

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

Shri T. Suvarna Raju is an alumnus of India's prestigious National Defence College with an M.Phil in Defence Strategic studies. A Mechanical Engineer by graduation and an MBA (Marketing). Shri Raju also holds a PG Diploma in Intellectual Property Rights (IPR) from National Law School of India University.

Shri Raju joined HAL as a Management Trainee in July 1980 and grew up the ladder with varied experiences of manufacturing, overhaul and upgrade of several fleets including Jaguar and Mirage. He saw through the production of Hawk Mk-132 for the Indian Air Force and Indian Navy well ahead of schedule, right from establishing its manufacturing facilities.

Having worked through Aircraft and Overhaul Divisions in various capacities, he rose on the portals of HAL as GM, Aircraft Division and then to the post of Director (Design & Development). Shri Raju was assigned the additional charge of Chairman w.e.f 1st February, 2015, and appointed as Chairman from 5th March, 2015. The post was re-designated as Chairman & Managing Director w.e.f. 1st April, 2015.

Shri Raju is a firm believer that best of technology can never be bought, it can only be developed. To transform the Company into a technology power house, he has taken various path breaking measures to make R&D set up in the Company more competitive. He has put in an R&D Policy in place for the same and has brought in all R&D centres of HAL under a Committee of Institutional Network (COIN) to synergise learning across the organisation. In order to create an IPR wealth for the Company, he has been instrumental in registering more than one thousand patents. He has also provided impetus to programmes like LCA, LUH, LCH, IJT and HTT-40 apart from upgrades of Mirage and Jaguar DARIN-III. He is also keenly steering futuristic programmes such as UAVs, FGFA and Civil Aircraft Development. He has not only pioneered the concept of Performance Based Logistics, but has also been advocating its implementation for the military assets.

Shri Raju is a recipient of Dr. Biren Roy Trust Award of the Aeronautical Society of India for his unstinted efforts in planning and establishment of new technologies at HAL. A "Fellow" of the Indian National Academy for Engineers (INAE), he is currently Chairman of the Aerospace and Aviation Sector Skill Council, Member of the National Aeronautics Coordination Group and First Member Secretary of the Design and Development Management Board (DDMB) established by MoD.



Shri T. Suvarna Raju
Chairman and Managing
Director (CMD)

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

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

He has also served as Chief General Manager, BEML. He possesses rich experience in HRD and has contributed towards streamlining the HR systems with a view to provide a healthy environment. He took over as Director (Human Resources) of the Company on 27th July, 2011.



Shri V. M. Chamola
Director (HR)



He was conferred the “Chanakya Award” for Business Excellence in HR on 12th February, 2012 by the Public Relations Council of India (PRCI) during its Annual Conclave at Mumbai in February 2012. He also held the additional charge of the post of Managing Director (Accessories Complex), HAL in respect of Hyderabad and Korwa Divisions, from 1st August, 2013 to 31st March 2015.

Shri. D K Venkatesh, Director (Engg. and R&D) is a Mechanical Engineer from National Institute of Technology, Surat, Associate of the Institute of Costs & Works accountants of India, Post Graduate diploma in Marketing Management and a Post Graduate in Computer Applications.

Shri Venkatesh joined HAL as a Management Trainee on August, 1980 and appointed as Director (Engineering and R & D) of the Company with effect from 27th November 2015.

He has more than 37 years of experience in Manufacture, Assembly, Repair, Overhaul, Prototype development in the areas of Production, Operations, Quality Management, Projects, Design, Customer Support of Aircraft, Helicopters and Gas Turbine Engines. He is a member of the Aeronautical Society of India and active member of the Society for Failure Analysis.



Shri. D K Venkatesh
Director (Engg. and R&D)

Shri C V Ramana Rao, is an Arts Graduate in History, Economic and Political Science. After Graduation he took up the course of Chartered Accountancy and passed in 1985. Subsequently he has also passed Group-I & II of Final Company Secretary Exam.

Shri C V Ramana Rao has more than 36 years of experience in Financial Management, Accounting and Internal Control. He started his career in Foundry & Forge Division and moved to Corporate Office and thereafter reported to BAeHAL a Joint Venture Company of HAL as CFO. Subsequently on Promotion was assigned to Corporate Office In-charge of Finance and Accounts.

He has specialization in Accounting and Audit and has been instrumental in update of Manuals of system Audit, Costing, Accounts, and Performance Budget etc. and developed a uniform master chart of Accounts.

Before assuming charge as Director (Finance), he was General Manager (Finance)- Accounts & Audit.



Shri. C.V. Ramana Rao
Director (Finance) & CFO



Shri Chandraker Bharti an engineering graduate from Delhi College of Engineering, joined the Indian Administrative Services in September 1996. He has also acquired M.Sc degree in Public Management & Policy from London School of Economics & Political Science, UK.

He has more than 20 years of experience in Civil Services and held various important assignments, which include Additional Commissioner, Department of Sales Tax, Govt. of NCT of Delhi; Director, Ministry of Commerce & Industry; Development Commissioner in various Government Departments such as Agriculture, Finance & Planning, Industries & Commerce, Information Technology, etc. in the Union Territory of Pondicherry. He had also served for a short period at Health & Family Welfare and Environment & Forest Departments of Govt. of NCT of Delhi.



Shri Chandraker Bharti
Joint Secretary (Aerospace)

Ms. Dipali Khanna has done Master's Degree in Arts with specialization in History from Delhi University. She holds Master's Degree in Science (specialization in National Security) from National Defence College and has also done Certificate Course in Cost & Management Accountancy from the Institute of Cost & Works Accountants, New Delhi. She was appointed as Part-Time Non-official Director on the Board of the Company with effect from 8th January, 2016.

Ms. Dipali Khanna started her career with the Indian Railway Accounts Service in the year 1976 and has contributed substantially during her career spanning over 39 years with various Government Departments. Formulation of long-term plans that addressed key development goals and objectives of various Ministries of the Government of India was a critical component of her responsibilities. Ms. Khanna has played a key role in establishment of National Disaster Management Authority (NDMA) and was also responsible for overseeing the restructuring of the then defunct National Film Development Corporation Ltd. (NFDC) by the Government of India, resulting in the Company achieving profitability within one year of restructuring after more than a decade of recurring losses.

Ms. Khanna has also served actively on the Boards of other Public Sector Undertakings (PSUs) under Ministry of Defence, Ministry of Power and Ministry of Information & Broadcasting. She is presently an Independent Director on the Boards of India Power Corporation Ltd. and Niteesh Estates Ltd.

Ms. Khanna is the Member of Kelkar Committee, Ministry of Defence for Public-Private Partnership in Defence.



Ms. Dipali Khanna
Independent Director



Chief Executive Officers (CEOs)

Shri V. Sadagopan, Chief Executive Officer (CEO), Helicopter Complex is a Mechanical Engineer from University of Madras. He had joined HAL as a management trainee on 6th August, 1979 and was promoted to the post of Executive Director, Helicopter Complex, Bangalore with effect from 1st July, 2013. He was appointed as Chief Executive Officer, Helicopter Complex, w.e.f 1st April, 2015. During his service period of over 38 years, he has held various positions in the Company.



Shri V. Sadagopan
CEO (HC)

Shri Kaveri Renganathan, Chief Executive Officer (CEO), Bangalore Complex is a Mechanical Engineer from the Birla Institute of Technology and Science, Pilani. He had joined HAL as a management trainee on 6th August, 1979. He was appointed as Chief Executive Officer, Bangalore Complex, w.e.f 1st April, 2015. During his service period of over 38 years, he has held various positions in the Company.



Shri Kaveri Renganathan
CEO (BC)

Shri Daljeet Singh, Chief Executive Officer (CEO), MiG Complex is a Mechanical Engineer from Ravishankar University, Raipur. He had joined HAL as a Management Trainee on 6th August, 1979. He was appointed as Chief Executive Officer, MiG Complex, w.e.f 1st April, 2015. During his service period of over 38 years, he has held various positions in the Company.



Shri Daljeet Singh
CEO (MC)

Shri Rajiv Kumar, Chief Executive Officer, Accessories Complex is a Mechanical Engineer from Gorakhpur University, Gorakhpur and masters of business administration from Lucknow University, Uttar Pradesh. He had joined HAL as a Management Trainee on 28th July, 1980. He was appointed as Chief Executive Officer, Accessories Complex, w.e.f 1st April, 2015. During his service period of over 37 years, he has held various positions in the Company.



Shri Rajiv Kumar
CEO (AC)



BOARD OF DIRECTORS

(As on 29th July, 2017)

Shri T. Suvarna Raju

Chairman & Managing Director (CMD) &
Addl Charge of Director (Operations)

Shri V. M. Chamola

Director (Human Resources)

Shri D. K. Venkatesh

Director (Engineering and R&D)

Shri C. V Ramana Rao

Director (Finance) & CFO

Shri Chandraker Bharti

Joint Secretary (Aerospace)
Ministry of Defence
Govt. Nominee Director

Ms. Dipali Khanna

Independent Director

COMPANY SECRETARY

Shri G. V. Sessa Reddy

MEMBERS OF THE MANAGEMENT COMMITTEE

Shri T. Suvarna Raju

Chairman & Managing Director (CMD) &
Addl Charge of Director (Operations)

Shri V. M. Chamola

Director (Human Resources)

Shri D. K. Venkatesh

Director (Engineering and R&D)

Shri C. V Ramana Rao

Director (Finance) & CFO

Shri V. Sadagopan

CEO (Helicopter Complex)

Shri Kaveri Renganathan

CEO (Bangalore Complex)

Shri Daljeet Singh

CEO (MiG Complex)

Shri Rajiv Kumar

CEO (Accessories Complex)





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. S. Venkatram & Co.,
Chartered Accountants, Bengaluru

BRANCH AUDITORS

M/s. Rajeev Nandan & Co.,
Chartered Accountants, Kanpur

M/s. Jain & Tripathi & Co.,
Chartered Accountants, Mumbai

M/s. Krishna & Prasad
Chartered Accountants, Hyderabad

M/s. Ganesh & Co.,
Chartered Accountants, Bengaluru

M/s. SCM Associates.,
Chartered Accountants, Bhubaneswar

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

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

M/s. MNSY Co.,
Chartered Accountants, Bengaluru

M/s. P.K. Subramaniam & Co.,
Chartered Accountants, Bengaluru

M/s. Phillipos & Co.,
Chartered Accountants, Bengaluru

M/s. BNPSY & Associates.,
Chartered Accountants, Luknow

M/s. N.N. Yuvraj & Associates.,
Chartered Accountants, Bengaluru

M/s. NNR & Co.,
Chartered Accountants, Bengaluru

M/s. R.K. Tantry & Co.,
Chartered Accountants, Bengaluru

M/s. Vijay Sreeram & Co.,
Chartered Accountants, Bengaluru

M/s. BSD & Co.,
Chartered Accountants, Bengaluru

M/s. SNR & Co.,
Chartered Accountants, Bengaluru

M/s. Venu & Vinay.,
Chartered Accountants, Bengaluru

M/s. P. Chandrashekar
Chartered Accountants, Bengaluru

COST AUDITOR

M/s. KPR & Associates.,
Cost Accountants, Bengaluru

LEGAL ADVISERS

M/s. Sundaraswamy & Ramdas.,
Advocates, Bengaluru

TAX CONSULTANT

M/s. Price Waterhouse Coopers Pvt. Ltd.

CREDIT RATING AGENCY

CARE RATINGS

FITCH Group
(India Ratings & Research Pvt. Ltd.)



FINANCIAL HIGHLIGHTS

| Sl. No. | Particulars | Units | 02-03 | 03-04 | 04-05 | 05-06 | 06-07 |
|----------|-----------------------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| A | Our Earnings | | | | | | |
| | Sales - Inland | ₹ Cr. | 3017 | 3585 | 4384 | 5155 | 7513 |
| | Export Sales | ₹ Cr. | 104 | 215 | 150 | 186 | 271 |
| | Total Sales | ₹ Cr. | 3121 | 3800 | 4534 | 5341 | 7784 |
| | Changes in WIP & SIT& FG | ₹ Cr. | 357 | -44 | 450 | 575 | 1418 |
| | Total | ₹ Cr. | 3478 | 3756 | 4984 | 5916 | 9202 |
| B | Our Outgoings | | | | | | |
| | Cost of Materials | ₹ Cr. | 1607 | 1674 | 2686 | 3313 | 5980 |
| | Manpower Cost | ₹ Cr. | 747 | 773 | 809 | 838 | 1055 |
| | Net Operating Cost | ₹ Cr. | 954 | 900 | 918 | 1014 | 1163 |
| | Net Financing Cost | ₹ Cr. | -308 | -247 | -251 | -452 | -840 |
| | Depreciation | ₹ Cr. | 45 | 57 | 65 | 77 | 100 |
| | Total | ₹ Cr. | 3045 | 3157 | 4227 | 4790 | 7458 |
| C | Our Savings | | | | | | |
| | Profit Before Tax | ₹ Cr. | 433 | 599 | 757 | 1126 | 1744 |
| | Provision For Tax | ₹ Cr. | 43 | 189 | 256 | 355 | 595 |
| | Profit After Tax For Appropriation | ₹ Cr. | 390 | 410 | 501 | 771 | 1149 |
| D | We Own | | | | | | |
| | Net Block | ₹ Cr. | 435 | 515 | 526 | 730 | 1021 |
| | Other Assets (net) | ₹ Cr. | 2038 | 2451 | 3108 | 3854 | 4352 |
| | Total | ₹ Cr. | 2473 | 2966 | 3634 | 4584 | 5373 |
| E | We Owe | | | | | | |
| | Equity | ₹ Cr. | 121 | 121 | 121 | 121 | 121 |
| | Reserves and Surplus | ₹ Cr. | 1810 | 2121 | 2508 | 3050 | 3913 |
| | Shareholders' Funds | ₹ Cr. | 1931 | 2242 | 2629 | 3171 | 4034 |
| | Deferred Tax Liability | ₹ Cr. | 167 | 354 | 624 | 1048 | 1335 |
| | Borrowings | ₹ Cr. | 374 | 366 | 363 | 364 | 4 |
| | Cash Credit Loan | ₹ Cr. | 1 | 5 | 18 | 1 | - |
| | Total | ₹ Cr. | 2473 | 2967 | 3634 | 4584 | 5373 |
| F | Cash Balance | ₹ Cr. | | | | | |
| | Customer Cash | ₹ Cr. | - | - | - | - | - |
| | Company Cash | ₹ Cr. | - | - | - | - | - |
| | Total | ₹ Cr. | - | - | - | - | - |
| G | Financial Statistics | | | | | | |
| | Value of Production | ₹ Cr. | 3478 | 3756 | 4984 | 5916 | 9202 |
| | Value Added | ₹ Cr. | 1871 | 2082 | 2298 | 2603 | 3222 |
| | Dividend (including Tax) | ₹ Cr. | 88 | 92 | 114 | 229 | 285 |
| | R & D Expenditure | ₹ Cr. | 265 | 314 | 307 | 434 | 638 |
| | Gross Margin (including interest income) | ₹ Cr. | 595 | 800 | 974 | 1408 | 2125 |
| | Gross Block | ₹ Cr. | 1211 | 1344 | 1417 | 1695 | 2081 |
| | Inventory | ₹ Cr. | 2395 | 2577 | 3509 | 4810 | 7223 |
| | Sundry Debtors | ₹ Cr. | 510 | 990 | 1106 | 1404 | 1281 |
| | No. Of Employees | Nos. | 31138 | 30450 | 29807 | 29668 | 31666 |
| H | Financial Ratios | | | | | | |
| | Sales Per Employee | ₹ | 1002312 | 1247947 | 1521119 | 1800256 | 2458157 |
| | Value Added Per Employee | ₹ | 600874 | 683744 | 770960 | 877376 | 1017495 |
| | PBT to Sales | % | 14 | 16 | 17 | 21 | 22 |
| | Earnings Per Share | ₹ | 32.37 | 34.02 | 41.58 | 63.98 | 95.35 |
| | Dividend as %age of Equity (including Dividend Tax) | % | 73 | 76 | 95 | 190 | 237 |

1. *The Accounts have been regrouped as per Ind AS

2. The Company has bought back 12,05,00,000 Equity Shares of ₹ 10/- each on 30th March 2016. The effect of buy-back is not considered for the purpose of calculation of Earnings Per Share, as there is no significant change in value of the same.

3. The Company has issued 36,15,00,000 Equity Shares as Bonus Shares on 7th Feb 2014.



ANNUAL REPORT 2016-17

| 07-08 | 08-09 | 09-10 | 10-11 | 11-12 | 12-13 | 13-14 | 14-15 * | 15-16 * | 16-17 * |
|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 8284 | 9937 | 11252 | 12878 | 13856 | 13941 | 14688 | 15131 | 16140 | 17140 |
| 341 | 437 | 205 | 237 | 348 | 383 | 440 | 490 | 446 | 465 |
| 8625 | 10374 | 11457 | 13115 | 14204 | 14324 | 15128 | 15621 | 16586 | 17605 |
| 166 | 1437 | 2033 | 3335 | -1511 | -122 | 740 | 667 | 566 | -501 |
| 8791 | 11811 | 13490 | 16450 | 12693 | 14202 | 15868 | 16288 | 17152 | 17104 |
| 4684 | 7636 | 9222 | 11772 | 5761 | 8008 | 9149 | 8882 | 9172 | 8692 |
| 1803 | 2543 | 1954 | 2246 | 2721 | 2446 | 2685 | 3379 | 3274 | 3569 |
| 1686 | 887 | 985 | 765 | 2813 | 2383 | 2349 | 2215 | 2734 | 1875 |
| -1664 | -1732 | -1525 | -1341 | -2107 | -2316 | -2064 | -1622 | -1549 | -880 |
| 118 | 142 | 166 | 169 | 177 | 184 | 171 | 262 | 314 | 266 |
| 6627 | 9476 | 10802 | 13611 | 9365 | 10705 | 12290 | 13116 | 13945 | 13522 |
| 2164 | 2335 | 2688 | 2839 | 3328 | 3497 | 3578 | 3172 | 3207 | 3582 |
| 532 | 595 | 721 | 725 | 789 | 500 | 885 | 784 | 1209 | 967 |
| 1632 | 1740 | 1967 | 2114 | 2539 | 2997 | 2693 | 2388 | 1998 | 2615 |
| 1080 | 1328 | 1466 | 1509 | 1556 | 1548 | 1582 | 1559 | 1697 | 1987 |
| 5585 | 6816 | 8163 | 9722 | 11260 | 13397 | 15794 | 13996 | 10137 | 12460 |
| 6665 | 8144 | 9629 | 11231 | 12816 | 14945 | 17376 | 15555 | 11834 | 14447 |
| 121 | 121 | 121 | 121 | 121 | 121 | 482 | 482 | 362 | 362 |
| 5163 | 6496 | 8003 | 9625 | 11218 | 13257 | 14533 | 14412 | 10657 | 12175 |
| 5284 | 6617 | 8124 | 9746 | 11339 | 13378 | 15015 | 14894 | 11019 | 12537 |
| 1379 | 1525 | 1505 | 1485 | 1477 | 1567 | 1682 | 661 | 815 | 960 |
| 2 | 2 | - | - | - | - | 679 | - | - | 950 |
| - | - | - | - | - | - | - | - | - | - |
| 6665 | 8144 | 9629 | 11231 | 12816 | 14945 | 17376 | 15555 | 11834 | 14447 |
| - | - | - | - | 16746 | 12804 | 11607 | 11372 | 10426 | 8956 |
| - | - | - | - | 5187 | 6324 | 5328 | 6299 | 2877 | 2165 |
| - | - | - | - | 21933 | 19128 | 16935 | 17671 | 13303 | 11121 |
| 8791 | 11811 | 13490 | 16450 | 12693 | 14202 | 15868 | 16288 | 17152 | 17104 |
| 4107 | 4175 | 4268 | 4678 | 6932 | 6194 | 6719 | 7406 | 7980 | 8412 |
| 383 | 407 | 460 | 493 | 946 | 957 | 1041 | 576 | 614 | 1104 |
| 662 | 675 | 832 | 987 | 968 | 1949 | 1083 | 1042 | 1191 | 1284 |
| 2651 | 2905 | 3383 | 3654 | 4051 | 4098 | 4181 | 3987 | 4070 | 4306 |
| 2255 | 2638 | 2934 | 3143 | 3363 | 3525 | 3729 | 4023 | 4460 | 5003 |
| 8615 | 10431 | 13660 | 17427 | 16153 | 17980 | 22361 | 24965 | 23998 | 21340 |
| 1486 | 1848 | 1858 | 2318 | 3917 | 5530 | 6917 | 6108 | 4837 | 4221 |
| 34323 | 34822 | 33990 | 33681 | 32659 | 32644 | 32108 | 31144 | 30300 | 29526 |
| 2512892 | 2979151 | 3370697 | 3893887 | 4349184 | 4387943 | 4711598 | 5015733 | 5473927 | 5962541 |
| 1196574 | 1198955 | 1255663 | 1388914 | 2122539 | 1897439 | 2092625 | 2377986 | 2633663 | 2849014 |
| 25 | 23 | 23 | 22 | 23 | 24 | 24 | 20 | 19 | 20 |
| 135.44 | 144.40 | 163.24 | 175.44 | 210.71 | 62.18 | 55.87 | 49.54 | 41.45 | 72.34 |
| 318 | 338 | 382 | 409 | 785 | 199 | 216 | 120 | 170 | 305 |



CHAIRMAN'S STATEMENT



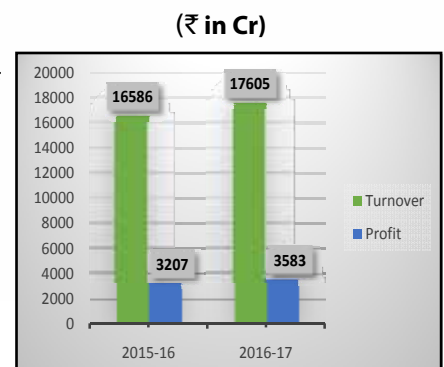
Dear Shareholders,

It is my proud privilege to welcome you all to the 54th Annual General Meeting of your Company. I feel extremely privileged and delighted in communicating with you on the occasion of the AGM and presenting Annual Report for the financial year 2016-17.

Your company has achieved the growth targets in revenues and profit amidst the challenging business environment. The Company has recorded highest ever turnover of ₹17605 Cr with the growth of 6% in comparison with the previous year turnover of ₹16586 Cr

Performance Overview

- Your company's Profit Before Tax for the year 2016-17 is ₹ 3583 Cr with the growth of 12 % over the previous year Profit Before Tax of ₹ 3207 Cr.
- During the year, the Company has produced 56 numbers of new Aircraft and Helicopters covering Su-30 MKI, Hawk, LCA Tejas, Dornier Do-228, ALH Dhruv, ALH-WSI Rudra and Cheetal in addition to the production of Engines and Accessories at its various Divisions. The Company has achieved the all-time high production of 13 numbers of Su-30 MKI aircraft from Raw Material Phase in 2016-17.
- The first squadron of LCA, IAF's No. 45 Squadron "Flying Daggers" became operational on 1st July, 2016 at Bangalore with the induction of two LCA-Tejas aircraft. The third LCA Tejas aircraft has also joined the Squadron in 2016-17. HAL also handed over the first two ALH-WSI (Rudra) to IAF in 2016-17, subsequent to the IOC for IAF version in December, 2015.





- Major R&D milestones such as first flight of Basic Trainer Aircraft (HTT-40), Light Utility Helicopter (LUH), FOC upgraded Mirage 2000 aircraft, upgraded Advance Jet Trainer Hawk-i and IOC for Jaguar DARIN III upgrade aircraft have been achieved during the year.
- HAL's performance during the year against MoU with the MoD is assessed provisionally as "EXCELLENT".

Dividend

I am happy to inform you that the Company has paid an interim and final dividend of ₹ 22.13 per equity share (221.30%), amounting to ₹ 800 Cr for the year 2016-17 (excluding dividend distribution tax of ₹ 163 Cr) based on minutes of meetings held on 19th and 21st December, 2016 under the Chairmanship of the Secretary (Economic Affairs), Department of Economic Affairs, MoF after approval of the Board of Directors in their meeting held on 15th February 2017.

Significant Achievements

The Company has witnessed many significant achievements during the year, as follows:-

- The first carriage flight of Su-30 MKI aircraft integrated with new weapons was carried out successfully on 25th June, 2016.
- First FOC upgraded Mirage-2000 aircraft completed its maiden flight on 28th July, 2016 on schedule.
- 3.5 MW Solar Power Project spread over 23 acres with 12,985 modules installed to harness energy was inaugurated on 23rd December, 2016 at HAL Airport Bengaluru.
- HAL has rolled out the first indigenously upgraded Hawk Mk 132 aircraft named as Hawk-i on 25th January, 2017, followed by its maiden flight on 1st February, 2017.



Hawk-i rolled out on 25th January, 2017



- HAL received the IOC certificate from Center for Military Airworthiness and Certification (CEMILAC) for successful upgrade of Jaguar aircraft to DARIN III standard on 17th February, 2017.
- In Aero India 2017, on 14th February, 2017 Hon'ble Raksha Mantri unveiled the full scale mock-up of Indian Mutli Role Helicopter (IMRH) a 12-ton class helicopter planned to be indigenously developed by HAL for both military and civil roles.
- HAL has successfully carried out major servicing of Hawk Mk 132 aircraft on completion of 2000 flying hours for the first time and the aircraft was successfully test flown on 20th March, 2017, three months ahead of contractual schedule.
- HAL has bagged a total of 70 awards (Company Level -18, Division Level – 48 and Individual Level - 4) during the year.



India and Russia signed long-term supply contracts in New Delhi during Indo-Russia Military-Industrial Conference held on March 17-18, 2017 for maintenance support for the Sukhoi-30MKI fleet.

New Initiatives

Your Company has taken many new initiatives in its pursuit of achieving all round excellence. The highlights are as follows:

- A Joint Venture Company "Helicopter Engine MRO Pvt Ltd" between Hindustan Aeronautics Ltd and SAFRAN Helicopter Engines, France was incorporated on 18th August, 2016 with facilities planned at Goa. The joint venture will provide Maintenance, Repair and Overhaul (MRO) services for Safran TM 333 2B2 and HAL Shakti engines installed on HAL-built helicopters operated by the Indian Defence Services.

- A Joint Venture and Subsidiary by the name “Indo Russian Helicopters Limited” was incorporated on 2nd May, 2017 with Russian Helicopters (RH), Rosoboronexport (ROE) for joint production of Kamov helicopters in India.
- A wholly owned subsidiary of HAL has been formed as Naini Aerospace Ltd (NAEL) by taking over the sick unit of Hindustan Cables Ltd (HCL) and the activities for manufacture of looms for ALH are being undertaken.
- **Do-228 - Civil Variant**
 - HAL has submitted a proposal to Air India for the intended operation of Do-228 under Regional Connectivity Scheme (RCS) Ude Desh Ka Aam Naagrik (UDAN) of Government of India.
 - Structural Assembly of Dornier Do-228 (Civil variant) at Kanpur Division, HAL was inaugurated by Hon’ble Minister of State for Civil Aviation, Shri Jayant Sinha on 10th December, 2016.
 - HAL is currently manufacturing 2 Nos. of Do-228(Civil) Aircraft as Technology Demonstrator featuring, Composite propeller, higher powered TPE331-10 Engine, using internal funds towards this objective.
- **Customer Support**
 - HAL signed a Memorandum of Understanding (MoU) with the Indian Army for establishing MRO hubs for the ALH fleet on 9th May, 2016. MRO hubs are functional at Mamun (Punjab) and Missamari (Assam) co-located with the existing ALH squadrons to provide faster repair and maintenance support to ALH fleet of Northern and Eastern Commands of Indian Army.
 - Operationalization of MRO Hub at Mamun for phase-I activities of ALH, helped in enhanced level of insitu repair activities.
- **Outsourcing** - Major modules of LCA Tejas have been successfully outsourced such as Wings to L&T, Central Fuselage to VEM Technologies, Rear Fuselage to Alpha Tocol, and Front Fuselage to Dynamic Technologies etc; and their success would be instrumental in planned increase in the annual production capacity of the aircraft.
- **Boost to Skill India** – HAL-IISc Skill Development Centre construction initiated at Chitradurga in October 2016, will go long way in recognizing and providing skills and opportunities for youth at various levels.
- **Performance Based Logistic (PBL)** - HAL has opened a new chapter in Defence Equipment Maintenance through PBL for ALH in the contract signed in March, 2017 for supply of 16 helicopters to Indian Coast Guard.



ALH Dhruv Wheeled Version

Future Outlook

Indian economy continues to be the fastest growing economy in the world according to World Bank's report Global Economic Prospect – January, 2017 and International Monetary Fund (IMF) World Economic Outlook – January, 2017. Indian Economy is expected to grow by over 7% in the years 2017-18 and 2018-19.

Over the years the Government of India has pushed various reforms for Indian Aerospace and Defence Industry and Civil Aviation Industry to create conducive environment for industries to achieve progressive growth. In recent years, several global aerospace and defence companies have partnered with the local Indian Companies to expand their manufacturing base in India and to take advantage of the continued focus of Government of India on "Make in India" initiative and upcoming opportunities in Indian aerospace and defence and civil aviation markets.

Considering the changing economic and business environment, HAL has formulated strategies aligned to the government's initiatives and implementing them to maximise the benefits for the company and support the development of Indian Aerospace and Defence Manufacturing Industry.

As a major Aerospace and Defense sector enterprise in the country, the Company has taken following initiatives:

- Thrust on Design and Development to encourage indigenization of components, accessories and systems required for manufacture as well as repair and overhaul of Aircraft, Engines and associated Systems.
- Strategic partnerships with DRDO Establishments, CSIR Labs and premier Academic institutions to foster country's advancement in the field of Research and Technology Development.
- Focused Vendor Development efforts to encourage greater public private partnerships and HAL would be playing a lead role in developing a sound manufacturing vendor base in the country.



- To encourage the private sector including MSMEs and startups to increase the level of participation in defence:
 - The Company has incorporated favorable policy measures in its Purchase Manual in line with the initiatives of Government of India.
 - The Company has enhanced outsourcing of design and development activities and manufacturing activities
 - The Company has also provided opportunities to the private industry for indigenization under Make in India.
- Considering the initiative brought forward by the Government of India under National Civil Aviation Policy 2016, HAL has planned to diversify into Civil segment with its Dornier Do-228 civil variant aircraft.



Signing of agreement for joint production of Kamov helicopters in India during the BRICS Summit-2016 held at Goa on 15th October, 2016.

Research and Development

Your Company continues its focus on technology development in order to cope up with the upcoming technological challenges that require HAL to develop new product enhancements. Towards the progress of the R&D efforts, the Company has incurred a total expenditure of ₹ 1284 Cr for the FY 2016-17 which is 7 % of the turnover.

HAL is jointly working with premier R&D organisations like DRDO laboratories, CSIR-NAL, CIPET, IITs and IISc towards Self-Reliance in the Aviation field harnessing the Partnership Strategy. In its continuous effort for enhancement of R&D efforts, your company has established chairs at IIT Madras, IIT Roorkee, IIT Kharagpur, IIT Mumbai, IIT Kanpur and IISc, Bangalore.

Your company has transferred a sum of ₹ 197 Crs. (i.e 10 % of Operating profit after tax of ₹1966 Cr) to R&D reserve for contribution to R&D corpus during the year 2016-17. Your Company has re-organised and strengthened its R&D set up. A high level Technology and 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.



Your Company has achieved major progress in various R&D / Development Projects viz. Light Combat Helicopter (LCH), Light Utility Helicopter (LUH), Light Combat Aircraft (LCA), Hindustan Turboprop Trainer Aircraft (HTT-40), Fifth Generation Fighter Aircraft (FGFA), Jaguar Darin III Upgrade, Mirage 2000 Upgrade, UAV and Development of Engines.

During the year, HAL has successfully completed Design and Development of following:

- Integration of weapon payloads on SU-30 MKI accomplished successfully,
- Integration of smart systems on Jaguar Darin-II version accomplished successfully.
- Gas Turbine Starter Unit for LCA and Air Turbine Starter (ATS) for Jaguar and Hawk, Civil Dhruv helicopter of GSI has been successfully integrated with improved heliborne geophysical sensor,
- Integration of IADS on Naval Prototype of ALH,
- Indigenous Real Time Operating System (RTOS) for airborne computers and
- 3-D Printing technology (additive Manufacturing process) used in prototype manufacturing of engine components with different materials.

HAL has continued the drive across the Company, to assess and identify the technologies and processes which will build up its Intellectual Property portfolio. During the year HAL has filed 148 IPR applications which make cumulative number of IPRs filed by Company to be 1425. Also, 15 IPRs have been granted during the year and the cumulative IPRs held by the organization is 56.

Corporate Governance

Your Company always strives to attain highest standard of Corporate Governance practice. HAL is complying with Government Guidelines on Corporate Governance framed by Department of Public Enterprises (DPE) for CPSEs in letter and spirit. However, filling up of vacant post of directors which is one of the requirements of Corporate Governance is under progress at Government level. A report on Corporate Governance compliances has been made part of the Board's report. Your company has been getting "Excellent" rating from DPE for complying various norms of Corporate Governance. Your company is continuously working for the optimum benefit of its stakeholders and has thus moulded its corporate conduct to fulfil these responsibilities. The Company has established systems and procedures to ensure that its Board of Directors is well informed about the policies of the Company to enable them to discharge their responsibilities and to enhance the overall value of all stakeholders.

Corporate Social Responsibility and Sustainability Development

Your Company is committed for discharging its Corporate Social Responsibility as a good Corporate Citizen. During the year, an amount of ₹ 67.96 Cr has been spent on CSR activities. Some of the activities carried out during the year under review are highlighted hereunder:

- Kumudvathi River Rejuvenation Project was initiated during 2014-15 in association with the International Association for Human Values (IAHV), Art of Living, a Non-Governmental Organisation. HAL had implemented 4 Mini Water Sheds (from 2014-15 to 2016-17), out of the total 18 Mini Water Sheds. As the rejuvenation efforts are yielding positive results and water table is improving in the vicinity, implementation of two more water sheds have been taken up during 2017-18.



- Govt. Schools at Gubbi Taluk of Tumkur District, Karnataka were facing frequent and long power interruptions. It was decided to provide off-grid roof top Solar Power Systems with battery back-up to the Schools, to enable effective utilization of the resources of the Schools. Based on feedback & requests received, the project had been implemented in 27 more Government Schools during 2016-17.
- In the quest to nurture young talent to develop into top class players, a Football Academy to coach students in the age group of 'Under-15' was established at Bangalore during 2015-16. Further, 'Under-18' coaching started in 2016-17. The aim is to spot and develop players of calibre and prepare them for tough domestic and International tournaments. In addition to professional grooming, emphasis is on holistic Personality Development of the young players. The capacity for 'Under-15' years is 21 players and 'Under-18' years is 15 players. As on 31st March, 2017, 21 'Under-15' and 15 'Under-18' were undergoing the training.
- The Company had entered into a MoU with IISc, Bangalore to establish the HAL-IISc Skill Development Centre at IISc's new Campus at Challakere, Chitradurga District, Karnataka, at an estimated Budget of ₹ 73.70 Cr for Phase -1 activities (2015-16 to 2019-20). The initiative will address critical training gaps in niche Engineering Sectors such as Aerospace, Mechanical and Electronics, at multiple levels, in line with the "Make in India" mission.
- Murali Nagar (Village), Ranga Reddy District, Telangana State has been taken up for development by HAL, Avionics Division, Hyderabad based on the recommendations of the District Collector. The normal water available in the village is contaminated with fluoride which is causing bone diseases. A community based Reverse Osmosis Plant was established, which provides 20 litres of water per day per family through Automatic Machine with a Swiping Card.



