

# ANNUAL REPORT

2013 - 2014



**HINDUSTAN AERONAUTICS LIMITED**



# TEJAS - LIGHT COMBAT AIRCRAFT

## PROGRAM MANAGEMENT

- Aeronautical Development Agency (ADA)

## DEVELOPMENT STATUS

- The first Technology Demonstrator (TD-1) made its maiden flight on 4th Jan 2001.
- Two Technology Demonstrators (TD), four Prototype Vehicles (PV) and seven Limited Series Production Aircraft (LSP) produced
- More than 2900 Sorties completed
- Initial Operation Clearance obtained & "Release to Service Document" handed over to Chief of Air Staff on 30th Dec 2013

## NAVAL VERSION

- Naval prototype was rolled out in the presence of Hon'ble Raksha Mantri and Chief of the Naval Staff on 6 July 2010
- First flight carried out on 27 April 2012

## DEVELOPMENT OF MK-II VERSION

- Programme launched in 2009







# CONTENTS

PARTICULARS	PAGE NO.
Board of Directors	2
Financial Highlights	10
Chairman's Statement	12
Directors' Report	20
Management Discussion & Analysis Report	43
Corporate Governance Report	54
Accounting Policies	67
Balance Sheet	72
Statement of Profit and Loss	73
Notes to Accounts	74
Statement of Cash Flow	118
Independent Auditor's Report	119
Observations by the Statutory Auditors	125
Comments of the C&AG	126



## **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





## 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 Helicopters Limited (PHHL) 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 Ashok Kumar Gupta**  
Additional Secretary (DP)

Shri A.K. Gupta, Additional Secretary (DP), Ministry of Defence was appointed as Part-Time Official Director of HAL with effect from 2nd July 2014.

An engineering graduate from Delhi University, Shri Gupta joined the Indian Administrative Services in September 1981. He holds a Master Degree in Defence and Strategic Studies from the University of Madras and an M.A. in Public Administration from Maxwell School of Syracuse University, USA.

Shri A.K. Gupta has more than 30 years of experience in Civil Services. He has held various important assignments, including as Assistant Collector, Mettur; Chairman & Managing Director, Tamil Nadu Steels; Director, Department of Small Scale Industries, Central Ministry; Director, Department of Heavy Industry; Joint Secretary, Industries; Additional Secretary, Prohibition & Excise; Joint Secretary, Department of Health, Central Ministry of Health & Family Welfare; Special Secretary, Finance; Chairman & Managing Director, Tamil Nadu Cements; Joint Secretary & Senior Directing Staff, National Defence College; Joint Secretary, Department of Defence, Central Ministry of Defence.



**Air Marshal S.B.P. Sinha,**  
**AVSM, VM**  
Deputy Chief of Air Staff

Air Marshal S.B.P. Sinha, DCAS, IAF was appointed as Part-Time Official Director of HAL with effect from 2nd July 2014. He is an alumnus of the National Defence Academy and a Graduate of the Defence Services Staff College (DSSC), Wellington. He was commissioned in the fighter stream on 15th June 1980. He has over 3700 hours of flying experience.

Air Marshal Sinha has held various important Command, Instructional and Staff appointments, including as Instructor at the Flying Instructors' School, Flight Commander of a Mirage 2000 squadron, Chief Flying Instructor of Basic Flying Training School, Commandant of Electronic Warfare Range, Air Officer Commanding of a premier Su-30 MKI base and Team Leader of the WASCs Project Team in Israel.

He has also held important Staff Appointments at the Air Headquarters, including as Deputy Director of Operations (Electronic Warfare), Principal Director of Plans, CISR and Acquisitions and Assistant Chief of Air Staff (Plans) at Air HQs.

He is the recipient of the Ati Vishista Seva Medal and the Vayu Sena Medal.





Air Marshal (Retd.) P.R. Sharma, PVSM, AVSM, Ex-Air Officer-in-Charge Personnel was commissioned in the Flying branch of the Indian Air Force in 1975 and has served in the IAF for 39 years, before his superannuation in February 2014. He was appointed as Part-Time Non-Official Director on the Board of HAL with effect from 5th May, 2014.

While posted at ASTE – Bangalore, Air HQs, Su-30 Project Team at Moscow and at Headquarters Strategic Force Command, Air Marshal Sharma interacted closely with organisations like DRDO, HAL & BEL. While at ASTE, Bangalore between 1984 to 1987, he made noteworthy contributions in Armament flight trials of indigenous RP bombs, 3 kg and 11.5 kg Practice Bombs, Modified Vikram (MiG-21 BIS) aircraft by HAL, Nasik Division, Indigenous integration of Russian R-60 missiles on various versions of MiG 21 aircraft, Flight Evaluation of indigenous avionics on MiG-21, MiG-23, MiG-29, Hawk, Alpha Jet advance jet trainer aircraft and Dornier aircraft.

Air Marshal (Retd.) P.R. Sharma was awarded Ati Vishishta Seva Medal for his distinguished service in 2010.



**Air Marshal (Retd.)  
Priya Ranjan Sharma**  
PVSM, AVSM  
Director

Shri P.S. Krishnan, a distinguished Scientist and former Director of Aeronautical Development Establishment (ADE), was appointed as Part-Time Non-Official Director on the Board of the Company with effect from 5th May, 2014. He graduated as a mechanical engineer from IIT, Madras and holds a Master Degree also from IIT, Madras.

Shri Krishnan has contributed substantially during his illustrious career spanning 37 years with Aeronautical Development Establishment (ADE), a premier Systems Establishment of DRDO, in various positions, particularly for development of Flight Control System for unmanned Air Vehicles and Light Combat Aircraft (LCA).

He also served DRDL Hyderabad between 1972-76 and worked on the development of the Gimbaled Inertial Navigation System, which was tested successfully in Avro Aircraft.

Shri Krishnan has published several technical papers and had been conferred with several awards viz., Performance Excellence Award 2010 for development of Nishant UAV and Award for path-breaking research for development of Fly By Wire FCS for Tejas in 2002, in recognition of his contributions.



**Shri P.S. Krishnan**  
Director

Prof. Pradipta Banerji, a Civil Engineer from IIT, Delhi, MS & Ph. D in Structural Engineering from University of California, Berkeley, USA, joined the HAL Board as an Part-Time Non Official Director with effect from 5th May, 2014.

Prof. Banerji started his career at the University of California as a teacher/Research Assistant in Civil Engineering from 1981 to 1987, and thereafter joined IIT, Bombay as Assistant Professor and spent more than 15 years as Faculty Member. Presently, he is Director at the Indian Institute of Technology, Roorkee.

Prof. Banerji was a visiting Research Professor at the University of Manitoba, Winnipeg, Canada and the Institute of Statics and Dynamics for Aerospace Structures at the University of Stuttgart, Germany. He was Advisor, Global Alliances, Intellectual Venture India Ltd, before taking over as Director, Indian Institute of Technology, Roorkee in October 2011. His areas of specialisation are Earthquake Engineering and Structural Health Monitoring.



**Prof. Pradipta Banerji**  
Director



## BOARD OF DIRECTORS



**Shri Gopabandhu Pattanaik**  
Director

Shri Gopabandhu Pattanaik a 1978 batch IAS officer of the UP cadre, retired as Principal Secretary to the Government of Uttar Pradesh on 31st March 2013. He is a science graduate with specialisation in Physics and also holds a Master Degree in Science (specialisation in Economics) from the University of Wales. He was appointed as Part-Time Non Official Director on the Board of HAL with effect from 5th May, 2014.

He has served for over 8 years as Secretary/Principal Secretary to Governor/Chancellor of State Universities. He is well conversant with the University System, and has been a member of several Search Committees for the appointment of Vice Chancellors.

Shri Pattanaik has wide experience in infrastructure and social sector. He has worked as Secretary, Home, Medical Education, Programme Implementation and Principal Secretary Agriculture, Energy during his illustrious career.

Shri Pattanaik was the Chairman of UP Power Corporation Ltd. During his tenure wide-scale reform initiatives were undertaken. He had successfully steered Garhwal Development Corporation, UP Cement Corporation and UP Power Corporation.

He has also served in the Ministry of Welfare and Ministry of Culture, Government of India.



**Dr. Arun Kumar Jain**  
Director

Dr. Arun Kumar Jain an eminent Professor of IIM Lucknow, was appointed as Part-Time Non Official Director on the Board of the Company with effect from 5th May, 2014.

Dr. Jain is an Engineering graduate from the MA National Institute of Technology, Bhopal and holds a Ph.D in Strategic Management and Business Policy from IIM, Ahmedabad. His areas of specialisation include Business & Public Policy, Strategy, International Business, Corporate Governance, Leadership, Technology & Innovation.

Dr. Jain has held several important positions as full time/ Honorary Chair professor in Indian as well as international management institutions. He was also a member of the high powered Primary Market Advisory Committee of SEBI.

Dr. Jain has contributed over 100 case studies and research papers on issues relating to corporate success, failures, globalisation and internationalisation, corporate governance and ethics, national and international economies, financial and banking innovations and delivered key note addresses and lectures in various international platforms.



**Air Vice Marshal (Retd.)  
D.K. Pande, AVSM, VSM**  
Director

AVM D.K. Pande, a graduate in Electrical Engineering and holds an M Tech in Satellite Communication from IIT, Kharagpur, in addition to PG from Defence Service Staff College, Wellington. He was appointed as Part-Time Non Official Director on the Board of the Company with effect from 5th May, 2014.

AVM D.K. Pande retired as Assistant Chief of Air Staff (Maintenance Plans) in October 2013. He had served in various commands of the IAF and possessed more than 36 years of experience in the maintenance of various types of aircraft in general and Russian equipment / platforms in particular.

Air Vice Marshal (Retd.) D.K. Pande was awarded the Vishishta Seva Medal in 2004 and Ati Vishishta Seva Medal in 2013. Besides, he has received commendations from Chief of the Air Staff in 1992 and 1995.





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

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

Shri Chamola 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.

Shri Chamola 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 also holds the additional charge of Managing Director (Accessories Complex), HAL for the Hyderabad and Korwa Divisions, since 1st August, 2013.



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

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. In December 2008, he was made General Manager (Planning) at the Corporate Office with 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 also holds the additional charge of Director (Corporate Planning & Marketing) since 17th October, 2011.



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

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.



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



## BOARD OF DIRECTORS



**Shri T. Suvarna Raju**

Director

(Design & Development)

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 also holds the additional charge of Managing Director (Helicopter Complex), since 1st June, 2013.



**Shri S. Subrahmanyan**

Managing Director

(MiG Complex)

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 extensive experience spanning 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-30 MKI 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 also holds the additional charge of Managing Director (Accessories Complex), HAL for Lucknow Division and TAD Kanpur, since 1st August, 2013.





## HAL-ISRO PARTNERS IN SUCCESS

HAL has contributed to Indian Space Research Organisation's Mars Orbiter Mission (MOM), Mangalyaan which entered the orbit of the Mars on September 24, 2014. HAL has partnered and supported ISRO throughout its journey by providing hardware for satellites, Satellite Launch Vehicle (SLV), Augmented Satellite Launch Vehicle (ASLV), Polar Satellite Launch Vehicle (PSLV) and a version of Geosynchronous Satellite Launch Vehicle (GSLV).

HAL's association with India's prestigious Space Programme dates back to the early 70s, when HAL provided technical inputs and manufacturing support to ISRO for realisation of light alloy structural assemblies for satellites and launch vehicle. HAL built the structural assembly of India's first satellite "Aryabhata" which was launched on April 19, 1975. The association further strengthened with vital inputs from HAL to build the satellites "Bhaskara-1", "Apple" and Satellite Launch Vehicle (SLV).

HAL has a dedicated division to cater to the growing requirement of space-worthy hardware.



## BOARD OF DIRECTORS

(As on 27th September, 2014)

### **Dr. R. K. Tyagi**

Chairman

### **Shri V. M. Chamola**

Director (Human Resources) &  
Addl. Charge of Managing Director  
(Accessories Complex) in r/o  
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 r/o  
Lucknow Division and TAD Kanpur

### **Shri Ashok Kumar Gupta**

Additional Secretary (Defence Production)  
Ministry of Defence,

### **Air Marshal S. B. P. Sinha, AVSM, VM**

Deputy Chief of Air Staff,  
Air Headquarters, Vayu Bhavan

### **Air Marshal (Retd.)**

### **Priya Ranjan Sharma, PVSM, AVSM**

Director

### **Shri P.S. Krishnan**

Director

### **Prof. Praditpa Banerji**

Director

### **Shri Gopabandhu Pattanaik**

Director

### **Dr. Arun Kumar Jain**

Director

### **Air Vice Marshal (Retd.)**

### **D.K.Pande, AVSM, VSM**

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 Gopabandhu Pattanaik**

Chairman

### **Dr. Arun Kumar Jain**

Member

### **Prof. Pradipta Banerji**

Member

### **Shri P.S.Krishnan**

Member

### **Shri A K Gupta**

AS(DP)

## 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. Krishna & Prasad,**  
Chartered Accountants, Hyderabad

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

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

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

**M/s. J. N. Sharma & Co.,**  
Chartered Accountants, Kanpur

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

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

**M/s. Phillipos & Co.,**  
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. Prakash & Thiagarajan,**  
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. P. Chandrashekar,**  
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	99-00	00-01	01-02	02-03	03-04	04-05
<b>A</b>	<b>Our Earnings</b>							
	Sales - Inland	₹ Cr.	2353.92	2387.94	2707.96	3016.53	3584.43	4383.75
	Export Sales	₹ Cr.	46.96	58.61	66.85	103.89	215.35	150.05
	<b>Total Sales</b>	₹ Cr.	<b>2400.88</b>	<b>2446.55</b>	<b>2774.81</b>	<b>3120.42</b>	<b>3799.78</b>	<b>4533.80</b>
	Changes in WIP & SIT & FG	₹ Cr.	53.55	156.71	188.63	357.42	-43.64	450.75
	<b>Total</b>	₹ Cr.	<b>2454.43</b>	<b>2603.26</b>	<b>2963.44</b>	<b>3477.84</b>	<b>3756.14</b>	<b>4984.55</b>
<b>B</b>	<b>Our Outgoings</b>							
	Cost of Materials	₹ Cr.	787.06	927.67	1255.85	1607.51	1673.36	2686.17
	Manpower Cost	₹ Cr.	762.09	837.02	724.00	746.80	773.25	808.78
	Net Operating Cost	₹ Cr.	553.61	805.55	829.16	953.48	899.91	917.87
	Net Financing Cost	₹ Cr.	-90.10	-263.25	-257.02	-308.54	-247.01	-250.96
	Depreciation	₹ Cr.	26.51	31.12	37.98	45.22	57.21	65.16
	<b>Total</b>	₹ Cr.	<b>2039.17</b>	<b>2338.11</b>	<b>2589.97</b>	<b>3044.47</b>	<b>3156.72</b>	<b>4227.02</b>
<b>C</b>	<b>Our Savings</b>							
	Profit Before Tax	₹ Cr.	415.26	265.15	373.48	433.37	599.42	757.53
	Provision For Tax	₹ Cr.	47.00	21.50	28.70	43.41	189.63	256.47
	<b>Profit After Tax For Appropriation</b>	₹ Cr.	<b>368.26</b>	<b>243.65</b>	<b>344.78</b>	<b>389.96</b>	<b>409.79</b>	<b>501.06</b>
<b>D</b>	<b>We Own</b>							
	Net Block	₹ Cr.	245.63	278.10	352.19	434.74	515.44	525.87
	Other Assets (Net)	₹ Cr.	1256.79	1448.72	2037.90	2038.46	2450.61	3108.37
	<b>Total</b>	₹ Cr.	<b>1502.42</b>	<b>1726.82</b>	<b>2390.09</b>	<b>2473.20</b>	<b>2966.05</b>	<b>3634.24</b>
<b>E</b>	<b>We Owe</b>							
	Equity	₹ Cr.	120.50	120.50	120.50	120.50	120.50	120.50
	Reserves and Surplus	₹ Cr.	1201.83	1379.11	1640.41	1810.31	2120.92	2508.06
	<b>Shareholders' Funds</b>	₹ Cr.	<b>1322.33</b>	<b>1499.61</b>	<b>1760.91</b>	<b>1930.81</b>	<b>2241.42</b>	<b>2628.56</b>
	Deferred Tax Liability	₹ Cr.				166.85	354.27	623.90
	Borrowings	₹ Cr.	179.48	227.21	380.06	374.47	365.34	363.78
	Cash Credit Loan	₹ Cr.	0.61		249.12	1.07	5.02	18.00
	<b>Total</b>	₹ Cr.	<b>1502.42</b>	<b>1726.82</b>	<b>2390.09</b>	<b>2473.20</b>	<b>2966.05</b>	<b>3634.24</b>
<b>F</b>	<b>Financial Statistics</b>							
	Value of Production	₹ Cr.	2454.43	2603.26	2963.44	3477.84	3756.14	4984.55
	Value Added	₹ Cr.	1667.37	1675.59	1707.59	1870.33	2082.78	2298.38
	Dividend Paid (including Tax)	₹ Cr.	26.75	53.70	68.96	87.99	92.46	113.92
	R & D Expenditure	₹ Cr.	171.66	204.09	203.72	265.06	313.81	306.63
	Gross Margin	₹ Cr.	554.88	404.70	531.83	594.54	800.36	974.46
	Gross Block	₹ Cr.	914.20	976.53	1085.41	1211.04	1344.26	1417.27
	Inventory	₹ Cr.	1500.35	1905.41	2073.24	2394.95	2576.52	3508.64
	Sundry Debtors	₹ Cr.	226.80	210.19	248.23	510.02	990.20	1106.20
	No. Of Employees	Nos.	34448	32642	31652	31138	30450	29807
<b>G</b>	<b>Financial Ratios</b>							
	Sales Per Employee	₹	696957	749508	876663	1002126	1247875	1521052
	Value Added Per Employee	₹	484026	513323	539487	600658	684000	771087
	PBT to Sales	%	17.30	10.84	13.46	13.89	15.78	16.71
	Earnings Per Share	₹	30.56	20.22	28.61	32.36	34.01	41.58
	Dividend as %age of Equity (including Dividend Tax)	%	22.20	44.56	57.23	73.02	76.73	94.54





05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
5155.31	7513.10	8284.24	9936.80	11252.03	12878.12	13855.88	13940.81	14687.90
186.19	270.51	341.09	436.58	204.67	237.38	348.33	382.82	440.04
<b>5341.50</b>	<b>7783.61</b>	<b>8625.33</b>	<b>10373.38</b>	<b>11456.70</b>	<b>13115.50</b>	<b>14204.21</b>	<b>14323.63</b>	<b>15127.94</b>
575.12	1418.27	166.19	1437.47	2032.89	3335.34	-1510.91	-121.80	739.52
<b>5916.62</b>	<b>9201.88</b>	<b>8791.52</b>	<b>11810.85</b>	<b>13489.59</b>	<b>16450.84</b>	<b>12693.30</b>	<b>14201.83</b>	<b>15867.46</b>
3313.49	5980.40	4684.43	7635.95	9221.80	11772.43	5761.39	8008.44	9148.45
837.69	1054.46	1802.69	2542.78	1954.05	2246.28	2720.66	2446.33	2685.44
1014.21	1163.10	1686.02	886.86	984.87	764.68	2812.63	2382.87	2349.89
-452.37	-839.96	-1663.80	-1732.16	-1525.57	-1340.86	-2107.00	-2316.27	-2065.35
77.31	100.28	117.95	142.55	166.00	168.79	177.10	183.48	171.35
<b>4790.33</b>	<b>7458.28</b>	<b>6627.29</b>	<b>9475.98</b>	<b>10801.15</b>	<b>13611.32</b>	<b>9364.78</b>	<b>10704.86</b>	<b>12289.77</b>
1126.29	1743.60	2164.23	2334.86	2688.43	2839.52	3328.52	3496.97	3577.69
355.15	594.84	532.35	595.00	721.02	725.26	789.09	500.06	885.17
<b>771.14</b>	<b>1148.76</b>	<b>1631.88</b>	<b>1739.86</b>	<b>1967.41</b>	<b>2114.26</b>	<b>2539.43</b>	<b>2996.91</b>	<b>2692.52</b>
730.34	1020.98	1080.07	1327.56	1465.50	1509.18	1555.83	1548.07	1581.71
3853.59	4352.20	5584.72	6816.16	8163.49	9721.76	11259.90	13396.60	15794.05
<b>4583.93</b>	<b>5373.18</b>	<b>6664.79</b>	<b>8143.72</b>	<b>9628.99</b>	<b>11230.94</b>	<b>12815.73</b>	<b>14944.67</b>	<b>17375.75</b>
120.50	120.50	120.50	120.50	120.50	120.50	120.50	120.50	482.00
3050.58	3913.92	5163.22	6495.97	8003.02	9624.72	11218.10	13257.69	14532.64
<b>3171.08</b>	<b>4034.42</b>	<b>5283.72</b>	<b>6616.47</b>	<b>8123.52</b>	<b>9745.22</b>	<b>11338.60</b>	<b>13378.19</b>	<b>15014.64</b>
1047.95	1334.73	1379.05	1525.27	1505.29	1485.55	1476.97	1566.32	1681.60
363.88	4.03	2.03	1.98	0.18	0.17	0.16	0.16	679.52
1.02								
<b>4583.93</b>	<b>5373.18</b>	<b>6664.79</b>	<b>8143.72</b>	<b>9628.99</b>	<b>11230.94</b>	<b>12815.73</b>	<b>14944.67</b>	<b>17375.75</b>
5916.62	9201.88	8791.52	11810.85	13489.59	16450.84	12693.30	14201.83	15867.46
2603.13	3221.48	4107.09	4174.90	4267.78	4678.42	6931.91	6193.39	6719.01
228.62	285.42	382.57	407.12	460.35	492.56	946.06	957.32	1041.26
433.58	637.79	662.14	674.78	832.12	986.96	967.51	1948.95	1083.26
1408.15	2124.53	2650.95	2905.32	3382.75	3654.32	4050.83	4098.30	4181.17
1694.58	2080.89	2254.97	2638.09	2933.53	3142.73	3362.97	3524.81	3728.71
4809.74	7222.52	8614.64	10431.19	13660.03	17427.18	16152.99	17980.42	22361.00
1404.13	1281.18	1486.10	1848.26	1858.03	2318.22	3916.73	5530.17	6917.05
29668	31666	34323	34822	33990	33681	32659	32644	32108
1800426	2458034	2512989	2978973	3370609	3894036	4349250	4387830	4711581
877424	1017330	1196600	1198926	1255600	1389038	2122513	1897252	2092628
21.09	22.40	25.09	22.51	23.47	21.65	23.43	24.41	23.65
64.00	95.33	135.43	144.39	163.27	175.46	210.74	62.18*	55.86*
189.73	236.86	317.49	337.86	382.04	408.76	785.11	198.61*	216.03*

\*The Company has issued 361500000 Equity Shares of ₹ 10 each as Bonus Shares on 7<sup>th</sup> Feb 2014. Accordingly figures for 2012-13 have been recast.



## CHAIRMAN'S STATEMENT



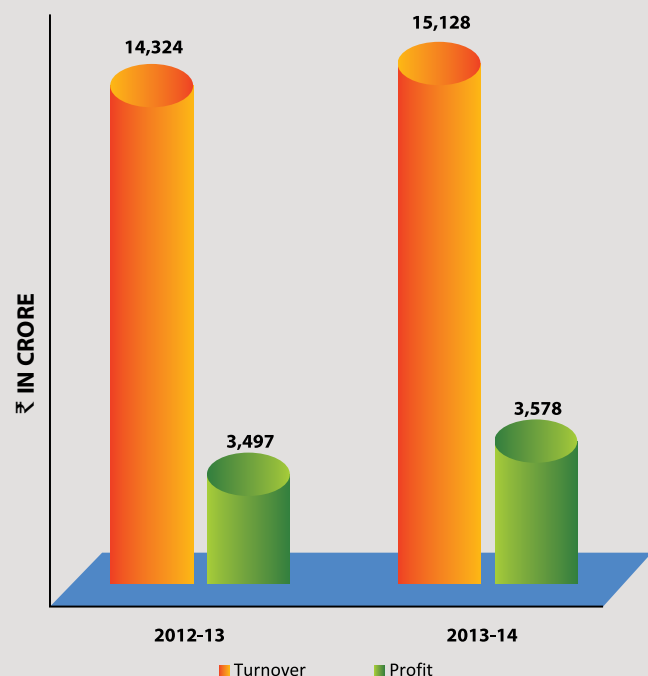
### Dear Shareholders,

It is my proud privilege to extend a very warm welcome to you all to the 51st Annual General Meeting of your Company. I thank you for gracing the occasion with your kind presence.

The Annual Accounts for the year ended 31st March 2014 and the Directors' Report have been with you, and with your permission, I shall take them as read.

### PERFORMANCE OVERVIEW

It gives me immense pleasure to inform you that your Company has recorded an all-time high turnover of ₹ 15,128 Cr, during the financial year 2013-14, registering a growth of 5.61% over previous year turnover of ₹ 14,324 Cr. Your Company could breach the psychological barrier of ₹ 15,000 Cr in Sales during the financial year 2013-14. The Profit before Tax during 2013-14 has grown to ₹ 3,578 Cr compared to ₹ 3,497 Cr of the previous year. The Company has achieved "Excellent" MoU performance rating which is a reflection of all round success. These achievements have been possible because







of your unstinted and continued faith in the capabilities of your Company.

## DIVIDEND

I am happy to inform you that the Board of Directors has recommended the Dividend payment of ₹ 890 Cr (excluding Dividend Tax of ₹ 151.26 Cr) during the year 2013-14, being 184.65% of the Paid-up Share Capital of the Company, thereby surpassing all previous records of Dividend payments.

During the year, your Company has issued bonus shares in the ratio of 3 equity shares of ₹ 10/- each for every share held, to the President of India and his Nominees.

## SIGNIFICANT ACHIEVEMENTS

The year 2013-14 has seen some of the very important milestones being achieved for major projects that your Company has been pursuing.

Let me start by sharing with you the success that your Company has achieved in our prestigious National Project LCA-Tejas. Initial Operational Clearance (IOC) of the Light Combat Aircraft "Tejas" was achieved on 20th December 2013. This event has paved the way for induction of LCA into the operational service of IAF. Your Company has already started the production activities.

Your Company's flagship product ALH-Dhruv's Wheel Variant also received the IOC on 11th March, 2014. This will enhance the versatility of Dhruv for certain roles envisaged by the customers.

The Intermediate Jet Trainer (IJT) "Sitara", an indigenously designed trainer Aircraft has completed Sea Level Trials, Night Flying Trials, High Altitude Trials and also achieved desired Stall characteristics. During the year, a record 191 test flights were conducted, which is the highest ever achieved in this programme in a year, moving towards IOC by end of the year 2014-15.

The preliminary design activities of Fifth Generation Fighter Aircraft (FGFA), which is under joint development with Sukhoi Design Bureau, Russia, and that of Multirole Transport Aircraft (MTA) have been completed. Thus, various projects taken up by your Company are progressing well.

Your Company has continued its pursuit to the national cause. HAL designed and manufactured ALH (Dhruv) helicopters played a vital role in Uttarakhand flood relief/ named "Operation Rahat" a massive rescue and relief operation clocking more than 600 hrs. of flying during July 2013.

One ALH (Dhruv), christened as "Garuda Vasudha" fitted with the most modern equipment to explore and map-mineral wealth in India and a Naval variant of the Hawk-Advanced Jet Trainer produced by HAL were both dedicated to the nation.

Your Company made immense contributions to the National Space Mission, by supplying structures and other associated items for the Mars Mission and GSLV Mission, which was successfully launched on 5th November 2013



Sukhoi - 30 MkI



## CHAIRMAN'S STATEMENT



*Dr. R.K. Tyagi, Chairman, HAL presenting a model of the LCH to Hon'ble President of India Shri Pranab Mukherjee*

and 5th January 2014, respectively by ISRO. As a matter of fact, all the satellite launches undertaken by ISRO till date have your Company's mark on it.

### NEW INITIATIVES

Your Company has taken the following initiatives in its journey towards growth and diversification.

1. Setting up of Green Field facilities for manufacture of Light Utility Helicopter (LUH) and Naval Multi-role Helicopter (NMRH). The Government of Karnataka has allotted 610 acres land in Tumkur District for the purpose. Action has been initiated for obtaining required approvals/clearances.
2. The Government of India has mandated HAL and National Aerospace Laboratory (NAL) for jointly taking up design, development and manufacture of 70-100 seater regional Civil Aircraft through a Special Purpose Vehicle (SPV). The teams have started working and approvals are being obtained from the MoD.
3. Your Company has set up an Aerospace & Aviation Sector Skill Council (AASSC), under Joint Venture arrangement with Bangalore Chamber of Industry & Commerce (BCIC) and Society of Indian Aerospace Technologies & Industries (SIATI). This Joint Venture has been incorporated on 12th Sep 2014. This initiative will help in identifying upcoming technologies in the aviation sector and determine technology-specific skills that may need to be developed in the Country.
4. The Government has set up a Design & Development Management Board (DDMB), headed by the Chairman, HAL with members from DRDO Labs, Department of Defence Production and Defence Services, for synergising the R&D efforts in the Country.
5. The Board of Directors have constituted a Business Strategy Committee in its 375th Board Meeting held on 20th June, 2014 under the Chairmanship of Dr. (Prof) Arun Kumar Jain, Professor of Strategy,

Innovation & Governance, IIM, Lucknow, an Independent Director of HAL, to analyse the business scenario and guide the Board of Directors in devising strategy and diversifying the business to sustain growth.

