incl. Deferred Revenue Expenditure Amortisation	70581.27	66542.28
Special Tools and Equipment	106652.43	100747.92
TOTAL	177233.70	167290.20
Deferred Tax Asset		
Accrued Leave Salary	17656.56	17176.41
Provision against Trade Receivables/Claims	2240.73	1525.82
Statutory Payments	229.25	415.26
Gratuity	475.07	475.07
TOTAL	20601.61	19592.56
Deferred Tax Liability		
Opening Balance	167290.20	165901.68
Addition / Reversal during the year	9943.50	1388.53
Total Deferred Tax Liability	177233.70	167290.21
Deferred Tax Assets		
Opening Balance	19592.56	17346.39
Addition during the year	1009.05	2246.18
Total Deferred Tax Assets	20601.61	19592.57
Net Deferred Tax Liability	156632.09	147697.64
25 A. Provision for Income Tax has been made for the year considering that Grant-in-aid received from Government of India towards Research and Development being a capital receipt is not taxable though the Income Tax Authorities have considered the same as Taxable Income for the Assessment Years 2005-06 to 2007-08 and 2009-10 to 2010-11, which are under Appeal by the Company before Appellate Authorities and for the Assessment years 2011-12 and 2012-13 also same treatment has been adopted in the Accounts for which Assessments are pending. In the mean time, the Company has been advised that in view of the favourable decision on this issue by ITAT, Bangalore Bench 'C' in ITA No. 763/Bang/1998 vide Order dt.22-2-2002 for the A.Y. 1995-96, no Provision for Tax be made in the accounts for the year on such capital receipts.		
25 B. The Company is liable to pay Minimum Alternate Tax (MAT) for the year, since the liability under regular provisions of the Act is lower than MAT. In view of convincing evidence that the Company will pay normal Income Tax in future and it is probable that future economic benefit associated with it will flow to the Company and the Asset can be measured reasonably, MAT credit entitlement of ₹ 31428.82 Lakhs is recognized as an Asset in the Accounts.		


NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
26 A Disclosure with regard to Joint Working Groups		
HAL has entered into a Joint Working Agreement with Air India to start Ramp Handling Business and with MSIL 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, MSIL and HALCON :		
Air India	154.64	150.03
MSIL	0.26	-25.76
HALCON	79.04	-1.10

26 B Disclosure with regard to Joint Working Group

(₹ in Lakhs)

Name of the Joint Working Group	AIJWG		ACCJWG		HALCON	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
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	2029.07	1887.39	661.41	631.85	786.78	676.86
Total Liabilities	2029.07	1887.39	661.41	631.85	786.78	676.86
Income - Company's Share	394.73	370.12	337.21	234.34	327.08	227.97
Expenditure - Company's Share	240.09	220.09	336.95	260.10	248.04	229.07
Profit / (Loss) - Company's Share	154.64	150.03	0.26	(25.76)	79.04	(1.10)
Contingent Liability	Nil	Nil	Nil	Nil	Nil	Nil

The information pertaining to Joint Working Group 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 st March, 2013	31 st March, 2012
27 Useful life / Amortisation rate for Intangible Assets-refer Note 11C & 11D 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.		
28 As per AS - 28 on Impairment Loss - the Impairment Loss recognised in the Books of Accounts	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 st March, 2013	31 st March, 2012
Raw Material Consumption	24421.72	22773.66
Direct Expenses	119553.04	27515.46
Salaries and Wages	34837.28	31324.92
Other Expenses	6494.43	5522.06
Interest	-	-
Depreciation and Amortisation	2256.42	4070.32
Provisions	512.83	51.84
Inter Services /Common Services	6819.19	5492.58
Total R & D Expenditure	194894.90	96750.84


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	101182.31	31985.61	49464.07	83703.85
(Previous Year)	(80381.01)	(29908.66)	(9107.36)	(101182.31)
Provision for Replacement and Other Charges	32084.21	13867.99	10759.78	35192.42
(Previous Year)	(30500.92)	(11140.47)	(9557.18)	(32084.21)
Provision for Claims	4642.34	2288.46	72.30	6858.50
(Previous Year)	(4840.21)	(556.49)	(754.36)	(4642.34)
Provision for Sustainable Development	304.00	304.00	275.82	332.18
(Previous Year)	-	(304.00)	-	(304.00)
Corporate Social Responsibility	1173.00	1270.00	1575.54	867.46
(Previous Year)	-	(1173.00)	-	(1173.00)
Provision for Liquidated Damages	29642.85	17775.33	23097.56	24320.62
(Previous Year)	(10016.44)	(23598.78)	(3972.37)	(29642.85)

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
31 Trade Payables and Unsecured Advances includes amounts due to Joint Venture for commitment towards Company's share as Investment	-	3000.00
32 Advances to related parties under Long Term Loans and Advances in Note No. 14 represents Advance given against Investment in Shares to a Joint Venture, for which Allotment is not made as on 31 st March, 2013	3460.56	-
33 Total Land held (in Acres). (Refer Note -11A)	11275.21	11269.21



NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	Division	Assets	Acres	Amount
33.1 Instruments of transfer in respect of land and building taken possession by the Company have not been executed	Lucknow/ Kanpur / FMD / Nasik (Previous Year)	Land	736.62	308.98
			(742.62)	(308.98)
	Kanpur (Previous Year)	Building	-	35.33
			-	(35.33)
33.2 Land has been handed over /earmarked to the Government / other agencies pending execution of instruments of transfer	FMD/ Nasik/ Korwa/ Engine (Previous Year)	Land	275.90	56.58
			(175.90)	(56.58)
33.3 Land has been given on lease to the Government/ other agencies	FMD/ Nasik/ Lucknow/ Kanpur (Previous Year)	Land	1074.72	-
			(1071.23)	-