5th State Level Archery Championship 16-17, Koraput, Odisha



Renovation of Pediatric Ward GSVM Hospital, Kanpur



Bitumenous Road constructed at Barauliya, Korwa



Medical Camp, Murlinagar, Hyderabad



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 valuable customers viz. the Indian Air Force, Army, Navy, Coast Guard, Border Security Force and other Global Aviation Companies who have extended their continuous support from time to time.

I sincerely thank DGAQA, CEMILAC, Principal Controller of Defence Accounts, Principal Director & Commercial Audit, C&AG, Statutory and Branch Auditors, Bankers, Legal Advisors, Collaborators, Suppliers and other Agencies and acknowledge their contributions in our achievements.

I am grateful to my colleagues on the Board for their valuable guidance. I also acknowledge immense contribution and dedication of the employees of the Company at all levels.

JAI HIND

A handwritten signature in blue ink, appearing to read 'Suvarna'.

Place : Bangalore
Date : 29.07.2017

(T. Suvarna Raju)
Chairman and Managing Director

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 54th Annual General Meeting of the Members of Hindustan Aeronautics Limited will be held on Saturday, 29th July, 2017 at 1300 Hours at Registered Office of the Company, at 15/1, Cubbon Road, Bangalore – 560001 to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt:
 - (a) the Audited Standalone Financial Statements of the Company for the financial year ended 31st March, 2017, the reports of the Board of Directors and Auditors thereon; and
 - (b) the Audited Consolidated Financial Statement of the Company for the financial year ended 31st March, 2017 and the report of the Auditors thereon.
2. To confirm payment of interim dividend of ₹ 22.13 per equity share aggregating to ₹ 800 Cr for the financial year 2016-17 as final dividend.
3. To authorise the Board of Directors to fix remuneration of statutory auditors of the Company for the financial year 2017-18 in compliance with the orders and directions of appointment by the Comptroller and Auditor-General of India

SPECIAL BUSINESS:

4. To appoint Shri Chandraker Bharti (DIN:02599261), as Director of the Company and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013, and the Rules made thereunder, Shri Chandraker Bharti, (DIN: 02599261), who was appointed as a Government Nominee Director, by the President of India vide letter No. 49016/4/2016-D (HAL-III) dated 27th April, 2017, be and is hereby appointed as Government Nominee Director of the Company on same terms & conditions as determined by the Govt. of India”.
5. To ratify the remuneration payable to the Cost auditor appointed by the Board of Directors of the Company for the financial year 2016-17 pursuant to Section 148 and all other applicable provisions of Companies Act, 2013, by passing with or without modification(s), the following resolution as **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 148 (3) of the Companies Act, 2013 read with Rule 14 of Companies (Audit and Auditors Rules), 2014 and other applicable provisions of the Companies Act, 2013, the remuneration of ₹ 2,50,000/- (Rupees two lakhs and fifty thousand only) (all inclusive) excluding applicable Service Tax payable to M/s. KPR & Associates, Cost Accountants, Bangalore, for conducting cost audit of the Company for the financial year 2016-17, as approved by the Board of Directors of the Company at its 399th meeting held on 6th September, 2016, be and is hereby ratified.”
6. To alter the Articles of Association of Company by passing with or without modification(s), the following resolution as **Special Resolution**:



“RESOLVED THAT in supersession of all earlier resolutions passed for Alteration of Articles of Association of the Company and pursuant to provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, approval of members be and is hereby accorded for alteration, modification and substitution of existing Articles of Associations of the Company by the new set of Articles of Association of the Company as per attached Annexure –I and Regulations contained in the new set of Articles be and are hereby approved and adopted as the Articles of Association of the Company. ”

**By Order of the Board of Directors
For Hindustan Aeronautics Limited**

A handwritten signature in black ink, appearing to read 'G V Sesha Reddy'.

**(G V Sesha Reddy)
Company Secretary**

Place : Bengaluru

Date : 17th July, 2017

NOTE:

- 1) A member who is entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of herself/himself and such a proxy need not be a member of the Company. The duly filled in proxy form should be deposited at the Registered Office, 48 hours before the time of the Meeting.

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital carrying voting right. A member holding more than ten percent of the total share capital of the Company may appoint a single person as proxy and such person shall not act as a proxy for any other person or member.

- 2) The Explanatory Statement setting out material facts as required under Section 102(1) of the Companies Act, 2013 is annexed herewith.
- 3) The Register of Directors' Shareholding maintained under Section 170 and Register of Contracts, maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the members at the meeting.

EXPLANATORY STATEMENT

Item No.4

Shri Chandraker Bharti, (DIN: 02599261), Joint Secretary (Aerospace), Ministry of Defence, Department of Defence Production was appointed as Government Nominee Director of the Company by President of India vide MoD letter No. 49016/4/2016-D (HAL-III) dated 27th April, 2017 in place of Shri Rajib Kumar Sen.

Pursuant to the provisions of Section 152(2) of the Companies Act, 2013 every director of the Company has to be appointed in the general meeting of the Company. Therefore, approval of the shareholders is sought for regularisation of the appointment of Shri Chandraker Bharti, as Government Nominee Director on same terms and conditions as determined by the Government of India

Shri Chandraker Bharti is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013.

None of the Directors, Key Managerial Personnel of the Company or their relatives except Shri Chandraker Bharti, is in any way, concerned or interested, financially or otherwise, in the resolution.

The Board of Directors recommends the Ordinary Resolution for your approval

Item No.5

The Board, on the recommendation of the Audit Committee, has approved in its 399th meeting held on 6th September, 2016, the appointment of M/s KPR & Associates, Cost Accountants, Bangalore, at a remuneration of ₹ 2,50,000/- (Rupees two lakhs and fifty thousand only) (all inclusive) excluding applicable Service Tax to conduct the Cost Audit of the Company for the financial year 2016-2017.

In accordance with the provisions of Section 148 (3) of the Companies Act, 2013 read with Rule 14 of Companies (Audit & Auditors Rules), 2014, the remuneration payable to the Cost Auditor has to be ratified by the members of the Company.

None of the Directors, Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested, financially or otherwise, in the resolution.

The Board of Directors recommends the Ordinary Resolution for your approval.

Item No.6

In view of the decision of the Government of India, for disinvestment of 10 per cent shares in the Company through offer for sale, there is a requirement for alteration of Articles of Association of the Company in line with the Companies Act, 2013. The same will be filed with Security Exchange Board of India (SEBI) and Stock Exchanges along with offer document/DRHP as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

The Board of Directors in its 405th meeting held on 29th June, 2017 approved the alteration of Articles of Association of the Company subject to approval of the shareholders. Accordingly, the Articles of Association of the Company is proposed to be altered in line with the Companies Act, 2013 and SEBI requirements. The altered Articles of Association is available for inspection at registered office of the Company during business hours to members.



None of the Directors, Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested, financially or otherwise, in the resolution.

The Board of Directors recommends the Special Resolution for your approval.

**By Order of the Board of Directors
For Hindustan Aeronautics Limited**

**(G V Sesa Reddy)
Company Secretary**

Place : Bengaluru

Date : 17th July, 2017



Form No. MGT-11

Proxy form

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN: **U35301KA1963GOI001622**

Name of the company: **Hindustan Aeronautics Limited**

Registered office: **15/1, Cubbon Road, Bengaluru – 560 001**

Name of the Member (s) :
Registered address :

E-mail Id :
Folio No:
DP Id :

I/We, being the member (s) of shares of the above named company, hereby appoint

1. Name:
- Address:
- E-mail Id:
- Signature:....., or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 54th Annual General Meeting of the company, to be held on Saturday, the 29th July, 2017 at 1300 hrs at HAL Corporate Office, No. 15/1, Cubbon Road, Bengaluru – 560 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

Ordinary Business

Resolution No.

1. Adoption of Financial Statements for the year ended 31st March, 2017.
2. To confirm payment of interim dividend
3. To fix remuneration of statutory auditors of the Company for the financial year 2017-18.

Special Business

Resolution No.

4. To appoint Shri Chandraker Bharti (DIN:02599261), as Director of the Company
5. To ratify the remuneration payable to the Cost auditor
6. To alter the Articles of Association of Company

Signed this day of 20

Signature of shareholder

Signature of Proxy holder(s)

Affix
Revenue
Stamp

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



BOARD'S REPORT

To

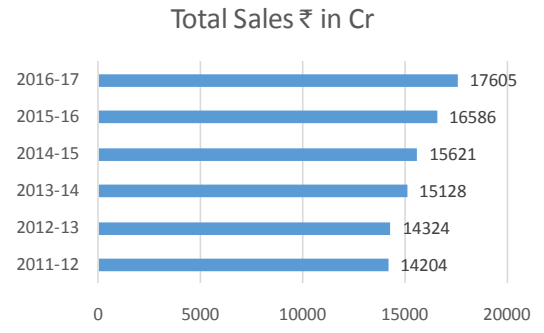
The Members,

Your Directors take pleasure in presenting their 54th Annual Report on the performance of the Company, together with the Audited Financial Statements for the financial year ended 31st March, 2017 and reports of the Statutory Auditors and the Comptroller and Auditor General of India thereon.

FINANCIAL RESULTS AND PERFORMANCE HIGHLIGHTS

The financial highlights for the year ended 31st March, 2017 are summarized as under:

| PARTICULARS | ₹ in Cr | |
|-------------------------|---------|---------|
| | 2016-17 | 2015-16 |
| Turnover | 17605 | 16586 |
| Exports | 465 | 446 |
| Profit Before Tax (PBT) | 3583 | 3207 |
| Provision for Tax | 967 | 1209 |
| Profit After Tax (PAT) | 2616 | 1998 |
| R&D Expenditure | 1284 | 1191 |



During the year under review, the Company's turnover has increased to ₹ 17605 Cr from ₹ 16586 Cr in 2015-16, registering a growth of 6%. Profit Before Tax for the year is ₹ 3583 Cr as against ₹ 3207 Cr in the previous year recording an increase of 12%. The Profit After Tax (PAT) for the year is ₹ 2616 Cr.

DIVIDEND

An interim and final dividend of ₹ 22.13 per equity share (221.30%), amounting to ₹ 800 Cr was paid for the year 2016-17 (excluding dividend distribution tax of ₹ 163 Cr) based on minutes of meetings held on 19th and 21st December, 2016 under the Chairmanship of the Secretary (Economic Affairs), Department of Economic Affairs, MoF after approval of the Board of Directors in their meeting held on 15th February, 2017.

AMOUNT TRANSFERRED TO RESERVES

During the financial year under review, an amount of ₹ 1456 Cr and ₹ 197 Cr has been transferred to the General Reserve and Research & Development Reserve respectively.

EXTRACTS OF THE ANNUAL RETURN

In accordance with the provisions of Section 92(3) and Section 134(3)(a) of the Companies Act, 2013 read with Rules 12(1) of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return in Form MGT-9 is annexed herewith to the Board's Report as **Annexure I**.

NUMBER OF MEETINGS OF THE BOARD

During the financial year ended 31st March 2017, 7 (Seven) Board Meeting were held and the maximum interval between any two meetings was not more than 120 days.

The Board Meetings were held on 28th May, 2016, 29th June, 2016, 6th September, 2016, 30th September, 2016, 16th December, 2016, 15th February, 2017 and 24th March, 2017.

DECLARATION GIVEN BY INDEPENDENT DIRECTORS

All Independent Directors of your Company have given declaration of Independence as specified under section 149(6) of the Companies Act, 2013.

COMPANY'S POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION.

Your Company being a Central Government Public Sector Enterprise, the appointment, tenure and remuneration of Directors (Functional Directors including CMD) are determined by Government of India through Public Enterprises Selection Board (PESB), indicating the terms and conditions of appointment, including the period of appointment, the scale of pay and other entitlements.

The Government Nominee Directors are appointed by the Ministry of Defence and they are not entitled to any remuneration / sitting fees.

The Non-Executive Independent Directors are appointed by Government of India and they are entitled to sitting fees for attending the Board / Committee meetings as prescribed by the Board in adherence with the statutory rules and regulations.

Your Company is being a Government Company the requirement for framing policy on Directors' appointment and remuneration including criteria for determining qualifications etc, is not required pursuant to the Ministry of Corporate Affairs (MCA) Notification No GSR 463 (E) dated 5th June, 2015.

PARTICULARS OF LOANS GIVEN, INVESTMENTS MADE, GUARANTEES GIVEN AND SECURITIES PROVIDED UNDER SECTION 186 OF THE COMPANIES ACT, 2013

Details of investments covered under provisions of Section 186 of the Companies Act, 2013 are provided in the Financial Statements (please refer to Note No. 7,7A,9,14,18 & clause 14 of Note 49 of the financial statement)

Your Company had not granted any loans to parties during 2016-17 covered under Section 186 of the Companies Act, 2013.

During the year under review, the Company has not given guarantees and no securities have been provided under Section 186 of the Act.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES.

During the year under review, all Related Party Transactions were placed before the Audit Committee for its approval as per the provisions of Section 177 of the Companies Act, 2013. During the Fiscal 2017, there have been no materially significant related party transactions between the Company and Directors, associates/ joint ventures, subsidiaries or relatives, as specified under Section 188 of the Act. As per requirement of Section 188(2) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, particulars of contracts or arrangement, during the financial year 2016-17 with related parties referred to in Section 188(1) of the Companies Act, 2013 in Form AOC-2 is given under **Annexure II**



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

Your Company being a defence PSU, the disclosure of information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo under the provisions of Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is not required as the Ministry of Corporate Affairs vide Notification GSR No.680 (E) dated 4th September, 2015 has granted exemption to Defence Public Sector Undertakings.

DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY

The Company has in place, a Risk Management Policy approved by the Board. The policy aims at elimination or reduction of risk exposures through identification and analysis of various types of risks and facilitating timely action for taking risk mitigation measures. The policy envisages that all programs, project reviews will highlight the progress of risk mitigation plans till the closure and signing off the mitigation plans.

INTERNAL FINANCIAL CONTROL

The Company has set up proper and adequate Internal Financial Controls in respect of Financial Statements. The Manuals containing Rules and Procedures pertaining to various functions/activities such as Purchase, Outsourcing, Stores, Accounts, Systems Audit etc., have been updated and implemented for carrying out various activities with approval of Competent Authority as per the Delegation of Powers approved by the Board. No instance of material weakness in the operation has been observed. The necessary disclosures have been made in Notes to Accounts.

The Systems Audit, which is carried out through the Internal Officials with Finance as well as technical background in addition to internal Audit by the practicing firms of Chartered Accountants, has been strengthened to cover Audit studies with focus on Systemic aspects.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY REGULATORS OR COURTS OR TRIBUNALS

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operation in future.

PUBLIC DEPOSITS

During the year under review your company has not received any deposit from public.

ISSUE OF EQUITY SHARES WITH DIFFERENTIAL RIGHTS

During the year under review, the Company has not issued any equity shares with differential rights as to dividend, voting or otherwise.

SUBSIDIARY/ ASSOCIATE/ JOINT VENTURE COMPANIES

The Company has 14 (fourteen) joint venture companies including 2(two) Section 8 Companies and 2(two) subsidiary companies.

During the year under review, the following changes have been taken place in joint venture and subsidiary companies:



Joint Venture Companies formed:

Helicopter Engines MRO Private Limited, a 50:50 Joint Venture Company was incorporated with Safran Helicopter Engines SAS, France on 18th August, 2016



Shri Manohar Parrikar, Defence Minister, inaugurated Helicopter Engines MRO Pvt. Limited (HE-MRO), a Joint Venture of HAL and Safran Helicopter Engines, France at North Goa, on 23rd October, 2016.

Subsidiary Companies formed:

Naini Aerospace Limited, a wholly owned subsidiary was incorporated on 29th December, 2016.

Pursuant to the provisions of Section 134(3)(q) read with Rule 8 (1) of the Companies (Accounts) Rules, 2014 report on the performance and financial position of each of the Joint Venture and Subsidiary Companies as per provisions of the Companies Act, 2013 is provided herewith and annexed as **Annexure III**.

The Company has also formed a Joint Venture Company (a Section 8 Company) by the name "Defence Innovation Organisation" with Bharat Electronics Limited (BEL) having 50:50 equity participation, on 10th April, 2017 and a subsidiary by the name "Indo Russian Helicopters Limited" on 2nd May, 2017 with 50.5% holding by the Company and 49.5% by Russian partners.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its joint venture and subsidiary companies has been prepared in pursuant to the provisions of Section 129(3) of the Companies Act, 2013 and applicable Accounting Standards, form part of the Annual Report.

In pursuant to first proviso of Section 129(3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014, a statement containing salient features of the financials statements of Subsidiaries / Associates / Joint Ventures is attached to the financial statements in Form AOC-1.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

In accordance with the provisions of Section 135 of the Companies Act, 2013 and The Companies (Corporate Social Responsibility) Rules, 2014 & Guidelines of Department of Public Enterprises (DPE), the Company has undertaken various activities as per the CSR Policy of the Company. The projects / programmes / activities are taken up in line with Schedule VII of the Companies Act, 2013. As a responsible corporate citizen, the Company has been discharging its Corporate Social Responsibility diligently as a part of its corporate philosophy.

The Board of Directors of your Company has constituted Committee (Disclosed in Corporate Governance Report) on Corporate Social Responsibility & Sustainable Development (CSR & SD) in line with the provisions of Section 135 of the Companies Act, 2013. The Committee has formulated and recommended to the Board, CSR Policy indicating the projects / activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.

The Corporate Social Responsibility Policy of the Company is posted on the Company's website (www.hal-india.com). During the year under review, the Company has spent ₹ 67.96 Cr (100% of the target amount i.e. ₹ 66.92 Cr) on CSR Activities.

Pursuant to the provisions of Rule 8 of the Companies (Corporate Social Responsibility) Rules, 2014, the Annual Report on CSR activities for the financial 2016-17 is annexed herewith and marked as **Annexure IV**.

FORMAL ANNUAL EVALUATION OF BOARD AND THAT OF ITS COMMITTEES AND INDIVIDUAL DIRECTORS

Pursuant to the Notification No. 463 (E) dated 5th June, 2015 issued by Ministry of Corporate Affairs, your Company being a Government Company the statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors is not required as the performance of directors is evaluated by the Administrative Ministry.

CHANGES IN BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

- Dr. A.K. Jain ceased to be director due to sudden demise on 8th April, 2016;
- Shri K K Pant, ceased to be Government Nominee director w.e.f 21st October, 2016 due to withdrawal of nomination by the Government of India;
- Shri Rajib Kumar Sen, Economic Advisor, Government of India appointed as Government Nominee Director w.e.f 18th November 2016 and ceased to be director w.e.f 27th April, 2017;
- Shri Chandraker Bharti, JS(Aero), Ministry of Defence, Department of Defence Production, Govt. of India appointed as Government Nominee Director w.e.f 27th April, 2017;
- Shri S. Subrahmanyam, ceased to be Director (Operations) of the Company consequent upon superannuation on 30th April, 2017;
- Shri Gopabandhu Pattanaik, Shri P.S Krishnan, Prof. Pradipta Banerji and Air Vice Marshal (R) D K Pande, AVSM, VSM, ceased to be Independent Directors w.e.f 4th May, 2017 on completion of their tenure.

Further, pursuant to the provisions of Section 152 (2) and Schedule IV of the Companies Act, 2013, appointment of Shri Chandraker Bharti, Government Nominee Director will be regularized at the Annual General Meeting.

AUDIT COMMITTEE

Pursuant to the provisions of Section 177 of the Companies Act, 2013 and Rules made there under, your Board has constituted Audit Committee. The Committee acts in accordance with the terms of reference as approved by the Board. The Composition and other details are disclosed in Corporate Governance Report.

All recommendations made by Audit Committee were accepted by the Board.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

In terms of provisions of Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, none of the employees of the Company was in receipt of remuneration of ₹ 1.02 Cr or more in the financial year or ₹ 8.50 lakh or more per month during the financial year under review.

PERFORMANCE VIS-À-VIS MOU

Your Company has been signing Memorandum of Undertaking (MoU) every year with Ministry of Defence, Government of India. The performance of the Company for the year 2015-16 has been rated as "Excellent" in terms of MoU with the Government. This is the 15th consecutive year that the Company has been rated as "Excellent".

The Performance for the year 2016-17 has been evaluated based on the provisional figures. The Company maintains the "Excellent Rating" for the year 2016-17 also, in terms of MoU signed with the Government of India.



The MoU for the year 2017-18 signed by Shri A K Gupta, Secretary, DDP, MoD and HAL on 11th July, 2017.

CREDIT RATING

During the year under review, your Company's credit rating for Long Term and Short Term bank loan facilities – CC/ILC/FLC/BG of ₹ 2500 Cr. rated as 'IND AAA' and 'IND A1+' respectively by M/s India Ratings & Research Private Ltd. and CARE AAA/A1+ (pronounced Triple A/A One Plus) and CARE AAA/A1+ (pronounced Triple A/A One Plus) respectively by M/s Credit Analysis & Research Limited.



SIGNIFICANT ACHIEVEMENTS

Significant achievements of the Company during the year are as follows:-

- The first carriage flight of Su-30 MKI aircraft integrated with new weapons was carried out successfully on 25th June, 2016.
- Demonstrations of 8 Kg Mini UAV have been made to Northeast Frontier Railways (NFR), Southern Railway, Karnataka Forest Department, Greyhounds Special Forces, Andhra Pradesh Police and CRPF eliciting encouraging feedback from all these potential customers.
- First FOC upgraded Mirage-2000 aircraft completed its maiden flight on 28th July, 2016 on schedule.



Upgraded Mirage -2000 aircraft

- HAL received the IOC certificate from Center for Military Airworthiness and Certification (CEMILAC) for successful upgrade of Jaguar aircraft to DARIN III standard on 17th February, 2017.
- HAL has rolled out the first indigenously upgraded Hawk Mk 132 aircraft named as Hawk-i on 25th January, 2017, with enhanced operational and training capabilities and was followed by its maiden flight on 1st February, 2017.
- HAL has successfully carried out major servicing of Hawk Mk 132 aircraft on completion of 2000 flying hours for the first time and the aircraft was successfully test flown on 20th March, 2017, three months ahead of contractual schedule.
- A Technology Demonstrator of the Advanced Combat Hawk being co-developed by BAES and HAL was displayed during Aero India 2017. This incorporates Air to Air Refuelling, Operational Data Link, EW Jammer, Night Vision Cockpit, etc.
- For the first time at Aero India 2017, flypasts were separately carried out on the inaugural day by current HAL built Rotary and Fixed Wing platforms and thereafter daily displays were carried out by LCA, LCH, HTT-40, Hawk-i, and LUH. A record eleven HAL built platforms took part in the Flying and Static displays.



- In Aero India 2017, on 14th February, 2017 Hon'ble Raksha Mantri unveiled the full scale mock-up of Indian Mutli Role Helicopter (IMRH) a 12-ton class helicopter planned to be indigenously developed by HAL for both military and civil roles. IMRH will be powered by twin engines, equipped with Automatic Flight Control System AFCS, state-of-the-art Mission Systems, Advanced Cockpit Display and Avionic Systems, etc. to meet the Utility and Armed Roles of Indian Armed Forces.



Defence Minister Shri Manohar Parrikar unveiled the full scale mock-up of Indian Multi Role-Helicopter (IMRH) at Aero India-2017.

- Safran Helicopter Engines, France (erstwhile Turbomeca) has conferred "REPAIR CENTRE" Certification / Approval for TM333 2B2 and TM333 2M2 engine and its accessories to Engine Division-BC, valid for an unlimited duration. The approval is based on the stringent audit on HAL facilities and systems, past performance and compliance demonstration of the Safran quality requirements.
- Asia Pacific Aerospace Quality Group (APAQG) has conferred the membership to HAL under the category 'Full Member with voting rights' making India the 7th nation to join APAQG. APAQG is a part of International Aerospace Quality Group (IAQG) which also comprises of Americas Aerospace Quality Group (AAQG) and Europe Aerospace Quality Group (EAQG). Being a member of IAQG authorities, HAL to be included as one of 67 organisation in America, Europe and Asia Pacific as signatory for revisions and introduction of International Quality Standards.
- HAL handed over the first set of Nose Wheels Doors (LH and RH) to BAE Systems, UK on 14th Dec 2016, under the order for supply of 16 types of Hawk Structural assemblies (eight sets each). HAL's scope included the development of tooling and manufacture of assemblies. Representative of BAE Systems have appreciated the quality of assembly.
- The 'Crew Module (CM) Fairing Assembly' of the 'Human Space Program (HSP)' was delivered to Vikram Sarabhai Space Centre of ISRO on 10th March, 2017. The CM Fairing or Shroud Assembly houses the Crew Module and forms the bottom most structure of Crew Escape System.



- HAL has bagged a total of 70 awards (Company Level -18, Division Level – 48 and Individual Level - 4) during the year.
- A 6.3 MW wind energy power plant at Harapanahalli near Davangere about 335 km from Bengaluru was inaugurated on 2nd Jul 2016. This Green initiative will be a significant move to harness wind power and promote renewable energy source. It will reduce carbon footprint of HAL by around 10,000 tons of CO2 emissions per annum. The power generated from this plant would be used for captive energy consumption at Bengaluru.
- A 3.5 MW Solar Power Project spread over 23 acres with 12,985 modules installed to harness energy was inaugurated on 23rd December, 2016 at HAL Airport Bengaluru. This project is unique as this is the first single axis tracker based solar project installation at an airport in India.
- HAL has been awarded a cheque of ₹ 82,19,368/- from Hon'ble Prime Minister Narendra Modi on 19th December, 2016 for engaging the maximum number of Apprentices in HAL under National Apprenticeship Promotion Scheme (NAPS).



Hon'ble Prime Minister, Shri Narendra Modi presented a cheque to HAL for playing a constructive role under the Government's National Apprenticeship Promotion Scheme (NAPS) on 19th December, 2016.

SIGNIFICANT EVENTS

- HAL and BEL signed an MoU on 25th May 2016 with an aim of mutual cooperation and knowledge transfer in avionics.
- The 9th edition of Defexpo India, a biennial exhibition on Land, Naval and Internal Homeland Security Systems was held at Naqeri Qitol, Goa, organised by Dept. of Defence Production, MoD on 28th March, 2016.
- Third Aerospace and Defence Manufacturing Show-ADMS-2016 was held on 1st - 2nd July, 2016 at HAL Convention Center, Bengaluru, organized by Aeromag Asia in association with SIATI.



- An MoU has been signed between Helicopter Division, HAL and IISc Bengaluru on 21st July, 2016 for customization and realization of absolute and differential pressure transducers for Cheetah/ Chetak/ Cheetal helicopters.
- CMD, HAL participated in “UK-India CEOs Forum” under the leadership of Prime Minister, Shri Narendra Modi and British Prime Minister, Ms Theresa May held at New Delhi on 7th November, 2016.



India-UK forum held on 7th November, 2016 at New Delhi.

- HAL participated in Global SME Business Summit 2016 organised on the theme “Global SME Partnerships for Sustained Growth and Equitable Development” on 22nd – 23rd November, 2016.
- HAL participated at Indo French CEOs Forum in Paris on 13th January, 2017.
- The Minister of State for Civil Aviation Shri Jayant Sinha inaugurated the Structural Assembly of Dornier-228 (Civil variant) at Kanpur Division on 10th December, 2016. The upgraded version of Dornier, a 19-seat commuter aircraft currently being manufactured at Transport Aircraft Division Kanpur is the most suitable product under “Make in India” category for Regional Connectivity Scheme (RCS).



Inauguration of Structural Assembly of Do-228 at HAL Kanpur Division on 10th December, 2016.



- HAL has entered into a ToT contract with Saab Grintek Defence, South Africa on 27th January, 2017 for setting up of Depot Level Maintenance facility of 'Electronic Warfare Suite' fitted on board ALH MK-III and MKIV of Indian Air Force and Army.
- HAL participated in 11th edition of Aero India held at Yelahanka on 14th – 18th February, 2017.
- HAL has been selected by Israel Aerospace Industries (IAI) for further supply of Boeing 737 Main Deck Cargo Door and a contract to this effect was signed during Aero India 2017 on 17th February, 2017.
- HAL signed a Memorandum of Understanding (MoU) with Pawan Hans Limited (PHL) for imparting cadet pilot training for acquiring DGCA commercial helicopter pilot license on 16th February, 2017.



MoU signed with Pawan Hans Limited (PHL) on 16th February, 2017.

EXPORTS AND PARTICIPATION IN AIRSHOWS

Your company has achieved an Export Order booking worth ₹ 484 Cr during the financial year.

Major exports during the year include, supply of one Do-228 aircraft to Mauritius Police Force (third Do-228 aircraft supplied by HAL), major servicing of one Chetak helicopter of Mauritius Govt., major overhaul of aero engine of Namibian Air Force, first set of nose wheel doors to M/s. BAE Systems under the order for supply of 16 types of Hawk structural assemblies, supply of aero-structures, avionics, accessories, forgings, castings, rolled rings to international aerospace majors for their programmes.

Product support and training programmes have been extended to international customers that are operating HAL supplied aircraft platforms, by deputing technical teams on-site, so that the customers attain the level of technical competency to handle the maintenance activities independently in future. The company has also provided maintenance and overhaul services to cover the life cycle requirement of HAL products.

High level delegations from various countries visited HAL facilities and conveyed their appreciation of HAL's aircraft platforms and facilities. Technical proposals were submitted to various countries and are being followed up to materialize into orders. In addition, the company is putting efforts to secure export orders for aircraft and helicopter platforms arising out of bilateral defence cooperation agreements signed between the Government of India and the respective countries.

HAL continues to support high precision structural work packages and assemblies to Airbus, Boeing, IAI, Rolls Royce, RUAG, Safran Engines and other global aviation majors. These orders enable HAL to continue its special association with prestigious aircraft programmes of these major OEMs while meeting stringent reliability, quality and delivery specifications. In addition, HAL continues to export rings, forgings and castings for Civil aircraft engine programmes.

HAL's brand image and identity was strategically projected by showcasing its products and capabilities while participating in leading international Air Shows/Exhibitions. HAL theme for Aero India 2017 centered on "Centre of Excellence for Aviation Platforms and Make in India". HAL display during the show was focused on indigenously designed and developed fixed and rotary wing platforms, technologies covering power plants, avionics etc. For the

first time flypasts were carried out on the inaugural day of Aero India-2017 by HAL built platforms. A record eleven HAL built platforms participated in the flying & static displays. The company also participated in ILA Berlin Air Show-2016, Farnborough Air Show-2016, UK, AAD-2016 in South Africa and other domestic events.

BUSINESS FROM OFFSET

HAL has been interacting with various OEMs of Aerospace Sector for acquiring new capabilities, enhance exports and increase indigenous content / self-reliance through available Offset opportunities. Under Offsets, HAL has received orders and/or signed contracts with many International Aerospace majors and several strategic initiatives have been taken to conclude Long Term Business Agreements (LTBA) with OEMs.

OUTSOURCING:

In line with Government's "Make in India" drive, HAL has been associated with private vendors in several programs, including new projects viz. LCA, LCH through outsourcing of critical parts & assemblies. Few critical assemblies successfully outsourced to private partners include Gears & Housings for the Helicopter programs, Centre fuselage, Rear Fuselage, Pylon assemblies, Air intake of LCA etc. Total Outsourcing during the F.Y. 2016-17 is 163 Lakh hours.

Further, in order to provide an impetus to outsourcing in the Helicopter manufacturing programmes, HAL had organized a Business Partners' meet at V M Ghatge Convention Centre, Bangalore on 26th May, 2016 wherein 50 participants from 29 companies had attended the meet. The attendees were briefed about the various opportunities/avenues available at HAL for partnership, future scope in view of outsourcing, indigenization, MRO, obsolescence management etc. A wide range of items pertaining to various projects, for indigenization & outsourcing were also displayed in the hall.

SUPPLY CHAIN MANAGEMENT:

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

- Amendments to Purchase Manual have been issued to provide more flexibility in procurement process.
- Vendor registration handbook has been printed and is being handed over in various exhibitions / Vendor Development program.
- The threshold value of e-procurement has been reduced to ₹ 2 lakhs w.e.f April, 2016.
- e-Reverse Auction (e-RA) pilot project successfully completed.
- Authorised Economic Operator (AEO: Tier-1) status of HAL obtained from Central Board of Excise and Customs (CBEC). This provides Green Channel facilities during custom clearance at Airport for import and export of materials.
- Initiatives have been taken to train officers involved in Supply Chain on GST which is to be implemented in 2017-18.

PROCUREMENT FROM MICRO & SMALL ENTERPRISES (MSES)

During the year 2016-17, the total value of procurement including outsourcing made from MSEs is ₹ 511.30 Cr, as against the set target of ₹ 473 Cr The annual target for 2017-18 is ₹ 289 Cr.



CURRENT PROJECTS AND PROGRAMS

During the year 2016-17, HAL has continued to carry out the production and supply orders of Su-30 MKI aircraft, Hawk Mk 132 Advance Jet Trainer aircraft, Light Combat Aircraft (LCA) Tejas, Dornier Do-228 Aircraft, Advanced Light Helicopter (ALH) Dhruv, Cheetal Helicopters and Mirage 2000 upgrade to fulfil the requirement of the Indian Defence customers.

HAL has also made considerable progress in the Design and Development projects and achieved the major milestones during the year such as first flight of Basic Trainer Aircraft (HTT-40), Light Utility Helicopter (LUH), Upgraded Advance Jet Trainer Hawk-i and IOC for Jaguar DARIN III upgrade aircraft.

RESEARCH AND DEVELOPMENT

In 2016-17, HAL has continued to focus its efforts towards new platforms development, technology development, and activities to enhance its capability with a view to bring technological superiority to its products and in order to cope up with the future technological challenges that require the Company to develop new products and go in for product enhancements. Towards the progress of the R&D efforts, the company has incurred a total expenditure of ₹ 1284 Cr. for the year 2016-17 which is 7.29% of the Turnover.

HAL is jointly working with premier R&D organisations like DRDO laboratories, CSIR-NAL, CIPET, IITs and IISc towards Self-Reliance in the Aviation field. The company has established chairs at IIT Madras, IIT Roorkee, IIT Kharagpur, IIT Bombay, IIT Kanpur and IISc Bangalore to enhance its R&D efforts.

The company has transferred a sum of ₹ 197 Cr (10% of Operating PAT) to R&D reserve for contribution to R&D corpus during the year 2016-17.

The Company has achieved significant progress in various R&D / Development Projects viz. Basic Trainer Aircraft (HTT-40), Light Combat Helicopter (LCH), Light Utility Helicopter (LUH), Light Combat Aircraft (LCA), Jaguar Darin III Upgrade, Mirage 2000 Upgrade, Hawk-i, UAV and Development of Engines. The progress achieved in respect of these projects during the year is given below:-

Basic Trainer Aircraft (HTT-40)

First flight of the first prototype (PT-1) aircraft of HTT-40 was carried out on 31st May 2016 and inaugural flight was performed on 17th June, 2016 in the presence of Hon'ble RM. It has so far completed 57 flight tests cumulatively. HTT-40 participated in flying display (PT-1) and static display (PT-2) in Aero India 2017. Presently the development activities are under progress. The second prototype (PT-2) also took to the skies on 19th May, 2017.



Basic Trainer Aircraft Hindustan Turboprop Trainer -40 (HTT-40)



Light Utility Helicopter (LUH)

First technical flight of first prototype (PT-1) of LUH was carried out on 6th September, 2016 (with interim software of Smart Cockpit Display System (SCDS)). Subsequently, Digital Engine Operating System (DEOS) software has been installed on PT-1. First Flight with DEOS based SCDS was carried out on 28th October, 2016. LUH has so far completed a cumulative of 29 flights. LUH participated in flying display and static display in Aero India 2017. Presently, development flights are under progress on PT-1 towards envelope expansion. The second prototype (PT-2) had its successful flight on 22nd May, 2017.