## RESEARCH AND DEVELOPMENT

Your Company recognises the need for technology development in order to cope up with the upcoming technological challenges that require HAL to develop new products and product enhancements. The total R&D expenditure of HAL was ₹ 1083.26 Cr for 2013-14 and this worked out to 7.2% of financial turnover. A total of 111 technology projects have been identified in the area of design, manufacturing, avionics and material to support indigenisation.

HAL is jointly working with DRDO laboratories, CSIR-NAL, CIPET, IITs and IISc towards Self-Reliance in the Aviation field harnessing the Partnership Strategy. Towards this, MOUs have been signed with ADA, NAL, IITs & IISc.

HAL has already established Chairs at IIT Roorkee, IIT Kharagpur, IIT Mumbai and IIT Kanpur.

Your Company has re-organised and strengthened its R&D set up. A high level Design Policy Committee of the Board guides the R&D effort in the Company, sanctions and reviews the projects / technologies that are to be undertaken on a regular basis.

HAL has also implemented a scheme wherein designers with experience in critical areas are retained after superannuation for a further period of two to five years, not only to maintain continuity but also to ensure knowledge transfer to the next generation designers.

Your Company is developing capabilities in the design & development of aircraft, helicopters, engines and niche technology areas like Softnet Defined Radios (SDRs), Active Electronically Scanned Array (AESA) Radar, Aero Engines, UAVs etc., either through indigenous effort or through collaborations. With respect to Aero Engines, HAL for the first time has taken up design & development of an Aero Engine with a thrust of 25 kN.



*Dr. R.K. Tyagi, Chairman, HAL presenting a model of the LCH to Hon'ble Raksha Mantri Shri Arun Jaitley during the first review meeting of HAL*





## CHAIRMAN'S STATEMENT



*The Hon'ble Deputy Prime Minister of UK Mr. Nick Clegg, during his visit to the HAL "Hawk" Hanger at Bangalore Complex*

HAL has initiated a drive across the Company to assess and identify the technologies & processes to build one Intellectual Property portfolio. In this regard, HAL has filed 209 patent applications in 2013-14, as against 71 during the previous year.

### MODERNISATION

Your Company operates in intense technological environment, and is required to constantly upgrade its infrastructure. In order to adopt the latest processes and techniques to achieve high accuracy and efficiency in operations, the Company has launched a massive modernisation drive covering all the manufacturing units and R&D Centres. Your Company has already sanctioned over ₹ 3400 Cr towards modernisation of the facilities. These are at various stages of implementation.

### CORPORATE GOVERNANCE

Your Company understands the significance of corporate governance and in order to facilitate good governance, it not only maintains well-structured systems and

procedures, but updates the same periodically to cope up with the need of changing times. The Board members are kept well informed about the policies of the Company to enable them to discharge their responsibilities and extend their meaningful contributions in furtherance of the affairs of the Company. Though not mandatory for your Company, the Secretarial Compliance Audit besides Corporate Governance Compliance Audit had been carried out through a Practicing Company Secretary, and reports thereof had been placed as part of the Directors' Report.

### CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY DEVELOPMENT

The Company has undertaken various activities as a part of its commitment towards Corporate Social Responsibilities & Sustainability Development. A few of them are highlighted hereunder:

- Promotion of sports and games through Sports Academy by HAL, Koraput in association with Sports Authority of India (SAI), where 16 students

were inducted for Football and 14 for Archery from locals/tribals, and provided training by experienced coaches of SAI, as free residential courses.

- Sponsorship to 5 students for pursuing Masters-level courses under technology and development programmes at the Centre for Technology Alternatives for Rural Areas (CTARA) at IIT Mumbai.
- Contribution of ₹ 2 Cr to the Chief Minister's Relief Fund, Uttarakhand and ₹ 1 Cr to the Chief Minister's Relief Fund, Odisha for reinstatement of infrastructure and rehabilitation of people affected by natural calamities.
- Construction/relaying of 5.6 km of road in 8 villages around Sunabeda, Koraput to facilitate proper road connectivity leading to development of these villages.
- Approval has been given for installation, operation and maintenance of 5 MW windmill powered plant

in Karnataka towards Sustainability Development efforts.

## HR INITIATIVES

HAL today needs to develop capabilities essential to become a globally competitive and high growth oriented organisation. The success of each of the current Projects/ Programmes and those in the pipeline hinges on the availability of capable Leadership, Managers, Designers and Engineers, besides a highly skilled work force. The developmental needs of workforce were identified through Assessment Centres organised by KPMG. The Competency Development Programmes were organised at the HAL Management Academy and at the IIMs. Further, the Company continued with Leadership Development Programmes (Sangshaptak) for preparing today's generation of Senior Executives to take on the challenges of tomorrow, besides sponsoring the junior / middle level executives for post graduate programmes from Cranfield University UK, Management Development Institute



*At the launch of a post retirement health scheme for HAL employees*



## CHAIRMAN'S STATEMENT

(MDI) Gurgaon, International Management Institute (IMI) Delhi, National Institute of Industrial Engineering (NITIE) Mumbai and Xavier Institute of Management (XIM) Bhubaneswar, in addition to M.Tech courses from IITs and Ph.D courses from other premier institutes.

### FUTURE OUTLOOK

India has seen a very clear mandate for growth with the formation of a single party Government. With such a reaffirming mandate, the Indian economy is poised to overcome the sub 5% growth of GDP witnessed over the last two years. With an up-surge in the Indian economic scenario, the locus-standi of your Company is bound to get a fillip in its performance levels.

The Government has been providing the much needed policy impetus to create a vibrant defence industry by ensuring "level playing field" for private-sector defence enterprises vis-à-vis Government enterprises such as DPSUs, OFBs etc. It has introduced a series of policy changes in the defence sector to create a strong industrial base combining both public & private sector, to promote indigenisation, to foster investments and promote growth of the Indian defence industry.

The Government has recently increased the limit of Foreign Direct Investment (FDI) in the Defence sector besides taking several items out from the list of products, requiring industrial licence.

These policy initiatives of the Government coupled with the fact that the European and USA markets for defence have saturated, augur well for the growth of your Company. HAL considers the emerging business scenario as an opportunity and have devised a four pronged strategy to utilize these opportunities,

#### 1. Technology Strategy

- a. Collaborate with R&D labs / organisations in India and abroad for the development of new technologies and products.
- b. Align the technology map of your Company with technology perspective capability road map of the Country.

- c. Modernisation of facilities by adopting state-of-the-art technologies.

#### 2. Business Model Transformation Strategy

- a. Diversify into civil aviation & UAV
- b. Collaborate with leaders in the helicopter segment to bring new products in shortest possible time.

#### 3. Operations Strategy

- a. Develop tier I & II vendors in the Country to move towards the role of an integrator
- b. Internal autonomy for Divisions
- c. Decentralisation of decision making

#### 4. Marketing Strategy

- a. Utilise offset credit for expanding export market
- b. Business Development roadmap
- c. Cost effective option for the global aerospace industry for the MRO activities

These four pillars will become the foundation of your Company's strategy and I would like to bring to your notice the plans and strategies that your Company has chalked out for certain crucial projects such as Light Utility Helicopter (LUH), Light Combat Helicopter (LCH), HTT-40, Su-30, Light Combat Aircraft (LCA), Advanced Light Helicopter (ALH), Medium Multi Role Combat Aircraft (MMRCA) etc.

**Helicopter Business:** Indian Military and Civil helicopter market are big opportunity for your Company. Your Company has taken steps to position itself well into this market by having products in the 2 to 10 ton category.

The development of LUH will be crucial to our plans as the defence market capitalisation is based on timelines of this programme. HAL needs to strive and achieve the operational clearance in line with the operational requirements of our defence services.





Indian civil helicopter market is smaller than our neighbour China (421 helicopters) and much smaller than Brazil (about 1800 helicopters). However, the industry has witnessed considerable growth in recent years. Based on the current growth rate (approx.10-12%), it can be predicted that our Country may have 400 to 600 helicopters by 2021. Your Company is targeting this segment demand by customising the ALH and doing civil certification of ALH. HAL will strive to align itself with the civil requirements to capture the Indian Civil Helicopter market.

Other programmes such as Naval Multi Role Helicopter (NMRH) and Indian Multi Role Helicopter (IMRH) must also progress in line with the Company's vision of having products upto 10 ton category of helicopters.

**Fixed Wing Business:** This market segment will see a lot of interest by foreign OEMs as the Indian Defence and civil requirements have made it the 5th largest market in the world. It is expected that co-development route will be preferred for long term requirements. To keep up the edge in research and development, we must focus on the Fifth Generation Fighter Aircraft (FGFA) and Multirole Transport Aircraft (MTA) programmes. These programmes have the capability to catapult us into the league of technology leaders.

Medium Multi Role Combat Aircraft (MMRCA) is another programme which will be crucial to our achieving manufacturing excellence. World class manufacturing practices will get imbibed into our working. Your Company needs to synthesise these manufacturing best practices through this programme.

LCA, IJT and HTT-40 need to be in-house technology drivers and keep the strategic edge to our defence forces. These platforms will have significant export potential and your Company needs to develop an appropriate marketing strategy for these platforms.

Hawk and Su-30 will allow us to consistently benchmark the production facilities and allow your Company to consolidate production capacities.

## ACKNOWLEDGEMENT

As a going concern, we have to continue our pursuit and cross various milestones to become a significant global player in the aerospace industry. I am sure that with the continued support and encouragement of all stakeholders, the Company shall achieve new heights in all spheres of its activities.

I take this opportunity to extend my sincere gratitude to the Department of Defence Production, Defence Acquisition, Defence Finance, Department of Civil Aviation and our valued customers viz. the Indian Air Force, Army, Navy, Coast Guard, Border Security Force and other Global Aviation companies who have given us encouragement.

I sincerely acknowledge the contribution of DGAQA, CEMILAC, Principal Director Commercial Audit, C&AG, Statutory and Branch Auditors, Bankers, Legal Advisors, Collaborators, Suppliers and other agencies.

I thank all my colleagues on the Board for their continuous guidance and encouragement. I acknowledge the immense contribution of the employees of the Company and, last but not the least, their families.

**JAI HIND**

Place: Bangalore

Date: 27<sup>th</sup> September, 2014

**(Dr. R. K. TYAGI)**

Chairman



## DIRECTORS' REPORT

To,

The Members of HAL,

Dear Members,

On behalf of the Board of Directors, I have great pleasure in presenting the 51st Annual Report on the working of the Company, together with the Audited Accounts for the year ended 31st March, 2014.

### OPERATING RESULTS

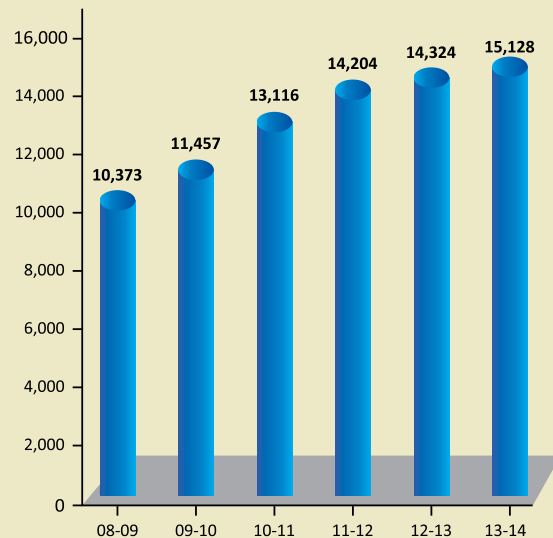
During the year 2013-14, the Company has registered the highest-ever turnover of ₹ 15,128 crore compared to ₹ 14,324 crore recorded in the last year, a growth of 5.61 per cent over the previous year. The Profit Before Tax grew from ₹ 3,497 crore in the previous year to ₹ 3,578 crore, an increase of 2.32 per cent.

The financial highlights for the year ended 31st March 2014 are summarised as under:-

(₹ in crore)

FINANCIAL HIGHLIGHTS		
PARTICULARS	2013-14	2012-13
Turnover	15,127.94	14,323.63
Exports	440.04	382.82
Profit Before Tax (PBT)	3,577.69	3,496.97
Provision for Tax	885.17	500.06
Profit After Tax (PAT)	2,692.52	2,996.91
R&D Expenditure	1,083.26	1,948.95
APPROPRIATION		
Interim Dividend on Equity Shares	890.00	823.70
Proposed Final Dividend on Equity Shares	-	-
Total Dividend	890.00	823.70
Tax on Dividend	151.26	133.62
Transfer to General Reserve	1,492.55	2,039.59
Transfer to R&D Reserve	116.74	-
Transfer to Corporate Social Responsibility & Sustainable Development Reserve	41.97	-

Total Sales (₹ in crore)



## SHARE CAPITAL

The Authorized Share Capital of the Company was increased from ₹ 160 crore to ₹ 600 crore in February 2014. The Paid-Up Share Capital of the Company was increased from ₹ 120.50 crore to ₹ 482 crore by issue of Bonus Shares to the President of India and his nominees, in the ratio of 3 shares for every one share held, on 7th February, 2014.

## DIVIDEND

The Company has paid interim Dividends of ₹ 48.20 crore in December 2013 and ₹ 841.80 crore in March 2014. Thus, a total Dividend of ₹ 890 crore (excluding Dividend tax of ₹ 151.26 crore) was paid during the year 2013-14, i.e. 184.65 per cent of the Paid-Up Share Capital of ₹ 482 crore.

The total outflow as Dividend on the equity shares of the Company including the Dividend Tax for the year 2013-14 translates to 38.67 per cent of the Profit After Tax.

## PERFORMANCE VIS-À-VIS MOU

Your Company's performance, evaluated based on provisional figures indicates an "Excellent" rating for the year 2013-14, in terms of the MoU signed with the Government of India. The performance for the year 2012-13 has been rated and confirmed as "Excellent" by the Government.

## CREDIT RATING

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 ICRA Limited and Credit Rating Information Services of India Limited



*The Sukhoi-30MKI production line at Nasik*





## DIRECTORS' REPORT



*Former Raksha Mantri Shri. A K Antony handing over Initial Operation Clearance (IOC) of LCA-Tejas Aircraft*

(CRISIL). This has enabled the Company to source funds at the best possible rates, thereby improving the profitability.

HAL continues to be a 'Zero-Debt' Company. However, in order to meet short-term requirements, the Company has availed Cash Credit facility from the Bankers from time to time.

### SIGNIFICANT ACHIEVEMENTS

The significant achievements during the year are as follows:-

- The Company recorded the highest ever turnover of ₹ 15,128 crore. It produced 60 aircraft and helicopters along with engines and accessories. The production encompasses Su-30MKI, Hawk, Advanced Light Helicopter (ALH), Dornier Do-228 and Limited Series Production (LSP) of Intermediate Jet Trainer (IJT), Cheetal and Pilotless Target Aircraft.
- Initial Operation Clearance (IOC) of Light Combat Aircraft (LCA) was received on 20th December 2013 and "release to service" documents were handed over to the IAF.
- The Indian Navy inducted the first completely Indian-manufactured Hawk - Advanced Jet Trainer, produced by HAL, six months ahead of its expected delivery schedule, at INS Dega, Vishakhapatnam.
- One ALH-Dhruv, aptly named as 'Garuda Vasudha', fitted with the most advanced Rare Earth Material exploration equipment was dedicated to the nation to explore and map the mineral wealth in India.
- HAL played a vital role in Uttarakhand flood relief operation in July 2013. Dhruv performed very effectively during "Operation Rahat" in a massive rescue and relief operation clocking more than 600 hours of flying.

- HAL contributed immensely by supplying structures towards ISRO's Mars Mission, which was launched on 5th November, 2013.
- HAL supplied structures and tanks to ISRO's GSLV mission, which was successfully launched on 5th January, 2014.
- The Company's home grown Dhruv helicopter completed 1 lakh flying hours.
- HAL signed an MOU with Transparency International on 6th August, 2013 for the adoption of the Integrity Pact. HAL is the first Defence PSU to sign such an MoU with Transparency International.
- The new airport terminal for civil operation was inaugurated on 3rd March, 2014 at Ojhar, Nasik.
- The long pending sales tax issue with the Government of Karnataka has been resolved. As per the settlement reached, against the total demand of sales tax of ₹4,497 crore for the period 1994-95 to 13th November, 2013, HAL will now pay only ₹ 1,307 crore. Further, a concessional sales tax rate of 2 per cent on Aircraft / Helicopters, Engines, Accessories, Spare Parts w.e.f. 14th November, 2013 shall be applicable and complete exemption has been granted for the sales arising out of Design & Development activities.
- Similarly, the long pending sales tax issue with the Government of Odisha has been resolved. As per the settlement reached, against the total demand of sales tax of ₹ 3,337 crore for the period 1995-96 up to January 2013, HAL will now pay only ₹ 530 crore. Further, a concessional rate of 2 per cent for Aero Engines including components and spare parts shall be applicable. Complete exemption has been granted to the sales arising out of Design & Development activities. Further, there will be no Entry Tax w.e.f 1st February, 2013.



*The Dornier (DO-228)*



## DIRECTORS' REPORT



*HAL-produced HAWK for Indian Navy*

- In order to get Customs duty exemption for all the materials being imported for use in manufacture of Aircraft including Helicopters against the order of the Ministry of Defence, the Company had taken up the matter with the Ministry. The Government has issued clarification to Notification No. 39/96 dated 23rd July, 1996 (Sl. No. 7), exempting all materials from payment of customs duty.
- To enhance self-reliance and to overcome obsolescence, 3,601 types of spares and equipment of aircraft / engine / accessories were indigenised during the year. The projected foreign exchange saving is to the tune of ₹ 79.30 crore per annum.

### SIGNIFICANT EVENTS

The Expert Group constituted by the Government for recommendations to strengthen and restructure HAL had submitted its Report to the Government in September 2012. The Ministry of Defence had communicated its acceptance of the recommendations of the Expert Group along with an Action Plan for implementation in April 2013. The Action Plan has a total of 34 short-and long-term measures. The recommendations for 18 short-term measures have been implemented and completed while those for the long-term measures have been initiated.

The Government of India has set up a Design & Development Management Board (DDMB) under the chairmanship of Chairman, HAL, with a view to strengthen the design and development in aerospace and to promote self-reliance in critical areas of India's defence preparedness. The DDMB includes representation from DRDO labs and Officials from Department of Defence Production and Customers.

The Company introduced a Post Superannuation Group Health Insurance Scheme w.e.f 1st February, 2014. This scheme will benefit a large number of retired employees and enable them to avail medical facilities / benefit anywhere in the country.





A Pension Scheme has been introduced during the year covering the executives retired / relieved on or after 1st January, 2007. Under this scheme, the Company will contribute 7 per cent of the Basic + DA of each executive towards the scheme besides contribution by the executive on a voluntary basis.

## EXPORT AND PARTICIPATION IN AIRSHOWS

The Company continues to maintain a steady focus on exports by offering its range of platforms, work packages, services, Repair & Overhaul (ROH) activities. Export orders worth ₹ 357 crore were booked during the financial year.

Major exports during the year included the supply of Engines, Avionics, Structural Work Packages, Forgings, Castings and Rolled Rings including Repairables to diverse countries covering Europe, the Americas, Asia and Africa.

The Company exported an Artouste engine to Suriname, carried out mid-life up-gradation of one Dornier 228 aircraft and Major Overhaul of one Chetak helicopter for Mauritius Police Force, besides product support for Dhruv, Dornier, Cheetah/Chetak and Jaguar aircraft. One ALH Dhruv Mk III Helicopter was also deployed in the Maldives through the Indian Navy.

The Company has sustained its export business with the supply of high precision structural work packages and assemblies to its regular Global Aviation customers including Airbus, Boeing, Rolls Royce, Honeywell. HAL made a breakthrough in the civil sector by successfully supplying steel forgings for the Boeing 787 programme.

The Company's brand image and identity was strategically projected while participating in various Air Shows and Exhibitions. HAL was showcased as a leading Aerospace Company supplying a wide range of aircraft platforms, engines and accessories with multi-functional capability in the value chain from Design & Development through Manufacturing to Maintenance, Repair and Overhaul as well as up-gradation of military aircraft.



*Air Bus Door Assembly Line*



## DIRECTORS' REPORT



*Dr. R.K. Tyagi, inaugurating the Global Vendors' Meet - 2014 held in Bangalore. Over 100 business partners' participated in the event.*

The Company, during the year under review, participated in leading international air shows/exhibitions, viz., Paris Air Show at Paris, MAKS Air Show at Moscow, Latin America Aerospace & Defence Exhibition (LAAD) at Rio de Janeiro, ASET at Tokyo, DEFEXPO at Pragati Maidan, New Delhi and India Aviation at Hyderabad.

### BUSINESS FROM OFFSET

The Company is making continuous efforts to increase its exports by utilising the opportunities arising out of planned defence acquisitions of the Government of India with off-set obligations.

The Company's focus is to secure orders from OEMs for meeting their requirements of components / items for global market through Offset programmes. In this regard, several strategic initiatives have been taken to conclude business framework agreement with the OEMs.

### OUTSOURCING

The Company's policy on Outsourcing is focused on development of Vendors for major sub-assemblies and tooling/ components with a view to ensure optimum utilisation of the resources.

### SUPPLY CHAIN MANAGEMENT

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

- The Second Global Vendors' Meet, which was attended by 56 foreign and 53 Indian vendors. The vendors were educated about HAL's procurement system, followed by interaction for co-operation with HAL. The inputs given by the vendors have been made use to improve the systems and procedures.



- Revision of the Purchase Manual, based on the experience, changing scenario and inputs by vendors, w.e.f. September 2013.
- A 24x7 e-Procurement Help Desk, and a Data Center, 'Amrit' have been set up to move towards e-procurement in a big way.
- An online Bill Tracking System has been implemented for the benefit of the vendors.

The Company has made purchases to the tune of ₹ 5.52 crore from 25 Nos. of Ancillary Industries as against ₹ 4.44 crore made from 24 Nos. of Ancillary Industries in the previous year (2012-13).

During the year 2013-14, the total value of procurement including outsourcing, made from MSMEs was ₹ 202.93 crore, as against the target of ₹ 182 crore. The annual target for 2014-15 is ₹ 206 crore.

### **CURRENT PROJECT AND PROGRAMMES**

HAL is engaged in production and supply of Su-30 MKI, Hawk Advance Trainer, Dornier-228 Aircraft, Advanced Light Helicopter (ALH) and Cheetal Helicopters to the Defence Services and Coast Guard. Further, Pilotless Target Aircraft (PTA) are being supplied to Bharat Dynamics Ltd. HAL is also manufacturing the Light Combat Aircraft (LCA) and Intermediate Jet Trainer (IJT) under the Limited Series production.

### **RESEARCH & DEVELOPMENT (R&D)**

The Company's Research & Development continues to play a vital role in the Design & Development and upgradation of products and indigenisation activity. R&D is key to the future growth of the Company. During the



*Advanced Light Helicopter (ALH) - Sarang Display Team*





## DIRECTORS' REPORT



*Light Utility Helicopter (LUH)*

year, a Committee of Institutions Network (COIN) was constituted. The meetings of COIN are chaired by Director (Design & Development) and the Heads of all 10 R&D centres are its members. The COIN, besides reviewing the progress of various R&D / Development projects, will submit an annual R&D plan, indicating inter-alia, the crucial targets, investments and manpower resources required at various R&D Centres.

The progress achieved in respect of major R&D / Development projects during the year is given below:-

### **INTERMEDIATE JET TRAINER (IJT)**

The Design & Development of the IJT is progressing towards IOC and during the year 2013, 191 flights were carried out, which is the highest ever flying effort in any year. Anti-Spin Parachute System (ASPS) mod and full flight test were completed and the aircraft was inducted for stall testing. During 2013-14, 900 stall tests in 112 sorties were carried out. In addition, High Altitude and Night Flying trials, Drop Tank Full Envelope Carriage trials, Flight Testing to +7g and -2.5g were also completed. The Design & Development of the aircraft is progressing towards IOC by December 2014.

### **LIGHT COMBAT AIRCRAFT (LCA)**

During the year 2013, 503 flights were carried out, which is the highest ever flying effort in any year since the first technology demonstrator was flown in 2001. An IOC of the LCA was achieved on 20th December, 2013. The test flights (2nd block) of the Naval variant of LCA commenced / resumed on 30th October, 2013 and 14 flights were carried out during 2013-14. The Company has launched the series production of the LCA.



### **ADVANCED LIGHT HELICOPTER (ALH)**

The IOC for a wheel variant of the ALH was received on 11th March, 2014. The documents for IOC of the Weapon Integrated variant of the ALH for the IAF have been submitted to RCMA after completion of all flight tests; the IOC is likely to be received shortly.

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

The Design & Development of the LCH has progressed and during the year 2013, 163 flights were carried out on TD-1 and TD-2. The second phase of Sea Level trials were carried out at Chennai to validate the design improvements implemented based on the feedback from the initial sea level trials carried out during June-July 2012

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

Towards development of the LUH, the Company has completed the review of the detailed Design & Analysis milestone with the users and Certification Agencies. During the year, the equipping of Ground Test Vehicle (GTV) was completed and a structure of Prototype (PT-1) launched. The first flight of PT-1 is likely to take place in May 2015.

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

During the year 2013-14, the Design & Development activities of FGFA progressed satisfactorily. The Preliminary Design activities were completed and technical configuration of the aircraft finalised. Significant progress has been made towards finalisation of the R&D Contract of FGFA with the Russian partners.



*Fifth Generation Fighter Aircraft (FGFA)*



## DIRECTORS' REPORT



MULTI-ROLE TRANSPORT AIRCRAFT (MTA)

### MULTI-ROLE TRANSPORT AIRCRAFT (MTA)

The Design & Development of MTA is being executed by Multi Role Transport Aircraft Ltd. (MTAL), a Joint Venture Company of HAL with the Russian partners. The co-design / co-development of the MTA progressed satisfactorily during the year and the Joint Technical Preliminary Design Phase has been completed at UAC-TA, Moscow. The contracts for Detail Design, Experimental Works, Prototype Fabrication, Ground & Flight testing and Certification are under negotiation / finalisation with the Russian partners.

### JOINT VENTURE COMPANIES

Eleven JVCs have been established by your Company with a view to develop indigenous capability and capacity in the hi-tech field of aviation. With the exception of MTAL which is engaged in Design & Development of Multi-Role Transport Aircraft, all other JVCs have commenced commercial production.

The Company has made a total investment of ₹ 225.14 crore in the equity capital of the JVCs as on 31st March, 2014. During the year under review the total turnover reported by the JVCs is to the tune of ₹ 314.05 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	BAe-HAL Software Ltd.	49	25.66	1.30
II	Indo Russian Aviation Limited.	48	86.50	14.50
III	Snecma HAL Aerospace Pvt. Ltd.	50	53.19	9.57
IV	Samtel HAL Display System Pvt.Ltd.**	40	20.47	(1.60)
V	HAL-Edgewood Technologies Pvt. Ltd.(HETL)	50	3.36	0.82
VI	HALBIT Avionics Pvt. Ltd.	50	40.32	(2.96)
VII	Infotech HAL Ltd.	50	3.40	0.11
VIII	TATA-HAL Technologies Ltd.	50	9.38	(1.53)
IX	HATSOFF Helicopter Training Pvt. Ltd.	50	17.80	(6.97)
X	International Aerospace Manufacturing Pvt. Ltd.	50	53.97	(4.56)
XI	Multi Role Transport Aircraft Limited*	50	-	-

\* JVCs yet to commence commercial production

\*\* Financial year ending 31st December, 2013





## QUALITY INITIATIVE AND SAFETY

All Divisions of HAL continue to maintain accreditations to International Quality Management System as per AS 9100C and ISO 9000 standards. Besides, Divisions are compliant to approved Firm Quality Management System requirements of Directorate General of Aeronautical Quality Assurance, Ministry of Defence, New Delhi. The Divisions engaged in exports also maintain quality systems approvals of Boeing, Airbus, Rolls Royce, Snecma, BAe Systems, Israel Aircraft Industry and Honeywell, as required.

HAL had declared 2013-14 as the Year of Quality. In the year, HAL embarked upon interaction with the Confederation of Indian Industry as third party intervention to promote public-private interface with a view to evaluate HAL's Quality Systems vis-à-vis quality practices in Indian Industry. HAL systems and procedures have been found to be, generally, in line with industry practices. Quality function has been further reorganised in line with practices at Boeing and Lockheed-Martin USA.