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
<p>33.4 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 ₹ 30.00 Lakhs (Previous year ₹ 29.50 Lakhs) has been made. 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>		
<p>33.5</p> <p>a) FMD Division is holding 2099.831 Acres (2093.831 acres) land of which 12.184 Acres (12.184 Acres) is under litigation/encroachment with third parties and 10.152 Acres is under dispute with M/s. BEML, Bangalore.</p> <p>b) Titles to land are not in the name of the Company in respect of 173 survey numbers at FMD Division. However, Records of Tenancy Certificate is available.</p> <p>c) HAL has taken over 6 acres of land from KIADB (Karnataka Industrial Area Development Board) in Aerospace Park at Devanahalli 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, Lease-cum-sale Deed is executed on 30/03/2013.</p> <p>d) An amount of ₹ 1659.08 Lakhs (₹ 1553.02 Lakhs) towards Lease-cum-Rental charges with various parties has not been considered in the books of accounts of FMD, pending dispute settlement.</p> <p>e) 9.065 Acres (9.065 Acres) of Land belonging to Nasik Division is under encroachment, out of which case has been filed for 1.339 acres of land encroached by 7 (7) persons.</p> <p>f) Further, about 50.21 acres of the land belonging to HAL Koraput Division is encroached upon by the nearby villagers for cultivation.</p> <p>g) At Corporate Office, part of Land measuring about 1.08 Acres of which 711.22 Sq. Mt. has been acquired for the Metro Rail Project by M/s. BMRCL with building. The building thereon has been valued by BMRCL at ₹ 32.62 Lakhs (57.50 Sq. Mtrs. is towards Pump House / Sump, which is pending demolition and 15 Sq. Mtrs. of Security Room which was demolished). Pending award by KIADB, under Section 11 of the Land Revenue Act, 1984 no adjustment has been made in the Books of Accounts.</p>		


NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
34 Special Tools and Equipment includes Tools and Equipment in progress, under inspection and in transit.	11543.47	8213.63
35 Sales include deliveries for which amendment to firm task is awaited from the customer.	5440.55	4912.21
36 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.		
37 The Total Inventory of :-	1798041.73	1615299.48
(i) does not include materials belonging to customers but held by the Company on their behalf, worth approximately	46680.43	49565.50
38 In IMGT Division, Inventory worth ₹ nil Lakhs (Previous year ₹ 1800.52 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.		
39 Dividend		
(a) The amount of dividend proposed to be distributed to Equity share holders	-	6630.00
(b) Amount per share (₹)	-	5.50
40 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		
41 a 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 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 the transaction between HAL and Ministry of Defence, Government of India shall not be treated as Sale or Works Contract for the purpose of taxation under the Karnataka Sales Tax Act.		
Commercial Tax Department had issued Re-Assessment Order and raised demand for ₹151277 Lakhs 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.		

NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012
<p>Several meetings have been held between officials of Department of Defence Production, MOD, HAL, Commercial Tax Department and Finance Department, Govt. of Karnataka and it was decided to verify the sales data and establish the factual details of transactions. The Process of Verification of Sales data by the Commercial Tax Department has been completed.</p> <p>The matter is under further discussion between MOD & Government of Karnataka for resolution of the issue. After completion of the discussion process, the matter will be brought up before Hon'ble Supreme Court of India.</p>		
42 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	1317.68	1332.18
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		
3) The amount of Interest due and payable for the period (where the Principal has been paid but Interest not paid)		
4) The amount of Interest accrued and remaining unpaid at the end of accounting year	158.60	159.28
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		
43 The Company during the financial year 2011-12 in one of the Divisions, had detected a fraud, by way of unauthorised transfer from the bank account of the Division to beneficiary bank account. The total amount of fraud is ₹ 391.06 lakhs. The Company has initiated criminal proceedings against the accused in 2011-12. During 2012-13, a Senior Criminal Lawyer has been appointed as Public Prosecutor by the Government of Karnataka to represent the Company's case. The Company, during the current year, has filed two Civil Suits for recovery of fraudulently drawn amounts against the accused, his accomplices and institutions namely, the State Bank of India for ₹ 289.00 lakhs and Shri Krishna Souharda Credit Co-operative Limited for ₹102.06 lakhs. Both the civil cases and criminal case are under progress. Two properties of the accused valuing ₹ 63.55 lakhs stand attached by the Court. Based on the initiative of the Company, the Karnataka State Souharda Federal Co-operative Limited, Government of Karnataka has also initiated criminal proceedings against Shri Krishna Souharda Credit Co-operative Limited. Based on Company's strength in the case and as opined by the Legal Counsel, the Company is fully confident of recovery and hence the Claims Receivable is considered good.		
44 a) Development Sales in Note No. 22 of the Accounts includes ₹ 113674.01 Lakhs being Sales setup based on expenditure incurred for the Indian Prospective Multi-Role Fighter (PMF) Design and Development program towards payments made to Rosoboronexport (ROE). The expenditure incurred on the program towards the payments made to ROE on achievement of defined milestones as per the Preliminary Design Contract have been accounted as Direct Expenses under Note - 30. These Expenses identifiable to the Design and Development of PMF Project have been accounted as Development Sales as per Accounting Policy 9.2.		
b) Sanction was obtained from Government of India, Ministry of Defence for the Design and Development of Light Combat Helicopter (LCH) Project at a total value of ₹ 37667 Lakhs wherein major project milestones with time schedule have been defined without values assigned to this Milestones. As the Project, Milestones have not been assigned with the values for the Project, the Development Sales has been setup based on incurrence of the expenditure in line with Accounting Policy 9.2.		


NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 st March, 2013	31 st March, 2012																									
<p>45 In respect of Repair and Overhaul and Supply of Spares during 2012-13 where prices are under finalisation, Sales are recognised on provisional basis. Provisional prices are arrived at, based on prices submitted to customers as per pricing parameters agreed with them and escalated for 2012-13 based on indices provided by the customer.</p> <p>46 Sales have been set up in accordance with Para 9.1 of the Accounting Policy based on Signalling Out Certificate. Sales include ₹ 82012.64 Lakhs (Profit of ₹ 944.58 Lakhs thereon) during 2012-13 in respect of 15 ALH pending ferrying out, as on date, by the Customers as per the Contract. The ferry out of Helicopters will be after formation of new Squadron, Training of Pilots etc. which is currently in progress by the Customers. Pending formation of new Squadron etc. the helicopters are held in HAL Custody. Ferry out status of Helicopters as on date is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Year</th> <th style="text-align: left;">CUSTOMER</th> <th style="text-align: center;">SIGNALLED OUT</th> <th style="text-align: center;">FERRIED OUT</th> <th style="text-align: center;">BAL.TO BE FERRIED</th> </tr> </thead> <tbody> <tr> <td>2011-12</td> <td>ARMY</td> <td style="text-align: center;">4</td> <td style="text-align: center;">3</td> <td style="text-align: center;">1</td> </tr> <tr> <td>2011-12</td> <td>IAF</td> <td style="text-align: center;">12</td> <td style="text-align: center;">7</td> <td style="text-align: center;">5</td> </tr> <tr> <td>2012-13</td> <td>ARMY</td> <td style="text-align: center;">17</td> <td style="text-align: center;">4</td> <td style="text-align: center;">13</td> </tr> <tr> <td>2012-13</td> <td>IAF</td> <td style="text-align: center;">2</td> <td style="text-align: center;">-</td> <td style="text-align: center;">2</td> </tr> </tbody> </table>	Year	CUSTOMER	SIGNALLED OUT	FERRIED OUT	BAL.TO BE FERRIED	2011-12	ARMY	4	3	1	2011-12	IAF	12	7	5	2012-13	ARMY	17	4	13	2012-13	IAF	2	-	2		
Year	CUSTOMER	SIGNALLED OUT	FERRIED OUT	BAL.TO BE FERRIED																							
2011-12	ARMY	4	3	1																							
2011-12	IAF	12	7	5																							
2012-13	ARMY	17	4	13																							
2012-13	IAF	2	-	2																							
<p>47 Operating Cycle</p>	For 31st March, 2013 & 31st March, 2012																										
	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																										
<p>48 Other Non-Currents Assets (DRE) includes ₹ 2230 Lakhs towards COMPASS Project at BEL, on behalf of MRO Division against which company derives future economic benefits for repair of electro optical pods.</p> <p>49 Aircraft have been accepted and signalled out by customers' inspector with fitment of Cat-B items taken on Loan, in cases of non availability of Cat-A item. As the aircraft is flight worthy and customer has accepted the same, the sales are accounted, consistently, on the basis of SOC (Signal Out Certificate). As a principle, Cat-B / Loan items fitted on the aircraft are excluded in value for recognising sales. Sales in respect of such items are set up on supply of Cat-A items, in lieu, at a later date. Provision for delivery of Aircraft with Cat-B items is available in the Su-30 Contract. Details of Aircraft signalled out, the engines involved and Cat-B Engines fitted are:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Year</th> <th style="text-align: left;">SU 30 Aircraft Nos.</th> <th style="text-align: center;">No. of Engines involved</th> <th style="text-align: center;">Cat-B Engines fitted</th> </tr> </thead> <tbody> <tr> <td>2012-13</td> <td style="text-align: center;">15</td> <td style="text-align: center;">30</td> <td style="text-align: center;">8</td> </tr> <tr> <td>2011-12</td> <td style="text-align: center;">20</td> <td style="text-align: center;">40</td> <td style="text-align: center;">7</td> </tr> </tbody> </table>	Year	SU 30 Aircraft Nos.	No. of Engines involved	Cat-B Engines fitted	2012-13	15	30	8	2011-12	20	40	7															
Year	SU 30 Aircraft Nos.	No. of Engines involved	Cat-B Engines fitted																								
2012-13	15	30	8																								
2011-12	20	40	7																								

NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31st March, 2013	31st March, 2012
50 Advances from Customers of ₹ 758560.97 Lakhs and Milestone receipts of ₹ 2790103.70 Lakhs disclosed in Note Nos. 5 and 9 as Non-Current and Other Current Liabilities (in terms of Schedule VI to the Companies Act, 1956) represent gross amounts received. These amounts have been utilised for procurement of Special Purpose Tooling, Incurrence of DRE, Inventory Holding, Advances to Vendors etc. as detailed below:		