Light Utility Helicopter (LUH) PT-2

Light Combat Helicopter (LCH)

LCH has so far completed a cumulative of 954 flights out of which 239 flights have been carried out in 2016-17. Indigenous IADS has been integrated on LCH and first flight with IADS was carried out on 16th July, 2016. Later Mission and Weapon Systems was also integrated on LCH. Turret Gun firing trials on LCH carried out at AFS, Kalaikunda in March 2017 towards Final Operation Clearance. LCH participated in flying display and static display during Aero India 2017.



Light Combat Helicopter (LCH)

Light Combat Aircraft (LCA)

LCA has so far completed a cumulative 3292 flights, out of which 247 flights carried out during 2016-17. Derby BVR missile integrated on LSP3, LSP4, and LSP5 aircraft. Fixed Air to Air Refueling (FAAR) Probe was also integrated on LSP8 and carriage trials carried out successfully on 31st January, 2017.



Light Combat Aircraft (Tejas) with Air to Air Refueling (AAR) Probe

Fifth Generation Fighter Aircraft (FGFA)

Draft CNC report prepared and circulated to all the CNC members (Indian Side) for review and comments on 21st July 2016. Report has been submitted to Chairman, CNC for further processing.

Expert group has been constituted by the Government to study various aspects of FGFA project. First Meeting of Expert Group held at HAL on 4th February, 2017. Subsequently four more meetings have been held.



25 kN Turbofan Engine (HTFE-25)

HTFE-25 core engine successfully reached Max RPM of 100% in September 2016. 100th successful run was completed on 28th October, 2016. So far 142 runs have been completed.

Engine Control System has been developed and successfully implemented on core engine for testing. Improved HP compressor design has been completed. Model of the HTFE-25 engine was displayed in Aero India 2017 at HAL Stall.

1200 KW Turboshaft Engine (HTSE-1200)

Initial Design activities for a 1200 SHP engine completed. Preliminary Design Review (PDR) was completed in June 2016. All the drawings were released in November 2016. Breadboard model of control system for running the engine has been developed and rig tested successfully. Engine full scale display model was showcased in Aero India 2017. Model of the HTSE-1200 engine was displayed in Aero India 2017 at HAL Stall.

Unmanned Aerial Vehicle (UAV) - Mini UAV (8 KG Class)

Autonomous flight tests on Prototype (PT-2) of Mini UAV was completed on 6th April, 2016. Range and Altitude flight Trials were carried out with fixed Day Camera. 10 km range and 1000 m altitude above ground level were achieved. Software programming in autopilot for integration of camera payload is completed.

Demonstration of Mini UAV to prospective customers (Northeast Frontier Railways, Southern Railway Palakkad Division, Forest Department, Greyhounds Special Forces, and CRPF) carried out. Customization based on feedback of the prospective customers have been initiated.

Jaguar Darin-III Upgrade

Flight trials of Jaguar aircraft with DARIN III system for IOC configuration completed in Sep 2016. IOC configuration clearance obtained on 17th February, 2017.



Jaguar Darin-III upgrade



Mirage 2000 Upgrade

First flight of upgraded Mirage-2000 aircraft took place on 28th July, 2016. 2nd aircraft was flown in FOC configurations on 1st October, 2016. Mission Computer (MC) development for Mirage upgrade completed with qualification testing. Qualification Testing reports submitted to RDAQA for clearance on 17th March, 2017. Phase I weapon Trials completed in January, 2017.

HAWK-i

HAL has rolled out the first indigenously upgraded Hawk Mk 132 aircraft named as Hawk-i on 25th January, 2017, with enhanced operational and training capabilities. "This is the 100th Hawk aircraft produced at HAL". Maiden flight of HAWK-i was successfully conducted on 1st February, 2017.

Hawk-i aircraft is equipped with indigenous Mission Computer in dual redundant configuration with Digital Map Generation, Embedded Virtual Training System (EVTS), Softnet Radio and Cockpit Human Machine Interface (HMI). Hawk-i participated in flying display in Aero India 2017.



Hawk-i

During the year, HAL has also successfully completed following Design and Development activities:

- Integration of weapon payloads on SU-30 MKI accomplished successfully.
- Integration of capabilities enhancing systems on Su-30 MKI completed successfully.
- AL-31FP limited engine test bed was handed over to Indian Air Force and engines were tested successfully on the test bed.
- Integration of smart systems on Jaguar Darin-II version accomplished successfully.
- Gas turbine Starter Unit for LCA and Air Turbine Starter (ATS) for Jaguar and Hawk have been completed.
- The civil Dhruv helicopter of GSI has been successfully integrated with improved heliborne geophysical sensor procured from Pico Envirotec, Canada for conducting low altitude high resolution Time Domain Electro Magnetic (TDEM) surveys over small potential areas for mineral prospecting.



- Integration of IADS on Naval Prototype, of ALH completed during October 2016.
- Successfully developed IFF MK-XII transponder for Pipavav Shipyard.
- Design and Development of indigenous Real Time Operating System (RTOS) for airborne computers has been completed.
- 3-D Printing technology (additive Manufacturing process) used in prototype manufacturing of engine components with different materials.

HAL has continued the drive across the Company, to assess and identify the technologies and processes which will build up its Intellectual Property portfolio. During the year HAL has filed 102 IPR applications which make cumulative number of IPRs filed by company to be 1308. 12 IPRs have also been granted during the year taking cumulative IPRs held by the organization to 42.

MAKE IN INDIA INITIATIVES

HAL as a major Aerospace defence public sector under Ministry of Defence has initiated several steps to adopt “Make in India” concept and accordingly several strategies are being implemented at HAL for Indigenous development of Aircraft, Helicopters, Aero engines, UAVs, aircraft systems such as avionics, mechanical systems etc. Some of the initiatives taken at HAL are as furnished below.

- HAL has hosted more than 300 imported systems and sub systems of mechanical, electrical, avionics, instrumentation for various HAL projects such as ALH, LCA, DO-228 and Jaguar, etc. in HAL’s portal and to enable private industries to take up for indigenisation as an import substitution. This can be accessed through www.hal-india.com under Make In India.
- HAL has also hosted more than 270 nos. of spares/ items for ROH of SU-30 MKI for which manufacturing/ ROH ToT is not available and which are to be made in India under ToT from Russian OEMs in HAL website under Make in India.
- Responses received from Indian Industries on indigenisation of Systems LRUs is hosted on HAL website under Make in India. Accordingly, actions have been taken for indigenisation of systems/ Sub-systems/ spares.
- Details of testing facilities available at HAL which could be utilized by private industries are also hosted in HAL’s website and can be accessed through www.hal-india.com under Make in India.

QUALITY INITIATIVES AND SAFETY:

Quality Management System in all Production Divisions and Research & Design Centers of HAL continues to be accredited to International Aerospace Standard AS 9100. Additionally, all Production Divisions and Research & Design Centers are approved by Directorate General of Aeronautical Quality Assurance (DGAQA) as per their document Approval of Firm and its Quality Management System (AFQMS) requirements. Production Divisions catering to Civil Customers are approved by Director General of Civil Aviation (DGCA) as Production/Maintenance Organization, whilst Production Divisions that are exporting products and services are also certified to National Aerospace Defence Contractors’ Accreditation Program (NADCAP) and have approvals from OEMs like Airbus, Boeing, Turbomeca, Rolls Royce etc. HAL Laboratories are accredited to IS17025 by National Accreditation Board for Testing and Calibration Laboratories (NABL).

The Research & Design Centers of HAL continue to hold Design Organization Approval from Centre for Military Airworthiness & Certification (CEMILAC) and Recognition of in-house R & D from Department of Scientific & Industrial Research (DSIR), Ministry of Science & Technology, Government of India, New Delhi. The R&D Centre engaged in Development of Software is certified to Capability Maturity Model Integration for Development Maturity Level 3 (CMMI ML3) by KPMG USA.

Quality improvement through employees' participation is being encouraged by practicing concepts such as Quality Circles, Quality Improvement Teams and Six Sigma Project Teams in the Divisions. 26 Quality Circle teams comprising more than 100 members, participated in National Convention Quality Circles (NCQC) held at Chennai. 12 Circles won awards under PAR EXCELLENCE category, 13 Circles won awards under EXCELLENT category and 1 Circle achieved DISTINGUISHED award.

Operator's conferences and workshops at customer operating bases to address fleet specific operational problems continue to be practiced.

Joint Quality Audits (JQA) by IAF were concluded for ALH, MiG-21, Jaguar, Hawk, SU-30, Mirage and MiG-29 fleets. Observations/Recommendations of JQA are being addressed to improve the system and processes in order to enhance product quality.

Over the last one year, all Aircraft Divisions at three flying locations have maintained a good flight safety record. The observations/ recommendations from flight safety audits at all Divisions have largely been implemented and they have yielded the desired results. To enhance the knowledge level of HAL Officers participating in Aircraft Accident Investigation of all Defence Operators, a four day course on "Flight Safety & Accident Investigation" was conducted at HAL from 5th – 8th June, 2017. Around 60 officers from different Divisions will participate in the course.

In order to bring about awareness on the procedure of defect investigation and various facilities / infrastructure available at HAL Divisions, a presentation was made by HAL during "Aerospace Safety Conclave" held at Air HQ, New Delhi on 8th March, 2017.

HAL has recently been recognized as member of IAQG (International Aerospace Quality Group). This authorizes HAL to be included as one of the 67 Organizations in America, Europe & Asia Pacific as signatory for revisions & introduction of international quality standard (viz. AS9100 standards.....).

HUMAN RESOURCE DEVELOPMENT

The strength of employees as on 31st March, 2017 was 29,526.

During the year 2016-17, 33 Officers were sponsored for Post Graduate Programmes at Cranfield University, UK; Management Development Institute (MDI), Gurgaon and Indian Institute of Technology (IITs) at Kanpur, Roorkee, Madras, Bombay & Kharagpur, to provide opportunities to the Officers to build their knowledge base and competencies. Another 4 Officers were sponsored for Ph.D Programmes at IITs also.

During the year under review, a total of 3542 Apprentices (including Diploma Holders and Engineering Graduates) have completed their training.



REPRESENTATION OF SC/ST

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

Representation of SCs / STs in the total Strength of the Company as on 1st January, 2016 and 1st January, 2017

| Category (Grade / Scale of Pay) | Total Strength as on | | Number of SCs as on | | Number of STs as on | |
|----------------------------------------------|----------------------|--------------|---------------------|-------------|---------------------|-------------|
| | 1.1.2016 | 1.1.2017 | 1.1.2016 | 1.1.2017 | 1.1.2016 | 1.1.2017 |
| Group – A (Grade – II & above) | 9234 | 9041 | 1614 | 1599 | 541 | 541 |
| Group – B (Grade-I) | 216 | 92 | 35 | 17 | 12 | 7 |
| Group – C (Scale -3 to Special Scale) | 20908 | 20507 | 3623 | 3545 | 1502 | 1470 |
| Group – D (Scales – 1 & 2): | | | | | | |
| (i) Excluding Safai Karmacharis | 19 | 18 | 5 | 5 | - | - |
| (ii) Safai Karmacharis | - | - | - | - | - | - |
| Total | 30376 | 29658 | 5277 | 5166 | 2055 | 2018 |

Recruitments made during the period 1st January, 2016 to 31st December, 2016 and the SCs & STs amongst them

| Category (Grade / Scale of Pay) | Total number of Posts filled | No. of Reservations made for | | No. of Posts filled by appointment of | |
|----------------------------------------------|------------------------------|------------------------------|-----------|---------------------------------------|-----------|
| | | SCs | STs | SCs | STs |
| Group – A (Grade – II & above) | 15 | 7 | 6 | 1 | - |
| Group – B (Grade-I) | 1 | - | 1 | - | - |
| Group – C (Scale -3 to Special Scale) | 236 | 67 | 37 | 45 | 20 |
| Group – D (Scales – 1 & 2): | | | | | |
| (i) Excluding Safai Karmacharis | - | - | - | - | - |
| (ii) Safai Karmacharis | - | - | - | - | - |
| Total | 252 | 74 | 44 | 46 | 20 |



Vacancy based Promotions made during the period 1st January, 2016 to 31st December, 2016 and the SCs & STs amongst them

| Category (Grade / Scale of Pay) | Total number Promoted | No. of Reservations made for | | No. of Posts filled by Promotion of | |
|----------------------------------------------|-----------------------------|---------------------------------|----------|----------------------------------------|-----------|
| | | SCs | STs | SCs | STs |
| Group – A (Grade – II & above) | 952 | NA | NA | 164 | 49 |
| Group – B (Grade-I) | - | - | - | - | - |
| Group – C (Scale -3 to Special Scale) | - | - | - | - | - |
| Group – D (Scales – 1 & 2): | | | | | |
| (i) Excluding Safai Karmacharis | - | - | - | - | - |
| (ii) Safai Karmacharis | - | - | - | - | - |
| Total | 952 | - | - | 164 | 49 |

EMPLOYEE RELATIONS (ER) / INDUSTRIAL RELATIONS

The ER Scenario in the Company has been peaceful. Cordial and smooth relations were maintained between the Management and the Unions / Associations by effective communication, so as to eliminate any scope for conflicts & misunderstandings and thus facilitate maintenance of Industrial Harmony. Regular Meetings with the representatives of the recognized Unions / Officers Associations at the Divisional, Complex & Corporate Levels were held to discuss issues.

Plant Level and Shop Level Committees with representatives from the Management and Workmen / Union Representatives are functioning in the Divisions to discuss and resolve production issues and other related matters. In order to address Employee / Public Grievance / Representations, Grievance Redressal Mechanisms are also in place in the Company.

STAFF WELFARE

Welfare of the employees is being taken care through various measures which include Medical Facilities, Housing Facilities, Canteen Facilities, Educational Facilities for employee's Children, Uniforms, Sports Facilities, Various Allowances, etc.

RAJBHASHA IMPLEMENTATION

All out efforts are being made by all the Divisions of HAL for implementation of the Official Language (OL) Policy of Government of India. To encourage OL implementation, Programmes are being organized to sensitize employees towards their duties. During the year, "all HAL Rajbhasha" Seminar was organized on 07th - 08th July 2016 at HAL Management Academy, Bangalore for OL Officials. Hindi In-house magazine Nabhratna was released on this



occasion. Hindi Fortnight was organized from 14th September to 28th September, 2016. As a result of our efforts, most of the Divisions are bringing out Fortnightly / Monthly / Quarterly News letters in addition to regular Hindi Magazines. HAL also organizes “All HAL Hindi Ustav” every alternate year, wherein large number of employees take part in various Hindi Competitions/Programmes. During the year, “All HAL Hindi Utsav” was organized from 9th to 12th November, 2016 at Koraput Division. Review of implementation of Official Language is done by the Hindi Margdarshan Samiti duly constituted at the Corporate Office level. Decisions taken by the Apex Committee are implemented at Company level. Important instructions regarding Official Language Policy have also been brought out in the HAL Diary 2017 for effective implementation of OL.

PROHIBITION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been notified in the Company. In line with the Guidelines received from time to time, necessary actions have been taken to prevent Sexual Harassment of Women at Workplace. The HAL CDA Rules applicable to Officers and the Certified Standing Orders applicable to Workmen have been suitably amended in this regard.

Internal Complaints Committees as per Section 4 of the Act have been put in place. Information for the year 2016 in terms of Section 22 of the Act is as indicated below:

| | | | |
|-------|---------------------------------------------------------------------|---|--------------------------|
| (i) | Number of Cases pending as on 1.1.16 | - | 4 |
| (ii) | Number of Complaints of Sexual Harassment received in the year 2016 | - | 4 |
| (iii) | Number of Complaints disposed of during the year 2016 | - | 4 |
| (iv) | Status of pending cases (4) as on 31.12.16 | - | Enquiries under progress |

IT INITIATIVES

To align with the Digital India initiative of the Government of India, HAL has undertaken key initiatives to enhance customer experience, improve processes and quality consciousness through innovative use of IT.

Customer Centricity:

To bring in the Customer Delight a New portal ‘Happy customer’ was launched which enables reduction in turnaround time for submission of the quotes to customers against RFQs, online tracking of ‘Team Deputation’ requests and a unified tracking mechanism for response to customer queries/ letters. Further, using data analytics, a fleet wise report, highlighting the performance and the key issues related to the fleet is generated by a ‘single click’ to enable effective monitoring.

Quality Conscious:

To improve the sensitivity towards Quality aspects, your Company is in the process of implementing a Quality dashboard which gives the turnaround time for defect analysis of LRUs, Engine parts, frequently rejecting parts and premature withdrawal.



Process Improvement and Collaboration:

With an objective to leap forward in paperless office space, your Company has undertaken a pilot project on Digital File System. This system is expected to increase the efficiency of file handling and decision making. A two factor based authentication using TOTP (Time based OTP technology) has been used for ensuring security of e-File. Further for effective collaboration across the company, cloud based Video conference system through Skype for Business is enabled.

On the IT Infrastructure front, your Company has decided to establish a high bandwidth secured private network through MPLS Connectivity across the Company.

The monitoring of the material management process has been brought under a centralized IMM Portal which has facilitated centralized monitoring to achieve the objective of reduction in cycle time with respect to processing of purchase requisitions and finalization of Receiving Reports (RRs).

The Performance Appraisal (PAR) for the Top Management (Grade IX and above) has been made online, which reflects the commitment of Top management to Digital Transformation.

IT Security:

The Company has implemented Companywide Microsoft Active Directory (AD) along with End Point Protection which ensures that every desktop in the Company conforms to IT Security Policy and helps in keeping all the desktops equipped with latest security patches, updated centrally on daily basis.

AWARDS & RECOGNITIONS

HAL has won several awards in recognition of its performance in various fields, during the year 2016-17. These are summarised below:-



Scope Excellence Award conferred by Hon'ble President of India Shri Pranab Mukherjee on 11th April, 2016 at New Delhi



Company Level

- HAL has been conferred with 'SCOPE Excellence Award' for outstanding contribution to the Public Sector Management by Hon'ble President of India on 11th April, 2016 at New Delhi.
- HAL has been selected for 2nd Corporate Governance Excellence Award for the year 2015-16 under unlisted public sector companies with a turnover of over ₹ 500 Cr Category by "The Associated Chambers of Commerce and Industry of India (ASSOCHAM)" on 2nd December, 2016 at New Delhi.
- HAL has been adjudged as winner of "Industry Excellence Awards 2016" by The Institution of Engineers (India) (IEI) for demonstrating highest order of business excellence on 16th December, 2016 at Kolkata.
- HAL received 'Governance Now' PSU Award 2016 under the Categories of 'CSR initiatives', 'HR initiatives' and 'Information & Communication Technology (ICT) initiatives' by Governance Now Magazine on 23rd December, 2016 at New Delhi.
- HAL has been conferred with "SKOCH Platinum Award" and "SKOCH Order-of-Merit Award" at the 46th SKOCH Summit 2016 on 15th December, 2016 at New Delhi for the Design and Development of Light Combat Helicopter by SKOCH Group.
- HAL has been conferred with the "Performance Excellence Award 2015" by Indian Institution of Industrial Engineering (IIIE), in recognition of the achievements and contributions made by HAL towards nation on 24th June, 2016 at Nagpur.
- HAL has been conferred with the "India's Top PSU Award – 2016" under the Category of Manufacturing - Transportation Equipment sector by Dun & Bradstreet on 22nd August, 2016 at New Delhi.
- HAL has been conferred with "Aerospace and Defence Awards 2017" under the Category of "Company of the year" by SAP Media Worldwide Ltd on 13th February, 2017 at Bangalore.
- HAL has been conferred with the "Export Excellence Award 2016" for "Best Manufacturing Exporter" under manufacturing large category – Gold by the Federation of Karnataka Chambers of Commerce & Industry (FKCCI) on 22nd June, 2016.

Divisional Level

- Koraput Division has been honoured with 'Karyalay Deep' award by Rajbhasha Seva Sansthan, New Delhi for effective implementation of Official Language (Hindi).
- Foundry and Forge was conferred with the Aeronautical Society of India (AeSI) Award 2015 for the project "Indigenous Development of Metallo-ceramic Brake Pads for Advanced Trainer Aircraft" on 14th October, 2016 at IIT Mumbai.
- Engine Division, Koraput, received "Production Technology Award-2015" for indigenous manufacturing of 46 varieties of compressor and turbine blades of AN-32 transport aircraft, Mi-8 and Mi-17 helicopters for supply to the Indian Air Force, at an event held at IIT Mumbai.
- HTT-40 team was awarded the maiden "Bharat Ratna Dr. APJ Abdul Kalam by the Aeronautical Society of India for Innovation in Aviation Award" for the development of HTT-40 in record time on 14th October, 2016 at IIT Mumbai.

- Aircraft Research and Design Centre (ARDC), HAL received first prize for the House Journal (Hindi Magazine “Kshitij”) for the year 2015-16 and a consolation prize for Rajbhasha implementation among the major CPSU organizations coming under the Town Official Language Implementation Committee (TOLIC), Bengaluru.

Individual Level

- The Institute of Engineers (India) at its fourth Indian Technology Congress (ITC 2016) awarded ‘Technology Leadership Award’ to Shri T. Suvarna Raju, CMD, HAL on 1st December, 2016 at Bengaluru.
- Indian Institute of Material Management (IIMM) has conferred Corporate Leadership Award – 2016 to Shri T. Suvarna Raju, CMD, HAL during National Convention event (NATCOM 2016) at Hyderabad on 25th November, 2016.
- The Prestigious Dr. V. M. Ghatge Award for the year 2015 was conferred to Shri. V. Sridharan, Executive Director, LCA Tejas Division by the Aeronautical Society of India (AeSI) in recognition of his dedicated endeavours in establishing the production facilities for the Tejas aircraft and his efforts in upgradation of the production standard of LCA from limited series production to series production.
- Shri. Abdul Rashid Tajar, Manager (D-AER), RWRDC, bagged SODET Bronze Award for “Technology Innovation” for the year 2014-15 in recognition to the work “Improvement in Helicopter Handling Qualities, Performance and situational awareness of the Helicopter”.

VIGILANCE

Your Company has an independent Vigilance Department headed by Chief Vigilance Officer (CVO). Vigilance Department of the Company lays main thrust on preventive as well as proactive vigilance activities to curb corruption and malpractices with a view to safeguard the interest of the organization and to facilitate a conducive environment enabling people to work with integrity, honesty in a transparent manner.

Some of the important activities of Vigilance Department undertaken during the year 2016 -17 are as under:

- (a) **Digitalization of Land Records.** Digitalization of land records of the company was completed in September 2016. Around 8000 pages of records of land spread across 2100 acres in Bengaluru and around 600 acres at Tumkur are digitized containing Gazette notifications, award copies, RTCs, handing/taking over certificates and village maps.
- (b) Vigilance provides vital inputs to the management for improving the prevailing systems and improving transparency. System studies were carried out and implemented measures to streamline procedure for:
 - Township administration, land management construction of boundary wall etc.
 - Vendor Registration including outsourcing vendors.
 - Time lag between initiation of request to placement of order, execution of order and release of payment
 - Preventive checks on CRS projects to ensure they are being executed properly and making timely interventions for suitable rectification of mistakes.



During the year 15 system improvement were suggested and implemented in various areas of Reduction in diesel used for captive power generation, Material issued to subcontractor, Finalization of RR's, Check on RTGS payments, Civil works, Delay in installation and commissioning etc.

- (c) Vigilance Department consistently spread awareness among Managers to be vigilant and Workshops were held at several divisions on "Vigilance as an enabler" in decision making. Several workshops were conducted with important functionalities/stake holders like Material Management, Finance, HR, Service Contracts, Work Contracts, etc.
- (d) **Video Tutorial: TEJAS TALK**, a Video Tutorial on "Vigilance Angle", "HAL CDA Rules" was released to bring awareness about Vigilance Angle vis-à-vis handling of complaints/cases.
- (e) **Marg Darshan, Vigilance Newsletter**: Bi-Annual Vigilance Newsletter, Marg Darshan is being published regularly. A need was felt to address various issues related to Supply Chain Management. During the year, Marg Darshan, Vol-XIII, Issue No 1 was released in April 2016 and Issue No 2 was released in October, 2016, containing articles from the executives having exposure and experience in Supply Chain Management.
- (f) **Computerization of Report on Action Plan**: Divisions are carrying out routine/ surprise checks as per the Action Plan drawn. Green friendly initiative of submission of reports by the Divisional HoDs online through OLIV has reduced time taken considerably in analysis and decision on further course of action on the outcome of the checks.
- (g) During the period 497 Surprise/Routine checks were carried out in the Divisions. On corruption prone areas out of which 15 cases were taken up for detailed investigation. During the period, 330 complaints were handled. Points requiring systemic correction as noted during system studies and investigations were brought to the notice of the Management for suitable intervention. Stress was also laid on sensitization of employees and 46 sessions on Vigilance matters were conducted.
- (h) Investigations of 34 cases were concluded out of which 12 cases were referred for disciplinary action and 12 cases for administrative action. 11 cases were closed as nothing adverse found during investigation. Final orders awarding 6 major penalties, 11 minor penalties and 47 advisory were issued by the disciplinary authority during the period.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(3)(c) of the Companies Act, 2013 your directors state that:-

- (a) in the preparation of the annual accounts for the year ended 31st March, 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2017 and of the profit and loss of the Company for the year ended on that date;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

- (d) the Directors have prepared the annual accounts on a “going concern” basis.
- (e) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

AUDITORS AND AUDITORS’ REPORT

Statutory Auditors

M/s. S. Venkatram & Co., Chartered Accountants were appointed as Statutory Auditors for auditing the Accounts of the Company for the year 2016-2017 and 19 firms of Chartered Accountants were appointed as Branch Auditors.

The notes on the financial statements refer to in the Auditors’ Report are self-explanatory and do not call for any further comments.

Cost Auditor

M/s. KPR & Associates, Cost Accountants were appointed as Cost Auditors for conducting the Cost Audit of the Company for the year 2016 -17.

Secretarial Auditors

M/s. BRKS & Associates, Practicing Company Secretaries, Bengaluru were appointed to conduct Secretarial Audit of the Company for the financial year 2016 -17. The Secretarial Audit report submitted by the Auditors is annexed to the Board Report as per **Annexure-V** and forms part of Annual-Report. The said report does not contain any qualification, reservation or adverse remarks.

Auditors’ Report

The Auditors’ Report on the Annual Accounts for the financial year 2016-17 and comments of the Comptroller & Auditor General of India under Section 143(6) of the Companies Act, 2013 are appended to this Report.

During the year under review, no fraud has been reported by the Auditors under section 143(12) of the Companies Act, 2013 read with Rule 13 of the Companies (Audit and Auditors) Amendment Rules, 2015.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by Dept. of Public Enterprises (DPE). The report on Corporate Governance as stipulated under the DPE Guidelines forms an integral part of this report. The requisite certificates from M/s. BRKS & Associates, Company Secretaries, Bengaluru confirming compliance with the conditions of Corporate Governance is annexed to this report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report for the year under review as stipulated under the DPE Guidelines is annexed and forms part of the Annual Report.



VIGIL MECHANISM

Pursuant to the provisions of the Section 177(9) of the Companies Act, 2013 read with Rule (7) of the Companies (Meetings of the Board & its Powers) Rules, 2014 and DPE Guidelines for CPSEs the Company has established vigil mechanism and adopted whistle blower policy for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy.

The employees are encouraged to raise any of their concerns by way of whistle blowing and none of the employees have been denied access to the Audit Committee. Blower Policy is available on the website of the Company www.hal-india.com.

ACKNOWLEDGEMENT

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

Your Directors acknowledge with deep sense of appreciation the valuable 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 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, Bankers, Collaborators, JV Partners and Suppliers.

Your Directors also wish to place on record their deep sense of appreciation for the committed services by the Company Executives, Staff and Workers for progress and prosperity of the Company.

**For and on behalf of Board of Directors
Hindustan Aeronautics Limited**

A handwritten signature in blue ink, likely belonging to T. Suvarna Raju.

**(T. Suvarna Raju)
Chairman & Managing Director**

Place : Bengaluru
Date : 17th July, 2017



MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. INDUSTRY SCENARIO

1.1 Global Scenario

- 1.1.1 According to the “2017 Global Aerospace and Defence Sector Outlook” of Deloitte, the global aerospace and defence sector comprising of commercial aerospace and the defence sector is expected to grow around 2.0% in 2017. This expected growth will account towards the increase in defence expenditures from the major regional powers, which will result in expected growth of defence sector revenue by 3.2%, whereas the commercial aerospace sector revenues are likely to remain flat with marginal growth of 0.3% in 2017.
- 1.1.2 In 2017, Global defence market is expected to be driven by increased in defence budget of USA after 5 years period of decline, with focus on strengthening of their military. Further Global defence market will be driven by the rise in the global security threat leading to increase in defence spending to meet the demand of defence and military product particularly in UAE, Saudi Arabia, India, South Korea, Japan and China.
- 1.1.3 Global commercial aerospace sector will be driven by the demand on next generation aircraft and growing passenger traffic in 2017. Passenger travel demand is increasing in countries and regions which are experiencing continued wealth creation; Asia and the Middle East in particular. These markets will continue to be the focused region for commercial aerospace companies to capitalize on the demand of new aircraft.

1.2 The Indian Scenario

- 1.2.1 As per SIPRI “Trends in World Military Expenditure, 2016” published in April 2017, India has been ranked 5th among the top 10 countries in the world in terms of military expenditure in 2016. As per the SIPRI “Year Book 2016”, India is also ranked as the largest importer of conventional defence equipment as it continues to modernize its forces and equipment.
- 1.2.2 Indian Defence Market continues to be one of the most attractive markets in the world and offers significant opportunities for defence manufacturing firms. Currently, India employs the third largest Armed Forces in the world and sources around 60 percent of its defence requirements through imports.
- 1.2.3 The Union budget allocation in 2017-18 for Defence Expenditure (excluding pension) is ₹ 2,62,390 Cr with an increase of 5.34% over the previous year allocation of ₹ 2,49,099 Cr (BE). However, this defence expenditure allocation has come down to 1.56% of GDP from allocation 1.65% of GDP in previous year and it is also the lowest allocation since 2000-01. Current budgeted allocation of Defence Expenditure includes ₹ 1,75,861 Cr (for revenue expenditure) and ₹ 86,529 Cr (for the capital expenditure). This allocation for revenue expenditure and capital expenditure has grown by 8.05% and 0.22 % respectively over the previous year allocations.
- 1.2.4 Lower allocation toward Defence Expenditure for the year 2017-18 in terms of percentage of GDP and marginal increase in capital expenditure are expected to have a negative impact on the new acquisition and modernisation plan of the Armed Forces and will continue to pose challenges to manufacturing companies like HAL.



1.2.5 Indian civil aviation sector is amongst the fastest growing market and is expected to become the third largest by year 2020 and the largest by year 2030. Presently India is the world's ninth largest civil aviation market. The total passenger traffic registered in India in 2016-17 is around 223.6 million with growth of 17.62 percent over previous year of 190.1 million. The passenger traffic has expanded at a Compound Annual Growth Rate (CAGR) of 11.8 percent during 2006 – 2016 in India. Total freight traffic registered a CAGR of 6.8 percent during 2006 – 2016 in India. Freight traffic is expected to be 11.4 million ton by year 2032. Growth in the import and export in India will be the key drivers for growth in freight traffic as 30 percent of total trade is undertaken by airways.

1.2.6 Indian Aerospace and Defence market is expected to continue the trend of growth in line with the emerging markets worldwide due to the economic growth of the nation and increased demands from the Armed Forces. Further the geo political scenario with security threats and the growing air traffic in the civil sector are the factors which will give raise to increased A&D products in the country.

2. ORGANISATION STRUCTURE

2.1 The Company is headed by a Chairman and Managing Director. It has four Functional Directors (Operations, Engineering and R&D, Finance and Human Resource) who support the Chairman and Managing Director (CMD) in evolving business strategies, plans, policies for the growth of the Company and monitoring the performance of the Company vis-à-vis the planned targets.

2.2 Presently, HAL has 20 Production / Overhaul Divisions and 11 Research and Development Centres co-located with the Production Divisions across the Country. These Divisions are organised into five Complexes:

- Bangalore Complex: Production and ROH of Fixed Wing Aircraft/ Engines (Indian and Western origin)
- MiG Complex: Production and ROH of Fixed Wing Aircraft / Engines (Russian origin)
- Helicopter Complex: Production and ROH of Helicopters
- Accessories Complex: Production and ROH of Accessories and Avionics for both Fixed Wing and Rotary Wing Platforms
- Design Complex: Design and Development of Fixed Wing and Rotary Wing Aircraft, Unmanned Aerial Vehicles (UAV), Aero-engines, Avionics and Accessories.

2.3 These business verticals are headed by Chief Executive Officer (CEO) and managed as independent profit centres. The R&D centres however report to Director (Engineering and R&D) from the view point of integrated functioning in terms of future products of the company.

2.4 The Company had 29,526 employees on its rolls as on 31st March, 2017 comprising 9,054 officers and 12,652 direct workmen and 7,820 support staff.

3. PRODUCTS AND 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 31 types of aircraft/helicopters in the product portfolio of the Company so far, 17 have been of indigenous design. The Company is currently

manufacturing Su-30 Mki, Hawk, Dornier, ALH, Cheetal, LCA and related engines and accessories. The Company is also providing repair and overhaul services for various aircraft and helicopters including related engines and accessories being operated by the customer. The Company has identified additional key Product and Technology as thrust areas such as Aero-engines, UAVs and Civil Aviation which are being pursued earnestly.

4. SWOT ANALYSIS

It helps in analysing internal strengths and weaknesses of the firm as well as to identify potential opportunities and threats in the external environment of the organisation. The SWOT analysis of the Company is as follows:

Strengths

- Long credible history of R&D, Manufacturing and MRO services.
- Good track record in offering Product Life Cycle support extending to periods beyond 3 to 4 decades.
- In house design and development capabilities and infrastructure.
- Leadership Position in the Indian Aeronautical industry and GoI support.
- Availability of manpower with expertise in aerospace domain.
- Experienced management team and operating team.

Weaknesses

- Dependence on Indian Defence customers.
- Dependency on foreign suppliers for critical technologies and raw materials.
- Weak Supply Chain system due to underdeveloped indigenous aerospace manufacturing eco-system.
- Limitations in attracting talent.
- Lack of access to international market.
- Lack of diversified product portfolio.

Opportunities

- Growing Civil Aviation market in India.
- Surge in modernisation of Indian Defence Services.
- Special emphasis on manufacturing sector by the Government.
- Export markets for Light helicopters, Dornier aircraft and MRO of defence aircraft and helicopters.
- Single window solution provider status, being OEM of major platforms.



Threats

- Relaxation in FDI guidelines to ease entry of foreign companies in India.
- Rise in alliance and collaboration between Foreign OEMs and Indian private companies.
- Governments thrust on the private participation in defence production.
- Participation of Indian private companies in Make category acquisition programme.
- Changing preference of defence customers by moving away from single source to multiple sources.

5. PRODUCT-WISE PERFORMANCE

- 5.1 Keeping in view the nature of its business and the sensitive nature of disclosure, HAL being a defence PSU, was exempted from disclosing segment-wise information as per AS-17 vide notification No. 463 (E) dated 05.06.2015. The exemption for corresponding Accounting Standard in Ind AS i.e. Ind AS 108 is under consideration of the Ministry of Corporate Affairs. Such non-disclosure does not have any financial impact on the Accounts of the Company.