HAL continues promoting Quality Circles in the Divisions towards encouraging workers' participation in problem solving. Four teams deputed to the International Conference on Quality Circles Competition at Taipei won EXCELLENT ratings.

The Company continues to maintain regular and direct interface with its customers through various meetings and reviews at different management levels to address quality and operational issues. Defect analysis, preventive measures and joint audits with customers remain in vogue for continual corrective improvements in products and services.

On the flight safety front, HAL has conducted a flight safety conference for the Russian Fighters in August 2013 at Nasik, with participation from the IAF, CEMILAC and DGAQA apart from experts from the Company. Your Company is delighted to inform that a continued vigil and the proactive approach on the safety aspects has helped our customers achieve a significant drop in the accident rate. To ensure safer flying environment, your Company has carried out audits of its airfields at Bangalore and Nasik and the recommendations / new procedures have since been implemented.

## HR DEVELOPMENT

The strength of employees as on 31st March, 2014 was 32,108. During the year, 283 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 Institute of Technology (IITs) at Kanpur and Kharagpur, IIMs, XIM, Bhubaneswar, NITIE, Mumbai and University of Ljubljana, Slovenia, provided opportunities to the Officers to further build their knowledge base and competencies. During 2013-14, 62 Officers were sponsored for higher studies.

During the year, a total of 2,967 Apprentices (including Diploma Holders and Engineering Graduates) have completed their training under the Apprentices Act 1961.



## DIRECTORS' REPORT

### REPRESENTATION OF SCs & STs IN THE TOTAL STRENGTH OF THE COMPANY AS ON 1ST JANUARY 2013 AND 1ST JANUARY 2014

Category (Grade / Scale)	Total strength as on		Number of SCs as on		Number of STs as on	
	1.1.2013	1.1.2014	1.1.2013	1.1.2014	1.1.2013	1.1.2014
A (Grade-II and above)	9,130	9,134	1,622	1,625	538	556
B (Grade-I)	831	581	140	97	52	34
C (Scales-3 to Special Scale)	22,680	22,391	3,950	3,939	1,539	1,579
D (Scales 1 & 2)						
i) Excluding Safai Karamcharis	27	23	10	8	1	1
ii) Safai Karamcharis	-	-	-	-	-	-
<b>TOTAL</b>	<b>32,668</b>	<b>32,129</b>	<b>5,722</b>	<b>5,669</b>	<b>2,130</b>	<b>2,170</b>

### RECRUITMENTS MADE DURING THE PERIOD 1st JANUARY 2013 TO 31st DECEMBER 2013 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)	346	48	26	47	23
B (Grade-I)	8	00	00	00	00
C (Scales 3 to Special Scale)	545	87	54	69	60
D (Scales 1 & 2)					
i) Excluding Safai Karamcharis	-	-	-	-	-
ii) Safai Karamcharis	-	-	-	-	-
<b>TOTAL</b>	<b>899</b>	<b>165</b>	<b>81</b>	<b>116</b>	<b>83</b>

### VACANCY-BASED PROMOTIONS MADE DURING THE PERIOD 1ST JANUARY 2013 TO 31ST DECEMBER 2013 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)	1,334	-	-	243	85
B (Grade-I)	12	05	03	05	03
C (Scales 3 to Special Scale)	-	-	-	-	-
D (Scales 1 & 2)					
i) Excluding Safai Karamcharis	-	-	-	-	-
ii) Safai Karamcharis	-	-	-	-	-
<b>TOTAL</b>	<b>1,346</b>	<b>20</b>	<b>08</b>	<b>248</b>	<b>88</b>



## EMPLOYEE RELATIONS (ER)

The ER Scenario in the Company has been peaceful, healthy and cordial. The Management continues to hold regular Quarterly meetings with the representatives of the recognised Unions/Officers' Associations of the Company for effective communication, understanding and resolution of issues, if any, between the Unions and Management.

In order to bridge the gap between Management and Worker Representatives, a Plant Level Committee (PLC) and Shop Level Committee (SLC) were set up with equal representatives from the Management as well as Workers, in various Divisions of HAL, located in different parts of the Country. The PLCs and SLCs met regularly. Further, representatives of the Unions are co-opted in various Committees at the corporate level for formulating Schemes / Policies, as required. In order to address Employee / Public Grievances/Representations, Grievance Redressal Mechanisms are also in place in the Company.

The Corporate Communication Wing of the Company has established new tools of communication, namely, a weekly e-magazine called "HAL Connect" that disseminates information on the major events across the Company and "Minsk Square Matters" a monthly in-house newsletter whose objective is seamless communication with the employees of the Company.

## STAFF WELFARE

Employee welfare measures include Medical and Housing facilities, Educational facilities for employee children, Uniforms, Shoe Allowance, Sports facilities and Allowances for sports persons.

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

The Company has laid down its own CSR Policy which provides a framework for all CSR Projects / activities. A CSR & SD Committee of the Board at the Corporate Level acts as a Monitoring body with an Independent Director as the Chairman of the Committee.

As per the MoU 2013-14 , the Company had undertaken the following CSR Projects / activities during the year under review:-

- i. Involvement of the employees and the top management was ensured to internalise the CSR and Sustainability agenda within the Organisation. Under this parameter, the number of training Programs conducted is taken as a unit of measurement and the Company has been successful in conducting 13 training programs against a target of 10 for the year 2013-14.
- ii. Under the initiatives to reduce Green House Gas (GHG) Emission, the Company achieved reduction of 894 tons of CO<sub>2</sub> against the target of 200 tons based on the Energy audit.
- iii. For ensuring engagement of Key Stakeholders in good Corporate Communication Strategy, Divisions/Complexes were encouraged to make as many communications as possible as a means of engaging the entire gamut of Key stakeholders in the Company and a total of 28 such communications were made against a target of 10.
- iv. As per the MoU target, 4 Meetings of the CSR & SD Committee of the Board were conducted during 2013-14, in order to measure the effectiveness of two-tier Organisational Structure in the process of planning, implementing and monitoring the CSR activities and the Organisation has been successful in achieving the same.





## DIRECTORS' REPORT



HAL received The Global Green Award 2014 from Mr. Charbel S Tabet, President, Association Otherways Management & Consulting (France) at a function in Berlin.

v. In addition to the above, two Projects were taken up by Koraput Division, MiG Complex. The details are as below:-

As a part of Infrastructure Development, construction / renovation / modification of 5.6 kms of roads in 8 villages around Sunabeda, Koraput District, Odisha were taken up and as on 31st March, 2014, 85% of the Project had been completed successfully.

Promotion of Sports and Games was another CSR initiative (Medium Term Project for 3 years from 2013-14 to 2015-16) taken up by HAL, Koraput in association with SAI (Sports Authority of India) where 16 students were inducted in Football and 14 were inducted into Archery against a target of 10 and 5 respectively.

Apart from these, the Divisions had taken up many Division-specific CSR Projects / activities depending upon the needs identified. Some of the Projects worth mentioning here are Construction of Kitchen and Dining Halls in Government Schools, Empowerment of Women by means of training them in Tailoring and Distribution of Sewing Machines to support the same, Provision of Solar Street Lights, Conducting Medical Camps, adoption of animals and birds (endangered species) etc.

Considering the unprecedented flood situation which occurred in Uttarakhand and Odisha, resulting in massive loss of lives, damage to infrastructure, property, etc., the Company contributed ₹ 2 crore to the Chief Minister's Relief Fund, Uttarakhand and ₹ 1 crore to the Chief Minister's Relief Fund, Odisha.

During the year, the Company had spent ₹ 14.82 crore against an allocated budget of ₹ 9.19 crore towards CSR & SD.



## RAJBHASHA IMPLEMENTATION

HAL is following the Official Languages Policy of Govt. of India in-toto and all-out efforts are being made to popularise the use of official language in the Company. To pursue the aim and reaching the targets fixed by the Government, HAL organises, in all its Divisions, Hindi Workshops, Hindi Fortnights and various Hindi programmes from time-to-time to create awareness among employees. Several Divisions are also bringing out in-house Hindi magazines. HAL is preparing and publishing day-to-day documents and booklets on various subjects in Hindi. With these efforts, the implementation of official language in the Company is gaining momentum.

## 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. The provisions of new Companies Act, 2013 would be applicable w.e.f 1st April, 2014.

## IT INITIATIVES

Your Company has framed its IT Policy based on which several IT initiatives were taken, namely, IT Security, File Tracking System, Portals for Supplier Relationship Improvement and Supply Chain Performance.



*Environment Conservation at HAL, Korwa*





## DIRECTORS' REPORT



HAL presented with India Today Award for Best PSU for Global Presence from Shri. Ram Vilas Paswan, Ministry of Consumer Affairs, Food and Public Distribution

As part of its HR initiative, software application on MAT (Mutually Agreed Tasks) has been launched with features to define mutually agreed tasks between superiors and subordinates, including approval processes and performance rating. The portal has Company-wide data on Employee Performance in one common platform with which MIS can be generated. The Company has taken another step towards transparency by automating the process of submitting Annual Property Return data of all the employees; this has ensured that critical employee data are entered and secured in IT systems.

Your Company has been keen towards implementing IT Security best practices and complying with applicable guidelines. IT Echo System was audited by CERT-IN certified auditors and the systems have been made robust with respect to internal and external threats. An updated version of IT security policy was released in January 2014.

As part of gearing up HAL for the era of digital manufacturing, Company has launched a programme called Project Parivarthan aimed at ERP centralisation, Business Intelligence Platform and initiatives for modernisation of applications / infrastructure.

### AWARDS & RECOGNITIONS

HAL has won several awards in recognition of its performance in various fields, during the year 2013-14. These are summarised below:-

#### A. COMPANY LEVEL

- ▶ "Scope Award" for excellence and outstanding contribution to the Public Sector Management - Institutional Category I (Maharatna & Navratna PSEs) for 2011-12. The selection of this award is based on stringent criteria



devised/evaluated by Deloitte Touche Tohmatsu India Private Limited and a distinguished panel of eminent personalities.

- ▶ “Golden Peacock Eco-Innovation Award” from Institute of Directors (IOD) in recognition of the initiatives taken to implement an innovative method to maintain good and clean environment at Foundry & Forge Division, Bangalore.
- ▶ “SCOPE Meritorious Award” for R&D, Technology Development & Innovation” for the year 2012-13, based on the evaluation by Deloitte Touche Tohmatsu India Pvt. Ltd.
- ▶ “IEI Industry Award 2013” by the Institution of Engineers (India) under Manufacturing & Processing category.
- ▶ “Best Engineering Marvel Award” for project innovativeness from Engineering Watch, a magazine dedicated to the engineering community. The jury choice award was for HAL’s feat in achieving weaponisation of Advanced Light Helicopter “Rudra” (ALH-Mk IV)
- ▶ “Performance Excellence Award” for the year 2012 by the Institute of Industrial Engineering.

## B. DIVISIONAL LEVEL

- ▶ Hyderabad Division was conferred with Raksha Mantri’s Award for excellence for the year 2011-12 as the best performing Division of DPSUs in the category of Division/Factory/Shipyard awards.
- ▶ The Team of Nasik Division has won the SODET Award for the year 2010-11 under “Gold” Category for Technology Development work: “Upgradation of Cockpit Air Conditioner System (CACS)” as part of MiG-27.



HAL presented with the Bureaucracy Today (BT) - “Best PSU Excellence Award”



## DIRECTORS' REPORT



*Dr. R.K. Tyagi, Chairman, HAL (third from left) handing over the keys of DO-228 to Mr. Avinash Chander, Scientific Advisor to the Raksha Mantri (centre) at a function in Kanpur*

- ▶ Korwa Design Team has been conferred with SODET Excellence Award for "Technology Innovation" in Gold Category for the year 2012-13 for new generation Fly off and Survive Black Box, a deployable flight data recorder.

HAL was conferred with the following National Quality Excellence Awards in 2013, in both Organisational & Individual categories:

- Quality Excellence Award in Product Development to Avionics Division, Korwa.
- Best Process Improvement Project to HAL, Transport Aircraft Division, Kanpur.
- Best Process Improvement Project (two nominations) to HAL, Helicopter Division, Bangalore.
- Quality Excellence Award for Teaching and Learning practices to HAL Management Academy, Bangalore.
- Quality Excellence Award for Sustainable Changes in Quality Practices to HAL, Accessories Division, Lucknow.

### C. INDIVIDUAL LEVEL

- ▶ Dr. R.K. Tyagi, Chairman, HAL was conferred with the News Ink Legend PSU Shining Award 2013 for the category "Legend CMD of the Year in Navratna PSUs".
- ▶ Shri A. Selvaraj, GM (Indigenisation) & Shri Deepak Bhoi, Deputy Manager (Shop) were awarded the Raksha Mantri's Award for Excellence for the year 2011-12 under Innovation-group / Individual award category in respect of OFB & DPSU for Establishment of Sand reclamation plant in Foundry & Forge Division.



- ▶ Dr. M. Vijaya Kumar, GM (RWR&DC) was awarded the "Igor Sikorsky Award" for pioneering work in Rotary Wing Aviation at an International Seminar "Heli Power India – 2013" held at Air Force Auditorium, Subroto Park, New Delhi, 18-19 November, 2013.
- ▶ Shri Prashant Modak, Manager (Design) of Design Avionics, AURDC Nasik, was awarded the Course Director's Award by Cranfield University, UK for the most significant contribution to the Group Design Project and excellence in coordinating and hosting the AVD presentation to the industry during the Group Design Project on Aerospace Vehicle Design.
- ▶ Shri Nilesh S. Chaudhari, Sr. Manager, Nasik Division and his team won the SODET Award (Gold) for "Technology Innovation for the year 2011-12."
- ▶ Shri Dheeraj Kumar, Dy. Manager, Korwa Division and his team bagged the SODET Award (Gold) for "Technology Innovation for the year 2012-13."
- ▶ Shri Ranjeet Singh Katiyar, Master Technician (Mech), of Transport Aircraft Division, Kanpur has been selected for "Shram Shree Award" by the Government of India for the year 2012.

## VIGILANCE

In line with the theme, "Promoting Good Governance-Positive Contribution of Vigilance" for Vigilance Awareness Week-2013, a booklet containing HAL, CDA Rules, 1984 and a guide on Right to Information was brought out with an aim to enhance greater compliance of rules and procedures.

As a part of preventive vigilance, routine and surprise checks and system studies were carried out and corrective measures suggested.



*Dr. R.K. Tyagi, Chairman, HAL, signing an MoU with Transparency International for the adoption of Integrity Pact*





## DIRECTORS' REPORT

As a new initiative, "Tejas Talk" (short 10-minute videos on important areas highlighting the relevant guidelines) and Vigi.L (the Vigilance Library) have been introduced to sensitise all concerned about the compliance handling policy of the Company. The Vigilance Department has also formulated a Corruption Risk Management Policy. In addition, the vigilance portal has been updated with a provision for registering complaints online.

A Vigilance Information Management Systems (VIMS) is an online reporting system implemented by Vigilance Department to improve the overall efficiency and timely submission of reports.

A Vigilance Awareness week was observed throughout the Company between 28th October, 2013 and 2nd November, 2013 with an emphasis on promoting Good Governance in HAL.

The Vigilance Department has been recertified as ISO 9001:2008 compliant, an initiative for delivering Quality Vigilance Work.

### BOARD OF DIRECTORS

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

- ✓ Shri P. Soundara Rajan, Managing Director (Helicopter Complex) superannuated on 31st May, 2013. Shri T. Suvarna Raju, Director (D&D) has been assigned the 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, Director (HR) was assigned with the Additional Charge of Managing Director (Accessories Complex) for the Hyderabad and Korwa Divisions and Shri S. Subrahmanyam, MD (MiG) was assigned with the Additional Charge of Managing Director (Accessories Complex) for TAD, Kanpur & Lucknow Divisions w.e.f 1st August, 2013.
- ✓ Shri Ajay Shankar, Prof. (Dr.) R. Venkata Rao, Shri V.V.R. Sastry and Shri Surendra Kumar, Independent Directors, ceased to be Directors with effect from 9th March, 2014 consequent to the completion of their tenure.
- ✓ Shri P.S. Krishnan, Prof. Pradipta Banerji, Shri Gopabandu Pattanaik, Prof. (Dr.) Arun Kumar Jain, Air Vice Marshal (Retd.) D.K. Pande, Air Marshal (Retd.) Priya Ranjan Sharma, were appointed as Independent Directors with effect from 5th May, 2014.
- ✓ Shri Ashok Kumar Gupta, Additional Secretary (DP) and Air Marshal S.B.P. Sinha, AVSM, VM, Deputy Chief of Air Staff were appointed as Part-Time Official Directors with effect from 2nd July, 2014. Shri K.K. Pant, Joint Secretary (Aerospace) and Shri P.K. Kataria, Addl. FA (K) & JS respectively.

### 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.



*Dr. R K Tyagi, Chairman, HAL, receiving "Best People CEO Award" from Mr. Piyush Goyal, Union Minister for Power, Coal and New & Renewable Energy*

- ✓ 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, 2014 on a 'going concern' basis.

## AUDITORS

M/s. Dagliya & Company, Chartered Accountants, Bangalore were appointed as Statutory Auditors for auditing the Accounts of the Company for the year ended 31st March, 2014 and 20 firms of Chartered Accountants were appointed as Branch Auditors.

## AUDITORS' REPORT

The Auditors' Report on the Annual Accounts for the financial year 2013-14 along with the company's replies to observations by the Auditors and comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 are appended to this Report.

## CORPORATE GOVERNANCE

A separate report on Corporate Governance is annexed herewith. The Certificate on Compliance of the policy/DPE Guidelines on Corporate Governance along with Secretarial Compliance Certificate issued by M/s. BRKS & Associates, Company Secretaries, No. 40, 1st Main, KR Gardens, Murgeshpalya, Bangalore – 560017, is annexed to this Report.



## DIRECTORS' REPORT

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report as per the Policy on Corporate Governance is annexed to this Report.

### PARTICULARS OF EMPLOYEES

As far as the information required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is concerned, none of the employees was in receipt of remuneration of more than ₹ 5 lakh per month or ₹ 60 lakh per annum during the year.

### ACKNOWLEDGEMENT

Your Directors acknowledge with deep sense of appreciation the support and cooperation received from 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 Board gratefully acknowledges the patronage extended to it by the Defence Services and look forward to their continued support and co-operation in future.

The Company wishes to place on record its appreciation for the co-operation extended and services provided by the Comptroller & Auditor General of India, the Principal Director of Commercial Audit & Ex-officio Member, Audit Board, Statutory Auditors, Auditors, Bankers, Collaborators, JV Partners and Suppliers.

The Directors express their sincere thanks and deep appreciation for the valuable services and dedicated effort of the HAL family towards the Company's achievement during the year 2013-2014.

For and on behalf of the Board of Directors



**Dr. R. K. TYAGI**  
**CHAIRMAN**

Place : Bangalore

Date : 22<sup>nd</sup> September, 2014



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### 1 INDUSTRY SCENARIO

#### 1.1 GLOBAL SCENARIO

1.1.1 The global defence industry continued its shift towards the low income economies, moving away from the higher income economies viz., United States and Europe. This has happened because of the underlying economic realities coupled with changing security threats perceptions in different regions. Political turmoil in Ukraine, military programmes of China and Japan, modernisation efforts by the Indian Armed Forces and the United States' economic concerns over post-war defence spending are some of the reasons that have ushered this paradigm shift.

1.1.2 As an outcome, the Defence Administrations of higher-income nations are increasingly resorting to restructuring, downsizing, and revisiting their procurements plans while lower-income nations are seizing the opportunity not only to acquire state-of-the-art equipment and technologies to gain strategic military advantages but also to develop their own technological base.

1.1.3 This scenario has resulted in re-distribution of overall military spending across the globe. According to an estimate, by 2015 the Chinese defence spending bill will surpass that of France, Germany and UK combined. Even if we exclude China, the total defence spending in the Asia-Pacific region alone will exceed that of the Western European countries in a couple of years. For instance, China has indicated that its planned defence spending will be to the tune of \$131 billion, an increase of more than 12 per cent over the previous year. At the core of these modernisation programs are high technology equipment such as Military Aircraft, Aircraft carriers, Destroyers, Frigates etc.

1.1.4 At this juncture, with defence budgets in the traditional markets viz., EU and US, shrinking, the increased defence spending in emerging countries,

viz., Japan, India, Brazil, Korea, China will bring in cutting edge technologies and jobs in indigenous industries, while indirectly adding on to their geo-political influence through military exports.

At the same time, the commercial aircraft industry is continuing to look up with increased production rates, introduction of new generation aircraft and growing order collections. The growth in the commercial aircraft segment is driven by the cycle of replacement of obsolete aircraft, introduction of new fuel-efficient platforms, passenger-travel demand and freight transportation requirements, all fuelled by the buoyant emerging economies of the Asia Pacific and Middle East.

1.1.5 According to an estimate, commercial airline manufacturing is all set for a record growth this year, with the airlines, especially in West Asia and Asia Pacific, crowding to replenish their obsolete fleets with new, fuel-efficient aircraft, increased production rates of next generation aircraft, and increase in global demand for the passenger travel and air-freight transport.

1.1.6 Considering the growth projection of the civil aircraft segment, the forecast of the number of aircraft required over the next decade and the attempts by emerging / developing countries in the development of aircraft in this segment, new competitors may emerge and create inroads into the profitable sections of this segment.

#### 1.2 THE INDIAN SCENARIO

1.2.1 Notwithstanding the re-distribution in the global military spending, India has sustained its position among the top 10 largest defence spenders in the world. However, the real growth in the defence budget should be taken with a pinch of salt in view of factors like inflation and weakening currency. The marginal growth of defence allocation can be attributed to the challenging economic environment and the government's drive to combat



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

the fiscal deficit. However, the defence allocation may see a significant growth in the coming years to realize the expansion and modernisation plans of the armed forces.

1.2.2 The Indian Aerospace & Defence market has continued on its growth trajectory due to the sustained emphasis on modernisation of the armed forces, especially the IAF, along with growing air traffic in the civil sector. In the military domain, Indian Government has increased its defence spending to ₹ 2,29,000 crore, (\$37.54 billion) for the year 2014-15 which is approximately 12.25 per cent more than the previous year's budget of ₹ 2,04,000 crore. While 36 per cent of this is allotted for capital acquisitions, personnel costs account for more than 50 per cent of this outlay. Among India's key defence priorities are the development of the Indigenous Defence Industry and synergising the capabilities of state-owned defence enterprises.

1.2.3 Milestones in certain deals are expected to be reached during the current financial year, such as submarines, missiles, Medium Multi-Role Combat Aircraft (MMRCA), and light helicopter programs. Further, there is an emerging demand for Helicopters, Unmanned Aerial Vehicles (UAVs), cargo / transport platforms etc. from various Services.

1.2.4 India offers not only an attractive market, but also gives cost advantages in basic design, engineering and manufacturing services. Government policies are being evolved to foster growth in the sector based on these advantages. This could lead to the integration of foreign OEMs with the local manufacturers, who supply directly to the Indian Armed Forces.

1.2.5 The Indian Government, which has allowed private-sector participation in the Defence Manufacturing Industry since 2001, has been providing the much needed policy impetus to create a vibrant industry by ensuring a "level playing field" for

private-sector defence enterprises vis-à-vis Government enterprises such as DPSUs, OFBs etc. It has also introduced a series of policy changes in the defence sector to create a strong industrial base combining both public and private sector, to promote indigenisation, to foster investments and promote the growth of the Indian defence industry. These include

- ▶ 100 per cent participation of the private sector subject to licensing from the Department of Industrial Policy & Promotion
- ▶ Release of a List of licensable goods for defence manufacturing
- ▶ Increase in validity of license tenure to 3 years
- ▶ Comprehensive Defence Procurement Procedures (DPP) with a prioritisation for Indian Products
- ▶ Foreign Direct Investment up to 49 per cent in Defence Sector
- ▶ Enabling Defence Offset guidelines, assured orders and long term partnerships.

1.2.6 Based on the learning and feedback from domestic and foreign participants, the policies have been revised several times. These changes reflect the Government's commitment to put in place a transparent and proactive policy regime.

1.2.7 It is anticipated that the emphasis on indigenous production of defence equipment as set-forth in DPP-2013 would provide huge opportunities for the Indian defence industry. The industry would witness formation of Joint Ventures, collaborations, etc. with the foreign OEMs to vie for the Indian defence market.

1.2.8 The Defence Offset policy has provided a huge business opportunity for Indian industry. Considering the estimated capital acquisition of



around 100 BUSD by the Indian armed forces in the next decade, the offset opportunity would give an impetus to the growth of MSMEs in the defence sector and Technology infusion in the manufacturing sector. As the foreign OEM can choose the Indian offset partner, the Indian companies will have to compete for business in the offset opportunities.

1.2.9 The policy initiative by the Government to develop the defence eco-system in the country by setting up a fund to provide financial support to the MSMEs would accrue beneficial financial assistance for taking up defence projects by MSMEs. It is expected that the offset business opportunities along with the financial support being planned by the Government would encourage and facilitate the MSMEs to build their capabilities and collaborate with leading OEMs to become potential Tier I and Tier II suppliers/ partners.

1.3 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. Many of the leading global OEMs from the US and Europe have also established their presence in India.

1.3.1 In the Civil Aviation Domain, India is amongst the fastest growing market and is expected to become the third largest by year 2020. In line with the 12th five-year plan's objective to improve air connectivity in Tier-2 and Tier-3 cities as one of the main priority areas, the Government has indicated plans for developing new airports as well as upgrading the existing ones. Several other measures to promote and facilitate viability of low cost airlines and low cost airports in the country are on the anvil. The civil aviation industry in India is expected to grow at a Compound Annual Growth Rate (CAGR) of 10.1 percent, with the passenger aircraft fleet of Airlines in India expected to double by 2020.

1.3.2 In view of such growth prospects, the high level Committee of Manufacturing, under the chairmanship of Hon'ble Prime Minister of India, has taken a major strategic decision for the development of a civilian aircraft, of a 70-100 seater range to begin with, in India. The idea is to house the development and production in an SPV that is being set up for this purpose. The design capabilities in NAL, HAL and other institutions in the country will be utilised for this. Development and production partnerships with Indian private sector firms as well as overseas institutions is envisaged. A high level Steering Group under Dr. V. Krishnamurthy, Chairman, NMCC has been entrusted with bringing out the modalities of this programme. This ambitious project provides a very good business opportunity to the Indian industry, in general, and HAL, in particular, as a designated lead Aeronautical Company having a vantage point to tap and exploit this business opportunity.

## 2. ORGANISATION STRUCTURE

2.1 Presently, HAL has 20 Production / Overhaul Divisions and 10 Research & Development 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





## MANAGEMENT DISCUSSION & ANALYSIS REPORT

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-à-vis the planned targets.

2.3 The Company had 32,108 employees on its rolls as on 31st March, 2014 including 9,914 executives, 13,306 technicians and 8,888 support staff.

### 3. PRODUCTS & SERVICES

3.1 The Company has a comprehensive design and 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 A&D industry is gradually becoming more global due to heightened competition, growing travel demands and increased military spending in emerging markets. Globalisation will provide more opportunities for low-cost production destinations and for technologically advanced product introductions. Globalisation is also affecting product selections in a way that military and commercial customers are emphasising that value be “offset” by placing work in their countries of origin. With the continuation of this trend, the traditional stalwarts, under pressure in their own markets, will have to look for new markets and new manufacturing locations to reduce labour costs and fulfil offset requirements.

4.2 Other than the huge business potential on the demand side, the supply side economics is also

luring these companies towards countries like India and China. For example, in a typical Defence Aerospace product’s lifecycle encompassing Design, Development, Manufacturing and Overhaul, Indian industry has the cost advantage of 15 to 20 per cent compared to the world leaders. This fact in itself puts India at a vantage point. To capitalise on this unprecedented opportunity, Indian aerospace industry will need to focus on the developing industrial infrastructure, training and skill development and strengthening the R&D capabilities.

4.3 Riding on the increasing demand of Aerospace equipment for the military and civilian use, India is all set to be one of the most promising markets in the world. Milestones in certain deals are expected to be achieved in near future for submarines, missiles and Medium Multi-Role Combat Aircraft (MMRCA), FGFA, MTA, LUH. Overseas companies will be increasingly involved in the Indian market and new joint venture agreements are likely to be signed between Indian companies and overseas companies. The Indian Government will continue to focus on indigenisation with increasing presence of Indian companies that could expect certain fiscal and economic benefits from the Government

4.4 For the manufacture, support and services related to induction of the high-end Aerospace equipment in such large number and high volumes, there is an urgent need for the equivalent level of skills and skill-development. Also, there is a pressing need to upgrade the skills of the existing Indian aerospace technicians to the global levels.