Particulars	2012-13		2011-12	
	Note 5	Note 9	Note 5	Note 9
	Non - Current	Current	Non - Current	Current
A Outstanding Advances from Customer				
- Defence	110806.90	636780.10	183606.19	674505.49
- Others	7977.21	2996.76	80.70	1468.11
	118784.11	639776.86	183686.89	675973.60
Less: Utilisation of Advances				
- Inventory	15673.75	464019.54	10362.84	508387.20
- Advances against Goods & Services	226.41	93632.66	6247.82	103194.61
- Deferred Revenue Expenditure	19586.16	-	26558.36	-
- Special Tools & Equipment	50259.74	14608.84	83503.32	4.00
- Trade Receivables	-	17.44	-	1684.52
- Claims Receivables	267.39	537.27	-	586.37
	86013.45	572815.75	126672.34	613856.70
Net Outstanding Advances (A)	32770.66	66961.11	57014.55	62116.90
B Outstanding Milestone Receipt				
- Defence	444956.80	2278446.18	630862.94	2048694.84
- Others	9542.52	57158.20	6104.74	58178.75
	454499.32	2335604.38	636967.68	2106873.59
Less: Utilisation of Milestone Receipts				
- Inventory	-	836439.55	-	788506.02
- Advances against Goods & Services	2105.72	259752.73	5136.83	89090.64
- Deferred Revenue Expenditure	79276.32	35907.27	76347.05	38262.85
- Special Tools & Equipment	125228.01	83057.09	83117.63	79468.35
- Trade Receivables	-	47261.90	-	28421.31
- Claims Receivables	-	-	-	-
	206610.05	1262418.55	164601.51	1023749.17
Net Outstanding Milestone Receipts (B)	247889.27	1073185.84	472366.17	1083124.43
Total (A+B)	280659.93	1140146.95	529380.72	1145241.33


NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	Summary	
	2012-13	2011-12
(A) Gross Advances from Defence Customers		
Initial Advances from Defence Customers	747587.00	858111.68
Milestone Advances from Defence Customers	2723402.98	2679557.78
Gross Advances from Defence Customers (A)	3470989.98	3537669.46
Advances from Others (B)	77674.69	65832.30
Total (A+B)	3548664.67	3603501.76
Less Advances / Milestone utilisation (C)	2127857.80	1928879.72
Outstanding Advances / Milestone Receipts (A+B-C)	1420806.88	1674622.05
Defence Customers	1343132.18	1608789.75
Others	77674.69	65832.30
Total	1420806.88	1674622.05

* Against the net outstanding of ₹1420806.88 Lakhs, outstanding Commitment in respect of purchase orders and Letters of Credit is ₹ 908000 Lakhs.

51 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. 06715



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



(Dr. R.K. TYAGI)
Chairman



(P. MANOHARA GUPTA)
Partner
Membership No.16444



(ASHOK TANDON)
Executive Director
(Company Secretary)

Place: Delhi

Date: 5th August, 2013

STATEMENT OF CASH FLOW FOR THE YEAR ENDED

(₹ in Lakhs)

SI.No.	Particulars	31 st March, 2013		31 st March, 2012	
I.	CASH FLOW FROM OPERATING ACTIVITIES				
	Net Profit Before Tax		349697.03		332851.55
	Adjustment To Reconcile Net Income To Net Cash				
	Providing by Operating Activities:				
	Depreciation and Amortisation Expense	60133.15		72231.35	
	Profit On Sale of Fixed Assets	(809.29)		(73.67)	
	Interest Received - Net of Interest Liability to Customer	(230455.32)		(210984.11)	
	Dividend Received	(93.65)		(89.78)	
	Sub Total		(171225.11)		(138916.21)
	Operating Profit Before Working Capital Changes		178471.92		193935.34
	Adjustment For Changes In Operating Assets And Liabilities:				
	Trade Receivables, Loans and Advances	(792378.89)		(202089.27)	
	Inventories	(182742.25)		127418.59	
	Trade Payables, Current Liabilities and Provisions	25761.52		139987.13	
	Sub Total		(949359.62)		65316.45
	Adjustment For Other Assets		(770887.68)		259251.79
	Special Tools and Equipment	(45476.24)		(43873.23)	
	Deferred Revenue Expenditure	(11992.59)		(26166.57)	
	Sub Total		(57468.83)		(70039.80)
	Cash Generated From Operations		(828356.51)		189211.99
	Direct Tax Paid		(104301.34)		(76914.41)
	Net Cash Provided By Operating Activities (a)		(932657.85)		112297.58
II.	CASH FLOW FROM INVESTING ACTIVITIES				
	Purchase Of Fixed Assets ¹	(22370.52)		(17613.15)	
	Sale Of Fixed Assets	2338.68		156.13	
	Intangible Assets	(12423.26)		(8355.06)	
	Interest Received - Net Of Interest Liability To Customer	230455.32		210984.11	
	Dividend Received	93.65		89.78	
	Investments in Joint Ventures	(17429.82)		(12993.97)	
	Net Cash Provided By (used in) Investing Activities (b)		180664.05		172267.85
III.	CASH FLOW FROM FINANCING ACTIVITIES				
	Repayment of Deferred Liabilities - Net	(25.51)		(25.49)	
	Dividend Paid	(103438.03)		(101214.69)	
	Net Cash Provided By Financing Activities (c)		(103463.54)		(101240.18)
	Abstract :				
I.	Net Cash Provided By Operating Activities (a)		(932657.85)		112297.58
II.	Net Cash Provided By (used in) Investing Activities (b)		180664.05		172267.85
III.	Net Cash Provided By Financing Activities (c)		(103463.54)		(101240.18)
	Net Increase In Cash And Cash Equivalents During The Year		(855457.34)		183325.25
	Cash And Cash Equivalents At Beginning Of The Year ²		2193253.85		2009928.60
	Cash And Cash Equivalents At The End Of The Year ²		1337796.51		2193253.85
	Net Increase In Cash And Cash Equivalents During The Year		(855457.34)		183325.25

Note :

¹ Purchase of Fixed Assets are stated inclusive of capital work-in-progress between the beginning and end of the period.