6. OUTLOOK

- 6.1 The Indian Aerospace and Defence business environment is going through transformation under the 'Make in India' initiative. The Government is emphasising on building and enhancing the complete manufacturing ecosystem in India with an aim to increase the contribution of manufacturing output to 25 percent of GDP.
- 6.2 The government is also undertaking various initiatives and policy changes and these initiatives are expected to create challenging and competitive scenarios for HAL with emerging competition from Indian Private Firms in collaboration with the Foreign OEMs. These changes in the business environment are driving the Company to increase focus on R&D to develop next generation technology and products with a view on long term sustainability. The Company is continuously undertaking R&D programmes in-house as well as in collaboration with Indian or Foreign OEMs. The Company is also undertaking the co-design and co-development programmes in collaboration with leading Aerospace Companies, which is expected to give boost to future business prospects of the Company.
- 6.3 Requirement of the Indian Defence Services in the areas of combat aircraft, helicopters in light and medium weight category offers excellent opportunity for the Company in the near future. The Company has infrastructure and expertise and these will be an edge over competition in the short term. Simultaneously the Company is also working towards forming business collaboration with OEMs, Research Laboratories and Academic Institutions to enhance the Company's future product portfolio and enhance the operational performance.
- 6.4 The Company's quest for development of indigenous aircraft / helicopter has progressed considerably. Development projects like ALH weaponised version (ALH-WSI), Light Combat Helicopter (LCH), Light Utility Helicopter (LUH), Basic Trainer Aircraft (HTT-40), 25 kN Hindustan Turbo Fan Engine (HTFE-25), UAVs, Jaguar Darin III upgrade and Mirage 2000 upgrade are moving closer to fruitfulness and these projects are expected to lead the company to expand its business horizon over a period of next 10 to 15 years.



- 6.5 The Company has made significant progress during the year towards diversification into Civil Segment to leverage the growth prospects of the Indian Civil Aviation. The company has placed Dornier Do-228 upto 20 seater light transport aircraft category for short-haul range in line with Regional Connectivity Scheme (RCS) "Ude Desh ka Aam Nagrik (UDAN)" of Government of India. The Company has also initiated the manufacturing of two (02) Dornier Do-228 civil variant and exploring potential customer for entering into the civil segment.
- 6.6 Obsolescence is a concern for the Company in the area of MRO, especially in the ageing fleets of older aircraft/helicopters still under operation by customers. Denial of both technology and support by the OEMs in critical areas may have adverse impact on the MRO support to customers. This is being addressed through measures like indigenization, alternate sources development and LTBA for spares support from the OEMs. While obsolescence management efforts have to continue, this also calls for establishing necessary guidelines on phasing out old fleets.

7. MEASURES TO TACKLE CHALLENGES

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

Technology Development / Acquisition

- 7.1 The Company has achieved considerable progress in its various major Research and Development programmes viz. Light Combat Helicopter (LCH), Light Utility Helicopter (LUH), Light Combat Aircraft (LCA), Basic Trainer Aircraft (HTT-40), Jaguar Darin III Upgrade, Mirage 2000 Upgrade, 8kg Mini UAV, 25 kN Hindustan Turbo Fan Engine (HTFE-25) and 1200kW Hindustan Turbo Shaft Engine (HTSE-1200). The company has also undertaken design and development of various systems/ sub-systems/ LRUs/ components to support the indigenous development of aircraft/ helicopters.
- 7.2 Apart from the development of new platforms, the company has taken up indigenous upgradation of aircraft with integration of latest indigenous LRUs /systems /sub-systems/ components and weapon system to enhance their operational capability such as Hawk-i. The Company is also looking forward for Su-30 Mkl Upgrade.

Diversify through expansion of product portfolio in new growth areas

- 7.3 The Company has conducted an analysis of its product portfolio and identified the gaps. The demand for the products identified as gaps are expected to grow in future and they can become a potential revenue line for the company. These major gaps are indigenous helicopter of medium class for military, indigenous weaponised helicopter in 3 ton category, helicopter for civil roles, indigenous twin engine multi role aircraft, indigenous UAVs & combat UAV, indigenous military transport aircraft of more than 3 ton category (or 20 and above seater category) and civil transport aircraft.
- 7.4 Considering the growth of domestic as well as international defence and civil aviation market, there are significant growth opportunities available for the company in near future for the identified gaps. In view of the gap in helicopter product portfolio, the company has initiated the indigenous design and development of Indian Multi Role Helicopter (IMRH), a 12 ton medium category helicopter.
- 7.5 The company continues to focus on expanding its presence in global civil segment. To enter in this segment with the target market of Latin America and South-East Asia for civil variant of ALH Dhruv,



the company has progressed significantly towards obtaining the regulatory approvals i.e. European civil certification from the European Aviation Safety Agency (“EASA”) for ALH Dhruv.

- 7.6 The company has huge gap of passenger transport aircraft in its product portfolio due to which it is unable to be the part of the growth of the Indian Civil Aviation. In order to fill this gap the company has planned to move ahead gradually in a phased manner to enter this segment. The company is primarily looking at up to 20 seater short haul aircraft segment as the medium of entry into civil segment. Dornier Do-228 civil variant will be placed in this segment as an organic extension of our product. In 2016-17, the company has initiated manufacturing of two Do-228 civil variant aircraft and significant progress has been made towards manufacturing of Do-228 civil variant aircraft and its civil certification.

Strategic Partnerships or Collaborations

- 7.7 The range of products of the company requires a wide array of technologies and capabilities. The rapid pace of technological development in the aeronautical industry, specialized expertise required in different areas of product life cycle, which makes it difficult for us to extend our portfolio organically. Therefore, in addition to organic growth through our R&D efforts, HAL has historically relied, and will continue to rely, on alliances to gain access to new technologies.
- 7.8 HAL is forming strategic partnerships or collaborations to co-develop products in order to improve know-how by sharing and reduce the risks and time involved in developing new products such as the Fifth Generation Fighter Aircraft (FGFA) and Advance Combat Hawk etc.
- 7.9 HAL has also collaborated with our strategic partners to provide product support or services to our customers such as Helicopter Engine MRO Pvt. Ltd., a Joint Venture between HAL and Safran Helicopter Engines to provide maintenance repair and overhaul services for Safran TM 333 & HAL Shakti engines that powers HAL-built helicopters. This joint venture will help HAL to enhance level of engine MRO services to serve our customers better.

Developing Human Capital

- 7.10 HAL has taken up several measures under the Skill Development arena and initiated actions for aligning skill development systems & practices to the vision & mission of the Company and enable significant enhancement of competitiveness of HAL.
- 7.11 Some of the initiatives are Development of Occupational Standards, Development of Skill Development Web Portal, Pilot Project on Skill Development, identification of Critical Skills, Training of Trainers and Skill Development Policy. Also a Training Module & Syllabus was formulated for induction of Personnel on Tenure Basis.
- 7.12 Measures to standardize the job roles to improve quality, productivity & customer satisfaction by improving skill, knowledge and understanding were taken up. Identification of Job Roles was carried out in order to align Recruitment Rules to the National Skills Qualification Framework (NSQF). A Term Sheet was signed with the National Skill Development Council (NSDC) covering project objectives, segments, target training trades and broad execution plan. HAL has also donated spare equipment and machinery for training to ITIs and Training Organisations.



Customer Orientation

- 7.13 In order to provide services at the doorstep and to reduce downtime, HAL has established an MRO Hub at Mamun to support ALH servicing for the Indian Army. The customer services continued its focus to assist customers in improving its fleet serviceability. Minimizing AOGs (Aircraft Operationally Grounded) with the services has been the constant efforts. Towards this, the Company has suggested a proposal to supply Spares, with a nil waiting period on a warehousing / off the shelf supply basis. The pricing model will be finalised in consultation with Customers and MoD.
- 7.14 For the year 2016-17, your Company has targeted visits by top executives to Command Head Quarters to bring in more visibility of customer concerns and finding solutions thereon. Direct interactions on the issues with operators have helped HAL resolving the various issues which otherwise may hinder smooth operations. Towards this, the experts from the various fleets participated in the Operator's Conferences of the respective fleets and provided their valuable inputs. The inputs provided by such experts help the customers both in flying operations as well as the fleet maintenance.
- 7.15 To help the IAF tide over the training commitments, your Company is providing active support to its Kiran fleet until 2019. Similarly, to help the IAF derive maximum potential out of its potent Jaguar fleet, inducted in 1978, your Company would continue to support it for the next 25 years. For this purpose Steering Committee for Jaguar fleet is being formed by the executives from HAL & IAF.
- 7.16 HAL has undertaken Obsolescence Management of Jaguar, Kiran, Avro and Dornier fleets. Also, upgrade on Jaguar and Mirage is being undertaken for performance improvement. Efforts on the Indigenization also have been accelerated to work on the alternate systems and reduce the dependence on foreign OEMs and high costs. Facilities of ROH of Hawk and Su-30 have been set up. In the coming years, your Company's endeavour would be to provide complete maintenance support like Performance Based Logistics to the Services leaving them focused on the operations alone.

8. FINANCIAL PERFORMANCE

- 8.1 The financial performance of the Company for the year 2016-17 is summarised here below:-

| Particulars | Unit | 31.3.2017 | 31.3.2016 |
|-----------------------------------------|--------|-----------|-----------|
| Turnover | ₹ Cr | 17605 | 16586 |
| Exports | ₹ Cr | 465 | 446 |
| Profit before Tax (PBT) | ₹ Cr | 3583 | 3207 |
| Gross Margin | ₹ Cr | 4306 | 4070 |
| Net Worth | ₹ Cr | 12537 | 11019 |
| R&D Expenditure | ₹ Cr | 1284 | 1191 |
| Sales Per Employee (net of excise duty) | ₹ Lakh | 60 | 55 |
| Earnings Per Share | ₹ | 72.35 | 41.45 |

- 8.2 Analysis of Financial Performance 2016-17:

- The Sales registered a growth of 6 % to ₹ 17,605 Cr in the previous year from ₹ 16,586 Cr.
- The Company has recorded a profit before tax of ₹ 3,583 Cr during the year as compared to ₹ 3,207 Cr in the previous year registering an increase of 12%.



- Gross Margin is ₹ 4,306 Cr during the year as compared to ₹ 4,070 Cr in the previous year registering an increase of 6%.
- Earnings Per Share is ₹ 72.35 as against ₹ 41.45 in the previous year.

9. HUMAN RESOURCE DEVELOPMENT

(i) Leadership Development Programme for Middle Management Cadre

As part of the continued efforts towards building systems for Organizational capabilities, a Leadership Development Programme for the Middle Management has been institutionalized. The Program consists of four Phases spanning over a period of six months and includes a three week Institutional module at IIM-Lucknow. During 2016-17, 58 Executives were nominated for the Program.

(ii) Evaluation of Structures, Systems and Processes at HAL

In view of the current business requirements and challenges, the Company has engaged Indian Institute of Management, Bangalore to carry out a Study on 'Evaluation of Structures, Systems and Processes'. The Study aims to examine the structure (inter-divisional and intra-divisional) of the Company, processes and systems & organizational culture and provide suggestions to support innovation and high performance.

(iii) Learning & Development

A Training Policy for Directors has been introduced in the Company during 2016. The Policy aims at providing orientation and facilitating Training to be offered to members of the Board of Directors of HAL. The Policy entails to provide exposure to the global strategies, best practices and management techniques so as to steer the Company towards reaching & sustaining globally comparable levels of excellence.

With a view to enrich the academic base of the Company, Indian Institute of Management, Bangalore has been included as one of the Institutes for sponsorship of Officers for higher studies. Officers will be sponsored for the Post Graduate Programme in Public Policy and Management (PGPPM) at the Institute. The Programme is a one year full time residential one and the first batch of 5 Sponsored Officers from HAL have joined the course from the Academic Year 2017-18 onwards.

(iv) HAL Employees Premature Retirement Scheme

The Company has introduced a revised Employees Premature Retirement Scheme w.e.f 5.4.16. The Scheme aims at strengthening the administrative machinery and improving efficiency and performance of the employees in the Organization. The Scheme provides for counselling/ feedback during the preceding two years, before the Employee is considered for retirement. The Scheme is currently applicable to the Officers of the Company and will be made applicable to Workmen after suitably modifying the Certified Standing Orders.



10. MANPOWER

| Total Employees as on 31.03.2017 | Officers | Workmen | | Total Workmen |
|----------------------------------|----------|---------|----------|---------------|
| | | Direct | Indirect | |
| 29526 | 9054 | 12652 | 7820 | 20472 |

11. ENVIRONMENT PROTECTION AND CONSERVATION:

11.1 The Company has been planting saplings every year. The Division-wise details of saplings planted during the years 2016-17 and 2015-16 are as indicated below:

| SI No | Name of the Division / Complex | Total number of Saplings planted during | |
|--------------|--------------------------------|-----------------------------------------|---------------|
| | | 2016-17 | 2015-16 |
| 1 | Bangalore Complex | 4,570 | 4,092 |
| 2 | Koraput Division | 41,715 | 49,620 |
| 3 | Nasik Division | 6,223 | 10,417 |
| 4 | Korwa Division | 11,150 | 1,000 |
| 5 | Lucknow Division | 1,789 | 2,550 |
| 6 | Barrackpore Division | 10,254 | 20,049 |
| 7 | TAD Kanpur | 800 | 750 |
| 8 | Hyderabad Division | 10,044 | 600 |
| Total | | 86,545 | 89,078 |



CORPORATE GOVERNANCE REPORT

Philosophy and Code of Governance

The Company's philosophy on Corporate Governance is based on the principles of transparency, honesty, integrity, accountability, Corporate Social Responsibility, compliance of laws, procedures and meeting ethical standards to take care of the interest of all the stakeholders. The Company gives importance to adherence to corporate values and objectives and discharging social responsibilities as a corporate citizen.

The Company has implemented the guidelines enunciated by the Department of Public Enterprises, Govt. of India., on Corporate Governance. For effective implementation of the Corporate Governance practices, the Company has a well-defined policy framework. The HAL Corporate Governance 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 setup 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
- Quarterly and yearly compliance report on Corporate Governance are being forwarded to MoD in the prescribed format as per DPE Guidelines.

Board of Directors

The Board of Directors headed by Executive Chairman is the apex body which oversees functioning of the Company. The Board provides a long-term vision and policy thinking in order to improve the quality of governance. It has constituted 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.

As on 31st March, 2017 the Composition of the Board of Directors of the Company consists of Chairman and Managing Director, four functional directors, one Government Nominee director and five Independent directors. The composition of the Board of HAL is in conformity with provisions of Companies Act, 2013, and DPE guidelines on Corporate Governance.



Meetings and Attendance

During the financial year ended on 31st March, 2017, 7 (seven) Board Meetings were held as mentioned below:

| SI No | Date of Board Meeting | SI No | Date of Board Meeting |
|-------|----------------------------------|-------|---------------------------------|
| 1 | 28 th May, 2016 | 5 | 16 th December, 2016 |
| 2 | 29 th June, 2016 | 6 | 15 th February 2017 |
| 3 | 6 th September, 2016 | 7 | 24 th March, 2017 |
| 4 | 30 th September, 2016 | | |

Details of attendance of the Directors at the Board Meetings during 2016-17 are given below:-

| Sl. No. | Directors | Board Meetings held during respective tenure of Director | No. of Board Meetings attended |
|---------|------------------------------|----------------------------------------------------------|--------------------------------|
| 1 | Shri T. Suvarna Raju, CMD | 7 | 7 |
| 2 | Shri K K Pant* | 4 | 4 |
| 3 | Shri Rajib Kumar Sen* | 3 | 3 |
| 4 | Shri V M Chamola | 7 | 7 |
| 5 | Shri S. Subrahmanyam | 7 | 7 |
| 6 | Shri D K Venkaesh | 7 | 7 |
| 7 | Shri C V Ramana Rao | 7 | 7 |
| 8 | Shri P S Krishnan | 7 | 5 |
| 9 | Shri Pradipta Banerji | 7 | 4 |
| 10 | Shri Gopabandhu Pattanaik | 7 | 7 |
| 11 | AVM (R) D K Pande, AVSM, VSM | 7 | 7 |
| 12 | Ms. Dipali Khanna | 7 | 5 |

* Change in Board of Directors

- Shri Kamlesh Kumar Pant was ceased to be Government Nominee Director with effect from 21st October, 2016
- Shri Rajib Kumar Sen was appointed as Government Nominee Director with effect from 18th November, 2016

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).

The Audit Committee was reconstituted by the Board in its 401st meeting held on 16th December, 2016. It consists of 5 Independent Directors and 1 Government Nominee Director. During the year ended on 31st March, 2017, the Audit Committee met 7 times on 28th May, 2016, 29th June, 2016, 6th September 2016, 30th September, 2016, 16th December, 2016, 15th February, 2017 and 23rd & 24th March, 2017. The attendance of the members of the Audit Committee in these meetings was as follows:-



| Sl. No. | Name of Attendees | Meetings held during respective tenure of Director | No. of Audit Committee Meetings attended |
|---------|-----------------------------|----------------------------------------------------|------------------------------------------|
| 1 | Shri Gopabandhu Pattanaik | 7 | 7 |
| 2 | Shri P S Krishnan | 7 | 5 |
| 3 | Shri Pradipta Banerji | 7 | 4 |
| 4 | AVM (R) D K Pande, AVSM,VSM | 7 | 7 |
| 5 | Ms. Dipali Khanna | 6 | 4 |
| 6 | Shri K K Pant* | 4 | 2 |
| 7 | Shri Rajib Kumar Sen* | 2 | 2 |

* Change in Members of the Audit Committee

- Shri Kamlesh Kumar Pant was ceased to be member of the Committee with effect from 21st October, 2016
- Shri Rajib Kumar Sen was appointed as a member of the committee with effect from 16th December, 2016.

The Chairman of the Audit Committee attended the last Annual General Meeting.

The Composition of the Committee as on 31st March, 2017 is as under:-

- Shri. Gopabandu Pattanaik -Chairman
- Air Vice Marshal (Retd.) D. K. Pande
- Shri P.S Krishnan
- Prof. Pradipta Banerji
- Ms. Dipali Khanna
- Government Nominee Director

The Director (Operations) and Director (Finance) are permanent invitees.

Concerned CEO's and concerned Functional Director (s) are invited to the meeting based on related agenda. The Company Secretary is the Secretary to the Committee.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee is headed by an Independent Director and 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.

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

The Composition of the Committee as on 31st March, 2017 was as under:-

- Prof. Pradipta Banerji - Chairman
- Shri Gopabandhu Pattanaik
- Air Vice Marshal (Retd.) D. K. Pande
- Government Nominee Director

Director (Finance) & Director (HR) are Permanent Invitees to the Committee. The Head of HR Department at Corporate Office is the Secretary of the Committee.

During the year under review, 1 (One) meeting of the Committee was held on 27th September, 2016.

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. Composition of the Committee as on 31st March, 2017 was as under:-

- Prof. Pradipta Banerji – Chairman
- Director (HR)
- Director (Operations)
- Director (Finance)

Head of HR Department at Corporate Office is the Secretary of the Committee

CEOs BC/HC/AC/MC and General Manager (Finance) – Corporate Office are Permanent Invitees to the Committee.

During the year, the CSR & SD Committee held 4 (four) meetings on 5th April, 2016, 30th August, 2016, 14th December, 2016 & 11th March, 2017

Shareholders / Investors Grievance Committee

Shareholders/Investors Grievance Committee is headed by an Independent Director.

The Composition of the Committee as on 31st March, 2017 was as under:-

- Shri P S Krishnan - Chairman
- Director (HR)
- Director (Finance)

Company Secretary is the Secretary of the Committee

Other Committees of the Board

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



(a) IPO Committee

The Composition of IPO Committee as on 31st March, 2017 was as under:-

- Director (HR) – Chairman
- Director (Finance)
- Director (Operations)

Company Secretary is the Secretary of the Committee.

(b) HR Committee

HR Committee, headed by an Independent Director, recommends and advises the Board on HR issues especially in laying down the policies, guidelines and evolving HR strategies.

The Composition of the Committee as on 31st March, 2017 was as under:-

- Shri P. S. Krishnan - Chairman
- Air Vice Marshal D. K. Pande (Retd.), Member
- Director (HR), Member
- Director (Finance), Member

The Head of HR Department at Corporate Office is the Secretary of the Committee.

(c) Procurement Sub-Committee

Procurement Sub- Committee consisting of the following members has been delegated powers to approve Procurement Proposals having value over ₹ 60 Cr. and upto ₹ 120 Cr. :-

- Chairman and Managing Director (CMD)
- Government Nominee Director
- Director (Finance)
- Director (Operations)

Concerned CEO(s) are Invitees to the Committee.

Company Secretary is the Secretary to the Committee

(d) Business Strategy Sub Committee

Business Strategy Sub Committee, headed by an Independent Director, analyses the business scenario and guides the Board of Directors in devising strategy and diversifying the business for sustaining growth. The Composition of the Committee as on 31st March, 2017 was as under:-

- Shri P.S. Krishnan – Chairman
- Prof. Pradipta Banerji, Member
- Air -Vice Marshal D.K. Pande (Retd.), Member
- Director (Operations), Member



- Director (Engg and R&D), Member
- Director (Finance), Member

Concerned CEO's are permanent invitees and GM (Project & Planning) is the Secretary to the Committee.

(e) Management Committee

Management Committee is empowered to approve the proposals as per the powers delegated by the Board. The Composition of the Committee as on 31st March, 2017 was as under:

- Chairman and Managing Director (CMD)
- All Functional Directors- Members
- All CEOs

Company Secretary is the Secretary to the Committee

(f) Technology & Design Policy Committee

Technology and Design Policy Committee consisting of all Whole time Directors, chaired by the CMD of the Company, have been delegated powers by the Board to approve Research & Development and Indigenisation proposals.

GM (ARDC) is the Secretary to the Committee.

Remuneration to the Directors

The Independent Directors are not paid any remuneration except sitting fee of ₹ 20,000 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 2016-17 is as follows:

(₹ in Lakhs)

| Sl. No | Name of Independent Director | Board Meetings | Committee Meetings | Total Remuneration |
|--------|------------------------------------------|----------------|--------------------|--------------------|
| 1 | Shri Gopabandhu Pattanaik | 1.40 | 1.80 | 3.20 |
| 2 | Prof. Pradipta Banerji | 0.80 | 1.80 | 2.60 |
| 3 | Shri P.S. Krishnan | 1.00 | 1.40 | 2.40 |
| 4 | Air Marshal (Retd.) D.K .Pande, AVSM,VSM | 1.40 | 2.00 | 3.40 |
| 5 | Ms. Dipali Khanna | 1.00 | 1.00 | 2.00 |

Details of remuneration of Whole Time Directors during the year 2016-17 are given at Enclosure IV of Annexure I.

Code of Conduct

The Board of Directors of your Company has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has been posted on the Company's website www.hal-india.com. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct during the year 2016-17. A declaration to this effect signed by the Chairman & Managing Director is appended to this report.



CEO/CFO Certification

As per the requirement of DPE Guidelines, the CEO/CFO certificate has been obtained and placed before the Board.

Shareholding Pattern

HAL is not listed on 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 Meetings

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

| Meeting No. | Venue | Date & Time |
|------------------|-----------------------------------------------------------------------------------|----------------------------------------------|
| 51 st | Hindustan Aeronautics Limited 15/1, Cubbon Road, Bengaluru – 560001, Karnataka | 27 th September, 2014 at 1100 Hrs |
| 52 nd | Hindustan Aeronautics Limited 15/1, Cubbon Road, Bengaluru – 560001, Karnataka | 28 th September, 2015 at 1400 Hrs |
| 53 rd | Hindustan Aeronautics Limited 15/1, Cubbon Road, Bengaluru – 560001, Karnataka | 30 th July, 2016 at 1400 Hrs |

No Special Resolution was put up at 51st, 52nd and 53rd Annual General Meetings,

The Annual General Meeting for the year 2016-17 will be held on:-

| | | |
|------------|---|-----------------------------------------------------------------------------------|
| Day & Date | : | Saturday, 29 th July, 2017 |
| Time | : | 1300 hrs |
| Venue | : | Hindustan Aeronautics Limited 15/1, Cubbon Road, Bengaluru – 560001, Karnataka |

Registered / Corporate Office address for correspondence

Hindustan Aeronautics Limited
15/1, Cubbon Road, Bengaluru – 560 001, Karnataka
Phone : (080) 2232 0001, Fax: (080) 2232 0758
Email: cosec@hal-india.com
Website: www.hal-india.com

Disclosures

- Related Party Transactions** are disclosed in Clause No.14 of Note No. 49 to the Accounts. The Company does not have any materially significant related party transactions, which may have potential conflict with its interest at large.
- Accounting Standards:** The Company is complying with all applicable Accounting Standards.
As per the communication from the Ministry of Corporate Affairs vide letter dated 16.05.2017, it has been communicated to the Company that in order to extend the exemption under Ind AS 108 - Operating



Segments, an amendment of notification No.463 (E) dated 05.06.2015 would be required. As per the prescribed procedure under Section 462 of the Companies Act 2013, the notification for carrying out the said amendment would need to be laid before the Parliament. The Ministry of Corporate Affairs has initiated action for laying the relevant notification for exemption to the Company from application of Ind AS 108 in the Parliament. In view of the above, no disclosure is made by the Company as required under Ind AS 108.

Disclosure in this regard has been made at Clause No.8 of Note No. 49 to the 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 Blowers against victimisation. The policy is posted in the Company's website i.e. www.hal-india.com

e) Right to Information

Your Company has implemented Right to Information Act, 2005 in order to provide information to citizens and to maintain accountability and transparency. The Company has put the RTI Manual on its website for access to all citizens of India and has designated Central Public Information Officer (CPIO), First Appellate Authority (FAA), Nodal Officer (NO), Transparency Officers (TOs) and Assistant Public Information Officers (APIOs) at all sites and offices of the Company.

During 2016-17, 953 applications were received under the RTI Act, out of which 923 applications were replied to, till 31.03.2017.

f) Redressal of Public Grievances

In order to facilitate resolution of grievances in a transparent and time bound manner, Department of Administrative Reforms & Public Grievances, Government of India has initiated web-based monitoring system at www.pgportal.gov.in.

Your Company is committed for resolution of public grievance in an efficient and time bound manner. Additional General Manager (HR)- Corporate Office has been designated as Nodal Officer (Grievance) to facilitate earliest resolution of public grievances received through the online portal from President's Secretariat, Prime Minister's Office, the Ministry of Defence etc.

As per the directions of Gol, Public Grievances are to be resolved within two months time. If it is not possible to resolve the same within two months period, an interim reply is to be given. Your company is making all efforts to resolve grievances within the said time frame.

g) Presidential Directives:

All the Presidential Directives and Guidelines issued by the Government of India from time to time regarding reservations for SCs, STs, OBCs, Persons with Disabilities and Ex-Servicemen are complied by HAL. Liaison Officers are appointed in all the Divisions / Offices located across the Country to ensure effective implementation of the Government Directives. Officers who are entrusted with the responsibility of looking after reservation in Recruitment and Promotion are provided with necessary training to enable them to update their knowledge on the subject and deliver their job effectively.



The representation of SCs/STs/OBCs in HAL as on 31st December, 2016 was as under:

| Category of Employees | Group – A | Group – B | Group – C | Group – D | Total |
|------------------------|-----------|-----------|-----------|-----------|-------|
| Scheduled Caste | 1599 | 17 | 3545 | 5 | 5166 |
| Scheduled Tribe | 541 | 7 | 1470 | 0 | 2018 |
| Other Backward Classes | 2091 | 17 | 5106 | 6 | 7220 |

The representation of Persons with Disabilities and Ex-Servicemen as 31st December, 2016 was as under:

| Category of Employees | Group – A | Group – B | Group – C | Group – D | Total |
|----------------------------------|-----------|-----------|-----------|-----------|-------|
| Persons with Disabilities | 157 | 5 | 524 | 3 | 689 |
| Ex-Servicemen | 98 | 1 | 1690 | 0 | 1789 |

h) 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.

i) 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 2016-17.

j) Corporate Social Responsibility & Sustainable Development (CSR & SD)

During the year, the Company had spent ₹ 67.96 Cr. against an allocated budget of ₹ 66.92 Cr. towards CSR & Sustainable Development. The Company had also undertaken specific CSR activities in accordance with the MoU entered with the Government.



Kitchen, Dining Hall & Toilets Constructed at Janwada, Telangana



Mega Health Camp at Biju Colony, Koraput, Odisha



Hand pump along with Water Harvesting facility installed at Hariharpur, Korwa

k) 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.

l) 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.

m) 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 to the Ministry of Defence, Government of India within 15 days from the close of each quarter. Certificate on Compliance of the Policy / DPE guidelines on Corporate Governance issued 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, 2017.

**For and on behalf of Board of Directors
Hindustan Aeronautics Limited**

**(T. Suvarna Raju)
Chairman & Managing Director**

Place : Bengaluru
Date : 17th July, 2017



CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Corporate Identification No. : U35301KA1963GOI001622
Authorised Capital : ₹ 600,00,00,000

To,

The Members of
Hindustan Aeronautics Limited
Bangalore

We have examined all the relevant records of Hindustan Aeronautics Limited for the year ended 31st March, 2017 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 as 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, 2017.



(K Sandhya Lakshmi)
Partner
B R K S & Associates
Company Secretaries
C.P. No.8538

Place: Bangalore

Date : 29th June, 2017



CEO/CFO CERTIFICATION UNDER CLAUSE 4.5 OF DPE GUIDELINE
ON CORPORATE GOVERNANCE.

To,
The Board of Directors
Hindustan Aeronautics Limited

1. We have reviewed financial statements and the cash flow statement of Hindustan Aeronautics Limited for the year ended 31st March, 2017 and to the best of knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. We have not come across any reportable deficiencies in the design or operation of such internal controls.
4. We have indicated to the auditors:
 - i. that there are no significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies have been made to comply with Indian Accounting Standards (Ind AS);
 - iii. that there are no instances of significant fraud of which we have become aware.

(CV Ramana Rao)
Director (Finance) & CFO

(T. Suvarna Raju)
Chairman and Managing Director



ANNEXURE- I TO BOARD'S REPORT

Form No.MGT-9

EXTRACT OF ANNUAL RETURN

As on the Financial Year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

| | | |
|------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| i) | CIN | U35301KA1963GOI001622 |
| ii) | Registration Date | 16 / 08 / 1963 |
| iii) | Name of the Company | Hindustan Aeronautics Limited |
| iv) | Category of the Company Sub-Category of the Company | Public Company Government Company |
| v) | Address of the Registered office and contact details | No: 15/1, Cubbon Road PB No: 5150 Bengaluru - 560 001 Karnataka Ph No: 080 22320001 |
| vi) | Whether listed company | Yes/No |
| vii) | Name, Address and Contact details of Registrar and Transfer Agent, if any | NA |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

| Sl. No. | Name and Description of main products / services | NIC Code of the Product / service | % to total turnover of the Company |
|---------|--------------------------------------------------|-----------------------------------|------------------------------------|
| 1 | Manufacture of Aircraft and Helicopters | 35301 | 54 |
| 2 | Repair, Maintenance of Aircraft and Helicopters | 35308 | 40 |

III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

| Sl. No | NAME AND ADDRESS OF THE COMPANY | CIN/GLN | HOLDING / SUBSIDIARY / ASSOCIATE | %of shares held | Applicable Section |
|--------|-----------------------------------------------------------------------------|-----------------------|----------------------------------|---------------------------------------------------------------|----------------------|
| 1 | BAeHAL Software Limited Airport Lane, HAL Estate, Bangalore – 560 017 | U72200KA1993PLC013983 | Associate | HAL:49 % BAe Systems: 40 % BAe HAL Employee Trust: 11 % | Section 2(76) (viii) |



| | | | | | |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------|---------------------------------------------------------------------------------------|----------------------|
| 2 | Snecma HAL Aerospace Private Limited No 140/1, Hoody Whitefield Road, Whitefield Industrial Area, Bangalore – 560 066 | U35303KA2005PTC037539 | Associate | Snecma: 50 % HAL: 50 % | Section 2(76) (viii) |
| 3 | SAMTEL HAL Display Systems Limited No 501, 5 th Floor, Copia Corporate Suits, Plot No 9, District Centre, Jasola, Delhi – 110 025 | U32204DL2007PLC158372 | Associate | Samtel: 60 % HAL:40 % | Section 2(76) (viii) |
| 4 | Infotech HAL Limited 5 th Floor, Infotech IT Park, Phase-1, 110A & 110B, Electronics City, Hosur main road, Bangalore – 560 100 | U29200KA2007PLC043691 | Associate | HAL: 50 % Infotech (renamed as Cyient Limited): 50 % | Section 2(76) (viii) |
| 5 | HAL-Edgewood Technologies Private Limited, 3 rd Floor, Old ADB Building, HAL Main Factory, HAL Airport Road, Bangalore – 560 017 | U73100KA2007PTC042634 | Associate | HAL:50 % Edgewood Inc, USA: 26 % Edgewood India: 24 % | Section 2(76) (viii) |
| 6 | HALBIT Avionics Private Limited No 15/1, Cubbon Road, Bangalore – 560 001 | U35303KA2007PTC042680 | Associate | HAL: 50 % Elbit:26 % MerlinhawkAsso. Blore: 24 % | Section 2(76) (viii) |
| 7 | Indo-Russian Aviation Limited No 15/1, Cubbon Road, Bangalore – 560 001 | U35303KA1994PLC016219 | Associate | HAL : 48 % ICICI Bank : 5 % RAC MiG : 31 % Ryazan :10 % Aviazapchast :6 % | Section 2(76) (viii) |
| 8 | HATSOFF Helicopter Training Private Limited Survey No 3 & 4, Opp to ARDC Main Gate HAL, Vibhuthipura, Bangalore - 560037 | U74999KA2008PTC044972 | Associate | HAL: 50 % CAE Canada: 50 % | Section 2(76) (viii) |
| 9 | Tata HAL Technologies Limited Venus Building, # ½, Kalyanamantapa Road, Jakkasandra, Koramangala, Bangalore – 560 034 | U93000KA2008PLC046588 | Associate | HAL: 50 % Tata Technologies: 50 % | Section 2(76) (viii) |
| 10 | Multirole Transport Aircraft Limited, MTAL House, HAL Senior Officer Enclave, Old Madras Road, Bangalore – 560 093 | U29199KA2010PLC056091 | Associate | HAL : 50% Russians :50% (UAC-TA & ROE) | Section 2(76) (viii) |



| | | | | | |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------|---------------------------------------------|----------------------|
| 11 | International Aerospace Manufacturing Private Limited Survey No.3, Kempapura Village, VarthurHobli, Bangalore East Taluk, Bangalore – 560 037 | U29253KA2010PTC054509 | Associate | HAL: 50 % Rolls Royce : 50 % | Section 2(76) (viii) |
| 12 | Aerospace and Aviation Sector Skill Council HAL, Technical Training Institute, Surjandas Road, Vimanapura Road, Bangalore – 560 017 | U80301KA2014NPL076367 | Associate | HAL: 50% BCIC: 25% SIATI: 25% | Section 2(76) (viii) |
| 13 | Helicopter Engines MRO Pvt Ltd 2727, 80ft Road, HAL 3 rd Stage, Indiranagar, Bengaluru-560075 | U74999KA2016PTC095837 | Associate | HAL: 50% Safran Helicopters Engines: 50% | Section 2(76) (viii) |
| 14 | Naini Aerospace Ltd No.15/1, Cubbon Road, PB No 5150, Bengaluru-560001 | U29309KA2016GOI098895 | Subsidiary | HAL: 100% | Section 2(76) (viii) |

IV. SHAREHOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity):

- i) Category-wise Share Holding **(Refer Enclosure - I)**
- ii) Shareholding of Promoters **(Refer Enclosure – II)**
- iii) Change in Promoters' Shareholding (please specify, if there is no change)

| Sl. No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|-----------------------------------------|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| i. | At the beginning of the year | 36,15,00,000 | 100% | 36,15,00,000 | 100% |
| ii. | Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.) | - | - | - | - |
| iii. | At the end of the year | 36,15,00,000 | 100% | 36,15,00,000 | 100% |

- iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

| Sl. No. | For Each of the Top 10 Shareholders | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|-----------------------------------------|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| a. | At the beginning of the year | - | - | - | - |
| b. | Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.) | - | - | - | - |
| c. | At the End of the year (or on the date of separation, if separated during the year) | - | - | - | - |

- v) Shareholding of Directors and Key Managerial Personnel

(Refer Enclosure - III)