4.5 In pursuance of the goal of self reliance, major challenges are in store for your Company on technology and human capital front. The gaping mismatch between supply and demand further worsened by skill-gaps in the sector calls for a mission-mode strengthening of quantity as well as quality of the next generation workforce. The need



of the hour is not only to replace and upgrade but to “generate” future human capital in appropriate proportion to the very high demand in the coming years.

- 4.6 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. To sustain its growth in the long run, it is highly imperative that your Company equips itself proactively to compete in global market, both on cost and quality.

## 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 business scenario of the Indian A&D industry, as brought out above, augurs well for the growth of your Company. The Company’s focus on R&D, in-house as well as collaborative, indigenous development programmes, besides co-design & co-development projects being executed in collaboration with leading Aerospace Companies, is expected to give boost to future business prospects of your Company.
- 6.2 Continuing its thrust on R&D, the Company has put in place system for effective co-ordination among various R&D Labs / establishments within the Company and at the national level with a view to optimise resources. The Company has earmarked

10 per cent of its operating profit as R&D corpus to promote technology development and innovation. During the current year, HAL has filed 209 patent applications, taking the cumulative number of applications to 280.

- 6.3 The Company’s quest for development of indigenous aircraft / helicopter has achieved maturity in some cases. These are in advanced stages in other design & development projects. These new projects like ALH weaponised version, Light Combat Helicopter, Light Utility Helicopter, Intermediate Jet Trainer have elevated the Company to the threshold of growth and expansion.
- 6.4 During the year, the Company has taken steps to expand its infrastructure and capacity to cater to the new programmes. Towards this, the Company is in advanced stages of acquisition of land for setting up modern state-of-the-art production facilities.
- 6.5 The Company has drawn up a Perspective Plan to realise its ‘Vision’ covering the period from 2010 to 2022 (i.e., up to the end of the 13th Plan). Considering the dynamic changes in the Business Environment for the Company with increasing competition from the Private sector and the anticipated change in government policies, the vision document is being reviewed and updated. The plans for Technology Acquisition, Modernisation, Expansion, are being aligned with the overall strategy and implemented.

## 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 A total of 111 technology projects have been identified in the areas of Design, Manufacture, Avionics and Material to support indigenisation. The Company has drawn up a modernisation and expansion plan for each Division and R&D Centre of the Company to be implemented in next 3-4 years.



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

- 7.3 An indigenous Design & Development of Mini UAV (8 kg class) for surveillance and reconnaissance applications has been launched.
- 7.4 A proposal to form a Special Purpose Vehicle to design, develop and manufacture a Regional Civil Aircraft in collaboration with National Aeronautical Laboratory (NAL) has been approved.
- 7.5 The Design & Development of a 20 KN engine launched in 2012-13 progressed satisfactorily. The Preliminary Design Review (PDR), the first major milestone of the project has been completed.
- 7.6 The Company continues to explore acquisition of new/critical technologies through collaboration, co-development, Transfer of Technology agreements, formation of Joint Ventures etc.
- 7.7 The Government of India has set up a Design & Development Management Board (DDMB) headed by the Chairman, HAL, and including representation from DRDO labs, Officials from the Department of Defence Production and Customers. The DDMB will offer suggestion to strengthen Design & Development in aerospace and promote self-reliance in critical areas of India's defence preparedness.

### **DEVELOPING HUMAN CAPITAL**

- 7.8 The Company has taken several initiatives to develop Human Resources, leadership through structured programmes, workshops and training. A group of 30 middle level executives were selected for a 1-year Leadership Development Programme organised under the guidance of Indian Institute of Management, Ahmedabad towards developing the leadership pipeline.
- 7.9 The Board of Directors of the Company has approved a proposal to promote and set up an Aerospace & Aviation Sector Skill Council along with the Bangalore Chamber of Industries and Commerce (BCIC) and Society of Indian Aerospace

Technologies & Industries (SIATI), under the aegis of National Skill Development Corporation (NSDC) as a Section 8 (non-profit) Company.

- 7.10 Regular induction of Management Trainees in various streams, viz., Engineering, Design, Legal, Finance & HR is being done to develop a line of succession and retain the skill / knowledge within the Company. During the year 2013-14, Management Trainees were inducted for the first time into the discipline of Civil and Architecture.
- 8.0 The Company has introduced a Post-Retirement Medical Insurance Scheme during the year with a view to reduce the rate of attrition and retain as well as attract talent in the Company. Pension Scheme for executives was also introduced.

### **CUSTOMER ORIENTATION**

- 8.1 Laying emphasis on the Flight Safety Culture and in order to make the HAL flying environment safe for flying of customer aircraft under servicing, the Company with the support of IAF organised and carried out an audit of its airfields at Nasik and Bangalore. Recommendations of the audits have since been implemented.
- 8.2 Flight Safety Conferences for the Russian / Western fleets were organised by the Company to lay emphasis on flight safety, bringing together all the stakeholders to discuss flight safety issues, and working together to formulate a strategy for a flight safety culture both in manufacturing and flight operations.
- 8.3 In addition to the regular interactions with Customers and structured meetings organised with the principal customers wherein the issues and concerns of the customers are discussed for solution, a large number of task-oriented specific visits by HAL officers to various field units were also organised for better appreciation and solution seeking. The feedback given by the customers were analysed and remedial actions taken.





- 8.4 Several training workshops were conducted by the Company across all Divisions and customer locations for better appreciation of the equipment and to ensure proper usability and trouble-free operations. Such workshops expose technical personnel with a better understanding of the equipment in addition to hands-on experience.
- 8.5 Obsolescence Management being a major concern area for the customer, the Company has initiated obsolescence management studies for various aging fleets like Avro, Jaguar, and Kiran. Under this, the Company has launched several vendor development and indigenisation initiatives to manage the criticality of obsolescence.
- 8.6 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 institute specific remedial measures based on feedback. Inputs on various parameters are obtained from the customers and levels of satisfaction are evaluated. The system indicates the areas where the Divisions require improvement and thus devise action plans for specific remedial measures. The Company has also inducted several senior engineers from principal customers like the IAF, Navy and Army for better appreciation of their concerns and to render the most appropriate solution / course of action.
- 8.7 The online "Voice of Customer", an IT-based system, has facilitated prompt communication between the customers and the concerned Divisions through HAL e-mail to render speedy Repair Overhaul / support services.
- 8.8 The Company has embarked on the journey to infuse efficiency, and technology advancements, with a view to adapt the various systems & mechanism developed in the Company for managing men, material and processes to match modern day aerospace industry philosophies. The processes for knowledge management and knowledge capturing are being emphasised and methodologies evolved to enhance and retain the intellectual and knowledge base of the Company.
- 8.9 The Information Technology Infrastructure of the Company has been updated and adapted to bring in better transparency and accountability in purchase procedures with the implementation of e-Procurement for all tenders above ₹ 5 lakh. This has opened opportunities to prospective vendors and enables them to register on-line and participate in the tenders. HAL has also adopted e-payment to vendors. An on-line Bill Tracking System has been implemented to track the bills by vendors.
- 9.0 The Company's Quality functions and organisation has been benchmarked with global aviation companies' viz., Boeing & Lockheed Martin, USA. Quality function has been reorganised as follows, in-line with the practices of such companies:
- ▶ Positioning of Quality person at Complex level
  - ▶ Reporting of Divisional Quality Heads at Corporate level
  - ▶ Strengthening of Quality Assurance function by assigning 10 per cent of Quality manpower for QA activities.
- 9.1 To leverage existing ERP (IFS) system towards enhancing the Quality functions with one standardised approach, Common Quality Dash Board has been created for all Divisions enabling availability of information on Quality Management System performance. The Company has also

## **BUSINESS PROCESSES**

- 8.8 The Company has embarked on the journey to infuse efficiency, and technology advancements,



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

evolved a plan for exploring the possibility of Third Party Inspection with Regional Centre for Military Airworthiness.

- 9.2 The Company has undertaken a comprehensive program "Project Parivarthan" to improve productivity, efficiency and to reduce cycle time for business decision using information technology
- 9.3 A Company-wide project called "Kavach" has been undertaken to improve IT security posture. Under this program various measures such as upgradation of IT security policy, hardening of computers/servers, creation of an IT security audit team have been undertaken.
- 9.4 A state-of-the-art, ISO 27001-complied Data Centre has been established with 3-layer security for all Internet facilities of the Company. This facility is being used for many online systems of HAL and is fully owned as per security requirements, having IT and non-IT Systems to ensure high availability of

hardware platforms that will facilitate continuous operations of software applications.

- 9.5 The Company has established Chairs at Indian Institutes of Technology at Roorkee, Kanpur, Chennai, Kharagpur, Bombay and also IISc, Bangalore to further strengthen the Industry-Academia partnership in the field of R&D.
- 9.6 The production processes are being thoroughly reviewed to remove bottlenecks and enhance productivity by addition of suitable machinery / equipment, processes and technology, with an objective to set up world class infrastructure in each Division.
- 9.7 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 avoid pile up of inventory on one hand and ensure timely availability of the materials on the other.

## 10. FINANCIAL PERFORMANCE

10.1 The financial performance of the Company for the year 2013-14 is summarised here below:-

Particulars	Unit	31.3.2014	31.3.2013
Total Sales	₹ Cr.	15,127.94	14,323.63
Export Sales	₹ Cr.	440.04	382.82
Total Profit	₹ Cr.	3,577.69	3,496.97
Gross Margin	₹ Cr.	4,181.17	4,098.30
Net Worth	₹ Cr.	15,014.64	13,378.19
R&D Expenditure	₹ Cr.	1,083.26	1,948.95
Dividend Pay-out (Excluding Dividend Tax)	₹ Cr.	890.00	823.70
Dividend as a percentage to Paid-up Capital			
-Pre Issue of Bonus Shares	%	738.59	683.57
-Post Issue of Bonus Shares		184.65	170.89
Sales Per Employee	₹ Lakh	47.12	43.88
Earnings Per Share			
-Pre Issue of Bonus Shares	₹	223.45	248.71
-Post Issue of Bonus Shares		55.86	62.18



- 10.2 Analysis of Financial Performance 2013-14:
- 10.3 The Sales registered a marginal growth of 5.61% from ₹14,323.63 crore in the previous year to ₹ 15,127.94 crore.
- 10.4 The Company has recorded highest profit of ₹ 3,577.69 crore during the year as compared to ₹ 3,496.97 crore in the previous year.
- 10.5 Gross Margin has increased from ₹ 4,098.30 crore in the previous year to ₹ 4,181.17 crore.
- 10.6 Earnings Per Share is ₹ 55.86 as against ₹ 62.18 in the previous year.
- 10.7 Increase in net worth from ₹ 13,378.19 crore in the previous year to ₹ 15,014.64 crore.

## 11. HUMAN RESOURCE DEVELOPMENT

11.1 HAL is working towards developing capabilities required to become a globally competitive and a high growth organisation. The success of each of the current Projects/Programmes and those in the pipeline hinges on the availability of capable leadership and managerial & engineering skills, besides highly skilled work force.

11.2 The major initiatives launched by the Company in this direction are as follows:

### (a) Leadership Development Programme (Sanghshaptak)

- 11.3 HAL embarked on a journey to build leadership capabilities within the organisation by outlining a comprehensive Leadership Development Programme aimed at preparing today's generation of senior Executives to take on the challenges of tomorrow.
- 11.4 The initiative will help HAL groom future leaders for succession to key positions and develop a Leadership pipeline.
- 11.5 The Programme containing 7 Modules (including

Domestic and International) is co-ordinated by HAL Management Academy and conducted at IIM, Ahmedabad. A batch of 30 Officers (Gr. VII & VIII) in age group of 48 to 52 years have been trained under the Programme.

### (b) Assessment & Development Centres

- 11.6 Officers in Grades VI & above undergo the Assessment Centres with M/s. KPMG Advisory Service Pvt. Ltd. This initiative is primarily targeted to identify Officers with potential and groom them to be future leaders of the Company.
- 11.7 Assessment Centres are conducted to identify the potential of its leaders and their key development needs. This is a step towards preparing identified Officers for leadership positions in the Company. 297 Officers have been assessed by KPMG Advisory Services Private Ltd. during 2013-14.

### (c) Competency-Based Training

- 11.8 The gaps identified through the Assessment Centres form the basis for Competency-based Training Programmes which are imparted in the areas of Business Excellence, Operational Excellence and Leadership Excellence.
- 11.9 Customised Competency Development Programmes (CDPs) have been developed in collaboration with IIM, Ahmedabad for Business Excellence; IIM, Bangalore for Operational Excellence and IIM, Calcutta for Leadership Excellence to bridge the Competency gaps identified by way of Assessment Centres. 117 Officers have attended the Programmes during the year.

### (d) Think Tank

- 12.0 An idea generation group comprising Senior and Middle level Officers has been constituted at HAL to maximise the contribution of employees through participation and involvement in issues





## MANAGEMENT DISCUSSION & ANALYSIS REPORT

and challenges, whose relevance reaches beyond Projects / Programmes and immediate time frames, with long term benefits for employees as well as the Company.

12.1 A cross-functional team comprising 34 Officers in Grades V, VI & VII across disciplines have been identified as members in the Think Tank. An Apex Committee at Corporate Office headed by Director (CP&M) with members from Planning, Projects, Finance & HR was also formed.

12.2 Officers are grouped into four clusters, viz.,

- Manufacturing / Technology Development,
- Aerospace Product Development,
- System Improvement and
- Business Development.

### (e) Organisation Diagnostic Studies

12.3 Employee Engagement Survey

12.3.1 A Company-wide web-based survey was conducted during 2013-14, and was also part of the MOU:2013-14 HRM parameters of the Company, to measure the engagement level of Officers on the identified Survey factors.

12.3.2 The Survey covered 9,314 executive level officers in Technical, Design and Non-Technical categories of the Company. 6,958 Officers participated in the Survey (response rate of 75%).

12.3.3 The 3 Survey Factors with the lowest ratings were Performance Management System, Quality of Work/Life, and Opportunities for Growth & Development in the Company.

12.3.4 Survey Factors like Training & Development, Discipline and Superior Subordinate Relationships were identified as parameters with top ratings.

### 12.4 HR AUDIT

12.4.1 An attempt was made to evaluate the existing HR Practices and procedures in accordance with both short term and long term business plans of the Company. A Certification Workshop for the internal Auditors was conducted with the help of Prof. TV Rao and Ms.Nandini Chawla of M/s. TVRLS Pvt. Ltd. during July 2013.

12.4.2 A cross functional team of 23 certified internal auditors has conducted the HR Audit at the following locations from 19th August,2013 onwards to assess the strengths and weaknesses of various HRD systems and its linkage with the business strategies of HAL:

- ▶ Aircraft Division, Bangalore
- ▶ Accessories Division, Lucknow
- ▶ AMD, AOD & AURDC, Nasik
- ▶ Engine & SED, Koraput

## 13. ENVIRONMENT PROTECTION AND CONSERVATION

13.1 As a part of MoU, in order to measure the degree of success in implementing the Sustainability Projects / activities undertaken during the year, two Projects in Sustainability were taken up by the Facilities Management Division, Bangalore Complex. The details of the same are as indicated below:-

- Water is increasingly becoming a scarce and valuable resource because of the depletion of water table. In order to conserve this, HAL has adopted Roof-Top Rain Water Harvesting System in its Townships. Due to bountiful rains during 2013-14, HAL was able to harvest 2,254.61 kl of Rain Water, against a target of 700 kl.

b. Reduction in consumption of Electrical Power was another activity which was taken up under Sustainability Development. Measures like use of solar street lights, replacement of high energy consuming street lights with LED/CFL lights, relining of furnaces etc., have been done for energy conservation. Shop Floors are installed with transparent sheets for natural lighting. The Company achieved a reduction in consumption of Electrical Power by 12 Lakh Kilo Watt Hours (KWH) in 2013-14, against a target of 10 Lakh KWH.

13.2 The Company had adopted Sustainability Reporting and Disclosure of Procedures and Practices as one of the evaluating criteria. Accordingly, the Sustainability Report will be released in 2014.

13.3 HAL has been conferred with "Global Green Award – 2014" in recognition of its environmental and sustainable practices. HAL was one of the Companies from 52 countries to receive this prestigious award from Association Otherways Management & Consulting (France) at a function held in Berlin, Germany. The selection criteria was based on

information, polls and voting. A voting process was carried out by mail and Internet based on the concepts such as customer satisfaction, leadership, continuing education and training, business results, ISO 9001 – 14001 - 22000, TQM and TQCS (Top Quality Customer Satisfaction Standards). The information was gathered through consultation with the media (print and electronic) consultancy companies, advertising agencies, trade fairs and exhibits, Chambers of Commerce, Embassies, polls including the online Macro Poll which was analysed by the Global Green Award Selection Committee.

13.4. HAL has commissioned a Paper Recycling Unit to process the waste paper from Offices for making files, folders and other stationery items. The plant has a capacity to process 75 kgs of waste paper per day. This is one of the new initiatives taken up by HAL towards conservation of trees.

13.5 The Company has been planting saplings every year. The Division-wise details of saplings planted during the years 2012-13 and 2013-14 are as indicated below:

Sl. No.	Name of the Division / Complex	Total number of saplings planted during	
		2012-13	2013-14
1	Bangalore	5,150	985
2	Koraput	31,800	41,000
3	Nasik	7,500	25,880
4	Korwa	1,200	1,200
5	Lucknow	5,500	3,000
6	Barrackpore	23,890	22,238
7	TAD Kanpur	00	21,574
8	Hyderabad	200	00
	<b>TOTAL</b>	75,240	1,15,877



## CORPORATE GOVERNANCE REPORT

### PHILOSOPHY AND CODE OF GOVERNANCE

HAL has a well defined Corporate Governance structure which underlines its commitment to quality of governance, transparency, honesty, integrity, disclosure, Corporate Social Responsibility and accountability to take care of the interest of all the stakeholders. It believes that all operations must be spearheaded towards attaining the final objective of enhancing the stakeholders' value.

The Company's vision is to become significant global player in the aerospace industry and working towards this objective by expanding its capacities and becoming globally competitive. The Company recognises that good Corporate Governance is a continuous exercise and reiterates its commitments to pursue highest standards of Corporate Governance in the overall interest of all its stakeholders. For effective implementation of the Corporate Governance practices, the Company has a well-defined policy framework. The HAL Corporate Government Policy is based on the following principles:-

- ▶ Code of Conduct for Senior Management and Board of Directors
- ▶ Risk Management Policy
- ▶ Integrity Pact to enhance transparency in business
- ▶ Whistle Blower Policy
- ▶ Well laid down administrative set up to facilitate decentralised and transparent decision-making
- ▶ Compliance of applicable Laws, Rules and Regulations
- ▶ Accuracy and transparency in disclosures regarding operations, performance and financial position
- ▶ Conduct, Discipline and Appeal Rules for Employees.
- ▶ Secretarial Audit to ensure compliance of laws

### BOARD OF DIRECTORS

The Board of Directors is entrusted with the responsibility of 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 & programmes and oversees its implementation. It has constituted 10 sub-Committees to facilitate smooth and efficient flow of decision-making process.

### COMPOSITION

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

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, posts of three Whole Time Directors were vacant as on 31st March, 2014 consequent to superannuation of Directors.



It would be relevant to mention that based on the recommendations of the Expert Group and proposed Disinvestment by the Government, the proposal for restructuring of the Board of Directors of HAL is under consideration of the Government. The proposed structure provides for a total strength of 14 Directors, viz., Chairman & Managing Director, 4 Functional Directors, 2 Part-Time Official Directors and 7 Part-Time Non-Official / Independent Directors.

## MEETINGS AND ATTENDANCE

During the financial year ended on 31st March 2014, 14 Board Meetings were held on 29th April, 2013, 24th May, 2013, 28th June, 2013, 13th July, 2013, 5th August, 2013, 6th September, 2013, 27th September, 2013, 27-28 October, 2013, 26th November, 2013, 16th December, 2013, 7th January, 2014, 23rd January, 2014, 7th February, 2014 and 5th March, 2014. Details of attendance of the Directors at the Board Meetings during 2013-14 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	14	14
2	Shri Kamlesh K. Pant	14	14
3	Shri P. K. Kataria	14	12
4	Shri S. K. Jha*	4	4
5	Shri P. Soundara Rajan*	2	2
6	Shri V. M. Chamola	14	14
7	Shri K. Naresh Babu	14	14
8	Dr. A. K. Mishra	14	14
9	Shri T. Suvarna Raju	14	14
10	Shri S. Subrahmanyam	14	14
11	Shri Ajay Shankar*	14	13
12	Shri V. V. R. Sastry*	14	13
13	Shri Surendra Kumar*	14	14
14	Prof. (Dr.) R. Venkata Rao*	14	13

\* Change in Board of Directors

- Shri S. K. Jha ceased to be Managing Director (Accessories Complex) with effect from 31st July, 2013.
- Shri P. Soundara Rajan, ceased to be the Managing Director (Helicopter Complex) with effect from 31st May, 2013.
- Shri Ajay Shankar, Prof. (Dr.) R. Venkata Rao, Shri V. V. R. Sastry and Shri Surendra Kumar ceased to be Director, with effect from 9th March, 2014 consequent to vacation of office due to completion of tenure.

## AUDIT COMMITTEE

The composition of the Audit Committee is in line with Section 177 of the Companies Act, 2013 and the Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) issued by the Department of Public Enterprises (DPE Guidelines).



## CORPORATE GOVERNANCE REPORT

The Audit Committee consisted of 4 Independent Directors and 2 Government Directors as given below:

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

Consequent to appointment of 6 new Independent Directors on 5th May, 2014, the Board at its 374th Meeting held on 2nd June, 2014 had reconstituted the Audit Committee. The present Composition of the Audit Committee is as under:-

- Shri. Gopabandhu Pattanaik, Chairman
- Dr. Arun Kumar Jain
- Shri P.S Krishnan
- Prof. Pradipta Banerji
- JS (Aerospace)
- Addl. FA(K) & JS, MoD

The Executive Director (Company Secretary) is the Secretary of the Audit Committee. 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. The terms of reference of the Audit Committee are in line with Section 292A of the Act (Section 177 of the Companies Act, 2013) and the DPE Guidelines.

During the year ended on 31st March, 2014, the Audit Committee met five times on 24th May, 2013, 5th August, 2013, 26th November, 2013, 7th February, 2014 and 5th March, 2014. The attendance of the Chairman and members of the Audit Committee in these meetings was as follows:-

SI. No.	Name of Attendees	Meetings held during respective tenure of Director	No. of Audit Comm. Meetings attended
1	Shri Ajay Shankar, Chairman *	5	5
2	Shri V.V.R. Sastry*	5	4
3	Shri Surendra Kumar*	5	5
4	Prof. (Dr.) R. Venkata Rao*	5	4
5	Shri Kamlesh K. Pant	5	2
6	Shri P.K. Kataria	5	3

\* Change in Chairman / Members of the Audit Committee

- Shri Ajay Shankar, Prof. (Dr.) R. Venkata Rao, Shri V.V.R. Sastry and Shri Surendra Kumar ceased to be members of the Committee with effect from 9th March, 2014 consequent to vacation of office on completion of tenure.

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

## REMUNERATION COMMITTEE

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

The Constitution of the Remuneration Committee was as follows:

- Shri Ajay Shankar, Chairman
- Shri Surendra Kumar
- JS (Aerospace)
- Addl. FA(K) & JS, MoD

Director (Finance) & Director (HR) are the Permanent Invitees to the Committee. The GM (HR) is the Secretary of the Committee.

Consequent upon appointment of the new Independent Directors, the Board at its 374th Board Meeting held on 2nd June, 2014 renamed the Remuneration Committee as Nomination & Remuneration Committee and reconstituted the Sub-Committees as follows:-

- Dr. Arun Kumar Jain, Chairman
- Prof. Pradipta Banerji
- Shri. Gopabandhu Pattanaik
- JS (Aerospace)
- Addl. FA(K) & JS, MoD

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

The Independent Directors are not paid any remuneration except the sitting fee of ₹ 20,000.00 per sitting of the Board and its 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 2013-14 is as follows:

(₹ in Lakh)

Sl. No	Name of Independent Director	Board Meetings	Committee Meetings	Total Remuneration
1	Shri Ajay Shankar	2.60	1.00	3.60
2	Shri V.V.R. Sastry	2.60	2.40	5.00
3	Shri Surendra Kumar	2.80	2.00	4.80
4	Prof. (Dr.) R. Venakata Rao	2.60	2.00	4.60





## CORPORATE GOVERNANCE REPORT

Details of remuneration of Whole Time Directors during the year 2013-14 are given below:

(₹ in Lakh)

Name of Director	Salary *	Company Contribution to PF & Gratuity	Commission	Total
Dr. R. K. Tyagi, Chairman	29.25	2.33	-	31.58
Shri S. K. Jha, MD(A)	43.17	10.84	-	54.01
Shri P. Soundara Rajan MD(HC)	25.35	10.52	-	35.87
Shri V. M. Chamola, D(HR)	33.98	2.08	-	36.06
Shri K. Naresh Babu, MD(BC) & D(CP&M)	38.79	2.04	-	40.83
Dr. A. K. Mishra, Director (Finance)	43.53	2.07	-	45.60
Shri T. Suvarna Raju, Director (D&D)	32.09	2.03	-	34.12
Shri S. Subrahmanyam, MD(M)	29.78	1.97	-	31.75

\*Salary includes Perquisites & arrears

### OTHER COMMITTEES OF THE BOARD

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

#### HR COMMITTEE

HR Committee recommends and advises the Board on HR issues especially in laying down the policies, guidelines and evolving HR strategies. The composition of the HR Committee, headed by an Independent Director was as follows:

- Shri V.V.R. Sastry, Chairman
- Prof. (Dr.) R. Venkata Rao, Member
- JS (Aero), Member
- Director (HR), Member
- Director (Finance)

GM (HR) is the Secretary of the Committee.

During the year ended 31st March, 2014, the HR Committee met 3 times on 29th July, 2013, 24th September, 2013 and 14th February, 2014.

The Board at its 374th Board Meeting held on 2nd June, 2014 reconstituted the HR Committee with the following members:-

- Air Marshal (Retd.) Priya Ranjan Sharma, Chairman
- Dr. Arun Kumar Jain
- JS (Aero)
- Director (HR)
- Director (Finance)



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

- Shri Surendra Kumar, Chairman
- Shri V.V.R. Sastry
- Director (CP&M)
- Director (D&D)

GM (Indigenization) is the Secretary of the Committee

The Board at its 374th Board Meeting held on 2nd June, 2014 reconstituted the TDC Committee with the following members:

- Shri P.S Krishnan, Chairman
- Dr. Arun Kumar Jain
- Air Vice Marshal (Retd.) D.K Pande
- Director (D&D)
- Director (CP&M)

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.

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 Research & Development and Indigenisation proposals.

The Procurement Sub-Committee consisting of the following members has been delegated powers to approve Procurement Proposals costing over ₹ 60 crore and upto ₹ 120 crore:-

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

## **CSR & SUSTAINABLE DEVELOPMENT COMMITTEE**

The CSR & Sustainable Development Committee, headed by an Independent Director, oversees implementation of CSR and sustainable development activities in the Company. The Committee consisted of the following members:-

- Prof. (Dr.) R.Venkata Rao, Chairman
- Managing Director (Accessories)
- Managing Director (MiG)



## CORPORATE GOVERNANCE REPORT

- Director (Human Resources)
- Managing Director (Bangalore Complex)
- Director (Finance)
- General Manager (Finance)

The General Manager (HR) is the Secretary of the Committee.

The Board at its 374th Board Meeting held on 2nd June, 2014 reconstituted the CSR & SD Committee with the following members:

- Prof. Pradipta Banerji, Chairman
- Managing Director (MiG)
- Director (Human Resources)
- Managing Director (Bangalore Complex)
- General Manager (Finance)

During the year, the CSR & SD Committee held four meetings on 11th September, 2013, 9th October, 2013, 28th December, 2013 and 3rd March, 2014.

### SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Board at its 370th Meeting held on 7th February, 2014 constituted Shareholders/Investors Grievance Committee comprising the following members:-

- Prof. (Dr.) R Venkata Rao, Chairman
- Director (HR)
- Director (Finance)

ED (Company Secretary) is the Secretary of the Committee.