² Cash and Cash Equivalents include Short Term Deposits with Banks and Financial Institutions.

³ Previous year figures are regrouped wherever necessary.

⁴ Cash and Cash Equivalents are available fully for use.

As per our Report attached
for M/s. DAGLIYA & CO.,
Chartered Accountants
Firm Regn. No. 06715



(P. MANOHARA GUPTA)

Partner

Membership No. 16444

Place : Delhi

Date : 5th August, 2013.



(Dr. A. K. MISHRA)

Director (Finance)



(Dr. R. K. TYAGI)

Chairman



(ASHOK TANDON)

Executive Director

(Company Secretary)



AUDITOR'S REPORT

To the Members of Hindustan Aeronautics Limited, Bangalore.

Report on the Financial Statements:

We have audited the accompanying financial statements of **HINDUSTAN AERONAUTICS LIMITED**, which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements incorporate all the 38 Divisions of the company audited by the Division Statutory Auditors.

Management's Responsibility for the Financial Statements:

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and

fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- (1) *Attention is drawn to 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) *Attention is drawn to Clause 41a and 41b 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 Aircrafts 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-imbusement 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.*



AUDITOR'S REPORT

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act 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 2013;
- ii) in the case of the Statement of Profit & 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.

Emphasis of Matter

We draw attention to Clause No 13 of Note 34 of the Accounts regarding consideration of diminution in value of investments in Joint Venture Companies as temporary by the Management, as initial setbacks are expected to overcome with JV's future business plans and growth prospects. In view of the above no provision is considered by the Management.

Our opinion is not qualified in respect of this matter.

Other Matter:

All the 38 divisions of Hindustan Aeronautics Limited are 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. The financial statements include two foreign liaison offices incorporated in the respective division accounts audited by that Division statutory auditors. The consolidated accounts takes into account the particulars and information made available to us and also changes carried out at consolidation. In framing our report we have considered the reports of the Division auditors and further information and explanations provided by the Management.

Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

- 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:

1. Fixed Assets:

- (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.

2. Inventories:

- (a) The inventories of the company have been physically verified by the management at reasonable intervals during the year.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.



AUDITOR'S REPORT

(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.

3. Loans borrowed or given:

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 4 III (a) to (g) of the said order are not applicable.

4. Internal Control System:

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 & services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

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

(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, Clause 4 (v) (b) of the Order is not applicable.

6. Deposits from Public:

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 & 58 AA of the Companies Act, 1956 are not applicable to the company.

7. Internal Audit System:

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.

8. Maintenance of Cost records:

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.

9. Remittance of Statutory dues:

(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.

(b) According to the information and explanations 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.

AUDITOR'S REPORT

- (c) According to the information and explanations 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:

(₹ in Lakhs)

SI No	Statute	Nature of Dues	Amount	Forum Where Dispute Pending
1	Finance Act, 1994	Service Tax	100.55	Commissioner of Appeals
2	Finance Act, 1994	Service Tax	22903.50	Commissioner
3	Finance Act, 1994	Service Tax	59373.65	Tribunal
4	Finance Act, 1994	Service Tax	3019.77	Supreme Court
5	Employee Provident Fund	EPF on Contract employees	148.48	Tribunal
6	Non Agricultural Cess	Rates & Taxes	2124.00	High Court
7	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	11709.97	1st Appellate Authority
8	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	137.25	ACCT, 24 Pargana Circle, Kolkata
9	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	2548.63	Addl Commissioner Appeals
10	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	126.23	Appellate Deputy Commissioner
11	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	507.22	Remanded by 1st Appellate Authority to AO
12	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	3783.78	Deputy Commissioner (Appeals)
13	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	19439.39	Joint Commissioner Appeals
14	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	0.58	Jt Commissioner
15	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	1799.24	Sr Jt Commr, Sales Tax, WB 24 Pargan Circle
16	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	81954.95	Tribunal
17	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	2564.75	High Court
18	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	141359.20	Supreme Court
19	Income Tax Act, 1961	Income Tax	4918.70	DCIT
20	Income Tax Act, 1961	Income Tax	40424.68	CIT(Appeals) 1 Bangalore
21	Income Tax Act, 1961	Income Tax	26403.21	ITAT Bangalore Bench



AUDITOR'S REPORT

10. Accumulated Cash Losses:

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.

11. Dues to Banks & Financial Institutions:

The company has neither borrowed any loans from Banks or Financial Institutions nor issued any debentures and consequently the question of default in repayment does not arise.

12. Loans and Advances against Securities:

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

13. Provisions applicable to Nidhi and Chit Fund Companies:

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.

14. Dealing in shares and securities:

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.

15. Guarantees given by the company for loans taken by others:

According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Hence Clause 4 (xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

16. End use of Term Loans raised:

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.

17. Utilisation of Short Term Funds:

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.

18. Preferential Allotment of Shares:

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.

19. Security for Debentures:

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.

20. Public Issues:

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

21. Frauds:

According to information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

ii) As required under provisions of section 227(3) of the Companies Act, 1956 we report that:

Information and Explanations :

a. 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.