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ In lakhs)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|------------------------------------------------------------|----------------------------------|-----------------|------------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | Nil | Nil | Nil | Nil |
| ii) Interest due but not paid | | | | |
| iii) Interest accrued but not due | | | | |
| Total (i+ii+iii) | Nil | Nil | Nil | Nil |
| Change in Indebtedness during the financial year | | | | |
| • Addition | 95000 | Nil | Nil | 95000 |
| • Reduction | - | - | - | - |
| Net Change | 95000 | Nil | Nil | 95000 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 95000 | - | - | 95000 |
| ii) Interest due but not paid | 288 | Nil | Nil | 288 |
| iii) Interest accrued but not due | - | - | - | - |
| Total (i+ii+iii) | 95288 | Nil | Nil | 95288 |



VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

- a. Remuneration to Managing Director, Whole-time Directors and/or Manager:
- b. Remuneration to other directors:
- c. Remuneration to key managerial personnel other than MD/Manager/WTD

(Refer Enclosure IV)

VII) PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES - NIL

| Type | Section of the Companies Act | Brief Description | Details of Penalty/ Punishment/ Compounding fees imposed | Authority (RD/ NCLT/Court) | Appeal made if any (give details) |
|-------------------------------------|------------------------------|-------------------|----------------------------------------------------------|----------------------------|-----------------------------------|
| A. COMPANY | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |
| B. DIRECTORS | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |

**For and on behalf of Board of Directors
Hindustan Aeronautics Limited**



**(T. Suvarna Raju)
Chairman & Managing Director**

Date : 17th July, 2017

Place : Bengaluru

Enclosure I

i) Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year [As on 01-April-2016] | | | | No. of Shares held at the end of the year [As on 31-March-2017] | | | | % Change during the year |
|---------------------------------------------------------|-----------------------------------------------------------------------|----------|---------------------|-------------------|-----------------------------------------------------------------|----------|---------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoter's | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/HUF | - | - | - | - | - | - | - | - | - |
| b) Central Govt | 36,15,00,000 | - | 36,15,00,000 | 100% | 36,15,00,000 | - | 36,15,00,000 | 100% | - |
| c) State Govt(s) | - | - | - | - | - | - | - | - | - |
| d) Bodies Corp. | - | - | - | - | - | - | - | - | - |
| e) Banks / FI | - | - | - | - | - | - | - | - | - |
| f) Any other | - | - | - | - | - | - | - | - | - |
| Sub-total (A) (1) | 36,15,00,000 | - | 36,15,00,000 | 100% | 36,15,00,000 | - | 36,15,00,000 | 100% | - |
| (2) Foreign | - | - | - | - | - | - | - | - | - |
| a) NRIs-Individuals | - | - | - | - | - | - | - | - | - |
| b) Other – Individuals | - | - | - | - | - | - | - | - | - |
| c) Bodies Corp | - | - | - | - | - | - | - | - | - |
| d) Banks / FI | - | - | - | - | - | - | - | - | - |
| e) Any other | - | - | - | - | - | - | - | - | - |
| Sub Total (A) (2) | - | - | - | - | - | - | - | - | - |
| Total shareholding of Promoter (A) = A(1) + A(2) | 36,15,00,000 | - | 36,15,00,000 | 100% | 36,15,00,000 | - | 36,15,00,000 | 100% | - |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | - | - | - | - | - | - | - | - | - |
| a) Mutual Funds | - | - | - | - | - | - | - | - | - |
| b) Banks / FI | - | - | - | - | - | - | - | - | - |
| c) Central Govt | - | - | - | - | - | - | - | - | - |
| d) State Govt(s) | - | - | - | - | - | - | - | - | - |
| e) Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| f) Insurance Companies | - | - | - | - | - | - | - | - | - |
| g) FIs | - | - | - | - | - | - | - | - | - |



| | | | | | | | | | |
|----------------------------------------------------------------------------------|---------------------|---|---------------------|-------------|---------------------|---|---------------------|-------------|---|
| h) Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| i) Others (specify) | - | - | - | - | - | - | - | - | - |
| Sub-total (B) (1):- | - | - | - | - | - | - | - | - | - |
| 2. Non-Institutions | | | | | | | | | |
| a) Bodies Corp. | - | - | - | - | - | - | - | - | - |
| i) Indian | - | - | - | - | - | - | - | - | - |
| ii) Overseas | - | - | - | - | - | - | - | - | - |
| b) Individuals | - | - | - | - | - | - | - | - | - |
| i) Individual shareholders holding nominal share capital upto Rs. 1 lakh | - | - | - | - | - | - | - | - | - |
| ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh | - | - | - | - | - | - | - | - | - |
| c) Others (specify) | - | - | - | - | - | - | - | - | - |
| Non Resident Indians | - | - | - | - | - | - | - | - | - |
| Overseas Corporate Bodies | - | - | - | - | - | - | - | - | - |
| Foreign Nationals | - | - | - | - | - | - | - | - | - |
| Clearing Members | - | - | - | - | - | - | - | - | - |
| Trusts | - | - | - | - | - | - | - | - | - |
| Foreign Bodies - D R | - | - | - | - | - | - | - | - | - |
| Sub-total (B) (2):- | - | - | - | - | - | - | - | - | - |
| Total Public Shareholding (B)=(B)(1)+(B)(2) | - | - | - | - | - | - | - | - | - |
| C. Shares held by Custodian for GDRs & ADRs | - | - | - | - | - | - | - | - | - |
| Grand Total (A+B+C) | 36,15,00,000 | - | 36,15,00,000 | 100% | 36,15,00,000 | - | 36,15,00,000 | 100% | - |

(Enclosure-II)

ii) Shareholding of Promoters

| Sl. No. | Share holder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % Change in share holding during the year |
|--------------|------------------------|-------------------------------------------|---------------------------------|------------------------------------------------|-------------------------------------|---------------------------------|-------------------------------------------------|-------------------------------------------|
| | | No. of Shares | %of total Shares of the company | %of Shares Pledged/ encumbered to total shares | No. of Shares | %of total Shares of the company | %of Shares Pledged / encumbered to total shares | |
| 1 | The President of India | 36,15,00,000 | 100% | - | 36,15,00,000 | 100% | - | - |
| Total | | 36,15,00,000 | 100% | - | 36,15,00,000 | 100% | - | - |

(Enclosure - III)

Shareholding of Directors and Key Managerial Personnel

1. Shri Rajib Kumar Sen, Economic Advisor*

| SI No | Shareholding of each Directors and each Key Managerial Personnel | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|-----------------------------------------|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| i. | At the beginning of the year** | - | - | - | - |
| ii. | Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | 40 | - | 40 | - |
| iii. | At the end of the year | 40 | - | 40 | - |

2. Shri T. Suvarna Raju, Chairman & Managing Director*

| SI No | Shareholding of each Directors and each Key Managerial Personnel | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|-----------------------------------------|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| i. | At the beginning of the year | 40 | - | 40 | - |
| ii. | Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus / sweat equity etc): | - | - | - | - |
| iii. | At the end of the year | 40 | - | 40 | - |



3. Shri V M Chamola, D(HR)*

| SI No | Shareholding of each Directors and each Key Managerial Personnel | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|-----------------------------------------|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| i. | At the beginning of the year | 40 | - | 40 | - |
| ii. | Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | - | - | - | - |
| iii. | At the end of the year | 40 | - | 40 | - |

4. Shri D K Venkatesh, D(Engg and R&D)*

| SI No | Shareholding of each Directors and each Key Managerial Personnel | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|-----------------------------------------|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| i. | At the beginning of the year | 40 | - | 40 | - |
| ii. | Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | - | - | - | - |
| iii. | At the end of the year | 40 | - | 40 | - |

5. Shri C V Ramana Rao, D(Finance)*

| SI No | Shareholding of each Directors and each Key Managerial Personnel | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|-----------------------------------------|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| i. | At the beginning of the year | 40 | - | 40 | - |
| ii. | Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | - | - | - | - |
| iii. | At the end of the year | 40 | - | 40 | - |

* Nominee Shareholders of the President of India

** Shri Rajib Kumar Sen, Economic Advisor was appointed as Part Time Official Director w.e.f 18th November, 2016.

Enclosure-IV

REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(In ₹)

| Sl. no | Particulars of Remuneration | Name of MD/WTD/Manager | | | | | Total Amount |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|------------------------|------------------------|------------------------|-----------------------|--------------------------|
| | | T Suvarna Raju | V M Chamola | S. Subrahmanyam | D K Venkatesh | C V Ramana Rao | |
| 1. | Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961*** (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | 3565171 595827 - | 3812281 612560 - | 3961069 636373 - | 2801506 392049 - | 2969597 52400 - | 17109624 2289209 - |
| 2 | Stock option | - | - | - | - | - | - |
| 3 | Sweat Equity | - | - | - | - | - | - |
| 4 | Commission as % of profit others (specify) | - | - | - | - | - | - |
| 5 | Others, please specify | - | - | - | - | - | - |
| | Total (A) | 4160998 | 4424841 | 4597442 | 3193555 | 3021997 | 19398833 |
| | ***Include leave encashment | 191573 | 604444 | 887823 | 165575 | 165225 | 2014640 |
| | Ceiling as per the Act | Exempted as per the MCA Notification No. 463 (E) dated 05.06.2015 | | | | | |



(₹ In lakhs)

B. Remuneration to other Directors:

| Sl. no. | Particulars of Remuneration | Name of Directors | | | | | Total Amount |
|---------|---------------------------------------------------------------|-------------------------------------------------------------------|------------------------|--------------|----------------------|---------------|--------------|
| | | P S Krishnan | Prof. Pradipta Banerji | G. Pattanaik | AVM (Retd) D K Pande | Dipali Khanna | |
| 1. | a. Fee for attending board & committee meetings | 2.40 | 2.60 | 3.20 | 3.40 | 2.00 | 13.60 |
| | b. Commission | - | - | - | - | - | - |
| | c. Others, please specify | - | - | - | - | - | - |
| | Total(1) | 2.40 | 2.60 | 3.20 | 3.40 | 2.00 | 13.60 |
| 2. | Other Non-Executive Directors | K K Pant # | Rajib Kumar Sen # | | | | |
| | a. Fee for attending board committee meetings | -- | -- | -- | -- | -- | -- |
| | a. Commission | -- | -- | -- | -- | -- | -- |
| | b. Others, please specify | -- | -- | -- | -- | -- | -- |
| | Total(2) | -- | -- | -- | -- | -- | -- |
| | Total(B)=(1+2) | 2.40 | 2.60 | 3.20 | 3.40 | 2.00 | 13.60 |
| | Total Managerial Remuneration Over all Ceiling as per the Act | Exempted as per the MCA Notification No. 463 (E) dated 05.06.2015 | | | | | |

Note: No fees / commission being paid to the Part-time Official (Govt. Nominee) Director

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(in ₹)

| Sl. No. | Particulars of Remuneration | CEO | Key Managerial Personnel | | |
|---------|--------------------------------------------------------------------------------------|----------------------------|-------------------------------------|----------------------------|----------------|
| | | | Company Secretary (G V Sesha Reddy) | CFO (CV Ramana Rao) | Total |
| 1 | Gross Salary | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961. | Already included in Part A | 1407530 | Already included in Part A | 1407530 |
| | (b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961 | | 198542 | | 198542 |
| | (c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961 | | - | | - |
| 2 | Stock Option | | - | | - |
| 3 | Sweat Equity | | - | | - |
| 4 | Commission as % of profit others, specify | - | - | | |
| 5 | Others, please specify | - | - | | |
| | Total | | 1606072 | | 1606072 |

ANNEXURE- II TO BOARD'S REPORT

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and

Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangement or transactions not at arm's length basis:

| Sl No | Name (s) of the related party | Nature of relationship | Nature of contracts / arrangements / transactions | Duration of the contracts / arrangements / transactions | Salient terms of the contracts or arrangements or transactions including the value, if any | Justification for entering into such contracts or arrangements or transactions | Date(s) of approval by the Board | Amount paid as advances, if any: | Date on which the special resolution was passed in General Meeting as required under first proviso to Section 188 |
|-------|---------------------------------|------------------------|---------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------|----------------------------------|-------------------------------------------------------------------------------------------------------------------|
| 1 | M/s. Indo Russian Aviation Ltd. | Joint Venture | Supply Contract through limited tender | - | Pl a c e m e n t of 3 PO's for procurement of 29 types of spares for SU-30 ROH Project at valuing USD 465,112.51 or landed cost ₹ 3.55 Crs. (inclusive of taxes) | Procurement is based on L1 basis against Limited Tendering | 28th May, 2016 | - | - |



| | | | | | | | | | |
|---|---------------------------------|---------------|----------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------|---|---|
| 2 | M/s. Indo Russian Aviation Ltd. | Joint Venture | Supply Contract through limited tender | - | Pl a c e m e n t of 2 PO's for procurement of 54 types of spares, Group set of Spares and Non Kopyospares for MiG BISON at valuing USD 247,132.60 or landed cost ₹ 1.84 Crs. (inclusive of taxes) | Procurement is based on L1 basis against Limited Tendering | 28th May 2016 | - | - |
|---|---------------------------------|---------------|----------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------|---|---|

2. **Details of material contracts or arrangements or transactions at arm's length basis.**

| SI No | Name(s) of the related party | Nature of relationship | Nature of contracts / arrangements / transactions | Duration of the contracts / arrangements / transactions | Salient terms of the contracts or arrangements or transactions including the value, if any | Date(s) of approval by the Board, if any | Amount paid as advances, if any: |
|-------|------------------------------|------------------------|---------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------|
| | | | ----- | NIL | ----- | | |

For and on behalf of Board of Directors
Hindustan Aeronautics Limited



(T. Suvarna Raju)
Chairman & Managing Director

Date: 17th July, 2017
Place: Bengaluru



ANNEXURE-III TO BOARD'S REPORT

REPORT ON THE FINANCIAL PERFORMANCE OF THE JOINT VENTURE AND SUBSIDIARY COMPANIES

HAL has established 13 (thirteen) Joint Venture Companies (JVC) in collaboration with leading international aviation and Indian Organizations and 1 (one) wholly owned subsidiary Company with total equity capital investment of ₹ 227.22 Cr as on 31st March, 2017.

During the year under review, the total turnover reported by the JVCs and subsidiary is ₹ 451.33 Cr as per details given below:

(Amount in ₹ Cr)

| Sl. No. | A. Name of the JVCs | HAL share holding (%) | Turnover | Profit Before Tax |
|------------------------------------|----------------------------------------------------|-----------------------|----------|-------------------|
| i | BAeHAL Software Ltd. | 49 | 19.57 | 0.77 |
| ii | Indo Russian Aviation Ltd. | 48 | 114.87 | 30.98 |
| iii | Snecma HAL Aerospace Pvt. Ltd. | 50 | 69.15 | 7.08 |
| iv | Samtel HAL Display System Ltd. | 40 | 15.72 | -2.54 |
| v | HAL-Edgewood Technologies Pvt. Ltd. | 50 | 0.99 | -0.80 |
| vi | HALBIT Avionics Pvt. Ltd. | 50 | 3.62 | 0.29 |
| vii | Infotech HAL Ltd. | 50 | 6.58 | 1.14 |
| viii | TATA-HAL Technologies Ltd. | 50 | 5.05 | -2.91 |
| ix | HATSOFF Helicopter Training Pvt. Ltd. | 50 | 32.90 | 10.45 |
| x | International Aerospace Manufacturing Pvt. Ltd. | 50 | 182.88 | 23.46 |
| xi | Multi-Role Transport Aircraft Ltd. | 50 | - | 4.83 |
| xii | Aerospace & Aviation Sector Skill Council (AASSC)* | 50 | - | -0.68 |
| xiii | Helicopter Engines MRO Private Ltd. | 50 | - | -1.20 |
| B. Name of the Subsidiaries | | | | |
| i. | Naini Aerospace Limited** | 100 | - | -1.74 |

Note: Figures in brackets () indicate loss

* Section-8 (non-profit) organization with equity participation of ₹ 12.50 Lakhs.

** Yet to commence business.

Of the 13 JVCs, Multi-Role Transport Aircraft Ltd. (MTAL) and Helicopter Engines MRO Private Ltd. (HEMRO) are yet to commence commercial operations. Out of the balance 11 JVCs, 7 JVCs have reported profitable operations whereas another 3 have incurred losses.

During the current financial year, four JVCs viz. Indo Russian Aviation Ltd., Snecma HAL Aerospace Pvt. Ltd., BAeHAL Software Ltd. and International Aerospace Manufacturing Pvt. Ltd. have together paid a dividend of ₹ 2.43 Cr to HAL.

**For and on behalf of Board of Directors
Hindustan Aeronautics Limited**



**(T.Suvarna Raju)
Chairman & Managing Director**

Date: 17th July, 2017

Place: Bangalore

ANNEXURE IV TO THE BOARD'S REPORT

Annual Report on Corporate Social Responsibilities (CSR) **activities for the financial 2016-17**

1. A brief outline of the Company's CSR Policy, including overview of Projects or Programs undertaken and a reference to the web-link to the CSR Policy and Projects or Programs:

a) BRIEF OUTLINE OF COMPANY'S CSR POLICY:

- The CSR Policy of the Company has been framed in line with the provisions of the Companies Act, 2013 and the Rules notified there under.
- The CSR Budget is worked out at the rate of 2% of the average Net Profits of the Company made during the three immediately preceding Financial Years.
- Only those CSR Projects / Activities falling within the ambit of Schedule VII of the Companies Act, 2013, would be considered as valid CSR Projects / Activities.
- Specific CSR Projects / Activities along with the modalities of execution, time frame and expenditure should be approved by the Board and the same needs to be published in the Company's Website at the beginning of the Financial Year.
- Surpluses arising out of the CSR Projects / Activities shall not form part of the Business Profit of the Company.

b) CSR PROJECTS IMPLEMENTED DURING 2016-17:

- HAL takes up CSR Projects / Activities at the grass root level to cater to the immediate needs of the people residing in the vicinity of the Divisions. HAL over the past 3 years has taken up CSR Projects/Activities in almost all the Sectors like Health, Sanitation, Education, Skill Development, Environment, Sports & Rural Development, etc.
- While HAL continues to implement general CSR activities in the above areas, some of the CSR Projects, have brought added laurels to HAL. A few such Projects are enumerated below:

(i) KUMUDVATHI RIVER REJUVENATION PROGRAMME AT BENGALURU:

- HAL in association with the International Association for Human Values [IAHV], Art of Living, a Non-Government Organization (NGO) had taken up the Project of Kumudavthi River Rejuvenation. This Project aims at rejuvenation of the water stream through erosion control measures through construction of Boulder Checks, Groundwater recharge through Injection Wells and rejuvenation of Water Bodies through construction of Tanks and Tree Plantation.
- HAL had implemented 3 Mini Water Sheds from 2014-15 to 2015-16 out of the total 18 Mini-Watersheds, at a cost of ₹ 4.77 Cr. From the experience of the past two years, it was observed that the Water Table in the locality is improving. Further, considering the positive feedback and need for the augmentation of groundwater resources through efficient artificial recharge of the aquifers, HAL had taken up the implementation of one more Mini Water Shed during 2016-17 at a cost of ₹ 1.94 Cr. Accordingly HAL had implemented 4 Mini Water Sheds (from 2014-15 to 2016-17) out of



the total 18 Mini-Watersheds, at a cost of ₹ 6.70 Cr. On completion, these Mini Water Sheds were handed over to the concerned Villages. Rejuvenating the remaining water sheds is expected to improve the water potential in the river bed.

(ii) INSTALLATION OF ROOFTOP SOLAR POWER PLANTS IN GOVERNMENT SCHOOLS AT BENGALURU:

- HAL in association with The Energy & Resources Institute (TERI) had installed Rooftop Solar Power Plants of 8-12 KVA Capacity in 20 Selected Government Schools during 2015-16. Considering the positive feedback and requests from the Heads of Educational Institutions of the locality, HAL had installed rooftop Solar Power Plants in 12 more Government Schools during 2016-17. Work is under progress in another 12 Govt. Schools. The Company had spent ₹ 5.55 crores on the Project till 31.3.17.
- The Solar Roof Top Power Plants are grid-tied through net-metering without any storage. The power generated is being utilized immediately as Schools function during the day time. Excess energy generated, if any, is being injected into the grid thereby reducing the energy bill of the School. In case the energy injected into the grid is more than the energy drawn from the grid, Bangalore Electricity Supply Company Ltd. (BESCOM) is paying the relevant charges to the school as per the prevalent tariff. This has become a revenue source for the Schools and the same is being utilized for other welfare activities in the Schools.

(iii) PROVIDING OFF-GRID SOLAR POWER PLANTS TO GOVERNMENT SCHOOLS IN TUMKUR DISTRICT, KARNATAKA :

- Govt. Schools at Gubbi Taluk of Tumkur District, Karnataka were facing frequent and long power interruptions. Hence, it was decided to provide off-grid roof top solar power systems with battery back-up, which will enable effective utilization of existing resources.
- Based on the load requirement, 4KWp off-grid Solar Power Systems were provided in 36 schools during 2015-16. This has helped the schools to utilize the available computers, projectors, smart-class facilities etc., without any hindrance due to power failures.
- Based on feedback & requests received, the project has been implemented in 27 more Government schools in Gubbi taluk during 2016-17.

(iv) ESTABLISHMENT OF HAL-IISC SKILL DEVELOPMENT CENTRE:

- During 2015-16, HAL had entered into an MoU with IISc, Bengaluru to establish the HAL-IISc Skill Development Centre at IISc's new Campus at Challakere, Chitradurga District, Karnataka, at an estimated Budget of ₹ 73.70 crores for Phase -1 activities (2015-16 to 2019-20). Amounts of ₹ 5.90 Cr & ₹ 7.68 Cr respectively, were released during 2015-16 & 2016-17 for the Project.
- The activities planned to be carried out at the Centre under Skill Development are Basic Skill Development Programmes consisting of Turning, Milling, Shaping, Drilling etc.; conventional manufacturing facilities including joining operations like Welding, Brazing, Riveting etc.; and basic sheet metal operations like use of Jigs & Fixtures, Assembly Processes etc. It is expected that vital training facilities will become available to address Skill Development gaps in the nation.



The following outcomes are envisaged under the Project:

- Training in Basic & Advanced Skill Development Programmes
 - Become employed in local/regional industries in the backward region
 - Become employed in National Organizations
 - Become local entrepreneurs
 - Self-employment
 - Industry personnel undergoing advanced training
 - Return to organizations with significantly enhanced skill sets
- The initiative will address critical training gaps in niche engineering sectors such as aerospace, mechanical and electronics sectors, at multiple levels, in line with the “Make in India” mission.

(v) **ESTABLISHMENT OF FOOTBALL ACADEMY AT BENGALURU:**

- In the quest to nurture young talent to develop into top class players, a Football Academy for the age group Under-15 was started during 2015-16 at Bengaluru. Further, Under-18 coaching commenced from August 2016. The aim is to spot and develop players of caliber and prepare them for tough domestic and International tournaments. In addition to professional grooming, emphasis is on holistic Personality Development of the young players. The capacity for Under-15 years is 21 players and Under-18 years is 15 players.

(vi) **SAI-HAL Sports Training Centre At HAL Koraput:**

- With a view to identify and nurture Tribal / Local Sports Talent and bring them up to National / International level, SAI-HAL Sports Training Centre has been established at HAL, Koraput Division with technical support and posting of Coaches from **Sports Authority of India (SAI)**, in the year 2010. Present Strength of students is Football – 30, Archery – 15 and Athletics – 7 (Athletics had been added during 2016-17).
- The duration of the training is 3 years, which is extendable upto the age of 21 years based on performance in the respective disciplines. Candidates are inducted in the age group of 12 to 15 years from the most backward and SC/ST dominated 9 Districts of Odisha (Koraput-Balangir-Kalahandi, i.e. KBK Region). So far, the Center has imparted training to 17 Footballers and 10 Archers.
- Facilities like Furnished Accommodation, Medical Facility in HAL Hospital, Boarding, Sports Kits / latest Sports Equipments, Education, Study Material, Schoolbags, Shoes, School Uniform & Sweater, Bicycle, Rain Coats, Modern Gymnasium Facilities, Deputation of players to participate in State/National level tournaments, Recreation & Entertainment facilities (indoor & out door) etc., are being extended to the trainees at the Centre.

Archery: The trainees of SAI-HAL Sports Training Center have been participating in various *National Level Tournaments* in Archery and bringing laurels for the center as well as the State. As on 31.3.17, they have won 7 Gold, 21 Silver & 23 Bronze Medals in National level events. In State level tournaments, they have bagged 15 Gold, 31 Silver & 14 Bronze Medals. Two trainees have attended National Selection Trials.

Football: In football, 19 trainees had represented the State Football Team of Odisha in various National Level Tournaments. Six trainees (1 trainee during 2015-16 & 5 trainees during 2016-17) had represented in Subroto Mukherjee International Football Tournaments at Delhi. Six trainees (3 trainees during 2015-16 & 3



trainees during 2016-17) have participated in “I-league” Football Tournament organized by All India Football federation (AIFF). One Trainee passed out from SAI-HAL Sports Training Centre has represented the State in Santosh Trophy (Sr. National Level Championships) concluded in January, 2017.

(vii) **REVERSE OSMOSIS (RO) PLANT AT VILLAGE MURALI NAGAR, RANGA REDDY DISTRICT, TELANGANA STATE:**

- Murali Nagar village in Ranga Reddy District, Telangana is consisting of 284 families out of which 216 families belong to the Scheduled Tribe (ST) Category. The village is lacking drinking water facility due to excess fluoride content in the area and people are suffering from bone related diseases.
- Considering the need of the village, HAL, Avionics Division, Hyderabad had sponsored a Reverse Osmosis Plant (RO) in the village. Each family is issued with an Electronic (Smart) Card to draw water. A family can draw 20 liters per day. The Plant is having capacity to dispense drinking water of 500 litres per hour.

(viii) **AWARDS RECEIVED BY HAL DURING THE YEAR UNDER CSR & SD CATEGORIES:**

- First Runner-up Award in the 3rd National Human Resources Development (NHRD) case competition for Strategizing Corporate Social Responsibility (CSR) for Sustainable Development.
- ABP-CSR Leadership Award for the Best Environmental project

2. COMPOSITION OF THE CSR COMMITTEE:

Composition of the CSR & SD Committee as on 31st March, 2017 was as under:

- Prof. Pradipta Banerji, Independent Director, Chairman;
- Shri V.M. Chamola, Director (HR), Member;
- Shri S. Subrahmanyam, Director (Operations), Member;
- Shri C.V. Ramana Rao, Director (Finance) Member;
- Shri V. Sadagopan, CEO, HC, Permanent Invitee;
- Shri R. Kaveri Renganathan, CEO, BC, Permanent Invitee;
- Shri Rajiv Kumar, CEO, AC, Permanent Invitee;
- Shri Daljeet Singh, CEO, MC, Permanent Invitee;
- Shri A.K. Tyagi, ED (HR)-CO, Secretary.
- Shri D. Sudhakaran Nair GM (F), CO, Permanent Invitee;



3. **Average Net Profit of the Company for the last three Financial Years (2013-14, 2014-15 & 2015-16)** ₹ 3346.22 Cr
4. Prescribed CSR Expenditure (2% of the amount at 3 above): ₹ 66.92 Cr
5. Details of CSR spent during the Financial Year:
- a) Total amount spent during the Financial Year: ₹ 67.96 Cr
- b) Amount unspent, if any: Nil
- c) Manner in which the amount spent during the financial year is detailed in Appendix- A
6. **In case the Company has failed to spend the two per cent of the average net profit of the last three Financial Years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report :** Not Applicable

7. Responsibility Statement:

The Responsibility Statement of the CSR & SD Committee of the Board of Directors of the Company is reproduced below:

The Implementation & Monitoring of CSR Policy is in compliance with the CSR Objectives and Policy of the Company.

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

(Prof. Pradipta Banerji)
Chairman, CSR & SD Committee



APPENDIX A

DETAILS OF CSR PROJECTS 2016-17

₹ in Lakh

| Sl. No. | Name of the Division | CSR project or activity identified | Sector in which the project is covered | "Project or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken" | Amount Outlay (Budget) Project or Programs-wise | Amount Spent on the projects or programmes Direct expenditure on projects or programmes | Administrative Overhead Expenditure | Cumulative expenditure up to the reporting period | "Mode of Implementation (Direct or through Implementing Agencies)" |
|---------|----------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------------|---------------------------------------------------|--------------------------------------------------------------------|
| 1 | Nasik | Shed with tile flooring in Primary Health Centre | i | Local Area, Nasik District, Maharashtra | 6.97 | 6.84 | 0.13 | 6.97 | Direct |
| 2 | | Health Care: General Health Camp, Supply of Medicines & Surgical items, Immunisation of HPV Vaccine | i | Local Area, Nasik District, Maharashtra | 19.77 | 30.85 | 0.57 | 31.42 | Direct |
| 3 | | Construction of Toilet Blocks under Swachh Vidyalaya in Schools | i | Local Area, Nasik District, Maharashtra | 48.58 | 48.57 | 0.89 | 49.46 | Direct |
| 4 | | Facilities in Schools: Provision of Personal / Desktop Computers, Printers, Computer tables, Benches etc. | ii | Local Area, Nasik District, Maharashtra | 17.02 | 40.57 | 0.74 | 41.31 | Direct |
| 5 | | Works in Schools: Renovation, shed with tile flooring, Compound Wall / Fencing, Construction of Dining Hall etc. | x | Local Area, Nasik District, Maharashtra | 77.29 | 75.90 | 1.39 | 77.29 | Direct |

| | | | | | | | | |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------|----|------------------------------------------------------------------|--------|--------|------|--------|--------|
| 6 | Sports in Schools: Conducting Sports Tournaments and providing Play Equipments | ii | Local Area, Nasik District, Maharashtra | 1.56 | 1.53 | 0.03 | 1.56 | Direct |
| 7 | Schools Development: Providing Roti Making Machines, Water Cooler, Note Books | ii | Local Area, Nasik District, Maharashtra | 12.13 | 11.91 | 0.22 | 12.13 | Direct |
| 8 | Adoption of ITI: Procurement of Machines & Equipments; Electronic / Mechanical / Tooling items; Organizing Training Programmes / Courseware etc. | ii | Govt ITI, Kalwan, Maharashtra | 28.92 | 27.11 | 0.50 | 27.61 | Direct |
| 9 | Donation of Spare equipments/ Machines to ITI | ii | Govt ITI Kalwan, Chandwad, Satana, Niphad & Dindori, Maharashtra | 8.56 | 8.53 | 0.16 | 8.69 | Direct |
| 10 | Engagement of Apprentices over and above the statutory limit of 2.5% to 10% | ii | TTI, Nasik, Maharashtra | 256.11 | 251.50 | 4.61 | 256.11 | Direct |
| 11 | Installation Street Lights | x | Local Area, Nasik District, Maharashtra | 99.89 | 129.10 | 2.37 | 131.47 | Direct |
| 12 | Tree Plantation | iv | Local Area, Nasik District, Maharashtra | 2.60 | 2.55 | 0.05 | 2.60 | Direct |
| 13 | Boundary wall to cremation ground | x | Local Area, Nasik District, Maharashtra | 7.56 | 7.56 | 0.14 | 7.70 | Direct |
| 14 | Laying of Bituminous Roads / Resurfacing of Roads | x | Local Area, Nasik District, Maharashtra | 543.29 | 533.51 | 9.78 | 543.29 | Direct |



| | | | | | | | | |
|--------------|---------------------------------------------------------------------------------------------------------------------|-----|-----------------------------------------|----------------|----------------|--------------|----------------|---------------------------------|
| 15 | Construction of Compound Wall/ fencing , renovation of Kitchen / Hall roofing at Trimbakeshwar | v | Local Area, Nasik District, Maharashtra | 58.65 | 57.59 | 1.06 | 58.65 | Direct |
| 16 | Solar water heater in Schools | iv | Local Area, Nasik District, Maharashtra | 1.52 | 1.49 | 0.03 | 1.52 | Direct |
| 17 | Resurfacing of Bituminous Road with drainage from Dr.Ambedkar Kaman(Ojhar-Dixi Junction) in Ojhar | x | Local Area, Nasik District, Maharashtra | 38.32 | 0.00 | 0.00 | 0.00 | Direct |
| 18 | Various ongoing Civil works in nearby villeges | x | Backward Districts of Maharashtra | 14.60 | 14.34 | 0.26 | 14.60 | Through District Administration |
| 19 | Conduct of sports tournaments | vii | Local Area, Nasik District, Maharashtra | 4.09 | 4.09 | 0.08 | 4.17 | Direct |
| TOTAL | | | | 1247.42 | 1253.54 | 22.99 | 1276.53 | |
| 1 | Promoting Education: Construction / Renovation of Schools, Additional Class Rooms, Kitchen, Dining Halls in Schools | ii | Local Area, Koraput District, Odisha | 773.00 | 652.95 | 19.86 | 672.81 | Direct |
| 2 | Training to promote Rural Sports | vii | Local Area, Koraput District, Odisha | 80.00 | 121.90 | 3.71 | 125.61 | Direct |
| 3 | Healthcare: Promotion of Health including preventive health care. | i | Local Area, Koraput District, Odisha | 40.00 | 41.95 | 1.28 | 43.23 | Direct |
| 4 | Promoting employment enhancing Vocational Skills | ii | Local Area, Koraput District, Odisha | 30.00 | 62.56 | 1.90 | 64.46 | Direct |

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|--------------|---------------------------------------------------------------------------------|----|-----------------------------------------------------------------|----------------|----------------|--------------|----------------|--------|
| 5 | Promoting special education among differently abled children | ii | Local Area, Koraput District, Odisha | 17.00 | 10.96 | 0.33 | 11.29 | Direct |
| 6 | Promoting sanitation: Construction of Toilets in Schools under Swachh Vidyalaya | i | Local Area, Koraput District, Odisha | 22.00 | 13.63 | 0.41 | 14.04 | Direct |
| 7 | Rural Development Projects | x | Local Area, Koraput District, Odisha | 10.00 | 73.81 | 2.24 | 76.05 | Direct |
| 8 | Provision of Solar Street Lights | iv | Local Area, Koraput District, Odisha | 6.00 | 33.12 | 1.01 | 34.13 | Direct |
| 9 | Expenditure on apprentices over and above 2.5% upto 10% | ii | Local Area, Technical Training Centre, Koraput District, Odisha | 160.20 | 155.47 | 4.73 | 160.20 | Direct |
| TOTAL | | | | 1138.20 | 1166.35 | 35.47 | 1201.82 | |
| 1 | Construction/ Renovation of Roads under Rural Development | x | Local Area, Amethi District, Uttar Pradesh | 323.22 | 303.54 | 28.80 | 332.34 | Direct |
| 2 | Water / Safe Drinking Water: Provision of Hand Pumps, Pond Renovation, | i | Local Area, Amethi District, Uttar Pradesh | 125.24 | 56.02 | 5.32 | 61.33 | Direct |
| 3 | School Renovation Works under Promotion of Education | ii | Local Area, Amethi District, Uttar Pradesh | 66.29 | 58.91 | 5.59 | 64.50 | Direct |