The Board at its 374th Board Meeting held on 2nd June, 2014 reconstituted the Committee with the following members:-

- Air Vice Marshal (Retd.) D.K. Pande, Chairman
- Director (HR)
- Director (Finance)

### CODE OF CONDUCT

The Board of Directors of your Company has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has been posted on the Company's website, [www.hal-india.com](http://www.hal-india.com). All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct during the year 2013-14. 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
2010-11	Hindustan Aeronautics Limited 15/1, Cubbon Road, Bangalore – 560001, Karnataka	13th September, 2011 at 1430 hrs
2011-12	Hindustan Aeronautics Limited 15/1, Cubbon Road, Bangalore – 560001, Karnataka	26th September, 2012 at 1500 hrs
2012-13	Hindustan Aeronautics Limited 15/1, Cubbon Road, Bangalore – 560001, Karnataka	27th September, 2013 at 1500 hrs

No Special Resolutions were put up at two Annual General Meetings (48th & 50th AGMs) held on 13th September, 2011 and 27th September, 2013 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 2013-14 will be held on:-

Date : 27th September, 2014  
Time : 1100 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 – 560 001, Karnataka  
Phone (080) 2232 0001, Fax (080) 2232 0758  
Email: cosec@hal-india.com  
Website: www.hal-india.com

## DISCLOSURES

- a) Related Party Transactions** are disclosed in Clause 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 2014). The Company does not have any materially significant related party transactions, which may have potential conflict with its interest at large.
- b) Accounting Standards:** The Company is complying with all mandatory Accounting Standards except for Accounting Standard 17 dealing with "Segment Reporting" due to the following reasons:-



## CORPORATE GOVERNANCE REPORT

“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. 20 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 also been posted in the Company's website i.e. [www.hal-india.com](http://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 reservation of SCs, STs and OBCs, in letter and spirit. Liaison Officers are appointed at various Units / Offices all over the Country to ensure implementation of the Government Directives. 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, 2013 was as under:

Category of Employees	Group A	Group B	Group C	Group D	Total
Scheduled Caste	1,625	97	3,939	8	5,669
Scheduled Tribe	556	34	1,579	1	2,170
Other Backward Classes	2,056	99	5,438	6	7,599

HAL has been implementing the Government Directives on reservation for Persons with Disabilities and Ex-servicemen. Their representation as on 31st December, 2013 was as under:

Category of Employees	Group A	Group B	Group C	Group D	Total
Physically Handicapped	158	11	519	4	692
Ex-Servicemen	101	03	1,735	00	1,839

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 2013-14.



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

During the year, the Company had spent ₹ 14.82 crore against an allocated budget of ₹ 9.19 crore towards CSR & Sustainable Development and undertaken specific activities in accordance with the MoU entered with the Government.

#### **i) Integrity Pact**

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

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

#### **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](http://www.hal-india.com).

#### **k) Compliance**

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

## **DECLARATION**

Pursuant to the Department of Public Enterprises (DPE) Guidelines on Corporate Governance for Central Public Sector Enterprises as contained in the DPE Office Memorandum No. 18(8)/2005-GM dated 14th May, 2010, all Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Business Conduct & Ethics for Board Members & Senior Management of Hindustan Aeronautics Limited, for the year ended 31st March, 2014.

For Hindustan Aeronautics Limited

**Dr. R. K. TYAGI**  
**CHAIRMAN**

Place : Bangalore

Date : 22<sup>nd</sup> September, 2014





## ANNEXURE TO DIRECTORS' REPORT

### CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

**CORPORATE IDENTIFICATION NO. : U35301KA1963GOI001622**

**AUTHORISED CAPITAL : ₹ 600,00,00,000**

To,  
The Members  
Hindustan Aeronautics Limited  
Bangalore

We have examined all the relevant records of Hindustan Aeronautics Limited for the year ended 31st March, 2014 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, 2014.

for B R K S & Associates  
Company Secretaries



**K SANDHYA LAKSHMI**

Partner  
C.P.No.8538

Place : Bangalore  
Date : 1<sup>st</sup> September, 2014

## ANNEXURE TO DIRECTORS' REPORT

### SECRETARIAL AUDIT REPORT

To,  
The Members  
Hindustan Aeronautics Limited  
15/1, Cubbon Road,  
Bangalore – 560 001

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Hindustan Aeronautics Limited ("the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March 2014, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2014, according to the provisions of:

- (i) The Companies Act, 1956 and the Rules made under that Act and 98 sections of the Companies Act, 2013 notified vide Ministry of Corporate Affairs Gazette Notification No. S.O. 2754(E) dated September 12, 2013;
- (ii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings

#### **We further report that**

The Board of Directors of the Company are appointed by the President of India. The Board is duly constituted as per the guidelines on Corporate Governance issued by the Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises. The position of Independent Directors vacated due to completion of tenure needed to be filled-up. The Company has taken up with the Ministry of Defence for appointing the Independent Directors. As on the date of the Report, the Company has appointed the requisite number of Independent Directors.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance. A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the members' views are captured and recorded as part of the minutes.

#### **We further report that**

There are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the company has complied with the provisions of the Companies Act, 1956 and the Rules made under that Act



## ANNEXURE TO DIRECTORS' REPORT

and 98 sections of the Companies Act, 2013 notified vide Ministry of Corporate Affairs Gazette Notification No. S.O. 2754(E) dated September 12, 2013 with regard to:

- (a) Maintenance of various statutory registers and documents and making necessary entries therein;
- (b) Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and the Central Government;
- (c) Service of documents by the Company on its Members, Auditors and the Registrar of Companies;
- (d) Notice of Board meetings and Committee meetings of Directors;
- (e) The meetings of Directors and Committees of Directors including passing of resolutions by circulation;
- (f) The 50th Annual General Meeting held on September 27th, 2013;
- (g) Minutes of proceedings of General Meetings and of the Board and its Committee meetings;
- (h) Approvals of the Members, the Board of Directors, the Committees of Directors and the government authorities, wherever required;
- (i) Payment of remuneration to Directors;
- (j) Transfers of the Company's shares;
- (k) Declaration and payment of dividends;
- (l) Form of balance sheet as prescribed under Part I, form of statement of profit and loss as prescribed under Part II and General Instructions for preparation of the same as prescribed in Schedule VI to the Act;
- (m) Directors' report;
- (n) Alteration of Memorandum of Association and Articles of Association;
- (o) Alteration of Share Capital;
- (n) Issue of Bonus Shares;
- (n) Generally, all other applicable provisions of the Act and the Rules made under the Act.

Place : Bangalore

Date : 1<sup>st</sup> September, 2014

for B R K S & Associates  
Company Secretaries



**K SANDHYA LAKSHMI**

Partner

C.P.No.8538



## 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 1st April, 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.



## ACCOUNTING POLICIES

### 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 amortised over a period not exceeding ten years using straight line method.

#### 5.2 Expenditure on licence fees, documentation charges etc. based on the definition criteria of intangible assets in terms of identifiability, control and future economic benefits from the assets, are amortised over production on technical estimates, and to the extent not amortised, are carried forward.

#### 5.3 The cost of software internally generated / acquired for internal use which is not an integral part of the related hardware, is recognised as an intangible asset in the Books of Accounts and is amortised over a period not exceeding three years, on straight line method. Amortisation commences when the asset is available for use.

### 6. DEFERRED DEBTS

Unpaid installment 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

## ACCOUNTING POLICIES

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 1st April, 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 1st April, 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.

### 12. FOREIGN CURRENCY TRANSACTION

Assets and Liabilities are re-instated at the year-end at the rate prevalent on 31<sup>st</sup> 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.



## ACCOUNTING POLICIES

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)

Place: Delhi  
Date: 30<sup>th</sup> August, 2014

### WITHDRAWAL OF UN-UTILISED WARRANTY PROVISIONS:

#### FOR DEFENCE CUSTOMERS:

- For manufacturing programme, the un-utilised provision is withdrawn only after the expiry of warranty liability for all the aircraft / Helicopters / engines covered under the respective contract.
- For Overhaul programme, the un-utilised provision is withdrawn on expiry of warranty liability for each aircraft / Helicopters / engine / rotables.
- For supply of Spares (only for own fabricated spares), the un-utilised provision is withdrawn on expiry of warranty liability for each spare as per respective customer order.

#### FOR NON- DEFENCE CUSTOMERS:

- For supply and services to Civil customers, withdrawal of un-utilised provision is made on expiry of warranty liability as per terms and conditions of respective contract.



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



( **ASHOK TANDON** )  
EXECUTIVE DIRECTOR  
(COMPANY SECRETARY)





Light Combat Helicopter (LCH)



▲ Advanced Light Helicopter - Dhruv ▼



Cheetah



Light Utility Helicopter (LUH)



Cheetal



## BALANCE SHEET

As at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	Note No.	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>I. Equity and Liabilities</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	1	48200.00	12050.00
(b) Reserves and Surplus	2	1453263.63	1325769.26
<b>Sub Total</b>		<b>1501463.63</b>	<b>1337819.26</b>
<b>(2) Share Application Money Pending Allotment</b>		-	-
<b>(3) Non-Current Liabilities</b>			
(a) Long-Term Borrowings	3	453.55	479.04
(b) Deferred Tax Liabilities (Net)	4	168160.01	156632.08
(c) Other Long Term Liabilities	5	524946.09	653594.28
(d) Long Term Provisions	6	48385.23	50065.32
<b>Sub Total</b>		<b>741944.88</b>	<b>860770.72</b>
<b>(4) Current Liabilities</b>			
(a) Short Term Borrowings	7	67937.18	-
(b) Trade Payables	8	208291.03	205514.34
(c) Other Current Liabilities	9	3592165.92	3111300.35
(d) Short Term Provisions	10	276039.30	237469.09
<b>Sub Total</b>		<b>4144433.43</b>	<b>3554283.78</b>
<b>Total I (1+2+3+4)</b>		<b>6387841.94</b>	<b>5752873.76</b>
<b>II. Assets</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets			
Gross Block	11A	372871.08	352481.17
Less: Accumulated Depreciation	11B	214700.52	197673.69
Net Block		158170.56	154807.48
(ii) Intangible Assets			
Gross Carrying Amount	11C	83842.57	74942.05
Less: Cumulative Amortisation & Impairment Loss	11D	33195.31	28902.55
Net Carrying Amount		50647.26	46039.50
(iii) Capital Work-In-Progress	12	18474.13	10266.42
(b) Non-Current Investments	13	70742.85	70734.86
(c) Long Term Loans and Advances	14	13324.88	13554.63
(d) Other Non-Current Assets	15	618026.49	1194311.63
<b>Sub Total</b>		<b>929386.17</b>	<b>1489714.52</b>
<b>(2) Current Assets</b>			
(a) Current Investments	16	-	-
(b) Inventories	17	2234951.17	1786271.48
(c) Trade Receivables	18	688405.89	549117.18
(d) Cash and Cash Equivalents	19	1693498.40	1337796.51
(e) Short Term Loans and Advances	20	512788.02	457026.59
(f) Other Current Assets	21	328812.29	132947.48
<b>Sub Total</b>		<b>5458455.77</b>	<b>4263159.24</b>
<b>Total II(1+2)</b>		<b>6387841.94</b>	<b>5752873.76</b>
<b>Notes on Accounts</b>	34		

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

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



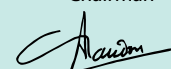
**(P. MANOHARA GUPTA)**  
Partner  
Membership No. 16444  
Place : Bangalore  
Date : 1<sup>st</sup> September, 2014



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



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



**(ASHOK TANDON)**  
Executive Director  
(Company Secretary)  
Place : Delhi  
Date : 30<sup>th</sup> August, 2014

## STATEMENT OF PROFIT AND LOSS

for the year ended 31<sup>st</sup> March, 2014

(₹ in Lakhs)

S. No.	Particulars	Note No.	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>I.</b>	<b>Revenue from Operations</b>	22	1513589.39	1432928.49
	Less: Excise Duty		110.37	149.72
	Net Revenue from Operations		1513479.02	1432778.77
II.	Other Income	23	261847.12	331574.89
III.	Total Revenue (I + II)		<b>1775326.14</b>	<b>1764353.66</b>
<b>IV.</b>	<b>Expenses:</b>			
	Cost of Materials Consumed	24	835936.14	687830.31
	Purchase of Stock-in-Trade	24A	78908.79	113013.63
	Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	25	-74490.64	12053.06
	Employee Benefits Expenses	26	268544.04	244632.83
	Finance Costs	27	97.18	-
	Depreciation and Amortisation Expenses	28	60251.21	60133.15
	Other Expenses	29	139377.39	118599.06
	Direct Input to WIP / Expenses Capitalised	30	52910.78	140050.53
	Provisions	31	99293.34	73966.37
	Total Gross Expenses		1460828.23	1450278.93
	Add/Deduct: Expenses relating to Capital and Other Accounts	32	43270.62	35622.30
	Total Net Expenses		<b>1417557.61</b>	<b>1414656.63</b>
<b>V.</b>	<b>Profit before exceptional and extraordinary items and tax (III - IV)</b>		<b>357768.53</b>	<b>349697.03</b>
<b>VI.</b>	<b>Exceptional items</b>		-	-
<b>VII.</b>	<b>Profit Before Extraordinary Items and Tax (V - VI)</b>		<b>357768.53</b>	<b>349697.03</b>
<b>VIII.</b>	<b>Extraordinary Items</b>		-	-
IX.	Profit Before Tax (VII - VIII) *		357768.53	349697.03
	* includes Prior Period Gain / (Expense)	33	-2977.06	-65094.20
X.	Tax expenses			
	(1) Current Tax		79000.00	72500.00
	(2) Minimum Alternate Tax (MAT) Credit Entitlement		-2011.09	-31428.82
	(3) Deferred Tax		11527.93	8934.45
<b>XI.</b>	<b>Profit / (Loss) for the period from Continuing Operations (IX - X)</b>		<b>269251.69</b>	<b>299691.40</b>
XII.	Profit/(Loss) from Discontinuing Operations		-	-
XIII.	Tax expense of Discontinuing Operations		-	-
XIV.	Profit/(Loss) from Discontinuing Operations (After Tax) (XII - XIII)		-	-
<b>XV.</b>	<b>Profit(Loss) for the Period (XI + XIV)</b>		<b>269251.69</b>	<b>299691.40</b>
XVI.	Earnings per Equity Share (Rs.) ( Refer Clause No. 23 of Note 34)			
	<b>Basic and Diluted</b>		<b>55.86</b>	<b>62.18</b>
	<b>Notes on Accounts</b>	34		

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

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



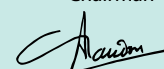
**(P. MANOHARA GUPTA)**  
Partner  
Membership No. 16444  
Place : Bangalore  
Date : 1<sup>st</sup> September, 2014



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



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



**(ASHOK TANDON)**  
Executive Director  
(Company Secretary)  
Place : Delhi  
Date : 30<sup>th</sup> August, 2014



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 1 : SHARE CAPITAL</b>		
<b>Authorised Capital</b>	<b>60000.00</b>	<b>16000.00</b>
60,00,00,000 (PY 16,00,00,000) Equity Shares of ₹ 10 each		
Issued, Subscribed and Fully Paid up	48200.00	12050.00
48,20,00,000 (PY 12,05,00,000) Equity Shares of ₹ 10 each fully paid up		
<b>Subscribed and not Fully Paid up</b>	-	-
<b>Par Value per Share (₹)</b>	10.00	10.00
<b>Reconciliation of the Number of Shares Outstanding at the beginning and at the end of the Reporting period</b>		
Opening Equity Shares (Nos.)	120500000	120500000
Add: Bonus Shares Issued (Nos.)	361500000	-
Less: Shares Bought Back (Nos.)	-	-
Closing Equity Shares (Nos.)	482000000	120500000
<b>Shares in the Company held by each Shareholder holding more than 5 percent shares specifying the number of Shares held</b>	President of India and Nominees hold the entire 48,20,00,000 Shares	President of India and Nominees hold the entire 12,05,00,000 Shares
<b>Terms/ Rights attached to Equity Shares:</b>		
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.		
Aggregate number of Equity shares allotted as fully paid up by way of bonus shares in the last 5 years ended 31.3.2014	361500000	-
The Company has issued 361500000 Equity Shares of ₹10 each to the existing Shareholders as fully paid up Bonus Shares by capitalisation of General Reserve of ₹ 36,150.00 Lakhs vide resolution passed at EGM held on 7th February 2014		



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 2 : RESERVES AND SURPLUS</b>		
<b>Research &amp; Development Reserve</b>		
Opening Balance		
Add: Current Year Transfer	11674.52	-
Less: Utilised in Current Year		
Closing Balance- (A)	<b>11674.52</b>	-
<b>Corporate Social Responsibility &amp; Sustainable Development Reserve</b>		
Opening Balance		
Add: Current Year Transfer*	4196.55	-
Less: Utilised in Current Year	1481.77	-
Closing Balance- (B)	<b>2714.78</b>	
<b>General Reserve As per last Balance Sheet</b>	1325769.26	1121809.89
(+/-) Surplus Transferred from Statement of Profit and Loss	149255.07	203959.37
Less: Withdrawn towards issue of Bonus Shares	36150.00	-
Closing Balance- (C)	<b>1438874.33</b>	<b>1325769.26</b>
<b>Surplus in Statement of Profit and Loss</b>		
Add: Net Profit for the Current Year	269251.69	299691.40
Less: Appropriations / Allocations -Interim & Final Dividend (CY ₹ 18.46 Per Share on post Bonus issue & PY ₹ 68.36 Per Share)	89000.00	82370.00
Transfer to Research & Development Reserve	11674.52	-
Transfer to Corporate Social Responsibility & Sustainable Development Reserve*	4196.55	-
Tax on Dividend (Interim & Final)	15125.55	13362.03
	<b>119996.62</b>	<b>95732.03</b>
<b>Transferred to General Reserve</b>	<b>149255.07</b>	<b>203959.37</b>
<b>(A+B+C)</b>	<b>1453263.63</b>	<b>1325769.26</b>
* Includes ₹ 1199.64 lakhs being accumulated unspent balance lying in Provisions as on 31.03.2013		



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 3 : LONG TERM BORROWINGS</b>		
<b>A. Secured Long Term Borrowings:</b>	-	-
<b>Sub Total (A)</b>		
<b>B. Unsecured Long Term Borrowings:</b>		
Deferred Liabilities		
Towards:		
10/15 Years	123.94	123.94
45 Years	329.61	355.10
<b>Sub Total (B)</b>	<b>453.55</b>	<b>479.04</b>
<b>Total (A + B)</b>	<b>453.55</b>	<b>479.04</b>
<b>NOTE 4 : DEFERRED TAX LIABILITIES (NET)</b>		
As per last Balance Sheet	156632.08	147697.63
Add : Current Year's Provisions	11527.93	8934.45
	<b>168160.01</b>	<b>156632.08</b>
<b>NOTE 5 : OTHER LONG TERM LIABILITIES</b>		
<b>Trade Payables</b>		
Other than Micro and Small Enterprises	1724.32	1873.02
<b>Sub Total</b>	<b>1724.32</b>	<b>1873.02</b>
<b>Advances from Customers</b>		
<b>A) Outstanding Advances from Customers</b>		
Defence	89024.68	95127.11
<b>Sub Total (A)</b>	<b>89024.68</b>	<b>95127.11</b>
<b>B) Outstanding Milestone Receipts</b>		
Defence	333455.30	444956.80
Others	292.14	217.68
<b>Sub Total (B)</b>	<b>333747.44</b>	<b>445174.48</b>
<b>Advances from Customers (A + B)</b>	<b>422772.12</b>	<b>540301.59</b>
Dues to Employees	-	11.06
Other Liabilities	100449.65	111408.61
<b>Total</b>	<b>524946.09</b>	<b>653594.28</b>

## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 6 : LONG TERM PROVISIONS</b>		
<b>A. Provisions for Employee Benefits</b>		
Vacation Leave	28956.43	26610.29
<b>Sub Total (A)</b>	<b>28956.43</b>	<b>26610.29</b>
<b>B. Others</b>		
Replacement and Other Charges	9618.40	10300.95
Warranty	9810.40	12577.99
Liquidated Damages	-	576.09
<b>Sub Total (B)</b>	<b>19428.80</b>	<b>23455.03</b>
<b>Total (A + B)</b>	<b>48385.23</b>	<b>50065.32</b>
<b>NOTE 7 : SHORT TERM BORROWINGS</b>		
<b>A. Secured Short Term Borrowings:</b>		
Loans Repayable on Demand		
From Banks ( Secured Against Term Deposit)*	67937.18	-
<b>Sub Total (A)</b>	<b>67937.18</b>	-
<b>B. Unsecured Short Term Borrowings:</b>		
<b>Sub Total (B)</b>	-	-
<b>Total (A + B)</b>	<b>67937.18</b>	-
* Loan have been cleared on 28th April 2014		
<b>NOTE 8 : TRADE PAYABLES</b>		
Trade Payables		
Micro and Small Enterprises	1797.94	1418.11
Other than Micro and Small Enterprises	206493.09	204096.23
<b>Total</b>	<b>208291.03</b>	<b>205514.34</b>



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 9 : OTHER CURRENT LIABILITIES</b>		
Current Maturities of Long term Debt		
Deferred Liabilities Towards 45 Years - Unsecured	25.49	25.49
<b>Advances from Customers</b>		
<b>A) Outstanding Advances from Customers</b>		
Defence	830158.02	660437.10
Others	2631.45	2996.76
<b>Sub Total (A)</b>	<b>832789.47</b>	<b>663433.86</b>
<b>B) Outstanding Milestone Receipts</b>		
Defence	2495835.87	2278819.91
Others	58753.42	66483.04
<b>Sub Total (B)</b>	<b>2554589.29</b>	<b>2345302.95</b>
<b>Advances from Customers (A + B)</b>	<b>3387378.76</b>	<b>3008736.81</b>
Other Payables		
Taxes	23067.90	5740.70
Dues to Employees	44520.18	41615.75
Other Liabilities	137173.59	55181.60
	<b>3592165.92</b>	<b>3111300.35</b>
<b>NOTE 10 : SHORT TERM PROVISIONS</b>		
<b>A. Provisions for Employee Benefits</b>		
Gratuity	2291.45	4203.47
Vacation Leave	28036.95	26610.28
Others	79063.94	79014.43
<b>Sub Total (A)</b>	<b>109392.34</b>	<b>109828.18</b>
<b>B. Others</b>		
Replacement and Other Charges	40547.73	31570.88
Warranty	78360.75	71125.86
Liquidated Damages	47738.48	23744.53
Sustainable Development	-	332.18
Corporate Social Responsibility	-	867.46
<b>Sub Total (B)</b>	<b>166646.96</b>	<b>127640.91</b>
<b>Total (A + B)</b>	<b>276039.30</b>	<b>237469.09</b>



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

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

(₹ in Lakhs)

Description	Gross Block as at 01.04.13	Additions	Reclasfn. / Adjustment	Disposals	Transfer to (-) from (+) Div	Gross Block as at 31.03.14
<b>Fixed Assets <sup>1</sup></b>						
Land						
Leasehold	708.00	-	2.68	-	-	710.68
Freehold	1020.35	-	-2.68	-	-	1017.68
Buildings	78897.22	3615.64	-	-	-	82512.86
Plant and Equipment	222688.96	13366.18	15.59	13.06	13.32	236070.99
Furniture and Fixtures	7970.70	814.89	2.98	47.87	-0.09	8740.62
Vehicles	5896.35	651.12	-	81.99	0.00	6465.48
Office Equipment	12841.20	1851.97	-18.57	19.82	-13.23	14641.55
<b>Others</b>						
Roads and Drains	5618.35	210.61	-	-	-	5828.96
Water Supply	3387.00	193.99	-	-	-	3580.98
Rail Road Sidings	71.07	0.00	-	-	-	71.07
Runways	5504.64	28.49	-	-	-	5533.13
Aircraft/Helicopters	7877.33	0.00	-	180.24	-	7697.09
<b>Total</b>	<b>352481.17</b>	<b>20732.89</b>	<b>-</b>	<b>342.98</b>	<b>-</b>	<b>372871.08</b>
Previous Year	336296.59	19101.99	-	2917.39	-	352481.17



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

### NOTE 11B : ACCUMULATED DEPRECIATION - TANGIBLE ASSETS

(₹ in Lakhs)

Description	Provision as at 01.04.13	Additions		Reclasfn. /Adjustment	Transfer to (-) from (+) Div	Disposals	Provision as at 31.03.14	Net Block as at 31.03.14	Net Block as at 31.03.13
		CY	PY						
<b>Depreciation <sup>2</sup></b>									
Land									
Leasehold*	39.35	7.96	1.16	-	-	-	48.47	662.21	668.65
Freehold	-	-	-	-	-	-	-	1017.68	1020.35
Buildings	23654.93	2127.66	-0.58	1.54	-	-	25783.55	56729.31	55242.29
Plant and Equipment	144160.88	13024.63	-586.73	-15.30	1.37	6.96	156577.89	79493.10	78528.08
Furniture and Fixtures	5356.00	443.49	6.81	-0.07	1.37	24.45	5783.15	2957.47	2614.71
Vehicles	4007.30	350.27	-0.50	-	0.00	37.08	4319.99	2145.49	1889.06
Office Equipment	9998.66	935.39	1.02	13.83	-2.74	8.23	10937.93	3703.62	2842.54
<b>Others</b>									
Roads and Drains	1504.87	79.57	-	-	-	-	1584.44	4244.51	4113.47
Water Supply	1964.98	157.77	-	-	-	-	2122.75	1458.23	1422.02
Rail Road Sidings	71.06	0.00	-	-	-	-	71.06	0.01	0.01
Runways	4109.16	155.72	-	-	-	-	4264.88	1268.25	1395.47
Aircraft / Helicopters	2806.49	431.04	-	-	-	31.12	3206.41	4490.68	5070.84
<b>Total</b>	<b>197673.69</b>	<b>17713.50</b>	<b>-578.82</b>	<b>-</b>	<b>-</b>	<b>107.84</b>	<b>214700.52</b>	<b>158170.56</b>	<b>154807.48</b>
Previous Year	180713.46	17928.70	419.47	-	-	1388.01	197673.69	154807.48	-

Above includes:

Gross Value of Assets with M/s. MIDHANI

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

**31.03.14**

1195.39

354.84

**31.03.13**

1195.39

266.14

**31.03.14**

2811.64

2802.39

9.25

**31.03.13**

4539.17

3073.59

1465.58

<sup>1</sup> Gross Value of Assets retired from active use

<sup>2</sup> 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 units at Kasaragod & LO Mumbai

Also refer Note No. 34 Clauses 9, 14 and 33

## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

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

(₹ in Lakhs)

Description	As on 01.4.2013	Additions	Adjustment	As on 31.03.2014
<b>11C. Gross Carrying Amount</b>				
Development Expenditure	53405.74	8184.28	-	61590.02
Licence Fees	11552.48	156.36	-	11708.84
Computer Software	7805.89	516.07	-	8321.96
Documentation	2177.94	43.81	-	2221.75
Others	-	-	-	-
<b>Total</b>	<b>74942.05</b>	<b>8900.52</b>	<b>-</b>	<b>83842.57</b>
Previous Year	62518.78	12886.05	-462.79	74942.05
Description	As on 01.4.2013	Amortisation and Impairment Loss	Adjustment	As on 31.03.2014
<b>11D. Cumulative Amortisation</b>				
Development Expenditure	19458.86	2839.34	-	22298.20
Licence Fees	1931.11	719.45	-	2650.56
Computer Software	7006.52	603.42	-	7609.95
Documentation	506.06	130.54	-	636.60
Others	-	-	-	-
<b>Total</b>	<b>28902.55</b>	<b>4292.75</b>	<b>-</b>	<b>33195.31</b>
Previous Year	24273.78	4999.00	-370.23	28902.55

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 12 : CAPITAL WORK-IN-PROGRESS</b>		
Buildings	6330.64	3501.03
Plant, Machinery and Equipment	9485.78	1579.82
Roads and Drains	13.39	112.89
Water Supply	23.43	14.59
Plant, Machinery and Equipment under Inspection and in Transit	2620.89	5058.09
<b>Total</b>	<b>18474.13</b>	<b>10266.42</b>



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 13 : NON-CURRENT INVESTMENTS</b>		
<b>A. INVESTMENTS AT COST LESS PROVISION FOR OTHER THAN TEMPORARY DIMINUTION (TRADE / UN-QUOTED)</b>		
<b>Investment in Equity Instruments</b>		
- in Joint Ventures		
M/s. BAe-HAL Software Ltd. -29,40,000 (29,40,000 P.Y.) shares of ₹10 FV each fully paid	294.00	294.00
Less Provision for Diminution in value of Investment	-	-
Net -M/s BAe-HAL Software Ltd	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
Less Provision for Diminution in value of Investment	-	-
Net - M/s Snecma HAL Aerospace Private Ltd	1140.00	1140.00
M/s. Indo Russian Aviation Ltd. - 9,36,525 (9,36,525 P.Y.) shares of ₹ 10 FV each fully paid	93.65	93.65
Less Provision for Diminution in value of Investment	-	-
Net - M/s Indo Russian Aviation Ltd.	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
Less Provision for Diminution in value of Investment	320.43	-
Net - M/s. HALBIT Avionics Pvt. Ltd.	62.07	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
Less Provision for Diminution in value of Investment	300.00	-
Net- M/s. HAL Edgewood Technologies Pvt. Ltd.	-	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
Less Provision for Diminution in value of Investment	-	-
Net - M/s SAMTEL HAL Display Systems Ltd	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
Less Provision for Diminution in value of Investment	166.27	-
Net- M/s. INFOTECH HAL Ltd.	33.73	200.00
M/s. HATSOFF Helicopter Training Pvt. Ltd. -3,84,04,204 (3,78,19,999 P.Y.) Shares of ₹10 FV each fully paid	3840.42	3782.00
Less Provision for Diminution in value of Investment	3840.42	-
Net- M/s. HATSOFF Helicopter Training Pvt. Ltd.	-	3782.00
M/s. TATA HAL Technologies Ltd. - 50,70,000 (50,70,000 P.Y.) Shares of ₹ 10 each fully paid	507.00	507.00
Less Provision for Diminution in value of Investment	362.48	-
Net- M/s. TATA HAL Technologies Ltd.	144.52	507.00