Maintainence of Books of Accounts :

b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.



AUDITOR'S REPORT

Agreement with the Books of Account :

- c. The Balance Sheet , Statement of Profit & Loss and Cash flow Statement referred to in this report are in agreement with the Books of Account.

Returns of the Divisions/Branches :

- d. 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/ Division 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 :

- e. *Except for the matter described in paragraph 1 of the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in section 211 (3C) of the Act.*

Reporting Requirements under Section 274 (1) (g) of the Act :

- f. 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 the provisions of section 274(1)(g) of the Companies Act,1956 regarding disqualification of Directors.

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

(P. Manohara Gupta)
Partner
M.No. 16444

Place: New Delhi
Date: 5th August, 2013.



Observations by the Statutory Auditors on the Accounts of Hindustan Aeronautics Ltd., Bangalore for the year ended 31st March, 2013 and Replies by the Company.

Sl. No.	AUDITOR'S QUALIFICATIONS	COMPANY'S REPLIES
1.	<p>Attention is drawn to 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.</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>
2.	<p>Attention is drawn to Clause 41a and 41b 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 Aircrafts 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 reimbursement 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 No.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.41a and 41b 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/2013-2014/512

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

DATE : 20 September 2013

To

Shri. R.K. Tyagi
Chairman,
Hindustan Aeronautics Limited,
15/1, Cubbon Road,
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 31 March 2013.

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 acknowledged.

Yours faithfully,

(V.K. Girijavallabhan, IA & AS)
Pr. Director of Commercial Audit
& ex-officio Member, Audit Board

Encl : As above.



COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL

Comments of the Comptroller & 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 31 March 2013

The preparation of financial statements of **Hindustan Aeronautics Limited (HAL), Bangalore** for the year ended 31 March 2013 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing 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 5 August 2013.

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 31 March 2013. 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:

I. Comment on Accounting Policies

1. Accounting Policy No. 9.1

A reference is invited to Accounting Policy 9.1 as per which sales are set up on completion of contracted work on the basis of acceptance by the buyer's Inspector, by way of signalling out certificate, in the case of the manufacture or repair and overhaul of aircraft and helicopters. Further at item No. 49 of Note 34 (Explanatory Notes) it is stated that the sale of SU-30 MKI aircraft fitted with CAT B engines was accounted on the basis of Signalling out Certificates (SOC).

The aircrafts were signalled out with concessions and CAT B engines so as to make them acquire deliverable condition as on 31 March 2013. The Accounting Policy as followed by the company recognises revenue based on SOC. However this Accounting Policy goes against the fundamental framework of preparation of financial statements which emphasises the need to follow substance over form. The present Accounting Policy as followed by the company relies on SOC for recognition of revenue needs to be revisited and reframed since even the SOCs are given with significant concessions. The readiness of aircraft for delivery should be considered as basis for revenue recognition in addition to SOC.

II. Comments on Profitability

2. Revenue from operations (Note No. 22): ₹ 14329.28 crore

Inland Sales- Finished Goods: ₹ 8381.92 crore

A reference is invited to item No. 46 of Note 34 (Explanatory Notes) wherein the sale of 15 Advanced Light Helicopters (ALH) amounting to ₹ 820.13 crore is stated as recognised based on Signalling out Certificates (SOC).



In the above cases, only certification by the buyer's Inspector was given but ferry out and acceptance of helicopters by Board of Officers as stipulated in the contract were not complete by 31 March 2013. Therefore, recognition of revenue in respect of these 15 helicopters without transfer of property in goods with all significant risks and rewards of ownership to buyer during the year is not in compliance with Accounting Standard 9 of ICAI. This resulted in overstatement of sales by ₹ 820.13 crore and profit by ₹ 9.45 crore.

3. Revenue from operations (Note No. 22) ₹ 14329.28 crore

Inland Sales – Development Sales ₹ 1811.88 crore

(a) This includes ₹ 289.70 crore incurred on the Design and Development of a Light Combat Helicopter (LCH) for the Ministry of Defence (MoD). The contract specified physical milestones against which HAL had completed three milestones by the end of March 2013 and received ₹ 271.20 crore from GoI. However, HAL considering the contract as one where milestones have not been defined, recognised sales based on actual incurrence of expenditure instead of milestones completed. This has resulted in overstatement of Development Sales and Sundry Debtors by ₹ 18.50 crore. Further disclosure in item No. 44(b) of Note 34-Explanatory Notes is deficient to the extent as it has been incorrectly stated that the project milestones with time schedule have not been defined with values assigned to these milestones.

(b) This includes ₹ 8.70 crore being the expenditure incurred for the Preliminary Design Phase (PDP) of a Multi-role Transport Aircraft (MTA) to be developed by MTA Limited (MTAL) a Russian-Indian Joint Venture Company. The expenditure incurred does not qualify to be accounted as 'Development Sales' of HAL as the contract with MTAL was for development and supply for which revenue/profit accrues only when the work is completed and accepted. This has resulted in overstatement of sales by ₹ 8.70 crore and profit by ₹ 0.42 crore.

III. Comment on Financial Position

4. Other Non-current Assets (Note 15) ; ₹ 11400.58 crore

This includes ₹ 5750 crore being the balances with banks in term deposits for more than 12 months. These are current assets as defined in Note 1 of Revised Schedule VI of the Companies Act, 1956. As per Revised Schedule VI 'Bank deposits with more than 12 months maturity shall be disclosed separately' under Cash and Cash equivalents under Current Assets. Non compliance with this requirement has resulted in understatement of current assets & overstatement of non-current assets by ₹ 5750 crore.