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|----|-------------------------------------------------------------------------------------------------------------------------|----|--------------------------------------------|---------------|---------------|--------------|---------------|---------------------------------------------|
| 4 | Healthcare: Preventive Healthcare & Medical Treatment, Conduction of Medical Camps, Renovation of Primary Health Centre | i | Local Area, Amethi District, Uttar Pradesh | 59.00 | 17.18 | 1.63 | 18.81 | Direct |
| 5 | Solar Lights: Lanterns for domestic use, Solar Street Lights, under environmental sustainability | iv | Local Area, Amethi District, Uttar Pradesh | 23.00 | 20.69 | 1.96 | 22.65 | Direct |
| 6 | Construction of Toilets in Schools & in Public places | i | Local Area, Amethi District, Uttar Pradesh | 65.43 | 56.14 | 5.33 | 61.47 | Direct |
| 7 | Construction of village gate at the entrance of Barauliya village | x | Local Area, Amethi District, Uttar Pradesh | 10.00 | 5.98 | 0.57 | 6.55 | Direct |
| 8 | Distribution/ Plantation of tree samplings in Barauliya village | iv | Local Area, Amethi District, Uttar Pradesh | 2.25 | 2.38 | 0.23 | 2.61 | Direct |
| 9 | "Adoption of one ITI a) Desk top PC, Colour/ B/W printers b) Computer tables/ chairs " | ii | Local Area, Amethi District, Uttar Pradesh | 25.00 | 6.90 | 0.65 | 7.55 | Direct |
| 10 | Donation of spare equipment/machines to ITIs/ATIs | ii | Local Area, Amethi District, Uttar Pradesh | 15.00 | 0.29 | 0.03 | 0.32 | Direct |
| 11 | Expenditure incurred on Apprentices over & above 2.5% upto 10%) | ii | Local Area, Amethi District, Uttar Pradesh | 70.36 | 64.26 | 6.10 | 70.36 | Direct |
| | | | | 784.79 | 592.29 | 56.20 | 648.49 | |
| 1 | Avionics Hyderabad Division | i | Local Area, Ranga Reddy District | 2.50 | 2.50 | 0.11 | 2.61 | Thro: District Collector, Ranga Reddy Dist. |



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|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----------------------------------------------------------------------------------------------|--------|-------|------|-------|-----------------------------------------------------------------------------------|--|
| 2 | "Construction of Library Room with Material / Books & Sports Kits / Materials to the youth in selected villages" | x | Local Area, Ranga Reddy District, Vikarabad District (Previously under Ranga Reddy District) | 19.96 | 11.30 | 0.50 | 11.80 | Thro: District Collector, Ranga Reddy Dist. & District Collector, Vikarabad Dist. | |
| 3 | Construction of Bus Shelter, Multipurpose Community Hall, formation of Cement Concrete Roads, Dining Halls with Drinking Water facility (Reverse Osmosis) in selected Villages | x | Local Area, Ranga Reddy District, (Vikarabad District Previously under Ranga Reddy District) | 105.00 | 52.50 | 2.33 | 54.83 | Thro: District Collector, Ranga Reddy Dist. & District Collector, Vikarabad Dist. | |
| 4 | "Solar street lighting system in SC colony of village Thimmaipally" | iv | Thimmaipally | 30.50 | 30.50 | 1.35 | 31.85 | Thro: District Collector, Vikarabad Dist. | |
| 5 | "Various Developmental Works like excavation for Septic Tank, Computer Lab with Multimedia Facility, Furniture, Drinking Water Facility with Reverse Osmosis (RO) in Skill Development Centre " | ii | Local Area, Ranga Reddy District, (Vikarabad District Previously under Ranga Reddy District) | 20.41 | 20.40 | 0.90 | 21.30 | Thro: District Collector, Vikarabad Dist. | |
| 6 | "Medical camps in Rural Villages" | i | Various Mandals in Ranga Reddy Dist. | 9.93 | 2.98 | 0.13 | 3.11 | Thro: District Collector, Ranga Reddy Dist. | |
| 7 | "Provision of Passenger Lift for elderly and disabled persons at Secunderabad Railway Station " | iii | Secunderabad Railway Station | 117.11 | 91.88 | 4.07 | 95.95 | Thro: Divisional Railway Manager, Secunderabad Division, SC Railway | |
| Avionics Hyderabad Division | | | | | | | | | |



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|----|-----------------------------|------------------------------------------------------------------------------------------------------------------|----|---------------------------------------|---------------|--------------|---------------|--------|---------------------------------------------------------------------|
| 8 | Avionics Hyderabad Division | "Installation and Commissioning of pet bottle re-cycle reverse vending machine at Secunderabad Railway station " | iv | Secunderabad Railway Station | 5.50 | 4.85 | 0.22 | 5.07 | Thro: Divisional Railway Manager, Secunderabad Division, SC Railway |
| 9 | | "Developing gardens outside Hyderabad Railway station " | iv | Hyderabad Railway Station | 9.01 | 3.01 | 0.13 | 3.14 | Thro: Divisional Railway Manager, Secunderabad Division, SC Railway |
| 10 | | e-Sagu for better farming by IIT, Hyderabad | ii | 15 Villages of Ranga Reddy District | 15.00 | 8.00 | 0.35 | 8.35 | M/s. IIT-Hyderabad |
| 11 | | "Construction of Toilets in Govt Schools under Swachh Vidyalaya" | i | Various villages in Ranga Reddy Dist. | 20.00 | 4.50 | 0.20 | 4.70 | Thro: District Collector, Ranga Reddy Dist. |
| 12 | | Construction of toilets under Open Defecation Free Projects at Kasaragod District, Kerala. | i | Kumbala & Mogral Puthur villages | 22.00 | 22.00 | 0.98 | 22.98 | Thro: District Collector, Kasaragod Dist. |
| 13 | | Expenditure on Apprentices Training over and above 2.5% upto 10% | ii | Hyderabad Telangana State | 112.26 | 107.49 | 4.77 | 112.26 | Direct |
| | | TOTAL | | 489.18 | 361.91 | 16.05 | 377.96 | | |
| 1 | TAD Kanpur | Sponsorship of education of inmate children of Haven Home, the Orphanage | ii | Local Area, Kanpur District | 2.62 | 2.62 | 0.42 | 3.04 | Direct |
| 2 | | Adoption of wild animals / birds of Kanpur Zoological Park | iv | Local Area, Kanpur District | 6.92 | 6.92 | 1.11 | 8.03 | Direct |

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|--------------|------------------------------------------------------------------------------------------------------------------------------------------------|----|-------------------------------------------------------|---------------|--------------|--------------|---------------|--------|
| 3 | Development of Ganga Ghats | iv | Local Area, Kanpur District | 115.69 | 31.35 | 5.05 | 36.40 | Direct |
| 4 | Wholesome Development of adopted Village (Construction of Road, Toilets, Community Center, New Primary Building, RO Plant, Solar Power System | x | Local Area, Kanpur District | 55.58 | 37.76 | 6.08 | 43.84 | Direct |
| 5 | Swachh Vidyalaya - Construction of toilets in Schools | i | Local Area, Kanpur District | 15.31 | 15.87 | 2.55 | 18.42 | Direct |
| 6 | Construction of road between TTI & NH2 through village "Deviganj & Bibipur". | x | Local Area, Kanpur District | 23.95 | 23.46 | 3.78 | 27.24 | Direct |
| 7 | "Drinking Water: Provision of Reverse Osmosis (RO) Plant in Hospital" | i | Local Area, Kanpur District | 0.76 | 0.32 | 0.05 | 0.37 | Direct |
| 8 | Distribution of Support Equipments to Differently Abled person (PWDs) | ii | Local Area, Kanpur District | 20.39 | 20.39 | 3.28 | 23.67 | Direct |
| 9 | Medical Camp | i | Local Area, Kanpur District | 1.57 | 1.57 | 0.25 | 1.82 | Direct |
| 10 | Expenditure on apprentices over and above 2.5% upto 10% | ii | Local Area, Kanpur District | 75.64 | 75.64 | 0.00 | 75.64 | Direct |
| | | | | 318.43 | 215.9 | 22.58 | 238.48 | |
| TOTAL | | | | | | | | |
| 1 | Construction of Bituminous Road. | x | Adopted villages in Barabanki District, Uttar Pradesh | 49.96 | 26.01 | 2.32 | 28.33 | Direct |
| 2 | Medical Camps & Activities under Swachh Bharat Campaign | i | Adopted villages in Barabanki District, Uttar Pradesh | 8.63 | 8.63 | 0.77 | 9.40 | Direct |



| | | | | | | | | |
|--------------|------------------------------------------------------------------------------------------------|----|-------------------------------------------------------------------------------------------------|---------------|---------------|--------------|---------------|-----------------|
| 3 | Training for Trainers for ITI Instructors. | ii | Lucknow District, Uttar Pradesh | 0.26 | 0.26 | 0.02 | 0.28 | Direct |
| 4 | Visit of Students, Soft Skills Training to students. | ii | Lucknow District, Uttar Pradesh | 0.23 | 0.23 | 0.02 | 0.25 | Direct |
| 5 | Solar Street Lights | iv | Adopted Villages in Barabanki District & Lucknow District, Uttar Pradesh | 235.95 | 207.84 | 18.58 | 226.42 | Direct |
| 6 | One-time Repair of solar lights installed in 2013-14 | iv | Adopted Villages in Barabanki District & Lucknow District, Uttar Pradesh | 2.29 | 2.29 | 0.20 | 2.49 | Direct |
| 7 | "Roads (Garhi Arazi, Barabanki District)" | x | Adopted villages in Barabanki District, Uttar Pradesh | 16.29 | 10.67 | 0.95 | 11.62 | Direct |
| 8 | Provision of Toilets/ Hand Pump/ Roofing | x | Adopted villages in Barabanki District, Uttar Pradesh | 14.69 | 6.90 | 0.62 | 7.52 | Direct |
| 9 | Engagement of Apprentice Trainees over and above the minimum Statutory Limit of 2.5% upto 10%. | ii | Technical Training Institute, Lucknow, Uttar Pradesh | 158.33 | 145.34 | 12.99 | 158.33 | Direct |
| TOTAL | | | | 486.62 | 408.16 | 36.49 | 444.65 | |
| 1 | Medical aids | i | Bangalore, Karnataka | 3.17 | 2.90 | 0.27 | 3.17 | Direct |
| 2 | Construction of Toilets in Govt. Schools | i | Local Area, Bangalore & Gubbi Taluq, Karnataka | 220.00 | 222.89 | 20.99 | 243.88 | Direct |
| 3 | Kumudvathy River Rejuvenation Ph-III | iv | Teppadabeuguru, Tumkur District, (River which was supplying 30% of Drinking Water to Bangalore) | 200.00 | 193.88 | 18.26 | 212.14 | IAHV, Bangalore |

| | | | | | | | | |
|--------------|-------------------------------------------------------------------------------------------------------------------------|-----|-----------------------------------------------------------------------------------------|---------------|---------------|--------------|---------------|-----------------|
| 4 | Water Management: Integrated Rain water Harvesting | iv | Bangalore, Karnataka | 14.17 | 12.95 | 1.22 | 14.17 | Direct |
| 5 | Sustainable Educational Institutions Ph-III (Grid Connected Solar Power Plants to support Power requirement of Schools) | iv | Various govt schools in and around Bangalore | 220.00 | 142.78 | 13.45 | 156.23 | TERI, Bangalore |
| 6 | Solar Street Lights | iv | Bangalore Rural Karnataka | 47.83 | 43.71 | 4.12 | 47.83 | Direct |
| 7 | Providing off-grid rooftop Solar Power Plants to support Power requirement of Schools | iv | Gubbi taluk | 60.03 | 54.86 | 5.17 | 60.03 | TERI, Bangalore |
| 8 | Sustainable Educational Institutions Ph-II (Grid Connected Solar Power Plants to support Power requirement of Schools) | iv | Various govt schools in and around Bangalore | 28.90 | 26.41 | 2.49 | 28.90 | TERI, Bangalore |
| 9 | Sustainable Educational Institutions Ph-I (Grid Connected Solar Power Plants to support Power requirement of Schools) | iv | Various govt schools in and around Bangalore | 11.76 | 10.75 | 1.01 | 11.76 | TERI, Bangalore |
| 10 | Construction of Concrete roads | x | Uppakunte & Nachahalli villages, Various govt schools in and around Bangalore, Pavagada | 123.62 | 112.98 | 10.64 | 123.62 | Direct |
| 11 | Promotion of Sports: Training Rural Youth in Football | vii | Children of Karnataka | 20 | 14.64 | 1.38 | 16.02 | Direct |
| TOTAL | | | | 949.48 | 838.75 | 79.00 | 917.75 | |



| | | | | | | | | |
|--------------------|-----------------------------------------------------------------------------|----|----------------------------------------------------------------------------------------------------|--------------|--------------|-------------|--------------|--------|
| 1 | Providing equipments for enhancing skills to the differently abled children | ii | Barrackpore, West Bengal | 3.00 | 3.00 | 0.00 | 3.00 | Direct |
| 2 | Sanitation & Swachh Vidyalaya Programme, Construction of Toilets in Schools | i | Barrackpore, West Bengal | 19.84 | 19.59 | 0.25 | 19.84 | Direct |
| 3 | Provision of infrastructure facilities in Educational School: | x | Barrackpore, West Bengal | 21.09 | 18.16 | 0.14 | 18.30 | Direct |
| 4 | Self-Employment oriented skill development programmes for youth: | ii | i) Mahadevananda Mahavidyalaya, Monirampur, Barrackpore ii) Chakdaha College iii) Ramnagar College | 3.00 | 1.45 | 0.00 | 1.45 | Direct |
| 5 | Rural Development: | x | By-Lane of Ghosipara, Barrackpore approaching to HAL Gate from Main Road. | 7.32 | 7.17 | 0.15 | 7.32 | Direct |
| 6 | Medical Facilities | i | Barrackpore, West Bengal | 6.00 | 6.00 | 0.00 | 6.00 | Direct |
| 7 | Environmental sustainability & Ecological Balance (Animal Welfare) | iv | Barrackpore, West Bengal | 0.84 | 0.00 | 0.00 | 0.00 | Direct |
| Barrackpore | | | | 61.08 | 55.37 | 0.54 | 55.90 | |
| TOTAL | | | | | | | | |

| | | | | | | | | | |
|--------------|--------|------------------------------------------------------------------------------------------|----|------------------------------------------------------------------------------------------------------------------------------|---------------|--------------|-------------|--------------|----------------------------------------------------------------|
| 1 | | "Installation and Commissioning of water treatment plant.(RO Plant) (2 nos)" | i | "i) Murugamalla ii) Gudarlahalli + Gundlahalli villages of Chintamani Taluk, Chikkaballapur Dist" | 20.00 | 4.00 | 0.00 | 4.00 | "M/s Nirmithi Kendra Chikaballapur Dist (Through Dist. Admin)" |
| 2 | MCSRDC | "Construction of Toilet blocks (at 2 schools)" | i | "i) BNA Govt high school, Murugamalla village ii) Govt high school , Chinnasandra, of Chintamani Taluk, Chikkaballapur Dist" | 20.00 | 1.60 | 0.00 | 1.60 | Direct |
| 3 | | "Repair of boundary mesh at school" | ii | Vimanapura post, Bangalore | 2.00 | 0.02 | 0 | 0.02 | Direct |
| TOTAL | | | | | 42.00 | 5.62 | 0.00 | 5.62 | |
| 1 | | Construction of Toilet blocks in Govt Schools at Bidalapura & Ramanahalli of Devanahalli | i | Bidalapura & Ramanahalli of Devanahalli, Bangalore | 15.62 | 6.25 | 0.00 | 6.25 | Direct |
| 2 | ARDC | Construction of Public toilets in Kanakpura Town | i | Kanakpura Town, Bangalore | 20.25 | 2.03 | 0.00 | 2.03 | Direct |
| 3 | | Construction of Toilet blocks at Govt Higher primary school, kengeri | i | kengeri, Bangalore | 8.64 | 8.64 | 0.00 | 8.64 | Direct |
| 4 | | Construction of Community Hall at Krishnaiahna Doddi Village, Kanakpura | x | Krishnaiahna Doddi Village, Kanakpura, Bangalore | 110.16 | 77.16 | 0.00 | 77.16 | Direct |
| TOTAL | | | | | 154.67 | 94.07 | 0.00 | 94.07 | |



| | | | | | | | | | |
|--------------------|----------------|------------------------------------------|----|------------------------|----------------|----------------|---------------|----------------|--------|
| 1 | Corporate | IIT Bombay -Skill Development | ii | Bombay | 40.00 | 36.24 | 2.29 | 38.53 | Direct |
| 2 | | IISc -Bangalore and other expenditure | ii | Chitradurga, Karnataka | 586.00 | 768.52 | 48.59 | 817.11 | Direct |
| | | TOTAL | | | 626.00 | 804.76 | 50.88 | 855.64 | |
| 1 | TTI, Bangalore | Centre of excellence & skill development | ii | Bangalore, Karnataka | 380.00 | 665 | 0.000 | 665.000 | Direct |
| | | TOTAL | | | 380.00 | 665.00 | 0.00 | 665.00 | |
| 1 | Helicopter | Rural Infrastructure | x | Bangalore, Karnataka | 7.00 | 7.00 | 0.00 | 7.00 | Direct |
| | | TOTAL | | | 7.00 | 7.00 | 0.00 | 7.00 | |
| 1 | MRO | Rural Infrastructure | x | Bangalore, Karnataka | 1.00 | 1.00 | 0.00 | 1.00 | Direct |
| | | TOTAL | | | 1.00 | 1.00 | 0.00 | 1.00 | |
| 1 | ACD(CMD) | Rural Development | x | Bangalore, Karnataka | 6.00 | 6.00 | 0.00 | 6.00 | Direct |
| | | TOTAL | | | 6.00 | 6.00 | 0.00 | 6.00 | |
| GRAND TOTAL | | | | | 6691.87 | 6475.72 | 320.20 | 6795.91 | |

ANNEXURE V TO THE BOARD'S REPORT

SECRETARIAL AUDIT REPORT

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

1. 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.

2. 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 2017, 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.

3. 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 2017, according to the provisions of:

- (i) The Companies Act, 2013 and rules made thereunder;
- (ii) The Company is not a Listed Company and hence the provisions of the Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder are not applicable;
- (iii) The Company is not a Listed Company. However, the Company has demoted the entire shares. The Company has complied with the Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder with regard to payment of custodian fee and corporate actions.
- (iv) There are no transactions requiring compliances under Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The Company is not a listed Company and Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') are not applicable.

4. We have also examined compliance with the applicable clauses of Secretarial Standards issued by the Institute of Company Secretaries of India.

5. During the period under review the company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.



6. 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.

7. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were also sent at least seven days in advance except in few instances where the Company has sent second / third set of Agenda and Briefs giving less than Seven Days' time to discuss urgent business matters. Independent Directors have participated in the meetings wherein Agenda and Briefs were circulated in less than seven days' time. 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.

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

We further report that

9. There are systems and processes in the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines as well as a system of reporting compliances to the Board periodically. However, the systems and processes in the company need to be strengthened to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that

10. As per the information and explanations provided to us by the Company:

- (i) The Company has stringent procedures to ensure risk mitigation. The Company has formulated Risk Management *Policy*.
- (ii) All the Directors, including non-executive and Independent Directors, are appointed by the President of India through a selection process adopted by the Public Enterprises Selection Board (PESB) for a fixed tenure. The performance of Whole Time Directors is evaluated on an annual basis and also at the time of re-appointment, by the concerned administrative Ministry. Further, the nominee Directors of the Administrative Ministry, by participating in the meetings of Board and Committees, closely monitors the performance of the Board as a whole and Directors individually. As on the date of our Report, the provisions with regard to evaluation of the Board are exempted to Government Companies.

11. We further report that during the audit period, the company has complied with the provisions of the Companies Act, 2013 and the Rules made under the Act 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; In certain cases, the Company has filed the forms with additional fee as allowed under the Act.
- (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 and Shareholders including passing of resolutions by circulation;
- (f) The 53rd Annual General Meeting was held on July 30, 2016;
- (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) Transfer of Company's shares;
- (k) Declaration and payment of dividends;
- (l) Form of balance sheet as prescribed under the Act;
- (m) Directors' report;
- (n) Generally, all other applicable provisions of the Act and the Rules made under the Act.

Place: Bangalore
Date: 29th June, 2017

A handwritten signature in black ink, appearing to read 'K Sandhya Lakshmi', is written over a horizontal line.

Signature
(K Sandhya Lakshmi)
Partner
B R K S & Associates
Company Secretaries
M No:16597
CP No:8538



Independent Auditors' Report

To,
The Members of M/s. Hindustan Aeronautics Limited,
15/1 Cubbon Road,
Bengaluru - 560 001

Report on the Company's Standalone Ind AS Financial Statements:

1. We have audited the accompanying standalone Ind AS financial statements of **M/s. Hindustan Aeronautics Limited** (the "**Company**"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows, and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information in which are incorporated the Returns for the year ended on that date audited by the Divisional Auditors of the Company's 37 Divisions, at locations of the Divisions (hereinafter referred to as standalone 'Ind AS financial statements').

Management's Responsibility for the Standalone Ind AS Financial Statements:

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.
3. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

4. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.
5. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
6. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.



7. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.
8. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion:

9. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2017, and its **Profit** (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matters:

Incoming auditor to audit comparative information for adjustments to transition to Ind AS

10. The comparative financial information of the Company on the transition date opening balance sheet as at 01st April 2015 included in these standalone Ind AS financial statements, are based on the previously issued statutory financial statement prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose report for the year ended 31st March 2015 dated 08th August, 2015 expressed an modified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.
11. We did not audit the Ind AS financial statements of 37 Divisions of the Company included in the standalone Ind AS financial statements, whose financial statements reflect total assets of ₹ 37,51,050 lakhs as at 31st March, 2017 and total revenues of ₹ 18,68,561 lakhs for the year ended on that date. The Ind AS financial statements of these Divisions have been audited by the Divisional Auditors' whose reports have been furnished to us and our opinion in so far as it relates to the amounts and disclosures included in respect of these divisions, are based solely on the report of such Divisional Auditors. The Standalone Ind AS financial statements also takes into account the particulars and information made available to us and also changes carried out at the corporate level based on the observations of the Divisional Auditors and the Comptroller and Auditor-General of India who have reviewed the audited Ind AS financial statements of the Divisions under section 143(6) of the Act.
12. Our opinion is not modified in respect of these matters.



Report on Other Legal and Regulatory Requirements:

13. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government in terms of Section 143(11) of the Act, we give in "**Annexure - A**" a statement on the matters specified in paragraphs 3 and 4 of the Order.
14. As required by Section 143(3) of the Act, we report that:
- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 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 and proper returns adequate for the purposes of audit have been received from the Divisions not visited by us.
 - The reports on the accounts of the Divisions of the Company audited under Section 143(8) of the Act by the Divisional Auditors have been sent to us and have been properly dealt with by us in preparing this report;
 - The Balance Sheet, the Statement of Profit and Loss, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account and with the returns received from Divisions not visited by us;
 - As per the communication from the Ministry of Corporate Affairs vide their letter dated 16th May, 2017, it has been communicated to the Company that in order to extend the exemption to Ind AS 108 – Operating Segments, an amendment of the Notification No. 463 (E) dated 05th June, 2015 would be required. As per the prescribed procedure under section 462 of the Companies Act 2013, the notification for carrying out the said amendment would need to be laid before the Parliament. The Ministry of Corporate Affairs has initiated action for laying the relevant notification for exemption to the Company of application of Ind AS 108 in the Parliament. In view of the above, no disclosure is made by the Company as required under Ind AS 108. Subject to the above, we state that, in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act.
 - In terms of circular No. GSR 463(E) dated 05th June, 2015 issued by the Ministry of Corporate Affairs, Government of India, the Company being Government Company, is exempt from the provisions of section 164(2) of the Act regarding disqualification of Directors;
 - With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "**Annexure - B**";
 - With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer clause 20 of Note No. 49 to the standalone Ind AS financial statements;
 - The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, on long-term contracts – Refer clause 22(h) of Note No. 49 to the standalone Ind AS financial statements. The Company does not have any derivative contracts.



- iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
- iv. the Company has provided requisite disclosures in its standalone Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 08th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company (Refer clause 55 of Note No. 49 to the standalone Ind AS financial statements).

15. As required by section 143(5) of the Act, we give in "**Annexure – C**", a statement on the matters specified by the Comptroller and Auditor General of India for the Company.

For M/s. S. Venkatram and Co.
Chartered Accountants
Firm Registration No. 0046565

S. Sundarraman
Partner

Membership No. 201028

Place : Bengaluru

Date : 29th June, 2017



"Annexure A" to the Independent Auditors Report

(referred to in paragraph 13 under the heading 'Report on Other Legal & Regulatory Requirements' of our report of even date to the standalone Ind AS financial statements of the Company for the year ended 31st March, 2017. The information contained in this annexure is based on the audit reports received from the 37 divisions of the Company)

As per the books and records produced before us and as per the information and explanations given to us and based on such audit checks that we considered necessary and appropriate, we confirm that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
 - (b) The fixed assets have been physically verified by the management 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.
 - (c) The title deeds of immovable properties are held in the name of the Company.
- (ii) The inventories of the Company have been physically verified by the management at reasonable intervals during the year under audit. We have been informed that the discrepancies noticed on verification between 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;
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 during the year under review.
- (iv) In our opinion, the Company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 with respect to Loans and Investments made.
- (v) The Company has not accepted any deposits from public.
- (vi) We have broadly reviewed the books of accounts relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (vii) (a) The Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Sales Tax, Wealth tax, Service tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and other statutory dues with the appropriate authorities. There are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Value Added Tax, Duty of Customs, Duty of Excise or cess which have remained outstanding as at 31st March, 2017, concerned for a period of more than six months from the date they became payable.

- (b) There are no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited with the appropriate authorities on account of any dispute except as stated below.

| Statute | Nature of Dues | Amount (Rs. In lakhs) | Period to which amount relates | Forum where dispute is pending |
|-----------------------------|---------------------------|-----------------------|---------------------------------------------|--------------------------------|
| Income tax, 1961 | Income Tax | 53,866 | 2005-06, 2006-07, 2009-10, 2010-11 | Karnataka HC |
| | | 8,303 | 2008-09 | Income Tax Appellate Tribunal |
| | | 4,919 | 2004-05 | DCIT |
| | | 1,09,871 | 2007-08, 2011-12, 2012-13, 2013-14, 2014-15 | CIT(A) |
| Customs Act, 1962 | Customs Duty | 23,569 | 2012-13 | CESTAT |
| Finance Act, 1994 | Service Tax | 27,128 | 2003-14 | CESTAT |
| | | 7,242 | 2004-05 to 2014-15 | Commissioner |
| | | 211 | 2009-11, 2012-13 | Commissioner (Appeals) |
| | | 13,974 | 2007-08 to 2014-15 | Department |
| | | 4,621 | 2006-07 to 2007-08 | Supreme Court |
| Sales tax / VAT / Entry Tax | Sales Tax/ VAT/ Entry Tax | 71,341 | 1996-97 to 2013-14 | Appellate Tribunal |
| | | 19,375 | 1986-89 to 2001-02 | 1st Appellate Authority |
| | | 5,42,436 | 2005-06 to 2011-12 | 2nd Appellate Authority |
| | | 20,735 | 2000-01, 2004 to 2014 | Commissioner |
| | | 15,663 | 2003-12 | High Court |
| Total | | 9,23,254 | | |

- (viii) The Company has not defaulted in repayment of loans or borrowings to a financial institution, banks, government or dues to debenture holders during the year under review.
- (ix) The Company did not raise money by way of initial public offer or further public offer (including debt instruments) and term loans during the year under review. Accordingly, paragraph 3(viii) of the order is not applicable.
- (x) No fraud of material nature by the Company or on the Company by its officers or employees has been noticed or reported during the course of audit.
- (xi) The provisions of section 197 are not applicable to a Government Company (in terms of MCA Notification no. G.S.R. 463 (E) dated 05th June, 2015) as the managerial remuneration is paid as per the appointment letter from Government of India.



- (xii) As the Company has neither carrying on the business of nidhi nor reported as a nidhi company, paragraph 3(xii) of the Order is not applicable.
- (xiii) The transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the standalone Ind AS Financial Statements as required by the applicable accounting standards.
- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) The Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) As the Company is not carrying on the business of Non-Banking Finance, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For M/s. S. Venkatram and Co.
Chartered Accountants
Firm Registration No. 004656S

A handwritten signature in blue ink, appearing to read 'Sundarraman'.

S. Sundarraman
Partner

Membership No. 201028

Place : Bengaluru
Date : 29th June, 2017

“Annexure – B” to the Independent Auditor’s Report of even date on the Standalone Ind AS Financial Statements of M/s. Hindustan Aeronautics Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

1. We have audited the internal financial controls over financial reporting of M/s. Hindustan Aeronautics Limited (“the Company”) as of 31st March, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

2. The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (“the Guidance Note”) issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.
3. The Company’s Management has in present financial year amongst other areas has specifically identified the following areas (i) Goods in Transit, (ii) Capital Work in Progress, Trade Receivables and (iv) Trade Payables, as a benchmark criteria for establishing Internal Financial Controls over financial reporting.

Auditors’ Responsibility

4. Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
5. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.
6. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.



Meaning of Internal Financial Controls Over Financial Reporting

8. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

9. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

10. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

Other Matters

11. Out of 38 divisions of the Company, 37 divisions of the Company are audited by the Divisional Statutory Auditors and our work is confined to the Consolidation of the accounts. Our aforesaid reports under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 37 divisions, is based on the corresponding reports of the auditors of such 37 divisions.

For S. Venkatram and Co.
Chartered Accountants
Firm Registration No. 004656S



S. Sundarraman
Partner
Membership No. 201028

Place : Bengaluru
Date : 29th June, 2017



"Annexure – C" to the Independent Auditors Report

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of Hindustan Aeronautics Limited (Standalone) for the year 2016-17 issued by the Comptroller & Auditor General of India under Section 143(5) of the Companies Act, 2013.

| S. No. | Areas Examined | Observation/Finding |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Whether the company has clear title/lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available | We have been informed that the Company has clear title/lease deeds for freehold and leasehold land respectively except in cases which have been disclosed in Note No. 49 of the standalone Ind AS Financial Statements. |
| 2. | Please report whether there are any cases of waiver/write off of debts /loans/interest etc., if yes, the reasons there for and the amount involved. | We have been informed that there has been no instance of waiver/write off of debts/loans/interest etc., by the Company during the year. |
| 3. | Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities. | We have been informed that the Company is maintaining proper records for inventories lying with third parties and assets received as gift from Government of India or other authorities. |

For M/s. S. Venkatram and Co.
Chartered Accountants
Firm Registration No. 0046565

S. Sundarraman
Partner
Membership No. 201028

Place : Bengaluru
Date : 29th June, 2017



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प्रधान निदेशक वाणिज्यिक लेखापरीक्षा एवं पदेन सदस्य
लेखापरीक्षा बोर्ड का कार्यालय, बंगलूर - 560 001
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT and Ex-Officio MEMBER, AUDIT BOARD,
BANGALORE - 560 001.

दिनांक / DATE. 14 July 2017

To

The Chairman & Managing Director
Hindustan Aeronautics Limited
Corporate Office,
No.15/1, Cubbon Road,
Bangalore-560001.

Sir,

Sub: Comments of the Comptroller and Auditor General of India under
section 143(6) (b) of the Companies Act, 2013.

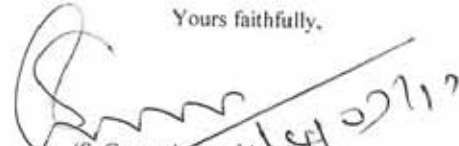
I forward herewith Nil Comments Certificate of the Comptroller and Auditor General
of India under Section 143(6) (b) of the Companies Act, 2013 on the accounts of Hindustan
Aeronautics Limited, Bangalore for the year ended 31 March 2017.

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;
- (iii) Placed before the AGM as required under proviso to Section 143(6)(b) of the
Companies Act, 2013.

The receipt of this letter may please be acknowledged.

Yours faithfully,



(S. Gunasekaran, IA&AS)
Deputy Director (Reports)

Encl: As above.

भारतीय लेखा तथा लेखापरीक्षा विभाग
INDIAN AUDIT & ACCOUNTS DEPARTMENT
पहला तल, बसव भवन, श्री बसवेश्वर रोड, बंगलूर - 560 001
1st Floor, Basava Bhavan, Sri Basaveswara Road, Bangalore - 560 001

दु.भ. / Phone : 2226 7646 / 2226 1168
Email : mabbangalore@cag.gov.in

फैक्स / Fax : 080-2226 2491

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HINDUSTAN AERONAUTICS LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2017.

The preparation of financial statements (Standalone Financial Statement) of **Hindustan Aeronautics Limited, Bangalore** for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 29.6.2017.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the Standalone Financial Statement of **Hindustan Aeronautics Limited, Bangalore** for the year ended 31 March 2017. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report.