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
M/s. International Aerospace Manufacturing Pvt. Ltd. - 42,50,000 (42,50,000 - P.Y.) Shares of ₹ 100 FV each fully paid	4250.00	4250.00
Less Provision for Diminution in value of Investment	-	-
Net-M/s International Aerospace Manufacturing Pvt Ltd	4250.00	4250.00
M/s. Multirole Transport Aircraft Ltd. - 1,13,46,564 (78,86,000 P.Y.) Shares of ₹ 100 FV each fully paid	11346.56	7886.00
Less Provision for Diminution in value of Investment	-	-
Net-M/s. Multirole Transport Aircraft Ltd.	11346.56	7886.00
<b>Sub Total (A)</b>	<b>17524.53</b>	<b>18995.15</b>
<b>B. INVESTMENTS AT COST (NON-TRADE / UN-QUOTED)</b>		
- Others		
HAE Co-operative Society - 25 (25 P.Y.) Shares of ₹ 100 FV each fully paid	0.03	0.03
M/s. Satnam Apartment Ltd. - 41 (41 P.Y.) Shares of ₹100 each at cost for acquisition of a Flat	0.07	0.07
M/s. LIC of India (For Funding Vacation Leave)	53218.22	51739.61
<b>Sub Total (B)</b>	<b>53218.32</b>	<b>51739.71</b>
<b>Total (A + B)</b>	<b>70742.85</b>	<b>70734.86</b>
<b>Disclosure</b>		
(i) Aggregate amount of Quoted Investment and Market Value.	NIL	NIL
(ii) Aggregate amount of Unquoted Investments.	75732.45	70734.86
(iii) Aggregate Provision of Diminution in value of Investments	4989.60	NIL
Refer clause No-12 of Note-34		



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 14 : LONG TERM LOANS AND ADVANCES</b>		
<b>A. Secured Considered Good</b>		
Capital Advances	503.19	762.25
Advances against Goods and Services	149.34	894.63
Employee advances <sup>5</sup>	1223.08	938.60
Other Loans Advances	186.17	-
<b>Sub Total (A)</b>	<b>2061.78</b>	<b>2595.48</b>
<b>B. Unsecured Considered Good</b>		
Capital Advances	6036.13	892.51
Security Deposit		
Government Departments for Customs Duty and for Supplies	287.88	437.18
Public Utility Concerns	2668.18	2515.56
Others	297.40	219.38
Loans and Advances to Related Parties	-	3460.56
Advances against Goods and Services	349.51	126.84
Advances against Special Tools	360.26	2105.72
Employee advances <sup>5</sup>	132.37	141.13
Other Loans and Advances	1131.37	1060.27
<b>Sub Total (B)</b>	<b>11263.10</b>	<b>10959.15</b>
<b>C. Considered Doubtful</b>		
<b>Sub Total (C)</b>	-	-
<b>TOTAL (A +B +C)</b>	<b>13324.88</b>	<b>13554.63</b>
<sup>5</sup> Amount due by the Officers of the Company at the end of the year	Nil	Nil

## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 15 : OTHER NON-CURRENT ASSETS</b>		
<b>Inventories<sup>3</sup></b>		
Raw materials and Components	29121.05	33534.36
Less: Provision for Redundancy	28452.83	23435.51
	668.22	10098.85
Stores and Spares Parts	2110.08	2392.19
Less: Provision for Redundancy	1629.86	1163.14
	480.22	1229.05
Loose Tools and Equipment	630.62	888.88
Less: Provision for Redundancy	630.62	446.51
	-	442.37
Construction Materials	1.20	1.20
Less: Provision for Redundancy	1.20	1.20
	-	-
<b>Sub Total Inventories</b>	<b>1148.44</b>	<b>11770.27</b>
<b>Long Term Trade Receivables</b>		
Secured Considered Good	-	-
Unsecured Considered Good	3298.76	4166.16
Considered Doubtful	363.68	416.18
	3662.44	4582.34
Less: Provision for Bad and Doubtful	363.68	416.18
<b>Sub Total</b>	<b>3298.76</b>	<b>4166.16</b>
Deferred Debts - 10/15 yrs	123.94	123.94
Deferred Debts - 45 yrs	316.50	340.31
<b>Claims Receivable</b>		
Considered Good	99729.78	117910.44
Considered Doubtful	4954.05	4850.01
	104683.84	122760.45
Less: Provision for Doubtful Claims	4954.05	4850.01
<b>Sub Total</b>	<b>99729.78</b>	<b>117910.44</b>
Special Tools (15C)	350151.12	324411.23
Deferred Revenue Expenditure (15A & 15B)	163167.80	159698.96
Balance with Banks <sup>4a</sup>	15.68	575000.00
Prepaid Expenses	74.35	122.64
Interest Accrued but not due	0.12	767.70
	<b>618026.49</b>	<b>1194311.63</b>
<sup>3</sup> includes those issued to Sub-Contractors for Job Works / Customers		
<sup>4a</sup> Fully Earmarked for Committed Liabilities of more than 12 months		



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

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

Description	As on 01.4.2013	Additions	Adjustment	As on 31.03.2014
<b>15A. Gross Carrying Amount</b>				
Development Expenditure	-	-	-	-
Licence Fees	230617.65	16415.80	-	247033.44
Computer Software	275.16	24.68	-	299.84
Documentation	39174.10	2200.16	-	41374.26
Others	-	-	-	-
<b>Total</b>	<b>270066.91</b>	<b>18640.64</b>	-	<b>288707.55</b>
Previous Year	258074.32	11529.80	462.79	270066.91
Description	As on 01.4.2013	Amortisation and Impairment Loss	Adjustment	As on 31.03.2014
<b>15B. Cumulative Amortisation</b>				
Development Expenditure	-	-	-	-
Licence Fees	98155.28	14117.79	-	112273.07
Computer Software	275.14	8.00	-	283.14
Documentation	11937.55	1045.99	-	12983.54
Others	-	-	-	-
<b>Total</b>	<b>110367.97</b>	<b>15171.78</b>	-	<b>125539.75</b>
Previous Year	97159.64	12838.10	370.23	110367.95

### NOTE 15 C : SPECIAL TOOLS

(₹ in Lakhs)

Description	As on 01.4.2013	Additions	Amortisation	As on 31.03.2014
<b>SPECIAL TOOLS</b>	<b>324411.23</b>	<b>49391.88</b>	<b>23651.99</b>	<b>350151.12</b>
Previous Year	302882.87	45476.24	23947.88	324411.23

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 16 : CURRENT INVESTMENTS</b>		



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 17 : INVENTORIES <sup>3</sup></b>		
Raw materials and Components	1129262.33	816408.22
Less: Provision for Redundancy	18967.04	14494.95
	<b>1110295.29</b>	<b>801913.27</b>
Work-in-Progress	790569.86	745528.00
Finished Goods	175016.38	147403.63
Stock-in-Trade	5767.19	4470.25
Stores and Spare Parts	20919.24	17268.39
Less: Provision for Redundancy	631.99	339.76
	<b>20287.25</b>	<b>16928.63</b>
Loose Tools and Equipment	7702.24	6013.63
Less: Provision for Redundancy	127.64	157.70
	<b>7574.60</b>	<b>5855.93</b>
Construction Materials	88.26	54.91
Less: Provision for Redundancy	4.08	2.72
	<b>84.18</b>	<b>52.19</b>
Disposable Scrap	1368.23	829.14
Miscellaneous Stores	15.74	18.86
Good under Inspection and in Transit		
- Raw material and Components	84978.89	52614.93
- Stores and Spare Parts	37341.62	9057.67
- Loose Tools and Equipment	1651.94	1598.98
	<b>123972.45</b>	<b>63271.58</b>
<b>Total Inventories</b>	<b>2234951.17</b>	<b>1786271.48</b>
<sup>3</sup> includes those issued to Sub-Contractors for Job Works / Customers	30935.82	24056.36
<b>NOTE 18 : TRADE RECEIVABLES</b>		
<b>(A) Debts outstanding for a period exceeding Six months from the dates they have fallen due</b>		
Secured : Considered Good	2.16	1.01
Unsecured : Considered Good	352722.69	182346.09
Considered Doubtful	948.75	405.22
	353673.60	182752.32
Less: Provision for Doubtful Debts	948.75	405.22
<b>Sub Total (A)</b>	<b>352724.85</b>	<b>182347.10</b>
<b>(B) Debts outstanding for a period less than Six months from the dates they have fallen due</b>		
Secured : Considered Good	122.64	87.31
Unsecured : Considered Good	335558.40	366682.77
<b>Sub Total (B)</b>	<b>335681.04</b>	<b>366770.08</b>
<b>TOTAL (A + B)</b>	<b>688405.89</b>	<b>549117.18</b>



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 19 : CASH AND BANK BALANCES</b>		
<b>A) CASH AND CASH EQUIVALENTS</b>		
Cash on Hand	27.65	39.90
Cheques, Drafts on Hand	0.05	2.35
Balances with Bank		
Current Account <sup>4</sup>	317.57	42878.31
Short Term Deposits	1117191.23	511376.61
<b>Sub Total (A)</b>	<b>1117536.50</b>	<b>554297.17</b>
<b>B) Other Bank Balances</b>		
Short Term Deposits	575961.90	783499.34
<b>Sub Total (B)</b>	<b>575961.90</b>	<b>783499.34</b>
<b>TOTAL CASH AND BANK BALANCES (A + B)</b>	<b>1693498.40</b>	<b>1337796.51</b>
<sup>4</sup> Refer Clause No. 10 in Note 34 - Explanatory Notes		
<b>NOTE 20 : SHORT TERM LOANS AND ADVANCES</b>		
<b>A. Secured Considered Good</b>		
Advances against Goods and Services	154697.07	186079.14
Employee advances <sup>5</sup>	1316.51	833.89
<b>Sub Total (A)</b>	<b>156013.58</b>	<b>186913.03</b>
<b>B. Unsecured Considered Good</b>		
Security Deposits		
Government Departments for Customs Duty and for Supplies	3229.44	15.36
Public Utility Concerns	44.88	39.46
Others	550.28	518.86
Loans and Advances to Related Parties	7171.83	4434.20
Advances against Goods and Services	199330.09	207281.10
Employee advances <sup>5</sup>	9323.55	3164.69
Advance Tax - (Net of Provision of Income Tax i.e. Advance Tax ₹ 83318.88 Lakhs( PY ₹ 95096.41 Lakhs) Less: Provision for Income Tax ₹ 79000.00 Lakhs( PY ₹ 72500.00 Lakhs))	4318.88	22596.41
Other Loans and Advances (includes ₹ 2011.09 Lakhs for CY( ₹ 31428.82 Lakhs for PY) towards MAT Credit entitlement)	132805.49	32063.48
<b>Sub Total (B)</b>	<b>356774.44</b>	<b>270113.56</b>
<b>C. Considered Doubtful</b>		
<b>Sub Total (C)</b>	-	-
<b>TOTAL (A +B +C)</b>	<b>512788.02</b>	<b>457026.59</b>
<sup>5</sup> Amount due by the Officers of the Company at the end of the year	-	-

## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 21 : OTHER CURRENT ASSETS</b>		
Interest Accrued and Due on Non-Current Investments and Advance to Related Party	-	4730.70
Interest Accrued and Not Due on Short Term Bank Deposits	132224.75	64642.48
<b>Claims Receivable</b>		
Considered Good	190249.71	61908.90
Considered Doubtful	3868.43	2008.49
	194118.14	63917.39
Less: Provision for Doubtful Claims	3868.43	2008.49
<b>Sub Total</b>	<b>190249.71</b>	<b>61908.90</b>
Prepaid Expenses	6308.58	1636.53
Revenue Stamps	-	0.01
Balances in Franking Machine	5.14	4.43
Current Maturities in Deferred Debt - 45 yrs	24.11	24.43
	<b>328812.29</b>	<b>132947.48</b>



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 22 : REVENUE FROM OPERATIONS</b>		
<b>a) Sale of Products</b>		
<b>Inland Sales</b>		
Finished Goods	864616.59	838192.59
Spares	172824.39	164251.25
Development	73337.18	181187.79
Miscellaneous	2407.90	2999.32
Prior Period	4775.60	-4085.53
<b>Total Inland Sales of Products</b>	<b>1117961.66</b>	<b>1182545.42</b>
<b>Export Sales</b>		
Finished Goods	22441.95	23049.18
Spares	18411.05	13451.49
Development	-	21.86
Prior Period	-	-6.90
<b>Total Export Sales of Products</b>	<b>40853.00</b>	<b>36515.63</b>
<b>Total Sale of Products (a)</b>	<b>1158814.66</b>	<b>1219061.05</b>
<b>b) Sale of Services</b>		
<b>Inland Sale of Services</b>		
Repair and Overhaul	346717.55	276656.66
Other Services	3618.71	4072.90
Prior Period	491.96	-69193.78
<b>Total Inland Sales of Services</b>	<b>350828.22</b>	<b>211535.78</b>
<b>Export Sale of Services</b>		
Repair and Overhaul	2907.97	1736.47
Other Services	240.31	29.31
Prior Period	3.11	-
<b>Total Export Sales of Services</b>	<b>3151.39</b>	<b>1765.78</b>
<b>Total Sales of Services (b)</b>	<b>353979.61</b>	<b>213301.55</b>
<b>Total Sales (a+b)</b>	<b>1512794.27</b>	<b>1432362.60</b>
<b>c) Other Operating Revenues</b>		
(i) Disposal of Scrap and Surplus / Unserviceable Stores	795.12	565.90
<b>Total Operating Revenues</b>	<b>795.12</b>	<b>565.90</b>
<b>Gross Revenue from Operations (d) = (a+b+c)</b>	<b>1513589.39</b>	<b>1432928.49</b>
Sale of Stock In Trade Products	88483.65	94256.02



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 23 : OTHER INCOME</b>		
Interest Income		
Short term Deposits / Loans	206535.19	231626.56
Sundry Advances - Employees	112.81	87.54
Other Deposits	110.92	87.07
Less: Interest Liability to Customer	3889.22	1345.86
	<b>202869.70</b>	<b>230455.31</b>
Dividend Income		
Dividend Income from JVs	188.61	93.65
Transportation - Employees	132.13	100.04
Canteen	47.79	43.13
Other Welfare Schemes	1640.97	1457.16
Profit on Sale of Assets (Net)	-35.99	809.29
Miscellaneous <sup>6</sup>	56569.69	87014.29
Gain on Foreign Currency Transaction and Translation	0.00	2155.86
Prior Period Items*	434.22	9446.16
	<b>261847.12</b>	<b>331574.89</b>
<sup>6</sup> Includes Provision no Longer Required	45265.50	89786.65
* Includes ₹1199.64 lakhs being accumulated unspent balance lying in Corporate Social Responsibility & Sustainable Development provisions as on 31.03.2013		
<b>NOTE 24 : COST OF MATERIAL CONSUMED</b>		
<b>CONSUMPTION OF RAW MATERIAL, COMPONENTS, STORES AND SPARE PARTS <sup>7</sup></b>		
Opening Stock	869659.26	661392.28
Add: Purchases	1189566.73	931292.87
Add: Subcontracting, Fabrication and Machining Charges.	20205.30	16251.37
Less: Closing stock	1181502.14	869659.26
	<b>897929.15</b>	<b>739277.25</b>
Less: Transfer to		
Special Tools and Equipment	44498.81	40550.93
Development Expenditure	620.76	404.41
Expense Accounts and Others	16873.44	10491.60
	<b>61993.01</b>	<b>51446.94</b>
	<b>835936.14</b>	<b>687830.31</b>
<sup>7</sup> includes Prior Period Items	268.32	-
<b>NOTE 24A : PURCHASE OF STOCK-IN-TRADE</b>		
Purchase of Stock-in-Trade	78908.79	113013.63



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 25 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS, STOCK-IN-TRADE AND SCRAP</b>		
<b>(A) CHANGE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK IN TRADE</b>		
<b>Accretion / Decretion</b>		
Opening Balance		
(i) Finished Goods	147403.63	169968.96
(ii) Work-in-progress <sup>8</sup>	745528.00	736552.76
(iii) Stock in Trade	4470.25	3060.43
	<b>897401.88</b>	<b>909582.15</b>
Closing Balance		
(i) Finished Goods	175016.38	147403.63
(ii) Work-in-progress <sup>8</sup>	790569.86	745528.00
(iii) Stock in Trade	5767.19	4470.25
	<b>971353.43</b>	<b>897401.88</b>
<b>Accretion / Decretion</b>	<b>73951.55</b>	<b>-12180.27</b>
<b>(B) CHANGE IN DISPOSABLE SCRAP</b>		
Opening Balance	829.14	701.92
Closing Balance	1368.23	829.14
<b>Accretion / Decretion</b>	<b>539.09</b>	<b>127.22</b>
<b>TOTAL (A+B)</b>	<b>74490.64</b>	<b>-12053.06</b>
<sup>8</sup> includes Prior Period Items	4258.27	-
<b>NOTE 26 : EMPLOYEES BENEFIT EXPENSES<sup>9</sup></b>		
Salaries and Wages	238479.77	211472.64
Contribution to Provident and Other Funds		
Contribution to Provident Fund	16499.47	14928.98
Contribution to Gratuity	2291.45	4203.47
Staff Welfare Expenses	10607.21	13597.53
Rent for Hiring Accomodation for Officers / Staff	636.58	430.21
Prior Period	29.56	-
	<b>268544.04</b>	<b>244632.83</b>
<sup>9</sup> Includes Directors' Remuneration		
Salaries	185.14	221.93
Contribution to Provident Fund	14.36	15.31
<b>NOTE 27 : FINANCE COST</b>		
Interest Expense		
- Interest on Short Term Loans	97.18	-
	<b>97.18</b>	<b>-</b>
<b>NOTE 28 : DEPRECIATION AND AMORTISATION EXPENSES</b>		
<b>A. DEPRECIATION ON ASSETS</b>	17134.68	18348.17
<b>B. AMORTISATION</b>	43116.53	41784.98
<b>TOTAL (A + B)</b>	<b>60251.21</b>	<b>60133.15</b>

## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 29 : OTHER EXPENSES</b>		
Shop Supplies	9718.26	9517.77
Power and Fuel	17308.51	16055.33
Water Charges	4379.14	3738.70
Rent for Office Premises etc.	187.71	97.69
Travelling (includes Foreign Travel)	8041.97	7186.35
Training (includes Foreign Training)	1541.97	1036.54
Repairs:		
Buildings	5597.21	5244.92
Plant, Machinery and Equipment	11157.72	10033.66
Others	5831.99	4294.44
Expenses on Tools and Equipment	8645.43	7481.65
Insurance	1712.55	2029.78
Rates and Taxes	844.37	1653.79
Postage and Telephones	822.88	811.83
Printing and Stationery	1215.94	1043.80
Publicity	1055.96	1738.34
Advertisement	1140.93	1247.59
Bank Charges	730.52	544.18
Loss on Foreign Currency Transaction and Translation (Net)	7560.93	-
Legal Expenses	183.32	157.52
Auditors' Remuneration:		
For Audit Fee	25.19	25.19
For Tax Audit	3.51	2.67
For Other Services	49.63	0.83
Selling Agents Commission	396.39	146.16
Donations	61.82	128.16
Handling Charges	266.91	259.78
Write Off:		
Fixed Assets	3.85	-
Stores	176.34	170.59
Others	0.22	2.80
Freight and Insurance	1016.33	1054.75
Liquidated Damages	10393.42	12379.98
JWG share of Profit	337.63	233.93
Cost of Warranty	11695.70	9460.44
Other Operating Expenses <sup>10</sup> #	23804.78	20237.62
Prior Period Items*	3468.36	582.28
	<b>139377.39</b>	<b>118599.06</b>
<sup>10</sup> includes Director's Sitting Fees	<b>17.60</b>	<b>20.20</b>
* Includes an amount of ₹ 3353.67 lakhs provided towards payment to DSC corps from 2011-12 to 2012-13		
# Includes an amount of ₹ 2228.49 lakhs provided towards payment to DSC corps for 2013-14		



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 30 : DIRECT INPUT TO WIP AND EXPENSES CAPITALISED</b>		
<b>A) DIRECT INPUT TO WIP</b>		
Project related Travel	1136.42	1241.36
Project related Training	964.30	717.88
Project related other Expenditure	1397.40	3363.29
Travel outstation jobs	128.38	26.07
Royalty	999.41	1283.48
Foreign Technician Fee	4312.85	1909.28
Ground Risk Insurance	2192.99	1850.17
Quality Audit Expenses	27.77	7.31
Collaboration Charges	-	31.96
Design and Development	4276.16	1240.47
Sundry Direct Charges - Others	18118.21	115532.29
<b>Sub Total (A)</b>	<b>33553.89</b>	<b>127203.56</b>
<b>B) EXPENSES CAPITALISED</b>		
Licence Fees	16572.17	10109.44
Computer software	540.75	412.35
Documentation	2243.97	2325.18
<b>Sub Total (B)</b>	<b>19356.89</b>	<b>12846.97</b>
<b>Total (A + B)</b>	<b>52910.78</b>	<b>140050.53</b>
<b>NOTE 31 : PROVISIONS</b>		
Replacement and Other Charges	17014.26	13868.00
Warranty	32109.10	31985.61
Raw Materials and Components, Stores and Spare parts and Construction Materials	12032.25	6468.70
Liquidated Damages	30166.33	17775.33
Doubtful Debts	712.11	6.27
Doubtful Claims	2269.69	2288.46
Diminution in the value of long term Investments	4989.60	-
Corporate Social Responsibility & Sustainable Development	-	1574.00
<b>Total</b>	<b>99293.34</b>	<b>73966.37</b>
<b>NOTE 32 : EXPENSES RELATING TO CAPITAL AND OTHER ACCOUNTS</b>		
Expenses allocated to:		
Deferred Revenue Expenditure	19356.89	12846.96
Special Tools	4893.08	4925.32
Capital Works	6999.42	-
Development Expenditure	7563.52	11164.48
Warranty	11695.70	9460.44
Others	-7237.99	-2774.90
	<b>43270.62</b>	<b>35622.30</b>
<b>Prior Period</b>	1155.68	-



## NOTES

Forming part of the Accounts as at 31<sup>st</sup> March, 2014

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>NOTE 33 : PRIOR PERIOD GAIN / (EXPENSE)</b>		
<b>(A) Income</b>		
Inland Sales	5267.56	-73279.31
Export Sales	3.11	-6.90
Other Income*	434.22	9446.16
<b>Sub Total (A)</b>	<b>5704.89</b>	<b>-63840.05</b>
<b>(B) Expenditure</b>		
Consumption of Raw Material, Components, Stores and Spare Parts	268.32	-
Amortisation	80.58	252.40
Expenses relating to Capital & Other Accounts	1155.68	-
Salaries and Wages	29.56	-
Depreciation	-578.82	419.47
Increase / Decrease in FG/WIP	4258.27	-
Other Expenses	3468.36	582.28
<b>Sub Total (B)</b>	<b>8681.95</b>	<b>1254.15</b>
<b>Total (A - B)</b>	<b>-2977.06</b>	<b>-65094.20</b>
* Includes ₹1199.64 lakhs being accumulated unspent balance lying in Corporate Social Responsibility & Sustainable Development provisions as on 31.03.2013 ( Refer Note-23)		



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>Mandatory Disclosures</b>		
<b>Contingent Liabilities Not Provided For:</b>		
<b>1 Outstanding Letters of Credit and Guarantees</b>		
(i) Letters of Credit	115769.28	82576.66
(ii) Guarantees	534367.80	335395.22
<b>Total</b>	<b>650137.08</b>	<b>417971.88</b>
Non-fund based limits from Consortium Bankers, State Bank of India, Punjab National Bank, Indian Bank, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala, State Bank of Bikaner & Jaipur, State Bank of Travancore, Export Import Bank of India, Bank of Baroda, Indian Overseas Bank, Union Bank of India and Syndicate Bank are secured by hypothecation of Inventories and all Receivables.		
Claims / Demands against the Company not acknowledged as Debts (Net of Payments):		
(i) Sales Tax / Entry Tax (Refer Clause 40(a&b))	61705.63	265931.21
(ii) Income Tax	41045.41	71746.59
(iii) Municipal Tax	857.34	53.72
(iv) Service Tax (Refer Clause 40(a&b))	123210.88	88692.11
(v) Liquidated Damages (Refer Clause 50)	106743.05	120420.80
(vi) Customs Duty	20491.33	-
(vii) Others	9511.10	8529.86
<b>Total</b>	<b>363564.74</b>	<b>555374.29</b>
<b>2 Commitments</b>		
Estimated amount of contracts remaining to be executed and not provided for		
i) on Capital Account	53293.08	20379.82
ii) towards Joint Ventures	139155.87	139154.29
iii) towards purchase of Inventory, Services, Employee Contracts etc.	850831.20	687961.47
<b>Total</b>	<b>1043280.15</b>	<b>847495.58</b>
<b>3 Value of Imports calculated on CIF basis:</b>		
(i) Raw Materials	842273.60	605939.00
(ii) Components and Spare parts	328923.86	216563.41
(iii) Capital Goods	9439.83	9404.65
(iv) Special Tools	32151.98	34358.67
<b>Total</b>	<b>1212789.27</b>	<b>866265.73</b>
<b>4 Raw Materials, Spare Parts and Components consumed :</b>		
(i) Imported (including Customs Duty)	804619.00	671191.83
(In % to total)	89.61	90.79
(ii) Indigenous	93310.15	68085.42
(In % to total)	10.39	9.21
<b>Total (Gross)</b>	<b>897929.15</b>	<b>739277.25</b>
(Total %)	100.00	100.00

**NOTE 34: EXPLANATORY NOTES**

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>5</b> Expenditure in Foreign currency on account of		
(i) Royalty	170.99	1002.76
(ii) License Fee	14070.48	10016.14
(iii) Documentation	4459.88	115016.36
(iv) Professional, Consultancy and Foreign Technician Fees	5086.01	1899.13
(v) Foreign Travel	1767.52	923.52
(vi) Others	1775.97	2746.70
<b>Total</b>	<b>27330.85</b>	<b>131604.61</b>
<b>6</b> Earnings in Foreign Exchange :		
(i) Export on FOB Basis	40852.01	36507.57
(ii) Services	3146.06	1762.39
<b>Total</b>	<b>43998.07</b>	<b>38269.96</b>
<b>7</b> The effect on Profit due to Prior Period Transactions	-2977.06	-65094.20
<b>8</b> Impact on Profit due to Changes in Accounting Policies :	-	33583.85
The Company had changed following accounting policies during the previous year 2012-13, which had impacted profits for that year as stated below:		
<b>a</b> 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 had impacted by way of increase in the profit for the year 2012-13 by	-	32999.23
<b>b</b> Prior to 1st April 2012, the Company was 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 2012-13, these expenditure are charged to revenue on incurrance 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 had impacted by way of increase in profit for the year 2012-13. The same accounting practice is continued for the year 2013-14 also.	-	584.62



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
	For 31 <sup>st</sup> March, 2014 & 31 <sup>st</sup> March, 2013	
	Rate being charged	Schedule XIV Rate
<p><b>9</b> 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:</p> <p><b>Assets</b></p> <p>Computers (Capitalised on or after 1-4-93)</p> <p>CNC Machines</p> <p>Plant and Equipment (Where no extra shift depreciation is allowable under Sch XIV of the Companies Act)</p> <p>Electrical/ Battery / Fuel Cell powered Vehicles</p> <p>Fixed Assets costing ₹ 10,000/- and below are depreciated fully in the year of purchase</p>		
	31.70%	16.21%
	16.21%	7.42%
	7.42%	4.75%
	11.31%	7.07%
<p><b>10</b> Bank Balances in Note No. 19 include</p> <p>Balances in Current Account with Foreign Banks</p> <p>SBI Paris</p> <p>SBI London</p> <p>JSC VTB Bank, Moscow</p> <p>Maximum balance outstanding during the year</p> <p>SBI Paris</p> <p>SBI London</p> <p>JSC VTB Bank, Moscow</p>		
	107.79	35.97
	19.93	26.87
	35.30	22.09
	259.56	149.71
	321.25	306.51
	45.26	47.15
<p><b>11</b> Exemption had been granted to the Company from compliance of the provisions 3(i)(a), 3(ii)(a)(1), 3(ii)(a)(2), 3(ii)(d) and 4C contained in Part II of the erstwhile Schedule VI to the Companies Act, 1956 vide Ministry of Law, Government of India letter no. 3/33/72-CL VI dated 06/06/1974. The Company based on the erstwhile Schedule VI exemption has not disclosed Rawmaterials under broad heads as required under General instructions for preparation of Statement of Profit &amp; Loss vide paragraphs , 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 &amp; 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.</p>		