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

(V.K. Girijavallabhan, IA & AS)

**Pr. Director of Commercial Audit
and Ex-Officio Member, Audit Board, Bangalore.**

Bangalore

Dated: 20 September 2013



REPLY OF THE COMPANY ON THE OBSERVATION OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2013

C& AG COMMENTS	COMPANY'S REPLY
<p>1. Comment on Accounting Policies</p> <p>1. Accounting Policy No. 9.1</p> <p>A reference is invited to Accounting Policy 9.1 as per which sales are set up on completion of contracted work on the basis of acceptance by the buyer's Inspector, by way of signalling out certificate, in the case of the manufacture or repair and overhaul of aircraft and helicopters. Further at item No. 49 of Note 34 (Explanatory Notes) it is stated that the sale of SU-30 MKI aircraft fitted with CAT B engines was accounted on the basis of Signalling out Certificates (SOC).</p> <p>The aircraft were signalled out with concessions and CAT B engines so as to make them acquire deliverable condition as on 31 March 2013. The Accounting Policy as followed by the company recognises revenue based on SOC. However this Accounting Policy goes against the fundamental framework of preparation of financial statements which emphasises the need to follow substance over form. The present Accounting Policy as followed by the company relies on SOC for recognition of revenue needs to be revisited and reframed since even the SOC's are given with significant concessions. The readiness of aircraft for delivery should be considered as basis for revenue recognition in addition to SOC.</p>	<p>Sale of Aircraft have been accounted in line with the Contractual terms and conditions of contract.</p> <p>Delivery (Article 10) states that,</p> <p><i>"the Equipment shall be deemed to have been delivered in the case of Aircraft on the date of certification of Signaling out by the Buyer's inspector."</i></p> <p>Aircraft have been accepted by Buyer's Inspector (DGAQA) .</p> <p>The Contract provides for delivery of aircraft with Cat B items (Article 5.6) as under :</p> <p><i>"In case the work done report specifies that the aircraft is delivered with certain Cat B items, the cost as included in the BOM for these will be reduced from the claim and amount will be paid on proof of fitment of relevant Cat A items."</i></p> <p>In line with the above contract term, no sales is reckoned in respect of Cat B engines.</p> <p>Hence the deliveries have been effected and revenue has been recognized as per the contractual obligations which is binding on both the parties and is in compliance with AS-9.</p>
<p>II. Comments on Profitability</p> <p>2. Revenue from operations (Note No. 22) ₹14329.28 crore</p> <p>Inland Sales- Finished goods : ₹ 8,381.92 Crore</p> <p>A reference is invited to item No. 46 of Note 34 (Explanatory Notes) wherein the sale of 15 Advanced Light Helicopters (ALH) amounting to ₹ 820.13 crore is stated as recognised based on Signalling out Certificates (SOC).</p>	<p>As per Contract, on receipt of the SOC, buyer has to depute its representative (BOO) to accept the Helicopter within 15 days. The Company does not have any control on deputation of buyer's representatives.</p>



C& AG COMMENTS	COMPANY'S REPLY
<p>In the above cases, only certification by the buyer's Inspector was given but ferry out and acceptance of helicopters by Board of Officers as stipulated in the contract were not complete by 31 March 2013. Therefore, recognition of revenue in respect of these 15 helicopters without transfer of property in goods with all significant risks and rewards of ownership to buyer during the year is not in compliance with Accounting Standard 9 of ICAI. This resulted in overstatement of sales by ₹ 820.13 crore and profit by ₹ 9.45 crore.</p>	<p>Further, as per AS-9 "revenue should be recognized notwithstanding that physical delivery has not been completed as long as there is every expectation that delivery will be made. However, the item must be on hand identified and ready for delivery to the buyer at the time the sale is recognized rather than their being simply an intention to acquire or manufacture the goods in time for delivery."</p> <p>SOCs in respect of all the 15 helicopters have been received by 31st March 2013. Further, the helicopters manufactured is identified for the Customer through tail numbers assigned by the Customers themselves, since the same is made to the specifications as per the requirement of the Customer.</p> <p>Hence the above sales are in compliance with AS-9.</p>
<p>3. Revenue from operations (Note No. 22) ₹14329.28 crore</p> <p>Inland Sales – Development Sales ₹ 1811.88 crore</p>	
<p>a) This includes ₹ 289.70 crore incurred on the Design and Development of a Light Combat Helicopter (LCH) for the Ministry of Defence (MoD). The contract specified physical milestones against which HAL had completed three milestones by the end of March 2013 and received ₹ 271.20 crore from Gol. However, HAL considering the contract as one where milestones have not been defined, recognised sales based on actual incurrence of expenditure instead of milestones completed. This has resulted in overstatement of Development Sales and Sundry Debtors by ₹ 18.50 crore. Further disclosure in item No. 44(b) of Note 34-Explanatory Notes is deficient to the extent as it has been incorrectly stated that the project milestones with time schedule have not been defined with values assigned to these milestones.</p>	<p>The project milestones indicated in the Government sanction defines major milestones with time schedules.</p> <p>The payment schedules are primarily for collection of funds to facilitate the progress of the project, for instance advance payments at the time of "Go ahead of the Project" etc.</p> <p>As only major project milestones are defined without corresponding monetary values, Sales are accounted based on the expenditure incurred.</p> <p>The same is in line with Accounting Policy 9.2.</p>