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

Prachi Pandey
14. 7. 2017

(Prachi Pandey, IA&AS)

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

Bangalore

Dated: 14 July 2017



Standalone Balance Sheet as at 31st March 2017

(₹ in Lakhs)

| Particulars | Note No. | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|---------------------------------------------------|----------|-----------------------------|-----------------------------|----------------------------|
| ASSETS | | | | |
| (1) A. Non-current assets | | | | |
| (a)-i Property, Plant and Equipment | 1 | | | |
| Gross Block | 1A | 1116558 | 1028892 | 929156 |
| Less: Accumulated Depreciation | 1B | 538112 | 484450 | 425573 |
| Net Block | | 578446 | 544442 | 503583 |
| ii. Property, Plant and Equipment-Customer Funded | 1 | | | |
| Gross Block | 1D | 5854 | - | - |
| Less: Accumulated Depreciation | 1E | 322 | - | - |
| Net Block | | 5532 | - | - |
| (b) Capital work-in-progress | 2 | 62112 | 37537 | 22702 |
| (c) Investment Property | 3 | | | |
| Gross Block | 3A | 9 | 9 | 9 |
| Less: Accumulated Depreciation | 3B | 5 | 5 | 5 |
| Net Block | | 4 | 4 | 4 |
| (d) Goodwill | 4 | - | - | - |
| (e) Other Intangible Assets | 5 | | | |
| Gross Block | 5A | 307310 | 303562 | 298009 |
| Less: Accumulated Amortization | 5B | 165948 | 155478 | 134314 |
| Net Block | | 141362 | 148084 | 163695 |
| (f) Intangible Assets under Development | 6 | | | |
| Gross Block | 6A | 130094 | 102598 | 76945 |
| Less: Accumulated Amortization | 6B | 31698 | 29047 | 25280 |
| Less: Impairment | 6C | 11762 | 8552 | 7548 |
| Net Block | | 86634 | 64999 | 44117 |
| (g) Investments in Joint Ventures and Subsidiary | 7 | 19139 | 16067 | 17540 |
| (h) Financial Assets | | | | |
| (i) Investments-Others | 7A | 78935 | 72573 | 56993 |
| (ii) Trade Receivables | 8 | 1023 | - | 1554 |
| (iii) Loans | 9 | 5888 | 5199 | 5225 |
| (iv) Others | 10 | 36745 | 40132 | 37333 |
| (i) Deferred Tax Assets (net) | 11 | - | - | - |
| (j) Other Non-Current Assets | 12 | 121067 | 148624 | 135656 |
| Sub Total - A | | 1136887 | 1077661 | 988402 |
| (2) B. Current assets | | | | |
| (a) Inventories | 13 | 2134039 | 2399778 | 2496516 |
| (b) Financial Assets | | | | |
| (i) Investments | 14 | - | - | - |
| (ii) Trade receivables | 15 | 421028 | 483689 | 609287 |
| (iii) Cash and Cash Equivalents | 16 | 1112111 | 1330343 | 1767139 |
| (iv) Bank Balances other than (iii) above | 17 | - | - | - |
| (v) Loans | 18 | 9873 | 9805 | 17596 |
| (vi) Other Financial Assets | 19 | 257200 | 220882 | 198680 |
| (c) Current Tax Assets (Net) | 20 | 11493 | - | 10040 |
| (d) Other Currents Assets | 21 | 69009 | 129697 | 159404 |
| Sub Total - B | | 4014753 | 4574194 | 5258662 |
| Total Assets (A+B) | | 5151640 | 5651855 | 6247064 |

Standalone Balance Sheet as at 31st March 2017

(₹ in Lakhs)

| Particulars | Note No. | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------------------------|----------|-----------------------------|-----------------------------|----------------------------|
| EQUITY AND LIABILITIES | | | | |
| (1) A. Equity | | | | |
| (a) Equity Share capital | 22 | 36150 | 36150 | 48200 |
| (b) Other Equity | 23 | 1217513 | 1065747 | 1441220 |
| Sub Total - A | | 1253663 | 1101897 | 1489420 |
| LIABILITIES | | | | |
| (1) B. Non-current liabilities | | | | |
| (a) Financial Liabilities | | | | |
| (i) Borrowings | 24 | - | - | - |
| (ii) Trade Payables | 25 | 19255 | - | 340 |
| (iii) Other Financial Liabilities | 26 | 37157 | 39731 | 37323 |
| (b) Provisions | 27 | 201782 | 248251 | 257282 |
| (c) Deferred Tax Liabilities (Net) | 28 | 95992 | 81475 | 66078 |
| (d) Other Non-Current Liabilities | 29 | 984724 | 915455 | 875131 |
| Sub Total - B | | 1338910 | 1284912 | 1236154 |
| (2) C. Current Liabilities | | | | |
| (a) Financial liabilities | | | | |
| (i) Borrowings | 30 | 95000 | - | - |
| (ii) Trade payables | 31 | 160467 | 215122 | 226757 |
| (iii) Other financial liabilities | 32 | 109648 | 97695 | 111701 |
| (b) Other Current Liabilities | 33 | 1906140 | 2678740 | 2935853 |
| (c) Provisions | 34 | 287812 | 263766 | 247179 |
| (d) Current Tax Liabilities (Net) | 35 | - | 9723 | - |
| Sub Total - C | | 2559067 | 3265046 | 3521490 |
| Total Equity and Liabilities - (A+B+C) | | 5151640 | 5651855 | 6247064 |

Note '1' to '49' and Accounting Policies attached form part of the Accounts As per our Report attached

for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.004656S



(C.V. RAMANA RAO)
Director (Finance) & CFO



(T. SUVARNA RAJU)
Chairman & Managing Director



(S Sundarraman)
Partner
Membership No. 201028



(G.V. SESA REDDY)
Company Secretary

Place: Bangalore
Date: 29th June, 2017



Standalone Statement of Profit and Loss for the period ended

(₹ in Lakhs)

| S.No. | Particulars | Note No. | 31 st March 2017 | 31 st March 2016 |
|--------|--------------------------------------------------------------------------------------------------------------------------------------|----------|-----------------------------|-----------------------------|
| | REVENUE- | | | |
| I. | Revenue from Operations | 36 | 1855521 | 1715860 |
| II. | Other Income | 37 | 104424 | 159821 |
| III. | Total Income (I+II) | | 1959945 | 1875681 |
| | EXPENSES | | | |
| IV. | Cost of Materials Consumed | 38 | 840149 | 880792 |
| | Purchases of Stock-in-Trade | 38A | 29073 | 36368 |
| | Changes in Inventories of Finished Goods, Stock-in-Trade, Work-in-Progress and Scrap | 39 | 51085 | -56217 |
| | Excise Duty | | 60336 | 40012 |
| | Employee Benefits Expense | 40 | 356919 | 327438 |
| | Finance Costs | 41 | 1022 | - |
| | Depreciation, Amortization Expense and Impairment Loss | 42 | 71285 | 86282 |
| | Other Expenses | 43 | 124864 | 117606 |
| | Direct Input to WIP / Expenses Capitalised | 44 | 46561 | 51193 |
| | Provisions | 45 | 81187 | 105112 |
| | Total Gross Expenses | | 1662481 | 1588586 |
| | Less: Expenses relating to Capital and Other Accounts | 46 | 60794 | 33602 |
| | Total expenses (IV) | | 1601687 | 1554984 |
| V. | Profit/(Loss) before Exceptional items and Tax (III-IV) | | 358258 | 320697 |
| VI. | Exceptional Items | | - | - |
| VII. | Profit/(Loss) before Tax (V-VI) | | 358258 | 320697 |
| VIII. | Tax expense: | | | |
| | (1) Current Tax | | 82178 | 84589 |
| | (2) Minimum Alternate Tax (MAT) Credit (Entitlement)/Utilisation | | - | 20906 |
| | (3) Earlier Tax | | - | - |
| | (4) Deferred Tax | | 14517 | 15397 |
| IX. | Profit (Loss) for the period from Continuing Operations (VII-VIII) | | 261563 | 199805 |
| X. | Profit/(loss) from Discontinued Operations | | - | - |
| XI. | Tax expense of Discontinued Operations | | - | - |
| XII. | Profit/(loss) from Discontinued Operations (after tax) (X-XI) | | - | - |
| XIII. | Profit/(loss) for the period (IX+XII) | | 261563 | 199805 |
| XIV. | Other Comprehensive Income | | | |
| | A. (i) Items that will not be reclassified to profit or loss | 47 | 930 | 1029 |
| | (ii) Income tax relating to items that will not be reclassified to Profit or Loss | | -322 | -356 |
| | B. (i) Items that will be reclassified to profit or loss | 48 | 1 | -4 |
| | (ii) Income tax relating to items that will be reclassified to Profit or Loss | | - | 2 |
| | | | 609 | 671 |
| XV. | Total Comprehensive Income for the period (XIII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period) | | 262172 | 200476 |
| XVI. | Earnings per Equity Share (for Continuing Operations): | | | |
| | (1) Basic | | 72.35 | 41.45 |
| | (2) Diluted | | 72.35 | 41.45 |
| XVII. | Earnings per Equity Share (for Discontinued Operations): | | | |
| | (1) Basic | | - | - |
| | (2) Diluted | | - | - |
| XVIII. | Earnings per Equity Share (for Continuing & Discontinued Operations): | | | |
| | (1) Basic | | 72.35 | 41.45 |
| | (2) Diluted | | 72.35 | 41.45 |

Note '1' to '49' and Accounting Policies attached form part of the Accounts
As per our Report attached


for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.004656S



(S Sundarraman)
Partner
Membership No. 201028
Place: Bangalore
Date: 29th June, 2017



(C.V. RAMANA RAO)
Director (Finance) & CFO



(T. SUVARNA RAJU)
Chairman & Managing Director



(G.V. SESA REDDY)
Company Secretary

Standalone- Statement of Changes in Equity for the year ended 31st March 2017

| A. Equity Share Capital | | (₹ In lakhs) | | |
|-----------------------------|---------------------------------------------------------|--------------------------------------------|---------------------------------------------------------|--------------------------------------------|
| Balance as at April 1, 2015 | Changes in Equity Share Capital during the year 2015-16 | Balance as at 31 st March, 2016 | Changes in Equity Share Capital during the year 2016-17 | Balance as at 31 st March, 2017 |
| 48200 | -12050 | 36150 | - | 36150 |

| B. Other Equity | | (₹ In lakhs) | | | | | |
|--------------------------------------------------------------------------|----------------------------------|----------------------------|-----------------|----------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------|----------------|
| Particulars | Reserves and Surplus | | | Other Components of equity | | | Total |
| | Research and Development Reserve | Capital Redemption Reserve | General Reserve | Retained earnings | Remeasurements of net defined benefit liability/asset | Exchange differences in translating the financial statements of a foreign operation | |
| Balance as at April 1, 2015 | 17438 | - | 1430286 | - | -6503 | - | 1441221 |
| Current Year Transfer | 14669 | 12050 | - | - | - | - | 26719 |
| Profit for the year | - | - | - | 199805 | - | - | 199805 |
| Written Back in Current Year | -593 | - | - | - | - | - | -593 |
| Surplus Transferred from Statement of Profit and Loss | - | - | 111704 | - | - | - | 111704 |
| Transfer from R&D Reserve | - | - | 593 | - | - | - | 593 |
| Depreciation on transition | - | - | -25 | - | - | - | -25 |
| Withdrawn towards Buy Back of Shares | - | - | -514542 | - | - | - | -514542 |
| Transfer to Research & Development Reserve | - | - | - | -14669 | - | - | -14669 |
| Interim Dividend including tax | - | - | - | -61382 | - | - | -61382 |
| Transfer to Capital Redemption Reserve | - | - | - | -12050 | - | - | -12050 |
| Transfer to General Reserves | - | - | - | -111704 | - | - | -111704 |
| Items that will be reclassified to profit or loss | - | - | - | - | - | -4 | -4 |
| Income tax relating to items that will be reclassified to profit or loss | - | - | - | - | - | 2 | 2 |
| Items that will not be reclassified to profit or loss | - | - | - | - | 1029 | - | 1029 |



(₹ In lakhs)

| Particulars | Reserves and Surplus | | | | Other Components of equity | | Total |
|------------------------------------------------------------------------------|----------------------------------|----------------------------|-----------------|-------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------|----------------|
| | Research and Development Reserve | Capital Redemption Reserve | General Reserve | Retained earnings | Remeasurements of net defined benefit liability/asset | Exchange differences in translating the financial statements of a foreign operation | |
| Income tax relating to items that will not be reclassified to profit or loss | - | - | - | - | -356 | - | -356 |
| Balance as at March 31, 2016 | 31514 | 12050 | 1028016 | - | -5831 | -2 | 1065747 |
| Balance as at April 1, 2016 | 31514 | 12050 | 1028016 | - | -5831 | -2 | 1065747 |
| Current Year Transfer | 19656 | - | - | - | - | - | 19656 |
| Profit for the year | - | - | - | 261563 | - | - | 261563 |
| Written Back in Current Year | -1604 | - | - | - | - | - | -1604 |
| Surplus Transferred from Statement of Profit and Loss | - | - | 145621 | - | - | - | 145621 |
| Transfer to Statement of Profit & Loss | - | - | -14120 | - | - | - | -14120 |
| Transfer from General Reserve | - | - | - | 14120 | - | - | 14120 |
| Interim Dividend including tax | - | - | - | -96286 | - | - | -96286 |
| Final Dividend including tax | - | - | - | -14120 | - | - | -14120 |
| Transfer to R&D Reserve | - | - | - | -19656 | - | - | -19656 |
| Items that will be reclassified to profit or loss | - | - | - | - | - | 1 | 1 |
| Income tax relating to items that will be reclassified to profit or loss | - | - | - | - | - | - | - |
| Items that will not be reclassified to profit or loss | - | - | - | - | 930 | - | 930 |

(₹ In lakhs)

| Particulars | Reserves and Surplus | | | | Other Components of equity | | Total |
|------------------------------------------------------------------------------|----------------------------------|----------------------------|-----------------|-------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------|----------------|
| | Research and Development Reserve | Capital Redemption Reserve | General Reserve | Retained earnings | Remeasurements of net defined benefit liability/asset | Exchange differences in translating the financial statements of a foreign operation | |
| Income tax relating to items that will not be reclassified to profit or loss | - | - | - | - | -322 | - | -322 |
| Transfer to General Reserves | - | - | - | -145621 | - | - | -145621 |
| Transfer from R&D Reserve | - | - | 1604 | - | - | - | 1604 |
| Balance as at March 31, 2017 | 49566 | 12050 | 1161121 | - | -5223 | -1 | 1217513 |

As per our Report attached

for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.004656S



(S Sundararaman)

Partner
Membership No. 201028

Place: Bangalore

Date: 29th June, 2017



(C.V. RAMANA RAO)

Director (Finance) & CFO



(T. SUVARNA RAJU)

Chairman & Managing Director



(G.V. SESHU REDDY)

Company Secretary



Standalone Statement of Cash Flow for the Period Ended 31st March, 2017

(₹ in Lakhs)

| Sl. No. | Particulars | 2016-17 | | 2015-16 | |
|---------|-----------------------------------------------------------------------------------------|---------|----------------|---------|---------------|
| I. | CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| | Net Profit as per Statement of Profit & Loss | | 359189 | | 321722 |
| | Adjustments to reconcile net profit to net cash provided by operating activities | | | | |
| | (Profit)/Loss on Sale of Property, Plant & Equipment | -80 | | -198 | |
| | Interest Paid | 1022 | | - | |
| | Interest Received - Net of Interest Liability to Customer | - | | - | |
| | Dividend Received | -304 | | -221 | |
| | Net (Gain)/Loss on Fair Value Adjustment | 820 | | - | |
| | Provision for Diminution in Value of Investments | 123 | | 1472 | |
| | Depreciation and amortization expense | 71285 | | 86282 | |
| | Sub-Total | | 72866 | | 87335 |
| | Operating Profit Before Working Capital Changes | | 432055 | | 409057 |
| | Adjustments for Changes in Operating Assets and Liabilities | | | | |
| | Trade Receivables | 61638 | | 127152 | |
| | Loans, Financial Assets and Other Assets | 53483 | | -450 | |
| | Inventories | 265739 | | 96738 | |
| | Trade Payables | -35401 | | -11974 | |
| | Financial Liabilities, Provisions and Other Liabilities | -716121 | | -220824 | |
| | Sub-Total | | -370662 | | -9358 |
| | Cash generated from Operations | | 61393 | | 399699 |
| | Direct Tax Paid | | -103716 | | -86087 |
| | Net Cash Provided by Operating Activities (a) | | -42323 | | 313612 |
| II. | CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| | Investments made | -6362 | | -15580 | |
| | Investment in Plant, Property & Equipment ¹ | -120140 | | -116129 | |
| | Intangible Assets | -31244 | | -31206 | |
| | Investment in Joint Ventures | -195 | | - | |
| | Investment in Subsidiary | -3000 | | - | |
| | Investment/(Maturity) of short term deposits | 461817 | | 298344 | |
| | Interest Received - Net of Interest Liability to Customer | - | | - | |
| | Dividend Received | 304 | | 221 | |
| | Sale of Plant, Property & Equipment | 1156 | | 261 | |
| | Net Cash Flow Provided by/(used in) Investing Activities (b) | | 302336 | | 135911 |

(₹ in Lakhs)

| Sl. No. | Particulars | 2016-17 | | 2015-16 | |
|---------|-----------------------------------------------------------------------|---------|----------------|---------|----------------|
| III. | CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| | Buy Back of Shares | - | | -526592 | |
| | Interest Paid | -1022 | | - | |
| | Loan from Banks | 95000 | | - | |
| | Dividend Paid (Interim/ Final Dividend inclusive of Tax) | -110406 | | -61382 | |
| | Net Cash Flow Provided by Financing Activities (c) | | -16428 | | -587974 |
| | Abstract: | | | | |
| I. | Net Cash Flow from Operating Activities (a) | | -42323 | | 313612 |
| II. | Net Cash Flow from Investing Activities (b) | | 302336 | | 135911 |
| III. | Net Cash Flow from Financing Activities (c) | | -16428 | | -587974 |
| | Net increase in Cash and Cash Equivalents during the year | | 243585 | | -138451 |
| | Cash and Cash Equivalents at the beginning of the year ² | | 34405 | | 172857 |
| | Closing Cash and Cash Equivalents at the end of the year ² | | 277990 | | 34405 |
| | Net increase in Cash and Cash Equivalents during the year | | 243585 | | -138451 |
| | Closing Cash and Cash Equivalents as per Ind AS-7 | | 277990 | | 34405 |
| | Add: Other Bank Balances included in Note-16 | | 834121 | | 1295938 |
| | Closing Cash and Cash Equivalents as per Note -16 | | 1112111 | | 1330343 |

Notes:

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

As per our Report attached

for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.004656S



(S Sundarraman)
Partner
Membership No. 201028
Place: Bangalore
Date: 29th June, 2017



(C.V. RAMANA RAO)
Director (Finance) & CFO



(T. SUVARNA RAJU)
Chairman & Managing Director



(G.V. SESH REDDY)
Company Secretary



SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING:

The Consolidated Financial Statements are prepared to comply in all material aspects with Indian Accounting Standards (Ind AS) as prescribed under Section 133 of Companies Act 2013 read with relevant rules of the Companies (Indian Accounting Standards) Rules with effect from 1st April 2016.

2. USES OF ESTIMATES:

Preparation of financial statements in conformity with the recognition and the measurement principle of Ind AS requires the management of the Company to make estimates, judgments and assumptions that affects the reported balances of Assets and Liabilities, disclosure relating to contingent liabilities as on the date of the Financial Statements and the reported amount of revenues and expense for the reporting period.

Estimates and the underline assumption are reviewed on ongoing basis. The revision to the accounting estimates if material are recognized in the period in which the estimates are revised.

3. BASIS OF CONSOLIDATION:

The interest in Joint Venture Companies has been accounted by using the Equity method of accounting to the extent of investment made. The financial statement of the subsidiary Company are consolidated on line by line basis.

4. PROPERTY PLANT & EQUIPMENT:

- a) Property, Plant and Equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.
- b) The costs directly attributable including borrowing cost on qualifying asset are capitalized when the Property, Plant and Equipment are ready for use, as intended by the management.
- c) Subsequent expenditure relating to Property, Plant and Equipment including major inspection costs, spare parts, standby and servicing equipment are capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.
- d) In accordance with Ind AS 101 provisions relating to first time adoption, the Company has chosen to consider the carrying value for all its Property, Plant and Equipment as their deemed cost as at the Opening Balance Sheet as at April 01, 2015.
- e) Lease hold land is capitalized and depreciated over the period of lease.
- f) As per para D36 of Ind AS 101, in respect of Customer Funded Assets the Company has adopted and applied Appendix C of Ind AS 18 wherein the assets created after 01.04.2016 has been capitalized.
- g) Depreciation is calculated on straight line basis over estimated useful life as prescribed in Schedule II of the Companies Act 2013. Plant and Equipment individually costing ₹ 50,000 and below are fully depreciated in the year of purchase.



- h) Where cost of an item of Property, Plant and Equipment are significant and have different useful lives, they are treated as separate components and depreciated over their estimated useful lives.
- i) Certain items like Special Tools are amortized over the number of units of production expected to be obtained from the asset based on technical assessment and management estimates depending on the nature and usage of the respective assets.
- j) CSR Assets are fully depreciated in the year of capitalization.
- k) The cost and the related accumulated depreciation is eliminated from the Financial Statement upon sale or de-recognition or retirement of the asset and the resultant gain or losses are recognized in the Statement of Profit and Loss of the relevant period.
- l) The estimated useful lives, residual values and depreciation / amortisation method are reviewed at the end of each reporting period with the effect of changes in estimates accounted for on a prospective basis.

5. INVESTMENT PROPERTY

Investment Properties are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. In accordance with Ind AS 101 provisions relating to first time adoption, the Company has chosen to consider the carrying value for all its Investment Property recognized in its Indian GAAP financial statement as their deemed cost as at the transition date viz. April 01, 2015.

6. INTANGIBLE ASSETS

- a) Intangible Assets are recognized at cost less any accumulated amortization and accumulated impairment losses if any.
- b) Expenditure on Research and Development is charged off as an expenditure in the year in which it is incurred.
- c) Development Costs having an useful life are recognized as an intangible asset and amortised over its useful life.
- d) Expenditure on licence fees, documentation charges etc, based on the definition criteria of intangible assets in terms of reliability of measurement of cost and future economic benefits from the assets, are amortised over production on technical estimates, and to the extent not amortised, are carried forward.
- e) The cost of software internally generated / acquired for internal use which is not an integral part of the related hardware, is recognized as an intangible asset and is amortised over its useful life, on straight line method. Amortisation commences when the asset is available for use.
- f) Wherever it is not possible to assess the useful life of an intangible assets (whether or not significant) the same has not been amortised. Impairment on the intangible assets are reviewed annually and when there is an indication of impairment, the asset is impaired.

7. LONG TERM INVESTMENT

- a) In accordance with Ind AS 101, provision relating to first time adoption, the Company has chosen to consider the carrying amount of investment as their deemed cost as at the Opening Balance sheet as at 01st April, 2015.



- b) Investments are carried individually at cost less accumulated impairment in the value of such Investment.
- c) Cost of Investment includes acquisition charges such as brokerage, fees and duties.
- d) Impairment in value of investment is made when there is a fall in value of investment.

8. 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.

9. FINANCIAL ASSETS AND LIABILITIES

The Company recognizes all Financial Assets and Liabilities at Fair Value on inception and subsequent measurements are done at amortised cost.

10. DEFERRED DEBTS

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

11. TRADE RECEIVABLES

Debts from the Government departments are generally treated as fully recoverable and hence the Company does not recognise credit risk of such financial assets. Impairment on account of expected credit loss is being assessed on a case to case basis in respect of dues outstanding for a significant period of time.

12. TRADE AND OTHER PAYABLES

Liabilities are recognized for the amounts to be paid in future for goods / services received whether billed by the supplier or not.

13. INVENTORIES

- a) Inventories are valued at lower of cost and Net Realisable Value.
- b) The cost of raw material excluding Goods-in-Transit, components and stores are assigned by using the weighted average cost formula. Goods-in-Transit are valued at cost to date. In the case of Finished Goods, 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.
- c) Provision for redundancy is assessed on ageing at a suitable percentage / level of the value of closing inventory of raw material and components, stores and spare parts and construction material. Besides, wherever necessary, adequate provision is made for the redundancy of such materials in respect of completed / specific projects and other surplus / redundant material pending transfer to salvage stores.
- d) Saleable / Disposable scrap is valued at Net Realisable Value.



- e) Stores declared surplus / unserviceable / redundant are charged to revenue in the year of such identification.
- f) Consumables issued from stores and lying unused at the end of the year are not reckoned as inventory.

14. REVENUE RECOGNITION

14.1. Manufacturing, Repair and Overhaul / Spares Sale

- a) Sales are set up on the basis of
 - i. Acceptance by the buyer's Inspector, by way of signaling out certificate, in the case of the manufacture of aircraft/helicopters
 - ii. For other deliverables like spares, sales are set up based on acceptance by the buyer's inspection agency or as agreed to by the buyer.
 - iii. For Repair of Aircraft/Helicopter/Engine & Repair/Overhaul of Rotables, Site repairs, Cat 'B' repair servicing etc., sales are recognized on acceptance by the Buyer's inspection agency or as agreed to by the Buyer.
 - iv. For Overhaul of Aircraft/Helicopter/Engine, sales are set up on Percentage Completion of Service (POC) method.
- b) 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.
- c) Revenue on Warranty is being recognized proportionately to the extent of warranty falling within the reporting period.

14.2. Development Sales

Development Sales are recognized on incurrance of expenditure identifiable to work orders and milestones achieved as per contract. Where milestones have not been defined in terms of their respective contract, sales are recognized based on the actual incurrance of expenditure.

15. EMPLOYEE BENEFITS

- a) Gratuity and Provident Fund are Defined Benefit Plans and liability is provided on the basis of actuarial valuation in respect of eligible employees and is remitted to the trust progressively.
- b) Provision for Earned leave is a Defined Benefit Plan and the liability is provided on the basis of actuarial valuation.
- c) Pension Scheme and Post Superannuation Group Health Insurance Scheme for employees are Defined Contribution Plans and the contribution to the corpus of the same is made by the Company to the trust. The Company's liability is limited to the extent of contribution made to these funds.



16. FOREIGN CURRENCY TRANSACTION

Assets and Liabilities are re-instated at the rate prevalent at each Balance Sheet date. The Income / Expenditure on account of this is charged to Statement of Profit & Loss.

17. INCOME TAXES

- a) Current Tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of Income Tax Act, 1961 (the "Act"). Current Tax includes tax liability computed as per the normal provisions of the Act and /or under Section 115JB of the Act.
- b) Deferred Tax is recognized using the Balance Sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred Tax Assets in excess of Deferred Tax Liability are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred Tax Assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

18. CLAIMS BY 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 and are carried forward till such time the Company has a legal right to recover such amounts.

19. PROVISION AND CONTINGENT LIABILITIES

- a) A provision is recognised, when the Company has the present obligation as result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made.
- b) Where no reliable estimate can be made or when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources, disclosure is made as Contingent Liability.
- c) When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

19.1 PROVISION FOR WARRANTY

Provision for warranty is recognized on actuarial valuation for Manufacturing and Repair and Overhaul of Aircraft/Helicopter/Engine/Rotables and Spares and development activities etc.

19.2 PROVISION FOR LIQUIDATED DAMAGES

Provision for Liquidated Damages is recognized when there is a delay between the due date of supply of the Goods/ rendering of Service as per delivery schedule and the expected date of delivery of said Goods / rendering of Service in respect of Manufacturing and Repair and Overhaul of Aircraft/Helicopter/ Engine/Rotables, Spares and development activities etc.



19.3 PROVISION FOR ONEROUS CONTRACTS

A provision for onerous contract is recognized when the expected benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(C.V.RAMANA RAO)
Director (Finance) & CFO

(T.SUVARNA RAJU)
Chairman & Managing Director

(G.V.SESHA REDDY)
Company Secretary

Place: Bengaluru
Date: 29th June 2017



Note -1 : Plant, Property and Equipment
Note -1A : Gross Block -Plant, Property and Equipment

Following table represents the changes in Plant, Property & Equipment for the year ended

(₹ in Lakhs)

| Particulars | Gross Block as at 1 st April 2016 | Additions | Reclasfn. / Adjustment | Disposals | Gross Block as at 31 st March 2017 |
|---------------------------------|----------------------------------------------------|--------------|---------------------------|-------------|-----------------------------------------------------|
| Cost or Deemed cost | | | | | |
| Fixed Assets¹ | | | | | |
| Land | | | | | |
| - Leasehold | 846 | - | - | - | 846 |
| - Freehold | 1781 | 6 | - | - | 1787 |
| Buildings | 92350 | 9665 | - | - | 102015 |
| Plant and Equipment | 276444 | 36411 | -4 | 777 | 312074 |
| Furniture and Fixtures | 12225 | 1252 | 1 | 36 | 13442 |
| Vehicles | 8357 | 1356 | - | 176 | 9537 |
| Office Equipment | 18331 | 2107 | 3 | 32 | 20409 |
| Assets used for CSR Activities | 4254 | 268 | - | - | 4522 |
| Others | | | | | |
| Roads and Drains | 6351 | 927 | - | - | 7278 |
| Water Supply | 4086 | 643 | - | - | 4729 |
| Rail Road Sidings | 71 | - | - | - | 71 |
| Runways | 5566 | - | - | - | 5566 |
| Aircraft/Helicopters | 15343 | 2676 | - | - | 18019 |
| Sub Total | 446005 | 55311 | - | 1021 | 500295 |
| Special Tools | 582887 | 34400 | - | 1024 | 616263 |
| Total | 1028892 | 89711 | - | 2045 | 1116558 |

Note -1B : Accumulated Depreciation- Plant, Property and Equipment

(₹ in Lakhs)

| Particulars | Provision as at 1 st April 2016 | Additions | Reclasfn. / Adjustment | Disposals/ Reversals | Provision as at 31 st March 2017 | Net Block as at 31 st March 2017 | Net Block as at 31 st March 2016 |
|---------------------------------|--------------------------------------------|--------------|------------------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Depreciation² | | | | | | | |
| Land | | | | | | | |
| - Leasehold* | 64 | 12 | - | - | 76 | 770 | 782 |
| - Freehold | - | - | - | - | - | 1787 | 1781 |
| Buildings | 34013 | 3218 | - | - | 37231 | 64784 | 58337 |
| Plant and Equipment | 191448 | 16705 | 2 | 765 | 207390 | 104684 | 84996 |
| Furniture and Fixtures | 9033 | 1365 | (2) | 33 | 10363 | 3079 | 3192 |
| Vehicles | 5310 | 699 | - | 142 | 5867 | 3670 | 3047 |
| Office Equipment | 15207 | 1922 | - | 29 | 17100 | 3309 | 3124 |
| Assets used for CSR Activities | 4254 | 268 | - | - | 4522 | - | - |
| Others | | | | | | | |
| Roads and Drains | 4982 | 745 | - | - | 5727 | 1551 | 1369 |
| Water Supply | 2634 | 258 | - | - | 2892 | 1837 | 1452 |
| Rail Road Sidings | 71 | - | - | - | 71 | - | - |
| Runways | 4821 | 260 | - | - | 5081 | 485 | 745 |
| Aircraft/Helicopters | 4531 | 790 | - | - | 5321 | 12698 | 10812 |
| Subtotal | 276368 | 26242 | - | 969 | 301641 | 198654 | 169637 |
| Special Tools | 208082 | 28389 | - | - | 236471 | 379792 | 374805 |
| Total | 484450 | 54631 | - | 969 | 538112 | 578446 | 544442 |

Above Includes:

Gross Value of Assets with M/s. Midhani

31st March 2017

1195

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

823

373

31st March 2017

1 Gross Value of Assets retired from Active Use

2974

2 Less : Cumulative Depreciated Value of Assets retired from Active Use.

2968

WDV of Assets Retired from Active Use.

6

* Depreciation for the year includes lease charges for land taken on lease for establishing units at Kasaragod & LO Mumbai

Refer Note No. 49 Clauses 28 and 35



Note -1A : Gross Block -Plant, Property and Equipment

Following table represents the changes in Plant, Property & Equipment for the year ended

(₹ in Lakhs)

| Particulars | Gross Block as at 1 st April 2015 | Additions | Reclasfn. / Adjustment | Disposals | Gross Block as at 31 st March 2016 |
|--------------------------------|----------------------------------------------|---------------|------------------------|-------------|-----------------------------------------------|
| Cost or Deemed cost | | | | | |
| Fixed Assets | | | | | |
| Land | | | | | |
| - Leasehold | 711 | 135 | - | - | 846 |
| - Freehold | 1781 | - | - | - | 1781 |
| Buildings | 84774 | 7540 | 52 | 16 | 92350 |
| Plant and Equipment | 249368 | 27831 | 146 | 901 | 276444 |
| Furniture and Fixtures | 10604 | 1724 | - | 103 | 12225 |
| Vehicles | 7451 | 1028 | - | 122 | 8357 |
| Office Equipment | 16771 | 2102 | -146 | 396 | 18331 |
| Assets used for CSR Activities | - | 4254 | - | - | 4254 |
| Others | | | | | |
| Roads and Drains | 5965 | 402 | - | 16 | 6351 |
| Water Supply | 3889 | 253 | -52 | 4 | 4086 |
| Rail Road Sidings | 71 | - | - | - | 71 |
| Runways | 5566 | - | - | - | 5566 |
| Aircraft/Helicopters | 15343 | - | - | - | 15343 |
| Sub Total | 402294 | 45269 | - | 1558 | 446005 |
| Special Tools | 526862 | 56025 | - | - | 582887 |
| Total | 929156 | 101294 | - | 1558 | 1028892 |
| Previous Year - Fixed Assets | 372862 | 30584 | - | 1152 | 402294 |
| Previous Year - Special Tools | 501037 | 25825 | - | - | 526862 |

Note -1B : Accumulated Depreciation- Plant, Property and Equipment

(₹ in Lakhs)

| Particulars | Provision as at 1 st April 2015 | Additions | Reclasfn. / Adjustment | Disposals/ Reversals | Provision as at 31 st March 2016 | Net Block as at 31 st March 2016 | Net Block as at 31 st March 2015 |
|--------------------------------|--------------------------------------------|--------------|------------------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Depreciation | | | | | | | |
| Land | | | | | | | |
| - Leasehold | 56 | 8 | - | - | 64 | 782 | 655 |
| - Freehold | - | - | - | - | - | 1781 | 1781 |
| Buildings | 30168 | 3809 | 52 | 16 | 34013 | 58337 | 54606 |
| Plant and Equipment | 175452 | 16838 | 28 | 870 | 191448 | 84996 | 73916 |
| Furniture and Fixtures | 7501 | 1615 | -3 | 80 | 9033 | 3192 | 3103 |
| Vehicles | 4873 | 543 | - | 106 | 5310 | 3047 | 2578 |
| Office Equipment | 13353 | 2257 | - | 403 | 15207 | 3124 | 3418 |
| Assets used for CSR Activities | - | 4254 | - | - | 4254 | - | - |
| Others | | | | | | | |
| Roads and Drains | 4106 | 892 | - | 16 | 4982 | 1369 | 1859 |
| Water Supply | 2463 | 227 | -52 | 4 | 2634 | 1452 | 1426 |
| Rail Road Sidings | 71 | - | - | - | 71 | - | - |
| Runways | 4555 | 266 | - | - | 4821 | 745 | 1011 |
| Aircraft/Helicopters | 3807 | 724 | - | - | 4531 | 10812 | 11536 |
| Subtotal | 246405 | 31433 | 25 | 1495 | 276368 | 169637 | 155889 |
| Special Tools | 179168 | 28914 | - | - | 208082 | 374805 | 347694 |
| Total | 425573 | 60347 | 25 | 1495 | 484450 | 544442 | 503583 |
| Previous Year - Fixed Assets | 214695 | 26243 | 6215 | 748 | 246405 | 155889 | - |
| Previous Year - Special Tools | 150885 | 28283 | - | - | 179168 | 347694 | - |

Above Includes:

Gross Value of Assets with M/s. Midhani

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

31st March 2016

31st March 2015

1195

1195

532

444

663

752

31st March 2016

31st March 2015

2730

2883

2724

2870

6

13

1 Gross Value of Assets retired from Active Use

2 Less : Cumulative Depreciated Value of Assets retired from Active Use.

WDV of Assets Retired from Active Use.