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013														
<p><b>12</b> Long Term Investments are carried at cost. Any diminution other than temporary in nature is provided. During the period under report, an amount of ₹ 4989.60 lakhs has been provided as diminution in the value of investment in the following Joint Venture Companies.</p> <table border="0"> <tr> <td>Name of the Joint Venture</td> <td>Amount Provided</td> </tr> <tr> <td>M/s HALBIT Avionics Private Limited</td> <td>320.43</td> </tr> <tr> <td>M/s HAL Edgewood Technologies Private Limited</td> <td>300.00</td> </tr> <tr> <td>M/s Infotech HAL Limited</td> <td>166.27</td> </tr> <tr> <td>M/s HATSOFF Helicopter Training Limited</td> <td>3840.42</td> </tr> <tr> <td>M/s TATA HAL Technologies Limited</td> <td>362.48</td> </tr> <tr> <td>Total</td> <td>4989.60</td> </tr> </table> <p>Diminution in value of investments in IAMPL, MTAL &amp; SAMTEL is considered as temporary and hence no provision is made.</p>	Name of the Joint Venture	Amount Provided	M/s HALBIT Avionics Private Limited	320.43	M/s HAL Edgewood Technologies Private Limited	300.00	M/s Infotech HAL Limited	166.27	M/s HATSOFF Helicopter Training Limited	3840.42	M/s TATA HAL Technologies Limited	362.48	Total	4989.60	4989.60	-
Name of the Joint Venture	Amount Provided															
M/s HALBIT Avionics Private Limited	320.43															
M/s HAL Edgewood Technologies Private Limited	300.00															
M/s Infotech HAL Limited	166.27															
M/s HATSOFF Helicopter Training Limited	3840.42															
M/s TATA HAL Technologies Limited	362.48															
Total	4989.60															
<p><b>Disclosures as per Accounting Standards</b></p>																
<p><b>13</b> As per AS-11 relating to Accounting for the effects of changes in the Foreign Exchange rates,</p> <p>(a) Exchange rate variation recognised in Statement of Profit and Loss towards Capital Assets</p> <p>(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)</p> <p>(c) Net Gain / -Loss on Foreign Currency Transaction and Translation</p>	-114.77	51.06														
<p><b>14</b> Fixed Assets aquired with financial assistance / subsidy from outside agencies either wholly or partly are capitalised at net cost to the company. Gross block does not include Assets given by the customer for use of their jobs by the Company</p>	88554.19	78274.35														



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<p><b>15</b> DRE under Note 15A and 15B represents items funded by the Customers and are amortised over production based on technical estimates which may or may not exceed 10 years and to the extent not amortised are carried forward</p>		
<p><b>16</b> As per AS-12 relating to Accounting for Government Grants, amount of Grants received for Fixed Assets during the year</p>	-	-
<p><b>17</b> 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.</p>	188.61	93.65
<p><b>18</b> Provision for Gratuity and Vacation Leave has been made based on Actuarial Valuation. The date of Actuarial valuation is of 31st March.</p> <p><b>Employee Benefits:</b></p> <p>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:</p> <p><b>A Gratuity:</b></p> <p>The Company has a Gratuity Scheme for its employees, which is a funded plan. Every year the Company funds to the Gratuity Trust to the extent of shortfall of the assets over the fund obligations, which is determined through actuarial valuation. As per the Gratuity Scheme, Gratuity is payable to an employee on the cessation of his employment after he has rendered continuous service for not less than 5 (five) years in the Company. For every completed year of service or part thereof in excess of six months, the Company shall pay Gratuity to an employee at the rate of 15 (fifteen) days' emoluments based on the emoluments last drawn with a ceiling of ₹ 10 (Ten) Lakhs.</p> <p>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:</p>		

## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>Gratuity:</b>		
(i) Change in Benefit Obligations :		
Present Value of Obligation (PVO) as at the beginning of the year	75400.61	71692.63
Current Service Cost	2997.81	2878.26
Interest Cost	5707.14	5643.82
Actuarial (Gain) / Loss	942.74	4190.79
Benefits Paid	-8622.38	-9004.89
Present Value of Obligation as at the end of the period	76425.92	75400.61
(ii) Change in Fair Value of Plan Assets :		
Fair Value of Plan Assets at the beginning of the year	71197.14	69492.16
Expected return on Plan Assets	5867.54	5743.72
Contributions	4203.47	2200.47
Benefit Paid	-8622.38	-9004.89
Actuarial Gain / (Loss) on Plan Assets	1488.69	2765.67
Fair Value of Plan Assets at the end of the year	74134.46	71197.13
(iii) Expenses Recognised in the Statement of Profit and Loss :		
Current Service Cost	2997.81	2878.26
Interest Cost	5707.14	5643.82
Expected return on Plan Assets	-5867.54	-5743.72
Net Actuarial (Gain) / Loss recognised in the period	-545.96	1425.11
Expenses Recognised in the Statement of Profit and Loss	2291.45	4203.47
Actual Return on Plan Assets	7356.24	8509.39
(iv) Amounts Recognised in Balance Sheet :		
Present Value of Obligation as at the end of the period	76425.91	75400.61
Fair Value of Plan Assets at the end of the Period	-74134.46	71197.14
Liability recognised in Balance Sheet	2291.45	4203.47
(v) Category of Assets as at March 31 :		
Government of India Securities	4865.00	4925.00
High Quality Corporate Bonds		500.00
Investment with Insurer	76405.45	73737.44
Dues to HAL	-7469.93	-8402.09
Others	333.95	436.79
	<b>74134.47</b>	<b>71197.14</b>
(vi) Reconciliation of Net Liability for the period :		
Opening Net Liability	4203.47	2200.47
Add: Employee Benefit Expenses for the period	2291.45	4203.47
Less: Contributions by Employer	4203.47	2200.47
Closing Net Liability	2291.45	4203.47



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	For the period ended				
	31st March, 2014	31st March, 2013	31st March, 2012	31st March, 2011	31st March, 2010
(vii) Experience Adjustments :					
Defined Benefit Obligation	76425.91	75400.61	71692.64	71145.65	46917.66
Plan Assets	74134.46	71197.14	69492.17	55429.01	41663.98
Surplus/(Deficit)	-2291.45	-4203.47	-2200.47	-15716.64	-5253.68
Experience Adjustment on Plan Liabilities	6175.47	1979.81	3228.70	14750.16	7648.66
Experience Adjustment on Plan Assets	1488.70	2765.67	3560.75	2046.42	1632.25

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
(viii) Principal Assumptions :		
Discounting Rate	9.00%	8.05%
Salary escalation rate	6.00%	6.00%
Expected rate of return on Plan Assets	9.00%	9.00%
<b>B Compensated Absences</b>		
The Actuarial Liability of Accumulated absences of the employees of the Company as at March 31	56993.39	53220.57
Discounting Rate	9.00%	8.05%
Salary escalation rate	6.00%	6.00%
Retirement Age	60 Years	60 Years
<b>19</b> As per AS-16 relating to Borrowing Costs, borrowing cost capitalised during the year.	-	-
<b>20</b> Keeping in view the nature of business and the sensitive nature of disclosure, it is considered prudent not to disclose information required as per Accounting Standard - 17 regarding Segment Reporting. Such non-disclosure does not have any financial effect on the Accounts of the Company.	-	-



## NOTE 34: EXPLANATORY NOTES

### 21A : DISCLOSURE RELATING TO AS-18 ON RELATED PARTY DISCLOSURES

(₹ in Lakhs)

(a)	The name of the transacting related party	M/s. Indo Russian Aviation Limited	M/s. BAE HAL Software Limited	M/s. Snecma HAL Aerospace Private Limited	M/s. SAMTEL HAL Display Systems Limited	M/s. HAL-Edgewood Technologies Private Limited	M/s. HALBIT Avionics Private Limited	M/s. Infotech HAL Limited	M/s. HATSOFF Helicopter Training Private Ltd.	M/s. Tata HAL Technologies Ltd.	M/s. International Aerospace Manufacturing Pvt. Ltd.	M/s. Multirole Transport Aircraft Ltd.
(b)	Description of the relationship between the parties	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture
(c)	Description of the nature of the transactions	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services	Purchase of goods and services
(d)	Volume of the transactions either as an amount or as an appropriate proportion (Previous Year)	8232.78 (3940.37)	1134.40 (911.72)	-	2011.56 (2294.78)	72.59	257.39 (182.11)	52.93 (9.32)	46.29	87.15 (65.70)	705.83 (134.01)	-
(e)	Amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date (Previous Year)	1852.28 (365.01)	217.01 (124.33)	-	15.91	192.82 (156.27)	4.42 (3.69)	-	241.15 (175.56)	-	429.66 (195.95)	3.76 (2.51)
(f)	Rent Received (Previous Year)	-	114.00 (114.00)	-	-	29.96 (29.49)	27.74 (27.74)	-	75.56 (78.84)	-	118.69 (110.93)	13.97 (5.59)
(g)	Advances Paid on Purchases Outstanding as on 31.03.2014 (Previous Year)	27.25 (26.99)	-	-	-	-	7144.58 (4407.21)	-	-	-	-	-
(h)	Interest Received on Loans (Previous Year)	-	-	-	-	-	-	-	-	-	-	-
(i)	Dividend on Investments (Previous Year)	159.21 (93.65)	29.40	-	-	-	-	-	-	-	-	-

(j) Key management personal of the company in Joint Ventures are as follows

Dr. A.K. Mishra	- Director (Finance)	- Till 30.11.2012
Shri P.V. Deshmukh	- Managing Director (MiG Complex)	- Till 31.05.2013
Shri P.Soundara Rajan	- Managing Director (Helicopter Complex)	
Shri T. Suvarna Raju	- Director (D&D) & Additional Charge of Managing Director (Helicopter Complex)	
Shri S.K. Jha	- Managing Director (Accessories Complex)	- Till 31.07.2013
Shri K. Naresh Babu	- Managing Director - (Bangalore Complex) & Additional Charge of Director (Corporate Planning & Marketing)	
Shri S. Subrahmanyam	- Managing Director - (MiG Complex)	- From 01.12.2012

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



## NOTE 34: EXPLANATORY NOTES

### 21 B Disclosure with regard to Joint Ventures

(₹ in Lakhs)

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	2768.05	9989.38	5205.62	1294.85	1160.85	3960.37	291.86	23799.86	585.44	18512.35	27128.07
(Previous Year)	(2518.35)	(8231.66)	(4634.15)	(1141.43)	(1721.20)	(4255.26)	(163.89)	(24667.90)	(650.00)	(10675.29)	(22893.33)
Total Liabilities	2768.05	9989.38	5205.62	1294.85	1160.85	3960.37	291.86	23799.86	585.44	18512.35	27128.07
(Previous Year)	(2518.35)	(8231.66)	(4634.15)	(1141.43)	(1721.20)	(4255.26)	(163.89)	(24667.90)	(650.00)	(10675.29)	(22893.33)
Total Income	2562.99	10283.13	5026.09	1823.90	305.26	4266.25	294.62	1785.20	931.36	5121.55	530.16
(Previous Year)	(2305.28)	(6541.94)	(4413.88)	(2436.09)	(13.54)	(4707.18)	(276.13)	(1593.16)	(564.15)	(330.19)	(254.94)
Dividend Declared	-	125%	-	-	-	-	-	-	-	-	-
(Previous Year)	(10%)	(110%)	-	-	-	-	-	-	-	-	-
Dividend Amount	29.40	159.21	-	-	-	-	-	-	-	-	-
(Previous Year)	-	(93.65)	-	-	-	-	-	-	-	-	-
Contingent Liability	-	877.61	145.69	-	-	2763.68	-	380.59	-	263.60	-
(Previous Year)	(415.20)	(946.90)	(446.40)	-	(10.88)	(2763.68)	-	(436.57)	-	(93.71)	-
<p>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. Information pertaining to M/s SNECMA HAL for the current year is for 9 months (Balance-Sheet dated 31.12.2013) and for previous year 12 months (Balance Sheet dated 31.03.2013)</p>											

## NOTE 34: EXPLANATORY NOTES

### 22 Key Management Personnel in the Company

(₹ in Lakhs)

Particulars	2013-14			2012-13		
	Salary	Company Contribution to PF / Gratuity	Total	Salary	Company Contribution to PF / Gratuity	Total
(i) Dr. R. K. Tyagi, Chairman	29.25	2.33	31.58	33.89	2.06	35.95
(ii) Shri V.M. Chamola, Director (HR)	33.98	2.08	36.06	31.42	1.81	33.23
(iii) Dr. A.K. Mishra, Director(Finance)	43.53	2.07	45.60	28.23	1.81	30.04
(iv) Shri K.Naresh Babu, MD(BC) & D(CP&M)	38.79	2.04	40.83	21.58	1.83	23.41
(v) Shri S.K. Jha, MD(A)	43.17	10.84	54.01	33.03	2.13	35.16
(vi) Shri P.Soundara Rajan, Managing Director (Helicopter Complex)	25.35	10.52	35.87	37.90	1.93	39.83
(vii) Shri P.V. Deshmukh, Ex- MD(M)	-	-	-	23.11	1.29	24.40
(viii) Shri S. Subrahmanyam, MD(M)	29.78	1.97	31.75	11.08	0.61	11.69
(ix) T Suvarna Raju, Director (D&D)	32.09	2.03	34.12	22.05	1.84	23.89
	<b>275.94</b>	<b>33.88</b>	<b>309.82</b>	<b>242.29</b>	<b>15.31</b>	<b>257.60</b>



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>23 As per AS-20 relating to Earnings per Share (Basic and Diluted)</b>		
Profit Before Tax	357768.52	349697.03
Provision for Taxation	88516.84	50005.63
Net Profit After Tax	269251.68	299691.40
Number of Equity Shares of Face Value of ₹10/- each fully paidup	482000000	482000000
*(The Company has issued 361500000 bonus shares during the year 2013-14)		
Earnings per Share (in Rupees) - Basic and Diluted	<b>55.86</b>	<b>62.18</b>
<b>24 Break-up of Deferred Tax Liabilities and Assets are given below:</b>		
<b>Deferred Tax Liability</b>		
Depreciation Incl. Deferred Revenue Expenditure Amortisation	73905.62	70581.27
Special Tools and Equipment	116760.26	106652.43
Accrued Leave Salary	-	-
<b>TOTAL</b>	<b>190665.88</b>	<b>177233.7</b>
<b>Deferred Tax Asset</b>		
Carry Forward Loss	-	-
Accrued Leave Salary	18938.93	17656.56
Provision against Trade Receivables/Claims	3071.68	2240.73
Statutory Payments	495.25	229.25
Gratuity	-	475.07
<b>TOTAL</b>	<b>22505.86</b>	<b>20601.61</b>
<b>Deferred Tax Liability</b>		
Opening Balance	177233.70	167290.20
Addition / Reversal during the year	13432.18	9943.50
<b>Total Deferred Tax Liability</b>	<b>190665.88</b>	<b>177233.70</b>
<b>Deferred Tax Assets</b>		
Opening Balance	20601.61	19592.56
Addition during the year	1904.25	1009.05
<b>Total Deferred Tax Assets</b>	<b>22505.86</b>	<b>20601.61</b>
<b>Net Deferred Tax Liability</b>	<b>168160.01</b>	<b>156632.08</b>
<b>25 A.</b> 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 expenditure on Grant-in-aid received from Government of India towards R&D as Taxable for the Assessment Years 2005-06 to 2007-08 and 2009-10 to 2011-12, which are under Appeal by the Company before Appellate Authorities and for the Assessment years 2012-13 and 2013-14 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. The amount of ₹ 41045.41 Lakhs is disclosed in Contingent liability		



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<p><b>25 B.</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 ₹ 2011.09 Lakhs (PY ₹ 31428.82 Lakhs) is recognized as an Asset in the Accounts.</p> <p><b>26 A. Disclosure with regard to Joint Working Groups</b> HAL has entered into a Joint Working Agreement with Air India to start Ramp Handling Business and with MSIL 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.</p> <p>Share of income from Joint Working Groups of the company with Air India, MSIL and HALCON :</p> <p>Air India</p> <p>MSIL</p> <p>HALCON</p>		
	117.20	154.64
	4.24	0.26
	216.19	79.04

\*The Joint working agreement with HAL & MSIL has expired on 31.03.2014 and settlement of accounts pending

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

(₹ in Lakhs)

Name of the Joint Working Group	AIJWG		ACCJWG		HALCON	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
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	1969.81	2030.48	728.44	672.61	1443.77	786.78
Total Liabilities	1969.81	2030.48	728.44	672.61	1443.77	786.78
Income - Company's Share	328.88	394.73	330.40	337.21	760.92	327.08
Expenditure - Company's Share	211.68	240.09	326.17	336.95	544.73	248.04
Profit / (Loss) Company's Share	117.20	154.64	4.24	0.26	216.19	79.04
Contingent Liability	-	-	-	-	-	-
The information pertaining to Joint Working Group is based on Audited Accounts for the current year and the previous year.						



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<p><b>27 Useful life / Amortisation rate used for Deferred Revenue Expenditure (DRE) Assets</b></p> <p>Development Expenditure is amortised over a period not exceeding 10 years. Cost of software which is not an integral part of the related hardware is amortised over a period not exceeding 3 years. Other DRE Assets are amortised over production on technical estimates and to the extent not amortised, are carried forward. For SU-30 Project, Sea King Project, ALH Project and Cheetah / Chetak Projects, DRE Assets are being amortised on the number of units produced based on programmes which at present exceeds 10 years.</p>		
<p><b>28 As per AS - 28 on Impairment Loss - the Impairment Loss recognised in the Books of Accounts</b></p>	NIL	NIL

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

### Research and Development Expenditure

(₹ in Lakhs)

Expenditure in R&D included in :	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
Raw Material Consumption	30457.14	24421.72
Direct Expenses	23402.66	119553.04
Salaries and Wages	36551.90	34837.28
Other Expenses	8221.85	6494.43
Interest	-	-
Depreciation and Amortisation	2359.26	2256.42
Provisions	504.65	512.83
Inter Services /Common Services	6828.61	6819.19
<b>Total R &amp; D Expenditure</b>	<b>108326.07</b>	<b>194894.91</b>

## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

**30** As per AS 29 relating to Provisions, Contingent Liability and Contingent Assets - the movement of provisions in the Books of Accounts is as follows

Nature of Provision	Opening Balance	Provision made during the year	Utilisation/ Reversal during the year	Closing Balance
Provision for Warranty Charges	83703.85	32109.10	27641.80	88171.15
	(101182.31)	(31985.61)	(49464.07)	(83703.85)
Provision for Replacement and Other Charges	41871.83	17014.26	8719.96	50166.13
	(38763.61)	(13868.00)	(10759.78)	(41871.83)
Provision for Claims	6858.50	2269.69	305.71	8822.48
	(4642.34)	(2288.46)	(72.30)	(6858.50)
Provision for Liquidated Damages	24320.62	30166.33	6748.47	47738.48
	(29642.85)	(17775.33)	(23097.56)	(24320.62)

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>31</b> Sales include delivery of one ALH manufactured for IAF and diverted to Indian Navy for supply to Maldives pending finalization of contract with Indian Navy. As the prices are yet to be agreed with the customer, sales are set up on provisional basis.	9556.45	-
<b>32</b> 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 31st March, 2013	-	3460.56
<b>33</b> Total Land held (in Acres). (Refer Note -11A)	11275.34	11275.34



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	Division	Assets	Acres	Amount
<b>33.1</b> 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
			(736.62)	(308.98)
	Kanpur (Previous Year)	Building	-	35.33
			-	(35.33)
<b>33.2</b> Land has been handed over /earmarked to the Government / other agencies pending execution of instruments of transfer	FMD/ Nasik/ Korwa/ Engine/ Koraput	Land	275.90	56.58
	(Previous Year)		(275.90)	(56.58)
<b>33.3</b> Land has been given on lease to the Government/ other agencies	FMD/ Nasik/ Lucknow/ Kanpur (Previous Year)	Land	1074.72	-
			(1074.72)	-

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<p><b>33.4</b> 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 ₹ 30.50 Lakhs (Previous year ₹ 30.00 Lakhs) has been made. The transfer of the land is being pursued with Defence Estate Officer, Kolkata. The above does not include 7.115 acres of Land received from Army in exchange of 5 acres of Land at Bangalore which was received free of cost from State Govt. before 31st March 1969. Since the value of 5 acres land was NIL, the value of 7.115 acres land received in exchange of 5 acres land is also taken as NIL.</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>Land under Fixed Assets includes Land taken on lease for Liason Office Mumbai at a cost of ₹ 2.68 lakhs (including development cost and area 0.06 acres). This cost is amortised over the lease period of 30 years. The Lease charges for the year amounting to ₹ 0.09 lakhs (PY ₹ 1.16 lakhs) has been considered under Depreciation for the year.</p>		



**NOTE 34: EXPLANATORY NOTES**

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<p><b>33.5</b> a FMD Division is holding 2099.831 Acres (2099.831 acres) land of which 11.959 Acres (12.1844 Acres) is under litigation/encroachment with third parties and 10.152 Acres(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) An amount of ₹ 1782.64 Lakhs (₹ 1659.08 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>d) 1.339 acres of land encroached by 7 persons in Nasik Division.</p> <p>e) Further, about 50.21 acres of the land belonging to HAL Koraput Division is encroached upon by the nearby villagers for cultivation.</p> <p>f) 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 along with Land there on has been valued at ₹ 548.82 lakhs by M/s. KIADB. The compensation awarded by M/s. KIADB is contested by HAL in the City Civil Court at Bangalore. As the matter is subjudice, no adjustment has been made in the Books of Accounts.</p>		
<b>34</b> Special Tools and Equipment includes Tools and Equipment in progress, under inspection and in transit.	7545.69	11543.47
<b>35</b> Sales include deliveries for which amendment to firm task is awaited from the customer.	6637.98	7680.14
<b>36</b> In respect of the materials received under bulk contracts with the Russian Federation where the suppliers do not indicate itemized prices, the value of materials issued is assessed on technical estimates to exhibit a fair value of the closing Work-in-Progress and Inventory of these materials is subject to adjustment at the end of the project.		
<b>37</b> The Total Inventory of :-	2236099.61	1798041.73
(i) does not include materials belonging to customers but held by the Company on their behalf, worth approximately	62569.04	46680.43



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>38</b> Dividend		
(a) The amount of dividend proposed to be distributed to Equity share holders	-	-
(b) Amount per share (₹)	-	-
<b>39</b> Total amount remitted during the year in foreign currencies on account of dividends	NA	NA
(i) Total Number of Non-resident Shareholders		
(ii) Total Number of Shares held by Non-resident Shareholders on which the Dividends were due and the year to which the Dividends related		
<b>40</b> <b>a</b> In terms of Pricing Policy agreed with IAF, prices approved are exclusive of taxes and duties i.e. Sales Tax, Service Tax etc. In case such taxes are levied, the same will be reimbursed by the customer at actuals, if the customer does not produce necessary exemption.		
<b>b</b> The long pending Sales Tax /VAT/Entry Tax disputes on defence sales in the State of Karnataka and in the state of Odisha have been finally resolved between officials of Department of Defence Production, MoD, HAL and representatives of IAF and Army with Commercial Tax Department and Finance Department of Govt., of Karnataka / Odisha.		
1. State of Karnataka		
The amount payable for the period quantified by the Commercial Tax Department is as below:		
a. Amount as per normal applicable rate (ranging from 12.5% to 14.5% in different years)	449691.94	
b. Amount to be waived by Govt. of Karnataka through Grant or administrative order	318982.11	
c. Amount as per agreed formulation (a-b)	130709.83	
d. Amount of waiver by way of grant already issued	137875.13	
e. Amount already paid by HAL	93295.43	
f. i) Balance tax dues towards grant yet to be sanctioned by Govt. of Karnataka	- 181106.98	
ii) Balance sales tax payable by HAL	- 37414.40	218521.38
2. State of Odisha		
The amount payable for the period quantified by the Commercial Tax Department is as below:		
a. Amount as per normal applicable rate (ranging from 12.5% to 14.5% in different years)	333700.00	
b. Amount of waiver by Govt., of Odisha	280688.79	
c. Amount as per agreed formulation	53011.21	
d. Amount already paid by HAL	30516.21	
e. Balance amount to be paid by HAL and to be recovered from customers	22495.00	
3. In respect of other states, where the sales tax demands are under dispute, the same is shown under contingent liability (Clause 1 of Note No. 34). Air Head Quarters vide letter reference Air HQ/95357/64/ Fin P/DCA dated 16th July 2014 have directed that other state governments may be approached for granting the similar concessions.		

## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>41</b> Information under Micro and Small Enterprises		
1) The Principal Amount and the Interest due thereon remaining unpaid to any Supplier as at the end of the accounting year	1721.88	1256.31
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	162.13	158.60
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	-	-
<b>42</b> The Company, during the financial year 2011-12, had detected a fraud which had been committed by a contract person, by way of unauthorised transfer from the bank account of the Division to his 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 2012-13, 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 filed a criminal case 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. M/s SBI, during the case hearing on 31.1.2014, through their counsel, sought an adjournment stating that the bank is in the process of negotiating with HAL for settlement of its liability. HAL is in the process of discussion with SBI towards the same.		
<b>43</b> Current year sales includes the element of differential sales arising out of finalisation of fixed price quotation prices applicable for the period 2009-10 to 2015-16 with the customer and approved by the Hon'ble Raksha Mantri and communicated by the customer vide letter ref no: Air HQ /95357/61/PPRC/ FIP P dated 25.03.2014		
Repair and Overhaul	69181.25	-69181.25
Spares	4179.51	-4179.51
<b>Total</b>	<b>73360.76</b>	<b>-73360.76</b>
<b>44</b> Sales has been set up in accordance with para-9.1 of the Accounting policy based on Signaling Out Certificate(SOC). It was commented by C&AG during the audit of the Accounts of 2012-13 that the existing policy for recognition of revenue based on SOC need to be revisited and reframed as the SOC's are given with significant concessions. C&AG had suggested that the readiness of Aircraft for delivery is to be considered as the basis for Revenue recognition in addition to SOC in respect of the aircraft & ferry out and the acceptance by the Board of Officers(BOO) as specified in the Contract for Helicopters. The issue had been examined in consultation with legal and professional experts in the field and the Audit committee had also noted C&AG observations on policy of Setting up of sales based on signaling out certificates and was of the view that once the Aircraft / Helicopters has been accepted by the certifying authorities, sales could be set up. As the flying of Aircraft / Helicopter and ferrying out to customer's base was prerogative of the customer, it was noted that the sales would continue to be set up based on the SOC as was being done in the earlier years. Accordingly sales for the current year has been set up based on SOC and not based on ferry out.		