C& AG COMMENTS	COMPANY'S REPLY
<p>(b) This includes ₹ 8.70 crore being the expenditure incurred for the Preliminary Design Phase (PDP) of a Multi-role Transport Aircraft (MTA) to be developed by MTA Limited (MTAL) a Russian-Indian Joint Venture Company. The expenditure incurred does not qualify to be accounted as 'Development Sales' of HAL as the contract with MTAL was for development and supply for which revenue/profit accrues only when the work is completed and accepted. This has resulted in overstatement of sales by ₹ 8.70 crore and profit by ₹ 0.42 crore.</p>	<p>As per the Government sanction, for the MTA programme, the same is to be implemented in four phases viz. Preliminary Design Phase (PDP), Detailed Design Phase (DDP), Prototype Development & Testing and Series Production.</p> <p>The PDP is part of Design and Development Phase and is being implemented through a contract with MTAL (Joint Venture).</p> <p>The activities carried out during the PD phase are purely design & development in nature and the sales have been accounted based on the expenditure actually incurred for the MTA project in line with the Accounting Policy 9.2.</p>
<p>III. Comment on Financial Position</p> <p>4. Other Non- current Assets (Note 15) ; ₹ 11400.58 crore</p> <p>This includes ₹ 5750 crore being the balances with banks in term deposits for more than 12 months. These are current assets as defined in Note-1 of Revised Schedule VI of the Companies Act, 1956. As per Revised Schedule VI "Bank deposits with more than 12 months maturity shall be disclosed separately" under Cash & Cash equivalents under Current Assets. Non compliance with this requirement has resulted in understatement of current assets & over statement of non- current assets by ₹ 5750 crores</p>	<p>Para 8.8.4 of Guidance Note on Revised Schedule VI to the Companies Act, 1956 issued by Institute of Chartered Accountants of India (ICAI) provides that " Banks deposits with more than twelve months maturity will also need to be separately disclosed under the sub-head 'Other bank balances.' The non-current portion of each of the above balances will have to be classified under the head "Other Non-current assets" with separate disclosure thereof.</p> <p>Further as per FAQ 25 of ICAI " FDRs having balance maturity period of more than 12 months as on the balance sheet date will have to be classified as Non-Current Asset".</p> <p>As the amounts are earmarked for Committed liabilities and the maturity period of the FDRs are more than 12 months, the disclosure under "Non current Assets" as "Balances with Banks" (Note-15) is in order.</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

E-mail : cosec@hal-india.com Website : www.hal-india.com

[As on 28th September, 2013]

CORPORATE OFFICE

Dr. 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)

PLANNING & PROJECTS

SHRI S. MALLIKARJUNA SWAMY

Executive Director (P&P)

SHRI KAVERI RENGANATHAN

Offg. Executive Director (Plg.)

CUSTOMER SERVICES

SHRI BENJI MAMMEN

Offg. Executive Director (CS)

VIGILANCE

SHRI ANURAG SAHAY, IRS

Chief Vigilance Officer

FINANCE & ACCOUNTS

SHRI SAMIR KUMAR PADHI

General Manager (Finance)

QUALITY / ASSURANCE

SHRI PRAVEEN CHANDER

General Manager (QA)

HUMAN RESOURCES

SHRI A. K. TYAGI

General Manager (HR)

**INTEGRATED MATERIAL
MANAGEMENT**

SHRI S. K. MITTAL

General Manager (IMM)

MARKETING

SHRI S. K. MITTAL

General Manager
(Business Development)

SHRI SANJEEV KUMAR

Offg. General Manager (Offset)

SYSTEMS AUDIT

SHRI C. V. RAMANA RAO

General Manager (SYA)

INDIGENISATION

SHRI A. SELVARAJ

Offg. General Manager (Indg.)

INFORMATION TECHNOLOGY

SHRI RAJEEV AGARWAL

Addl. General Manager (IT)

MANAGEMENT SERVICES

SHRI G BALAKRISHNAN

Addl. General Manager (MSD)

BANGALORE COMPLEX

SHRI K. NARESH BABU

Managing Director

SHRI D. P. RAO

Executive Director (Finance)

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SHRI M. VENKATASUBRAMANIAN

Executive Director (Finance)

SHRI N. C. VYAS

Executive Director (Design)

SHRI K. S. RAMESH

General Manager (Finance)



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

E-mail : cosec@hal-india.com Website : www.hal-india.com

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DESIGN CENTRE**

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Offg. Executive Director (ARDC)

SHRI K. P. SINGH
Chief Designer (ARDC)

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Executive Director (Finance)

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SHRI ANIRUDH KUMAR
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(Engine & SED)

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DIVISION, NASIK**

SHRI DALJEET SINGH
General Manager (AMD)

**AIRCRAFT UPGRADE RESEARCH &
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SHRI DALJEET SINGH
General Manager (AURDC)

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General Manager (SED)

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Chief of Project (IJT & Services)

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General Manager (Korwa)

AVIONICS DIVISION, HYDERABAD

SHRI SUNIL KUMAR
General Manager (AD)

SLRDC, HYDERABAD

Smt. S. THENMOZHI
Offg. General Manager (SLRDC)







The last of the Limited Series Production program of LCA-Tejas (LSP-08) Aircraft



HINDUSTAN AERONAUTICS LIMITED

15/1, Cubbon Road, P.B. No. 5150, Bangalore - 560 001, India

Website : www.hal-india.com