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013																								
<p>HAL has taken up with MOD for amendment of ALH contract in respect of both IAF and Indian Army to bring them in line with the sales accounting policy of HAL. In respect of Indian Air Force, MOD Finance vide letter no: 1(9)/2006/AF(EP) dated 15.05.2012 have concurred "in principle" to above, with the stipulation that the contract amendment can be signed only after similar contract amendment in respect of Army contract with HAL is finalized by IHQ of MOD(Army). In respect of Indian Army contract, after repeated correspondence IHQ, MOD(Army) vide letter No. 28424/GS/WE-10(avn)/105 ALH Contract Amendment/19 dated 11/06/2014 stated, "Contract amendment envisages resolving all issues which was emerged over a period after signing of contract. It is therefore, prudent and mandatory that issues which necessitate contract amendment are resolved in entirety before we proceed ahead." The matter is being pursued by HAL.</p> <p>Total Sales and the value of the Aircraft / Helicopters yet to be ferried out as on the date of approval of accounts is as under</p> <table border="1"> <thead> <tr> <th>YEAR</th> <th>SALES</th> <th colspan="4">VALUE OF THE AIRCRAFT / HELICOPTERS TO BE FERRIED OUT</th> </tr> <tr> <th></th> <th></th> <th>SU30</th> <th>ALH</th> <th>% OF SALES</th> <th>DATE OF APPROVAL OF ACCOUNTS</th> </tr> </thead> <tbody> <tr> <td>2012-13</td> <td>1432362.59</td> <td>270654.02</td> <td>82012.64</td> <td>24.62</td> <td>05.08.2013</td> </tr> <tr> <td>2013-14</td> <td>1512794.27</td> <td>33904.14</td> <td>100628.33</td> <td>8.89</td> <td>26.07.2014</td> </tr> </tbody> </table> <p>There is a time lag between SOC and Ferry out of Aircraft / Helicopter in view of the time involved in deputation of Ferry team by the customer, their handling flights and rectification of snags involved, if any, formation of the new squadron, training of pilots etc. The expenditure involved in the work carried out post SOC date is absorbed against the provision for future charges.</p> <p><b>45</b> In respect of Intermediate Jet Trainer Aircraft Design and Development Project (IJT) funded by the customer, sales of ₹10557.63 lakhs has been recognized in 2013-14 based on the actual cost incurred, as per para 9.2 of the accounting policy of the Company and the amounts are fully realized. The sales of ₹ 10557.63 lakhs recognized is within the overall sanction for the project not withstanding variations in the labour to the extent of ₹ 910 lakhs.</p> <p><b>46</b> HTFE 25 Project: HAL has taken up the design and development of Hindustan Turbo Fan Engine (HTFE-25) in 2013-14 with a time frame of 6 years for completion. The project has been initiated based on the technical feasibility and the market potential of 200-250 units.</p> <p>The expenditure of ₹ 508.99 lakhs has been accounted under Intangible Assets and would be amortized over production units.</p> <p>HTT 40 Project: HAL has undertaken the design and development of Hindustan Turbo Prop Trainer Aircraft ( HTT- 40). Taking into the capability of the proposed Turbo Prop Aircraft , Market Studies, Upgrade functionality etc. requirement of 326 Aircraft (106 Aircraft for IAF and 220 Aircraft for other customers) has been projected upto the year 2020. Considering the tight time lines for Design and Development of the Aircraft and also the business plan, HAL has proposed to fund the HTT Design and Development programme.</p> <p>Hence the expenditure of ₹ 3795.63 lakhs has been treated as Development expenditure and accounted under Intangible Assets.</p> <p><b>47</b> Other Non-Current Asset (DRE) includes ₹ 2230 Lakhs (Previous Year ; ₹ 2230 lakhs) towards COMPASS Project positioned at BEL, on behalf of MRO Division against which company derives future economic benefits for repair of electro optical pods.</p>	YEAR	SALES	VALUE OF THE AIRCRAFT / HELICOPTERS TO BE FERRIED OUT						SU30	ALH	% OF SALES	DATE OF APPROVAL OF ACCOUNTS	2012-13	1432362.59	270654.02	82012.64	24.62	05.08.2013	2013-14	1512794.27	33904.14	100628.33	8.89	26.07.2014		
YEAR	SALES	VALUE OF THE AIRCRAFT / HELICOPTERS TO BE FERRIED OUT																								
		SU30	ALH	% OF SALES	DATE OF APPROVAL OF ACCOUNTS																					
2012-13	1432362.59	270654.02	82012.64	24.62	05.08.2013																					
2013-14	1512794.27	33904.14	100628.33	8.89	26.07.2014																					





## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>48 Operating Cycle</b>	<b>For 31<sup>st</sup> March, 2014 &amp; 31<sup>st</sup> March, 2013</b>	
	HAL is having Multiple Business Activity. Operating Cycles are determined by Divisions based on Product Profile and Guidelines on Revised Schedule VI issued by ICAI	
<b>49</b> 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 Contract.		
<b>50</b> The Company has been providing for Liquidated Damages (LD) in respect of deliverables at the time of setting up of sales based on matching concept. Further, HAL Contracts provide enabling clauses for amendment to Delivery schedule. HAL has been successful in obtaining refunds for Liquidated damages in respect of 20 Jaguar Strike and Su-30 Block I. However as a good accounting practice, LD for unexecuted portion of sales is disclosed under Contingent Liability. (Refer Clause No 1(v))		
<b>51</b> The Accounts for the year approved by the Board of Directors and certified by the Statutory Auditors on 26.07.2014 were revised in the light of the C&AG's Observations under Sec 619(4) of the Companies Act, 1956.  a) Deletion of footnote "Fully earmarked for Committed Liabilities" in Note No 19 under Other Bank Balances - Short Term Deposits b) Revision of Clause d, e & f in place of Clause d & e in Clause 40(b)(1) of Note 34		
<b>52</b> Advances from Customers of ₹ 921814.15 Lakhs and Milestone receipts of ₹ 2888336.73 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:		



## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	2013-14		2012-13	
	Note 5	Note 9	Note 5	Note 9
	Non - Current	Current	Non - Current	Current
Outstanding Advances from Customer				
- Defence	89024.68	830158.02	95127.11	660437.10
- Others	-	2631.45	-	2996.76
	89024.68	832789.47	95127.11	663433.86
Less: Utilisation of Advances				
- Inventory	66053.21	506797.20	33375.12	415265.93
- Advances against Goods & Services	-	20709.75	42149.62	14148.49
- Deferred Revenue Expenditure	1424.19	7810.50	8663.13	73667.66
- Special Tools & Equipment	4463.57	124241.25	1558.19	19414.91
- Trade Receivables	-	-	-	-
- Claims Receivables	-	3073.66	267.39	537.27
	71940.97	662632.36	86013.45	523034.26
<b>Net Outstanding Advances (A)</b>	<b>17,083.71</b>	<b>1,70,157.12</b>	<b>9,113.66</b>	<b>1,40,399.60</b>
Outstanding Milestone Receipt				
- Defence	333455.30	2495835.87	444956.80	2278819.91
- Others	292.14	58753.42	217.68	66483.04
	333747.44	2554589.29	445174.48	2345302.95
Less: Utilisation of Milestone Receipts				
- Inventory	51879.64	1213314.39	127460.14	737963.96
- Advances against Goods & Services	8586.02	276666.36	2105.72	319191.26
- Deferred Revenue Expenditure	71353.45	33255.53	107272.99	34605.13
- Special Tools & Equipment	77641.39	99281.51	77247.59	174431.56
- Trade Receivables	584.17	38336.39	78.92	69827.39
- Claims Receivables	375.19	24663.76	9101.88	289.10
	210419.86	1685517.94	323267.24	1336308.40
<b>Net Outstanding Milestone Receipts (B)</b>	<b>1,23,327.58</b>	<b>8,69,071.34</b>	<b>1,21,907.24</b>	<b>10,08,994.55</b>
<b>Total (A+B)</b>	<b>1,40,411.29</b>	<b>10,39,228.46</b>	<b>1,31,020.90</b>	<b>11,49,394.15</b>
Particulars	Summary			
	2013-14	2012-13		
<b>(A) Gross Advances from Defence Customers</b>				
Initial Advances from Defence Customers	9,19,182.70	7,55,564.21		
Milestone Advances from Defence Customers	28,29,291.17	27,23,776.71		
<b>Gross Advances from Defence Customers (A)</b>	<b>37,48,473.87</b>	<b>34,79,340.92</b>		
<b>Advances from Others (B)</b>	<b>61,677.01</b>	<b>69,697.48</b>		
<b>Total (A+B)</b>	<b>38,10,150.88</b>	<b>35,49,038.40</b>		
Less Advances / Milestone utilisation (C)	26,30,511.13	22,68,623.35		
<b>Outstanding Advances / Milestone Receipts (A+B-C)</b>	<b>11,79,639.75</b>	<b>12,80,415.05</b>		
<b>Defence Customers</b>	<b>11,17,962.74</b>	<b>12,10,717.57</b>		
<b>Others</b>	<b>61,677.01</b>	<b>69,697.48</b>		
<b>Total</b>	<b>11,79,639.75</b>	<b>12,80,415.05</b>		
* Against the net outstanding of ₹ 11,79,639.75 Lakhs, outstanding Commitment in respect of purchase orders and Letters of Credit is ₹ 966600.48 Lakhs				

## NOTE 34: EXPLANATORY NOTES

(₹ in Lakhs)

Particulars	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>53 Disclosure with regard to Capital Expenditure incurred during the year</b>		
<b>A. CAPITAL</b>		
i) Additions to Fixed Assets	20732.88	19101.99
ii) Additions to Customer Funded Fixed Asset	10279.84	2899.00
iii) Movement in Capital WIP	8207.72	3268.55
iv) Movement in Capital Advances	4884.56	1275.35
v) Movement in Claims Receivable -Customer Funded Capital Assets	1966.58	535.84
<b>Sub Total "A"</b>	<b>46071.58</b>	<b>27080.73</b>
<b>B. INTANGIBLE ASSETS</b>		
Additions to Special Tools	49391.88	45476.24
Movement in Advances to Special Tools	-1745.46	1045.72
Addition to Development Expenditure Company Funded	8184.28	11568.88
Addition to License Fee Company Funded	156.36	306.44
Addition to Documentation Company Funded	43.81	598.39
Addition to License Fee Customer Funded	16415.80	9803.00
Addition to Documentation Customer Funded	2200.16	1726.80
<b>Sub Total "B"</b>	<b>74646.83</b>	<b>70525.47</b>
<b>C. OTHER INTANGIBLE EXPENDITURE</b>		
Foreign Technician Fees	4312.85	1909.28
Project related travel	1136.42	1241.36
Project related training	964.30	717.88
<b>Sub Total "C"</b>	<b>6413.57</b>	<b>3868.52</b>
<b>GRAND TOTAL (A+B+C)</b>	<b>127131.98</b>	<b>101474.72</b>
<b>54</b> Figures in brackets relates to previous year and they have been rearranged or regrouped wherever necessary.		

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

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



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



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



**(P. MANOHARA GUPTA)**  
Partner  
Membership No. 16444  
Place : Bangalore  
Date : 1<sup>st</sup> September, 2014



**(ASHOK TANDON)**  
Executive Director  
(Company Secretary)  
Place : Delhi  
Date : 30<sup>th</sup> August, 2014



## STATEMENT OF CASH FLOW FOR THE YEAR ENDED

(₹ in Lakhs)

Sl.No.	Particulars	31 <sup>st</sup> March, 2014		31 <sup>st</sup> March, 2013	
<b>I.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
	Net Profit Before Tax		357768.53		349697.03
	<b>Adjustment To Reconcile Net Income To Net Cash Providing by Operating Activities:</b>				
	Depreciation and Amortisation Expense	60251.21		60133.15	
	Provision for Diminution in value of Investment	4989.60			
	Interest Paid	97.18			
	(Profit)/Loss on Sale of Fixed Assets	35.99		(809.29)	
	Interest Received - Net of Interest Liability to Customer	(202869.70)		(230455.32)	
	Dividend Received	(188.61)		(93.65)	
	Utilisation of CSR & SD Reserve	(1481.77)		(1851.36)	
	<b>Sub Total</b>		<b>(139166.10)</b>		<b>(173076.47)</b>
	<b>Operating Profit Before Working Capital Changes</b>		<b>218602.43</b>		<b>176620.56</b>
	<b>Adjustment For Changes In Operating Assets And Liabilities:</b>				
	Trade Receivables, Loans and Advances	187920.42		(792378.89)	
	Inventories	(438057.85)		(182742.25)	
	Trade Payables, Current Liabilities and Provisions	391884.19		27612.90	
	Other Bank Balances	207537.44		(781699.34)	
	<b>Sub Total</b>		<b>349284.19</b>		<b>(1729207.58)</b>
	<b>Adjustment For Other Assets</b>		<b>567886.62</b>		<b>(1552587.02)</b>
	Special Tools and Equipment	(49391.88)		(45476.24)	
	Deferred Revenue Expenditure	(18640.64)		(11992.59)	
	<b>Sub Total</b>		<b>(68032.52)</b>		<b>(57468.83)</b>
	<b>Cash Generated From Operations</b>		<b>499854.10</b>		<b>(1610055.85)</b>
	Direct Tax Paid		(60722.47)		(104301.34)
	<b>Net Cash Provided By Operating Activities (a)</b>		<b>439131.63</b>		<b>(1714357.19)</b>
<b>II.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
	Purchase Of Fixed Assets <sup>1</sup>	(28940.61)		(22370.52)	
	Sale Of Fixed Assets	199.15		2338.68	
	Intangible Assets	(8900.52)		(12423.26)	
	Interest Received - Net Of Interest Liability To Customer	202869.70		230455.32	
	Dividend Received	188.61		93.65	
	Investments in Joint Ventures	(4997.59)		(17429.82)	
	<b>Net Cash Provided By (used in) Investing Activities (b)</b>		<b>160418.74</b>		<b>180664.05</b>
<b>III.</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
	Proceeds From Short Term Secured Loans	67937.18			
	Repayment of Deferred Liabilities - Net	(25.49)		(25.51)	
	Interest Paid	(97.18)			
	Dividend Paid	(104125.55)		(103438.03)	
	<b>Net Cash Provided By Financing Activities (c)</b>		<b>(36311.04)</b>		<b>(103463.54)</b>
	<b>Abstract :</b>				
I.	Net Cash Provided By Operating Activities (a)		439131.63		(1714357.19)
II.	Net Cash Provided By (used in) Investing Activities (b)		160418.74		180664.05
III.	Net Cash Provided By Financing Activities (c)		(36311.04)		(103463.54)
	<b>Net Increase In Cash And Cash Equivalents During the Year</b>		<b>563239.33</b>		<b>(1637156.68)</b>
	Cash And Cash Equivalents At Beginning Of The Year <sup>2</sup>		554297.17		2191453.85
	Cash And Cash Equivalents At The End Of The Year <sup>2</sup>		1117536.50		554297.17
	<b>Net Increase In Cash And Cash Equivalents During the Year</b>		<b>563239.33</b>		<b>(1637156.68)</b>

**Note :**

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

<sup>2</sup> Cash and Cash Equivalents include Short Term Deposits with Banks and Financial Institutions.

<sup>3</sup> Previous year figures are regrouped wherever necessary.

<sup>4</sup> Cash and Cash Equivalents are available fully for use.

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



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



(Dr. R. K. TYAGI)  
Chairman



(P. MANOHARA GUPTA)  
Partner  
Membership No. 16444  
Place : Bangalore  
Date : 1<sup>st</sup> September, 2014



(ASHOK TANDON)  
Executive Director  
(Company Secretary)  
Place : Delhi  
Date : 30<sup>th</sup> August, 2014





## INDEPENDENT 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** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, 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.

The Board of Directors had approved the accounts at their meeting held on 26<sup>th</sup> July, 2014 on which we had given our report of even date. Pursuant to the observations made by the Comptroller and Auditor General of India under section 619(4) of the Companies Act, 1956, the said accounts have been revised. The impact of the revision is as stated in clause No.51 of Note 34 of the financial statements. This report supercedes our earlier report dated 26th July, 2014.

#### 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") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. 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, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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 20 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 40(a) and 40(b) 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.**



## INDEPENDENT AUDITOR'S REPORT

*The company has resolved disputes with the commercial tax departments of the Governments of Karnataka and Odisha and recognised liability towards settled sales tax dues and also accounted for similar amounts as claims receivable from the customers. With regard to other states, 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 1 of Note 34 of the accounts. The respective agreements for such sale and repairs/overhaul provide for furnishing an exemption certificate or re-imbursalment of sales tax and similar statutory levies when determined. However, the reimbursement of penalties, if any and/or interest levied on such non-payment have not been dealt with in the agreement and the same is not quantified by the company. Although, the taxes are to be reimbursed by the customers in terms of the respective agreements, the company has neither quantified nor provided for the interest and/or penalties, if any, on such taxes in case the same are payable. We are unable to quantify the Net Impact of such non provision/ non-disclosure on the Financial Statements.*

### 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 matters 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 31<sup>st</sup> March, 2014;
- 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.

### 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's statutory auditors. The consolidated accounts take 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



## INDEPENDENT AUDITOR'S REPORT

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.
- (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 nor 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, 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 companies, in which directors of the company are directors 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 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,



## INDEPENDENT AUDITOR'S REPORT

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, investors education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues to the extent 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 and cess were outstanding at the year end for a period of more than six months from the date they became payable.
- (c) According to the information and 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 and cess which have not been deposited on account of any dispute, other than the following:

(₹ in Lakhs)

SI No	Statute	Nature of Dues	Amount	Period to which amount relates	Forum Where Dispute Pending
1	Customs Act, 1962	Custom Duty	20491.33	2013-14	Appellate Tribunal
2	Employee Provident Fund & Misc Provisions Act, 1952	EPF on Contract employees	156.24	2001-2012	Appellate Tribunal
3	Employee State Insurance Act, 1948	Employee State Insurance	92.89	2008-2011	ESI Corporation
4	Finance Act, 1994	Service Tax	3191.83	2006-2007	Matter allowed by Bombay High Court, in favour of the company Dept has gone on appeal
5	Finance Act, 1994	Service Tax	5412.06	2008-2013	Show Cause Notice Cum Demand pending before the Commissioner
6	Finance Act, 1994	Service Tax	81352.44	August 2002 to 2013	Appellate Tribunal
7	Finance Act, 1994	Service Tax	16780.64	2005-2012	Commissioner
8	Labour Laws	Payment of Wages, etc	691.71	2001 -2012	Asst. Commissioner (Labour court)
9	Labour Laws	Payment of Wages, etc	18.50	1994 -2012	High Court
10	Municipal Tax	Municipal Tax	857.34	2013-14	Civil Court
11	Non Agricultural Cess	Non Agricultural Cess	2184.97	1963 - 2014	High Court
12	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	20381.00	1986- 1987 to 2003-2004	1st Appellate Authority
13	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	2056.56	1996-1997 To 2008-2009	Appellate Board
14	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	15340.35	2004-2010	Commissioner
15	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	270.49	2003-04, 2008-09	High Court
16	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	97.48	2000-2001	Supreme Court
17	VAT/Sales Tax/Entry Tax	VAT/Sales Tax/Entry Tax	23559.75	1996-1997 to 2010 -2011	Appellate Tribunal
18	Income Tax Act, 1961	Income Tax	4918.70	2004-05	DCIT (Rectification sought by the company, which is pending)
19	Income Tax Act, 1961	Income Tax	30659.37	2007-08 & 2011-12	CIT(Appeals)
20	Income Tax Act, 1961	Income Tax	5467.34	2005-06, 2006-07, 2008-09 to 2010-11	Income Tax Appellate Tribunal





## INDEPENDENT AUDITOR'S REPORT

### 10) Accumulated Cash Losses:

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

### 11) Dues to Banks & Financial Institutions:

The company has not defaulted in repayment of dues to Banks during the year. The company has not borrowed any loans from 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 is 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.



## INDEPENDENT AUDITOR'S REPORT

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

### Information and Explanations:

- a. Except for the matter described in the basis for Qualified Opinion paragraph, we have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

### Maintenance of Books of Accounts:

- 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.

### Agreement with 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 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 read with General Circular No.15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.

### 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)**

Place: Bangalore

Partner

Date: 01st September, 2014

M.No. 16444

**OBSERVATIONS BY THE STATUTORY AUDITORS ON THE ACCOUNTS OF HINDUSTAN AERONAUTICS LTD., BANGALORE FOR THE YEAR ENDED 31ST MARCH, 2014 AND REPLIES BY THE COMPANY.**

Sl.No.	AUDITOR'S QUALIFICATIONS	COMPANY'S REPLIES
1.	<p><b>Attention is drawn to Clause 20 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.</b></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 -20 of Note-34 on Accounts.</p>
2.	<p><b>Attention is drawn to Clause 40(a) and 40(b) 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 resolved disputes with the commercial tax departments of the Governments of Karnataka and Odisha and recognized liability towards settled sales tax dues and also accounted for similar amounts as claims receivable from the customers. With regard to other states, 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 1 of Note 34 of the accounts. The respective agreements for such sale and repairs/overhaul provide for furnishing an exemption certificate or re-imburement of sales tax and similar statutory levies when determined. However, the reimbursement of penalties, if any and/or interest levied on such non-payment have not been dealt with in the agreement and the same is not quantified by the company. Although, the taxes are to be reimbursed by the customers in terms of the respective agreements, the company has neither quantified nor provided for the interest and/or penalties, if any, on such taxes in case the same are payable. We are unable to quantify the Net Impact of such non provision/ non-disclosure on the Financial Statements.</b></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.1 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.</p> <p>With regard to Karnataka and Odisha Sales Tax disputes, the same has been resolved and the liability for the settled amount has been recognised in the books and also accounted for similar amounts as Claims receivable from the customer since the same is reimbursable by the customer. The settlement with the respective Governments is as a total package. As a part of the settlement, the amount paid to the Karnataka and Odisha Governments has also been reimbursed by the major customers.</p> <p>These facts have been sufficiently disclosed in Clause No.40(a) and 40(b) of Note 34 on Accounts and have been consistently accepted by the Audit.</p>



## COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL

**Confidential**

No. : Reports/2014-15/HAL-a/cs(13-14)/238

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

DATE : 12 September 2014

To

Dr. R.K. Tyagi,  
Chairman,  
Hindustan Aeronautics Limited  
Corporate Office  
Bangalore - 560 001.

Sir,

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

I forward herewith “**Nil Comment**” 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 2014.

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,



(R. NARESH, 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 2014.**

The preparation of financial statements of **Hindustan Aeronautics Limited, Bangalore** for the year ended 31 March 2014 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/auditors 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 statement 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 26 July 2014 and **revised Report dated 1 September 2014.**

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 2014. 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. In view of the revision made in the financial statement by the management, as a result of my audit observations highlighted during supplementary audit as indicated in **Clause No. 51 of Note No. 34 of the Explanatory Note forming part of Accounts**, I have no further comment to offer upon or supplement to the Statutory Auditors' Report under section 619(4) of the Companies Act, 1956.

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



(R. NARESH, IA & AS)

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

Place : Bangalore

Date: 12 September 2014



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 27<sup>th</sup> September, 2014 ]

**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)

**CO-ORDINATION**

**SHRI C. K. VISHWAKARMA**  
Executive Director (Co-ordination)  
Liaison Office, New Delhi

**PLANNING & PROJECTS**

**SHRI KAVERI RENGANATHAN**  
Executive Director (P&P)

**CUSTOMER SERVICES**

**SHRI BENJI MAMMEN**  
Offg. Executive Director (CS)

**VIGILANCE**

**SMT. KAVITHA KESTUR**  
Chief Vigilance Officer, Addl.  
Charge

**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)

**SHRI JOSE JACOB**  
General Manager (HR)-ER

**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**  
General Manager (Indg.)

**JOINT VENTURE**

**Md. M. ALI QURAIISHI**  
General Manager (JV)

**INTEGRATED MATERIALS  
MANAGEMENT**

**SHRI J. M. NAYYAR**  
General Manager (IMM)

**MODERNISATION**

**SHRI RAKESH KAUL**  
Offg. CoP (Modernisation)

**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 P. S. BHOOPATHY**  
Offg. General Manager (HR)

**IJT-LSP PROJECT GROUP**

**SHRI T. K. MANDAL**  
General Manager (IJT)

**FOUNDRY & FORGE DIVISION**

**SHRI D. K. VENKATESH**  
General Manager (F&F)

**ENGINE DIVISION**

**SHRI A. MUTHUKUMARASWAMI**  
General Manager (Engine)

**SHRI P. BALASUNDARAM**  
Chief of Project (Engine)

**SHRI R. V. PADASALGI**  
Offg. CoP (Engine)

**AIRCRAFT DIVISION**

**SHRI M. N. SRINATH**  
General Manager (Aircraft)

**SHRI P. G. YOGINDRA**  
Chief of Project (HAWK)

**SHRI SHEKHAR SRIVASTAVA**  
General Manager (MMRCA)

**IMG T**

**SHRI B. K. MOHANTY**  
General Manager

**OVERHAUL DIVISION**

**Wg. Cdr. (Retd.) MP BENJAMIN**  
General Manager (Overhaul)

**FACILITIES MANAGEMENT  
DIVISION**

**SHRI M. R. UDAYAKUMAR**  
General Manager (FMD)

**LCA – TEJAS**

**SHRI V. SRIDHARAN**  
General Manager (LCA - Tejas)

**AEROSPACE DIVISION**

**SHRI V. NATARAJAN**  
General Manager (Aerospace)

**FLIGHT OPERATIONS – FIXED  
WING**

**Gp. Capt. (Retd.) C.  
SUBRAMANIAM**  
Chief Test Pilot (FW)



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

**MEDICAL & HEALTH****Dr. C. S. RANGA RAO**  
Chief of Medical Services**DESIGN COMPLEX****SHRI T. SUVARNARAJU**  
Director (Design & Development)**SHRI N. C. VYAS**  
Executive Director (Design)**SHRI K. S. RAMESH**  
General Manager (Finance)**AIRCRAFT RESEARCH &  
DESIGN CENTRE****SHRI P. S. ROY**  
Offg. Executive Director (ARDC)**SHRI K. P. SINGH**  
Chief Designer (ARDC)**SHRI SANJEEV SHUKLA**  
Chief of Project (ARDC)**SHRI R. V. HULIRAJ**  
Chief Designer (ARDL)**SHRI H. K. MANOHAR**  
Offg. COP (HTT-40)**MISSION COMBAT SYSTEM  
R&D CENTRE****SHRI S. P. BHATTACHARYA**  
General Manager (MCSRDC)**AERO ENGINE R&D CENTRE****Dr. V. SRIDHARA**  
General Manager (AERDC)**HELICOPTER COMPLEX****SHRI T. SUVARNA RAJU**  
Managing Director (HC) Addl. Charge**SHRI V. SADAGOPAN**  
Executive Director (HC)**SHRI V. SRINIVASAN**  
Offg. Executive Director (Finance)**HELICOPTER DIVISION****SHRI D. BALASUBRAMANIAN**  
Offg. Executive Director (Helicopter)**SHRI N. NAGABUSHANAM**

Chief of Project (CH/CK)

**Cdr. K. S. RAVI (Retd.)**  
Chief of Project (LUH)**SHRI G. V. S. BHASKAR**  
Offg. CoP (Helicopter)**FLIGHT TEST CENTE  
(ROTARY WING)****Wg. Cdr. U. K. PILLAI (Retd.)**  
Chief Test Pilot (Rotary Wing)**HELICOPTER MRO DIVISION****SHRI S. MURALI**  
General Manager (MRO)**BARRACKPORE DIVISION****SHRI TAPAN ROY**  
General Manager**ROTARY WING & R&D CENTRE****Dr. M. VIJAYAKUMAR**  
General Manager (RWRDC)**COMPOSITE MANUFACTURING  
DIVISION****SHRI S. V. SURESH**  
General Manager (CMD)**MiG COMPLEX****SHRI S. SUBRAHMANYAN**  
Managing Director**SHRI S. RANGANATH**  
Executive Director (Finance)**AIRCRAFT MANUFACTURING  
DIVISION, AIRCRAFT OVERHAUL  
DIVISION, NASIK****SHRI DALJEET SINGH**  
General Manager (AMD & AoD)**SHRI R. NARAYAN**  
Chief of Project (AMD)**KORAPUT****SHRI MALOY DE**  
General Manager (Koraput)**ENGINE DIVISION, KORAPUT****SHRI ASHISH KUMAR ROY**  
Chief of Project (IJT & Services)**SHRI ARUP CHATTERJEE**  
Offg. Chief of Project (IJT)**SUKHOI ENGINE DIVISION****SHRI DEBASHIS DEB**  
General Manager (SED)**ACCESSORIES COMPLEX****SHRI V. M. CHAMOLA**  
Managing Director, Addl. Charge**HYDERABAD & KORWA****SHRI S. SUBRAHMANYAN**  
Managing Director, Addl. Charge  
Lucknow & TAD Kanpur**ACCESSORIES DIVISION,  
LUCKNOW****SHRI RAJIV KUMAR**  
Executive Director (ADL)**SHRI Z. A. ASIF**  
General Manager (ASERDC)**SHRI R. MADHAVAN**  
Chief of Project (M)**TRANSPORT AIRCRAFT DIVISION,  
KANPUR****SHRI V. K. JOSHI**  
General Manager (TAD)**SHRI M. M. TAPASE**  
CoP (IJT)**AVIONICS DIVISION, KORWA****SHRI PRAMOD SAXENA**  
General Manager (Korwa)**AVIONICS DIVISION, HYDERABAD****SHRI SUNIL KUMAR**  
General Manager (AD)**SLRDC, HYDERABAD****Smt. S. THENMOZHI**  
General Manager (SLRDC)





# CURRENT OPERATIONS



## Sukhoi 30 - MkI

Supersonic, Multirole combat aircraft with Twin engines, Twin Seat, vectored thrust jet nozzle, fly by wire flight control system & Mission computer and on-board radar station

## Light Combat Aircraft - LCA (Tejas)

LCA is a multi-role light fighter supersonic Aircraft highly manoeuvrable with fly by wire flight controls and is made of composite material structures



## HAWK - Advanced Jet Trainer

Advanced Jet trainer with Tandem Seats, Modern Avionics and Navigation Systems with Positive spin recovery characteristics

## Intermediate Jet Trainer - IJT

Indigenously Designed and Developed Aircraft & is at an advanced stage of development



## Jaguar Upgrade (Darin-III)

Jaguar (Darin-III) is a fighter Aircraft & being upgraded with Multifunction Displays (MFD), Weapons (Cluster bomb, Laser Guided bomb), Electronic Warfare (Radar Warning, Jammer, Counter Measure Dispensing) and Data & Video Recording System

## Advanced Light Helicopter - ALH

ALH-Dhruv is designed to perform both utility & attack roles, ALH-Rudra is the weaponised version and it incorporates a number of advanced technologies



## Light Combat Helicopter - LCH

Indigenously Developed by HAL for Combat operations with Narrow fuselage, Tandem seating, Armour protection & Night Attack capability





**HINDUSTAN AERONAUTICS LIMITED**

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