* Depreciation for the year includes lease charges for land taken on lease for establishing units at Kasaragod & LO Mumbai

Also refer Note No. 49 Clauses 28 and 35



Note -1D : Gross Block -Plant, Property and Equipment (Customer Funded)

Following table represents the changes in Plant, Property & Equipment for the year ended

(₹ in Lakhs)

| Particulars | Gross Block as at 1 st April 2016 | Additions | Acquisitions through Business Combination | Reclasfn. / Adjustment | Disposals | Gross Block as at 31 st March 2017 |
|-----------------------------------------|----------------------------------------------|-------------|-------------------------------------------|------------------------|-----------|-----------------------------------------------|
| Cost or Deemed cost Fixed Assets | | | | | | |
| Buildings | - | 1704 | - | - | - | 1704 |
| Plant and Equipment | - | 3908 | - | - | - | 3908 |
| Furniture and Fixtures | - | 97 | - | - | - | 97 |
| Vehicles | - | 71 | - | - | - | 71 |
| Office Equipment | - | 37 | - | - | - | 37 |
| Others | | | | | | |
| Water Supply | - | 37 | - | - | - | 37 |
| Sub Total | - | 5854 | - | - | - | 5854 |
| Special Tools | - | - | - | - | - | - |
| Total | - | 5854 | - | - | - | 5854 |

Also refer Note No. 49 Clauses 29

Note -1E : Accumulated Depreciation- Plant, Property and Equipment (Customer Funded)

(₹ in Lakhs)

| Particulars | Provision as at 1 st April 2016 | Additions | Reclasfn. / Adjustment | Disposals/ Reversals | Provision as at 31 st March 2017 | Net Block as at 31 st March 2017 | Net Block as at 31 st March 2016 |
|------------------------|--------------------------------------------|------------|------------------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Depreciation | | | | | | | |
| Buildings | - | 30 | - | - | 30 | 1674 | - |
| Plant and Equipment | - | 169 | - | - | 169 | 3739 | - |
| Furniture and Fixtures | - | 90 | - | - | 90 | 7 | - |
| Vehicles | - | 17 | - | - | 17 | 54 | - |
| Office Equipment | - | 15 | - | - | 15 | 22 | - |
| Others | | | | | | | |
| Water Supply | - | 1 | - | - | 1 | 36 | - |
| Subtotal | - | 322 | - | - | 322 | 5532 | - |
| Total | - | 322 | - | - | 322 | 5532 | - |

Note - 2 : Capital Work in Progress

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Buildings | 39625 | 19396 | 10220 |
| Plant and Equipment | 8879 | 12830 | 7022 |
| Roads and Drains | - | 98 | 97 |
| Office Equipment | 15 | 165 | 28 |
| Water Supply | - | 178 | 45 |
| Plant and Equipment under Inspection and in Transit | 12785 | 4749 | 5189 |
| Special Tools | 808 | 121 | 101 |
| Total | 62112 | 37537 | 22702 |

Note - 3 : Investment Property

Following table represents the changes in Investment Property for the year ended

Note -3A : Gross Block - Investment Property

(₹ in Lakhs)

| Particulars | Gross block as at 1 st April 2016 | Additions | Reclasfn. / Adjustment | Disposals | Gross block as at 31 st March 2017 |
|---------------------|----------------------------------------------|-----------|------------------------|-----------|-----------------------------------------------|
| Fixed Assets | | | | | |
| Buildings | 9 | - | - | - | 9 |
| Total | 9 | - | - | - | 9 |

Refer Note No. 49 Clauses 23

Note-3B : Accumulated Depreciation - Investment Property

(₹ in Lakhs)

| Particulars | Provision as at 1 st April 2016 | Additions | Reclasfn. / Adjustment | Disposals/ Reversals | Provision as at 31 st March 2017 | Net Block as at 31 st March 2017 | Net Block as at 31 st March 2016 |
|---------------------|--------------------------------------------|-----------|------------------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Depreciation | | | | | | | |
| Buildings | 5 | - | - | - | 5 | 4 | 4 |
| Total | 5 | - | - | - | 5 | 4 | 4 |

Following table represents the changes in Investment Property for the year ended

Note -3A : Gross Block - Investment Property

(₹ in Lakhs)

| Particulars | Gross block as at 1 st April 2015 | Additions | Reclasfn. / Adjustment | Disposals | Gross block as at 31 st March 2016 |
|------------------------------------|----------------------------------------------|-----------|------------------------|-----------|-----------------------------------------------|
| Fixed Assets | | | | | |
| Buildings | 9 | - | - | - | 9 |
| Total | 9 | - | - | - | 9 |
| Previous Year- Investment Property | 9 | - | - | - | 9 |

Refer Note No.49 Clauses 23



Note-3B : Accumulated Depreciation - Investment Property

(₹ in Lakhs)

| Particulars | Provision as at 1 st April 2015 | Additions | Reclasfn. / Adjustment | Disposals/ Reversals | Provision as at 31 st March 2016 | Net Block as at 31 st March 2016 | Net Block as at 31 st March 2015 |
|-------------------------------------|--------------------------------------------|-----------|------------------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Depreciation | | | | | | | |
| Buildings | 5 | - | - | - | 5 | 4 | 4 |
| Total | 5 | - | - | - | 5 | 4 | 4 |
| Previous Year - Investment Property | 5 | - | - | - | 5 | 4 | 4 |

Note -5 : Other Intangible Assets

Following table represents the changes in Other Intangible Assets for the year ended 31st March 2017

Note-5A : Gross Block - Other Intangible Assets

(₹ in Lakhs)

| Particulars | As on 1 st April 2016 | Additions | Adjustment/ Disposals | As on 31 st March 2017 |
|-------------------|----------------------------------|-------------|-----------------------|-----------------------------------|
| Licence Fees | 248613 | 507 | - | 249120 |
| Computer Software | 11607 | 723 | - | 12330 |
| Documentation | 43342 | 2518 | - | 45860 |
| Total | 303562 | 3748 | - | 307310 |

Note-5B : Accumulated Amortization - Other Intangible Assets

(₹ in Lakhs)

| Particulars | As on 1 st April 2016 | Amortisation | Adjustment/ Reversals | As on 31 st March 2017 |
|-------------------|----------------------------------|--------------|-----------------------|-----------------------------------|
| Licence Fees | 132575 | 7353 | - | 139928 |
| Computer Software | 8807 | 1129 | - | 9936 |
| Documentation | 14096 | 1988 | - | 16084 |
| Total | 155478 | 10470 | - | 165948 |

Note -5 : Other Intangible Assets

Following table represents the changes in Other Intangible Assets for the year ended 31st March 2016

Note-5A : Gross Block - Other Intangible Assets

(₹ in Lakhs)

| Particulars | As on 1 st April 2015 | Additions | Adjustment/ Disposals | As on 31 st March 2016 |
|-------------------|----------------------------------|-------------|-----------------------|-----------------------------------|
| Licence Fees | 246452 | 2161 | - | 248613 |
| Computer Software | 9062 | 2545 | - | 11607 |
| Documentation | 42495 | 847 | - | 43342 |
| Total | 298009 | 5553 | - | 303562 |
| Previous Year | 310960 | 12438 | -25389 | 298009 |

Note-5B : Accumulated Amortization - Other Intangible Assets

(₹ in Lakhs)

| Particulars | As on 1 st April 2015 | Amortisation | Adjustment/ Reversals | As on 31 st March 2016 |
|-------------------|-------------------------------------|--------------|--------------------------|--------------------------------------|
| Licence Fees | 113946 | 18629 | - | 132575 |
| Computer Software | 7789 | 1018 | - | 8807 |
| Documentation | 12579 | 1517 | - | 14096 |
| Total | 134314 | 21164 | - | 155478 |
| Previous Year | 136437 | 23255 | -25378 | 134314 |

Note -6 : Intangible Assets under Development

Following table represents the changes in Intangible Assets under Development for the year ended 31st March 2017

Note-6A : Gross Block -Intangible assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2016 | Additions | Adjustment/ Disposals | As on 31 st March 2017 |
|-------------------------|-------------------------------------|--------------|--------------------------|--------------------------------------|
| Development Expenditure | 102598 | 27496 | - | 130094 |
| Total | 102598 | 27496 | - | 130094 |

Note-6B : Accumulated Amortization - Intangible assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2016 | Amortisation | Adjustment/ Reversals | As on 31 st March 2017 |
|-------------------------|-------------------------------------|--------------|--------------------------|--------------------------------------|
| Development Expenditure | 29047 | 2651 | - | 31698 |
| Total | 29047 | 2651 | - | 31698 |

Note-6C : Impairment Loss -Intangible assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2016 | Impairment Loss | Adjustment/ Reversals | As on 31 st March 2017 |
|-------------------------|-------------------------------------|--------------------|--------------------------|--------------------------------------|
| Development Expenditure | 8552 | 3210 | - | 11762 |
| Total | 8552 | 3210 | - | 11762 |



Note - 6 : Intangible Assets under Development

Following table represents the changes in Intangible Assets under Development for the year ended 31st March 2016

Note - 6A : Gross Block -Intangible Assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2015 | Additions | Adjustment/ Disposals | As on 31 st March 2016 |
|-------------------------|-------------------------------------|--------------|--------------------------|--------------------------------------|
| Development Expenditure | 76945 | 25653 | - | 102598 |
| Total | 76945 | 25653 | - | 102598 |
| Previous Year | 61590 | 15355 | - | 76945 |

Note - 6B : Accumulated Amortization - Intangible Assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2015 | Amortisation | Adjustment/ Reversals | As on 31 st March 2016 |
|-------------------------|-------------------------------------|--------------|--------------------------|--------------------------------------|
| Development Expenditure | 25280 | 3767 | - | 29047 |
| Total | 25280 | 3767 | - | 29047 |
| Previous Year | 22298 | 2982 | - | 25280 |

Note - 6C : Impairment Loss -Intangible Assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2015 | Impairment Loss | Adjustment/ Reversals | As on 31 st March 2016 |
|-------------------------|-------------------------------------|--------------------|--------------------------|--------------------------------------|
| Development Expenditure | 7548 | 1004 | - | 8552 |
| Total | 7548 | 1004 | - | 8552 |
| Previous Year | 7548 | - | - | 7548 |



Note - 7 : Investments -Joint Ventures & Subsidiaries

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| INVESTMENTS AT COST LESS PROVISION (NON-TRADE / UN-QUOTED) | | | |
| Investment in Equity Instruments | | | |
| 1) In Joint Ventures | | | |
| A) M/s BAe-HAL Software Ltd-29,40,000 (29,40,000-P.Y) shares of ₹ 10 FV each fully paid | 294 | 294 | 294 |
| Net -M/s BAe-HAL Software Ltd | 294 | 294 | 294 |
| B) M/s Snecma HAL Aerospace Private Ltd -11,40,000 (11,40,000-P.Y) Shares of ₹ 100 F.V. each fully paid | 1140 | 1140 | 1140 |
| Net - M/s Snecma HAL Aerospace Private Ltd | 1140 | 1140 | 1140 |
| C) M/s Indo Russian Aviation Ltd - 9,36,525 (9,36,525-P.Y) shares of ₹ 10 FV each fully paid | 94 | 94 | 94 |
| Net - M/s Indo Russian Aviation Ltd. | 94 | 94 | 94 |
| D) M/s HALBIT Avionics Pvt Ltd -3,82,500(3,82,500-P.Y) Shares of ₹ 100 FV each fully paid | 383 | 383 | 383 |
| Less : Provision for Impairment in value of Investment | 383 | 383 | 320 |
| Net - M/s. HALBIT Avionics Pvt. Ltd. | - | - | 63 |
| E) M/s HAL Edgewood Technologies Pvt Ltd 3,00,000(3,00,000-P.Y) Shares of ₹ 100 FV each fully paid | 300 | 300 | 300 |
| Less: Provision for Impairment in value of Investment | 300 | 300 | 300 |
| Net- M/s. HAL Edgewood Technologies Pvt. Ltd. | - | - | - |
| F) M/s SAMTEL HAL Display Systems Ltd-1,60,000 (1,60,000-P.Y) Shares of Rs 100 FV each fully paid | 160 | 160 | 160 |
| Less: Provision for Impairment in value of Investment | 160 | 105 | - |
| Net - M/s SAMTEL HAL Display Systems Ltd | - | 55 | 160 |
| G) M/s INFOTECH HAL Ltd - 20,00,000 (20,00,000-P.Y) Shares of Rs 10 FV each fully paid | 200 | 200 | 200 |
| Less: Provision for Impairment in value of Investment | 166 | 166 | 166 |
| Net- M/s. INFOTECH HAL Ltd. | 34 | 34 | 34 |
| H) M/s HATSOFF Helicopter Training Pvt Ltd -3,84,04,204 (3,84,04,204 P.Y) Shares of ₹ 10 FV each fully paid | 3840 | 3840 | 3840 |
| Less: Provision for Impairment in value of Investment | 3840 | 3840 | 3840 |
| Net- M/s. HATSOFF Helicopter Training Pvt. Ltd. | - | - | - |
| I) M/s TATA HAL Technologies Ltd -50,70,000 (50,70,000 P.Y) Shares of ₹ 10 each fully paid | 507 | 507 | 507 |
| Less: Provision for Impairment in value of Investment | 423 | 362 | 362 |
| Net- M/s. TATA HAL Technologies Ltd. | 84 | 145 | 145 |
| J) M/s International Aerospace Manufacturing Pvt Ltd - 42,50,000 (42,50,000 - P.Y) Shares of Rs 100 FV each fully paid | 4250 | 4250 | 4250 |
| Less: Provision for Impairment in value of Investment | 855 | 855 | - |
| Net-M/s International Aerospace Manufacturing Pvt Ltd | 3395 | 3395 | 4250 |



(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| K) M/s. Multirole Transport Aircraft Ltd. - 113,46,564 (113,46,564 P.Y.) Shares of Rs 100 FV each fully paid | 11347 | 11347 | 11347 |
| Less: Provision for Impairment in value of Investment | 457 | 450 | - |
| Net-M/s. Multirole Transport Aircraft Ltd. | 10890 | 10897 | 11347 |
| L) M/s. Aerospace & Aviation Sector Skill Council(AASSC) - 125 (125 P.Y.) Shares of Rs 10000 FV each fully paid | 13 | 13 | 13 |
| Net-M/s. Aerospace & Aviation Sector Skill Council | 13 | 13 | 13 |
| M) M/s.Helicopter Engines MRO Pvt Ltd* | 195 | - | - |
| Net-M/s. Helicopter Engines MRO Pvt Ltd | 195 | - | - |
| Total In Equity of Joint Ventures (1) | 16139 | 16067 | 17540 |
| 2) In Subsidiary | | | |
| M/s. Naini Aerospace Limited - 3,00,00,000 Shares of ₹ 10 FV each fully paid | 3000 | - | - |
| Total In Equity of Subsidiary (2) | 3000 | - | - |
| Total (1+2) | 19139 | 16067 | 17540 |

Disclosure

| | | | |
|--------------------------------------------------------------|-------|-------|-------|
| (i) Aggregate amount of Quoted Investment and Market Value. | NIL | NIL | NIL |
| (ii) Aggregate amount of Unquoted Investments. | 19139 | 16067 | 17540 |
| (iii) Aggregate amount of impairment in value of investments | 6584 | 6461 | 4988 |

* Out of total investment of ₹ 195 lakhs, amount of ₹ 50 lakhs only (50,000 shares of ₹ 100 each) has been allotted as on 31st March 2017.

Note - 7A : Financial Asset- Investments-Others

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| A) Investments in Structured Entities (UNQUOTED) | | | |
| a) HAE Co-operative Society of 25 (25 P.Y) Shares of ₹ 100 FV each fully paid | - | - | - |
| b) M/s Satnam Apartment Ltd - 41 (41 P.Y) Shares of ₹ 100 each at cost for acquisition of a Flat | - | - | - |
| Total In Equity of Others (A) | - | - | - |
| B) Other Investments (UNQUOTED) | | | |
| M/s LIC of India (For Funding Vacation Leave) | 78935 | 72573 | 56993 |
| Total In Other Investments (B) | 78935 | 72573 | 56993 |
| Total (A)+(B) | 78935 | 72573 | 56993 |

Note - 8 : Financial Asset-Trade Receivables

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Trade Receivables | | | |
| Secured, Considered Good | - | - | - |
| Unsecured, Considered Good | 1023 | - | 1554 |
| Doubtful | 1313 | 994 | 253 |
| | 2336 | 994 | 1807 |
| Less: Provision for Doubtful Debts | 1313 | 994 | 253 |
| Total | 1023 | - | 1554 |

Note - 9 : Financial Asset- Loans

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| A. Secured Considered Good | | | |
| a) Security Deposits | - | - | - |
| b) Others | | | |
| Loans and Advances to Related Parties | - | - | 400 |
| Employee Advances (\$) | - | 1 | 1 |
| Sub-total (A) | - | 1 | 401 |
| B. Unsecured Considered Good | | | |
| a) Security Deposits | | | |
| Govt Departments for Customs Duty and for Supplies | 633 | 250 | 288 |
| Public Utility Concerns | 3023 | 2941 | 2697 |
| Others | 519 | 553 | 542 |
| b) Others | | | |
| Loans and Advances to Related Parties | - | - | - |
| Employee Advances (\$) | 1713 | 1454 | 1297 |
| Sub-total (B) | 5888 | 5198 | 4824 |
| Total (A +B) | 5888 | 5199 | 5225 |
| (\$) Amount due by the Officers of the Company at the end of the year | - | - | - |



Note - 10 : Financial Asset-Others

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A) Claims Receivable | | | |
| Considered Good | 1 | 1375 | 504 |
| Considered Doubtful | 9299 | 7925 | 4816 |
| | 9300 | 9300 | 5320 |
| Less: Provision for Doubtful Claims | 9299 | 7925 | 4816 |
| Sub Total -A | 1 | 1375 | 504 |
| B) Balances with Bank | | | |
| Short Term Deposits - Exceeding 12 Months* | 61 | - | 48 |
| Sub Total -B | 61 | - | 48 |
| C) Others | | | |
| Interest accrued and not due | 1 | - | - |
| Deferred Debts | 36682 | 38757 | 36781 |
| Sub Total -C | 36683 | 38757 | 36781 |
| Total (A +B +C) | 36745 | 40132 | 37333 |

*Fully Earmarked for Committed Liabilities of more than 12 months

Note - 11: Deferred Tax Assets (net)

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------|--------------------------------|--------------------------------|-------------------------------|
| Total | - | - | - |



Note - 12 : Other Non- Current assets

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A) Inventories (Lower of Cost and Net Realisable Value)# | | | |
| (i) Raw Materials and Components | 43206 | 35397 | 30658 |
| Less: Provision for Redundancy | 43206 | 35397 | 30658 |
| | - | - | - |
| (ii) Stores and Spares Parts | 2977 | 2100 | 2661 |
| Less: Provision for Redundancy | 2977 | 2100 | 2661 |
| | - | - | - |
| (iii) Loose Tools and Equipment | 2296 | 2175 | 810 |
| Less: Provision for Redundancy | 2296 | 2175 | 810 |
| | - | - | - |
| (iv) Construction Materials | 5 | 2 | 2 |
| Less: Provision for Redundancy | 5 | 2 | 2 |
| | - | - | - |
| (v) Inventory - Warranty | 1656 | - | - |
| Less: Provision for Redundancy | 1656 | - | - |
| | - | - | - |
| Sub Total Inventories | - | - | - |
| B) Advances | | | |
| Capital Advances | 12155 | 11758 | 9393 |
| Advances against Goods and Services | 3001 | 3117 | 1584 |
| Advances against Special Tools | 666 | 4022 | 8285 |
| Other Loans and Advances | 651 | 791 | 1779 |
| | 16473 | 19688 | 21041 |
| C) Others | | | |
| Balances with Revenue Authorities under dispute | | | |
| - Income tax | 104071 | 128936 | 114595 |
| - Others | 523 | - | - |
| D) Prepaid Expenses | - | - | 20 |
| Total (A+B+C+D) | 121067 | 148624 | 135656 |
| (#) includes those issued to Sub-Contractors for Job Works | - | - | - |



Note - 13 : Inventories

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|---------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Inventories (Lower of Cost and Net Realisable Value)# | | | |
| (i) Raw Materials and Components | 1032216 | 1231231 | 1309519 |
| Less: Provision for Redundancy | 19044 | 21433 | 24977 |
| | 1013172 | 1209798 | 1284542 |
| (ii) Work-in-Progress | 1024358 | 1072122 | 1013675 |
| (iii) Finished Goods | - | - | - |
| (iv) Stock-in-Trade | 2304 | 4646 | 5347 |
| (v) Stores and Spares Parts | 30209 | 30009 | 24640 |
| Less: Provision for Redundancy | 586 | 567 | 798 |
| | 29623 | 29442 | 23842 |
| (vi) Loose Tools and Equipment | 8651 | 7672 | 8059 |
| Less: Provision for Redundancy | 153 | 144 | 136 |
| | 8498 | 7528 | 7923 |
| (vii) Construction Materials | 105 | 100 | 88 |
| Less: Provision for Redundancy | 4 | 4 | 4 |
| | 101 | 96 | 84 |
| (vii) Disposable Scrap | 402 | 1381 | 1789 |
| (viii) Goods under Inspection and in Transit | | | |
| - Raw Material and Components | 42507 | 64945 | 149563 |
| - Stores and Spare Parts | 447 | 4013 | 2804 |
| - Loose Tools and Equipment | 65 | 1571 | 1725 |
| | 43019 | 70529 | 154092 |
| (ix) Inventory - Warranty | 12714 | 4301 | 5302 |
| Less: Provision for Redundancy | 152 | 65 | 80 |
| | 12562 | 4236 | 5222 |
| Total | 2134039 | 2399778 | 2496516 |
| (#) includes those issued to Sub-Contractors for Job Works | 37553 | 31783 | 32504 |

Note - 14 : Financial Asset- Investments (Non-Trade / Un-Quoted)

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|---------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Investments at cost (Non-Trade / Un-Quoted) | - | - | - |
| Total | - | - | - |

Note - 15 : Financial Asset- Trade Receivables

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Trade Receivables | | | |
| Secured Considered Good | 15 | 10 | 132 |
| Unsecured Considered Good | 398533 | 477319 | 602785 |
| Doubtful | 12941 | 10071 | 909 |
| | 411489 | 487400 | 603826 |
| Less: Provision for Doubtful Debts | 12941 | 10071 | 909 |
| Sub Total | 398548 | 477329 | 602917 |
| Unbilled revenue | 22480 | 6360 | 6370 |
| Sub Total | 22480 | 6360 | 6370 |
| Total | 421028 | 483689 | 609287 |

Note - 16 : Financial Asset- Cash & Cash Equivalents

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A) Balances with Bank | | | |
| - Current Account | 33428 | 33391 | 47053 |
| - Short Term Deposits | 240000 | - | 125000 |
| - Other Short Term Deposits with Financial Institutions | 1273 | 998 | 783 |
| B) Cash on Hand | 6 | 16 | 20 |
| C) Cheques, Drafts on Hand | 3283 | - | 1 |
| Sub Total (A+B+C) | 277990 | 34405 | 172857 |
| D) Other Bank Balances | | | |
| Others | | | |
| - Short Term Deposits * | 834121 | 1295938 | 1594282 |
| Sub Total-D | 834121 | 1295938 | 1594282 |
| Total (A)+(B)+(C)+(D) | 1112111 | 1330343 | 1767139 |
| *Balance with Banks to the extent held as Margin Money or Security against Borrowings, Guarantees, Other Commitments | 100019 | 18 | 16 |

Note - 17 : Financial Asset- Bank Balances other than (iii) above

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------|--------------------------------|--------------------------------|-------------------------------|
| Total | - | - | - |



Note - 18 : Financial Asset- Loans

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|----------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| A. Secured, Considered Good | | | |
| Security Deposit | | | |
| Loans and Advances to Related Parties | - | - | 1782 |
| Others | | | |
| Employee Advances (\$) | 102 | 107 | 277 |
| Sub-Total (A) | 102 | 107 | 2059 |
| B. Unsecured, Considered Good | | | |
| i) Security Deposits | | | |
| Govt Departments for Customs Duty and for Supplies | 3425 | 3481 | 3280 |
| Public Utility Concerns | 38 | 38 | 49 |
| Others | 2866 | 1687 | 1387 |
| ii) Others | | | |
| Loans and Advances to Related Parties | 33 | 266 | 6931 |
| Employee Advances (\$) | 3409 | 4226 | 3890 |
| Sub-Total (B) | 9771 | 9698 | 15537 |
| Total (A +B) | 9873 | 9805 | 17596 |
| (\$) | 7 | 43 | 8 |

Note - 19 : Other Financial Assets

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Claims Receivable | | | |
| Considered Good | 212343 | 156792 | 121154 |
| Considered Doubtful | 4576 | 3978 | 3052 |
| | 216919 | 160770 | 124206 |
| Less: Provision for Doubtful Claims | 4576 | 3978 | 3052 |
| Sub-Total | 212343 | 156792 | 121154 |
| Interest Accrued and Due | 7163 | 5986 | 5586 |
| Interest Accrued and not Due | 29484 | 49390 | 63424 |
| Current Maturities of Deferred Debt | 8210 | 8714 | 8516 |
| Total | 257200 | 220882 | 198680 |

Note - 20 : Current Tax Assets

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------|-----------------------------|-----------------------------|----------------------------|
| Current Tax (Net) | 11493 | - | 10040 |
| Total | 11493 | - | 10040 |

Note - 21 : Other Current Assets

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Advances against Goods and Services | 66014 | 125949 | 152619 |
| Advances against Special Tools | - | 1024 | 1485 |
| Other Loans and Advances | 1185 | 1109 | 722 |
| Others | | | |
| Prepaid Expenses | 1805 | 1585 | 4572 |
| Revenue Stamps | - | 25 | - |
| Balances in Franking Machine | 5 | 5 | 6 |
| Total | 69009 | 129697 | 159404 |

EQUITY

Note - 22 : Equity Share Capital

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| Authorised Capital 60,00,00,000 Equity Shares of ₹ 10 each | 60000 | 60000 | 60000 |
| Issued, Subscribed and Fully Paid up 36,15,00,000 Equity Shares of ₹ 10 each fully paid-up | 36150 | 36150 | 48200 |
| Subscribed and not Fully Paid up | - | - | - |
| Par Value per Share (₹) | 10 | 10 | 10 |
| Reconciliation of the Number of Shares Outstanding at the beginning and at the end of the Reporting period | | | |
| Opening Equity Shares (Nos.) | 361500000 | 482000000 | 482000000 |
| Add: Additions during the Year (Nos.) | - | - | - |
| Less: Shares Bought Back (Nos.) | - | 120500000 | - |
| Closing Equity Shares (Nos.) | 361500000 | 361500000 | 482000000 |
| Shares in the Company held by each Shareholder holding more than 5 percent shares specifying the number of Shares held | President of India and Nominees hold the entire 36,15,00,000 Shares | President of India and Nominees hold the entire 36,15,00,000 Shares | President of India and Nominees hold the entire 48,20,00,000 Shares |

Terms/ Rights attached to Equity Shares:

The Company has one (1) Class of Shares i.e. Equity Shares

The Equity Shares rank Parri Passu in all respects including right to dividend, Issue of new shares, voting rights and in the assets of the Company in the event of Liquidation. Entire capital is held by single share holder.

Buyback of Shares:

In accordance with the approval of Board of Directors at its 396th meeting held on 22nd March, 2016 and approval of shareholders through special resolution in the Extra-ordinary General Meeting held on the said date, the Company has bought back 12,05,00,000 fully paid equity shares of ₹10/- each equivalent to 25% of the paid-up share capital and Free Reserves of the Company, for an aggregate amount of ₹ 428438 lakhs at ₹ 355.55 per equity share from the President of India. The consideration amount for back buy of shares was paid to the Government of India on 30th March, 2016 and the shares so bought back were extinguished on 5th April, 2016.



Note - 23 : Other Equity

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Other Reserves | | |
| A. Research & Development Reserve | | |
| Opening Balance | 31514 | 17438 |
| Add: Current Year Transfer | 19656 | 14669 |
| Less: Transfer to General Reserve on utilisation | 1604 | 593 |
| Closing Balance (A) | 49566 | 31514 |
| B. Capital Redemption Reserve | | |
| Opening Balance | 12050 | - |
| Add: Current Year Transfer | - | 12050 |
| Closing Balance (B) | 12050 | 12050 |
| C. General Reserve As per last Balance Sheet | | |
| (+/-) Surplus Transferred from Statement of Profit and Loss | 1028016 | 1430286 |
| Add: Transfer from R&D Reserve | 145621 | 111704 |
| Less: Depreciation on transition | 1604 | 593 |
| Less: Withdrawn towards Buy Back of Shares | - | 25 |
| Less: Transfer to Statement of Profit and Loss * | - | 514542 |
| | 14120 | - |
| Closing Balance (C) | 1161121 | 1028016 |
| Surplus in Statement of Profit and Loss | | |
| Add: Net Profit / (Net Loss) for the Current Year (i) | 261563 | 199805 |
| Add: Transfer from General Reserve* (ii) | 14120 | - |
| Less: Appropriations / Allocations | | |
| Transfer to Research & Development Reserve | 19656 | 14669 |
| Interim Dividend including Tax for the year ended 31 st March 2017: | | |
| Dividend ₹ 80000 Lakhs + Tax ₹16286 Lakhs (For the year ended 31 st March 2016: Dividend ₹ 51000 Lakhs + Tax ₹10382 Lakhs) | 96286 | 61382 |
| Final Dividend including Tax for the year ended 31 st March 2016: | | |
| Dividend ₹11732 Lakhs + Tax ₹ 2388 Lakhs) | 14120 | - |
| Transfer to Capital Redemption Reserve | - | 12050 |
| Total (iii) | 130062 | 88101 |
| Transfer To General Reserves (i)+(ii)-(iii) | 145621 | 111704 |
| D. Other Components of Equity | | |
| Fair Value through Other Comprehensive Income (FVOCI) (\$) | | |
| Opening Balance | -5833 | -6503 |
| Add:- Additions made during the year | 609 | 670 |
| Less:- Deletions made during the year | | |
| Closing Balance (D) | -5224 | -5833 |
| Total (A+B+C+D) | 1217513 | 1065747 |

(\$)- Breakup is given separately in Clause 17 of Note 49

* Represents Final Dividend including Dividend Tax for the year 2015-16



Note - 24 : Borrowings

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------|--------------------------------|--------------------------------|-------------------------------|
| Total | - | - | - |

Note - 25 : Trade Payables

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Trade Payables* | 19255 | - | 340 |
| Total | 19255 | - | 340 |
| *Includes dues to related parties | - | - | - |

Note - 26 : Other financial liabilities

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------|--------------------------------|--------------------------------|-------------------------------|
| Other Liabilities | 71 | 563 | 151 |
| Deferred Debt | 37086 | 39168 | 37172 |
| Total | 37157 | 39731 | 37323 |

Note - 27 : Provisions

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A. Provisions for Employee Benefits | | | |
| Gratuity | 2339 | 3023 | 12669 |
| Earned Leave | 46055 | 45348 | 39785 |
| Sub-Total (A) | 48394 | 48371 | 52454 |
| B. Others | | | |
| Replacement and Other Charges | 10619 | 9518 | 9460 |
| Liquidated Damages | 58925 | 79893 | 84899 |
| Onerous Contract | 83844 | 110469 | 110469 |
| Sub-Total (B) | 153388 | 199880 | 204828 |
| Total (A + B) | 201782 | 248251 | 257282 |



Note - 28 : Deferred tax liabilities (Net)

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| The tax effect of significant temporary differences that resulted in Deferred Tax Liabilities: | | | |
| As per last Balance Sheet | 81475 | 66078 | 168160 |
| Add / Less: Current Year's Provisions | 14517 | 15397 | -99931 |
| Add/Less: Impact of Depreciation on transition | - | - | -2151 |
| Total | 95992 | 81475 | 66078 |

Note - 29 : Other Non current Liabilities

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A. Advances from Customers | | | |
| Defence | 307106 | 323089 | 259594 |
| Sub Total (A) | 307106 | 323089 | 259594 |
| B. Milestone Receipt | | | |
| Defence | 661033 | 574638 | 615537 |
| Others | 16585 | 17728 | - |
| Sub Total (B) | 677618 | 592366 | 615537 |
| Total (A+B) | 984724 | 915455 | 875131 |

Note - 30 : Borrowings

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A. Secured Long Term Borrowings: | | | |
| Loans Repayable on Demand | | | |
| (i) From Banks | 95000 | - | - |
| (ii) From Others | - | - | - |
| Sub-total (A) | 95000 | - | - |
| B. Unsecured Long Term Borrowings: | | | |
| Sub-total (B) | - | - | - |
| Total (A + B) | 95000 | - | - |

Security

Fixed Deposits with the same Bank to the extent of ₹100000 Lakhs

Period of Loans/Terms of Repayment

From the date of release 1 year, bullet payment on the due date

Interest Rates

5.90% pa

Note - 31 : Trade Payables

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Trade Payables* | 160467 | 215122 | 226757 |
| Total | 160467 | 215122 | 226757 |
| * Includes dues to related parties | 8136 | 7323 | 4273 |

Note - 32 : Other Financial Liabilities

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Dues to Employees | 39818 | 30763 | 37285 |
| Others Liabilities* | 62627 | 58949 | 66576 |
| Current Maturities of Deferred Debts | 7203 | 7983 | 7840 |
| Total | 109648 | 97695 | 111701 |
| * Includes dues to related parties | 7 | 10 | 77 |

Note - 33 : Other Current Liabilities

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|----------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A) Advances from Customers | | | |
| Outstanding Advances from Customers | | | |
| Defence | 469116 | 427343 | 549594 |
| Others | 9394 | 4607 | 3270 |
| Sub Total (A) | 478510 | 431950 | 552864 |
| B) Milestone Receipt | | | |
| Defence | 1360874 | 2072821 | 2305079 |
| Others | 49369 | 58658 | 56895 |
| Sub Total (B) | 1410243 | 2131479 | 2361974 |
| Advances from Customers (A + B) | 1888753 | 2563429 | 2914838 |
| C) Other Payables | | | |
| Taxes (Other than Taxes on Income) | 8431 | 108256 | 14486 |
| Others | 8956 | 7055 | 6529 |
| Total (A+B+C) | 1906140 | 2678740 | 2935853 |



Note - 34 : Provisions

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A. Provisions for Employee Benefits | | | |
| Gratuity | - | - | - |
| Earned Leave | 35383 | 33587 | 32788 |
| Others | 23944 | 5894 | 21306 |
| Sub-total (A) | 59327 | 39481 | 54094 |
| B. Others | | | |
| Replacement and Other Charges | 78071 | 86288 | 56816 |
| Warranty | 53890 | 66034 | 61448 |
| Liquidated Damages | 69577 | 70842 | 74821 |
| Excise Duty | 322 | 1121 | - |
| Onerous Contract | 26625 | - | - |
| Sub-total (B) | 228485 | 224285 | 193085 |
| Total (A + B) | 287812 | 263766 | 247179 |

Note - 35 : Current tax liability(Net)

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------|--------------------------------|--------------------------------|-------------------------------|
| Current Tax Liability(Net) | - | 9723 | - |
| Total | - | 9723 | - |

Note - 36 : Revenue from Operations

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|----------------------------------------------------------|-----------------------------|-----------------------------|
| A. Sale of Products | | |
| (i) Inland Sales | | |
| Finished Goods | 983007 | 1012072 |
| Spares | 147226 | 174358 |
| Development | 61520 | 61091 |
| Miscellaneous | 1930 | 2046 |
| Total Inland Sales of Products | 1193683 | 1249567 |
| (ii) Export Sales | | |
| Finished Goods | 27124 | 23131 |
| Spares | 18470 | 16477 |
| Total Export Sales of Products | 45594 | 39608 |
| Total Sale of Products (A) | 1239277 | 1289175 |
| B. Sale of Services | | |
| (i) Inland Sale of Services | | |
| Repair and Overhaul | 579146 | 402702 |
| Other Services | 1549 | 1760 |
| Total Inland Sales of Services | 580695 | 404462 |
| (ii) Export Sale of Services | | |
| Repair and Overhaul | 889 | 3058 |
| Other Services | 19 | 1944 |
| Total Export Sales of Services | 908 | 5002 |
| Total Sales of Services (B) | 581603 | 409464 |
| Total Sales (A+B) | 1820880 | 1698639 |
| C. Other Operating Revenues | | |
| (i) Disposal of Scrap and Surplus / Unserviceable Stores | 1513 | 366 |
| (ii) Provision no longer required | 29754 | 11918 |
| (iii) Others | 3374 | 4937 |
| Total Operating Revenues (C) | 34641 | 17221 |
| Revenue from Operations (A+B+C) | 1855521 | 1715860 |



Note - 37 : Other Income

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|------------------------------------------------------|-----------------------------|-----------------------------|
| Interest Income | | |
| - Short term Deposits / Loans | 89043 | 154857 |
| - Sundry Advances - Employees | 124 | 119 |
| - Other Deposits | 188 | 191 |
| Sub-total | 89355 | 155167 |
| Dividend Income | | |
| Dividend income | 304 | 221 |
| Other Non-Operating Income | | |
| Gain on Foreign Currency Transaction and Translation | 7006 | - |
| Profit on Sale of Assets (Net) | 80 | 198 |
| Miscellaneous | 7425 | 4228 |
| Gain on Fair Value Adjustment | 254 | 7 |
| Total | 104424 | 159821 |

Note - 38 : Cost of materials consumed

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Consumption Of Raw Material, Components, Stores And Spare Parts | | |
| Opening Stock | 1303139 | 1372869 |
| Add: Purchases | 678584 | 855994 |
| Add: Subcontracting, Fabrication and Machining Charges. | 26942 | 22273 |
| Less: Closing Stock | 1123089 | 1303139 |
| | 885576 | 947997 |
| Less: Transfer to | | |
| Special Tools and Equipment | 32227 | 51471 |
| Capital Works | - 0 | 5 |
| Development Expenditure | 2339 | 4216 |
| Expense Accounts and Others | 10861 | 11513 |
| | 45427 | 67205 |
| Total | 840149 | 880792 |

Note - 38A : Purchase of Stock-in-Trade

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|----------------------------|-----------------------------|-----------------------------|
| Purchase of Stock-in-Trade | 29073 | 36368 |

Note - 39 : Changes in Inventories of Finished Goods, Stock-in-Trade and Work-In-Progress and Scrap

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|--------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-progress | | |
| Opening Balance | | |
| (i) Finished Goods | - | - |
| (ii) Work-in-Progress | 1072122 | 1013675 |
| (iii) Stock in Trade | 4646 | 5347 |
| | 1076768 | 1019022 |
| Closing Balance | | |
| (i) Finished Goods | - | - |
| (ii) Work-in-Progress | 1024358 | 1072122 |
| (iii) Stock in Trade | 2304 | 4646 |
| | 1026662 | 1076768 |
| Less : Excise Duty on accretion/ Decretion to Stock | - | -1121 |
| Accretion / (Decretion) -A | -50106 | 56625 |
| Change in Disposables Scrap | | |
| Opening Balance | 1381 | 1789 |
| Closing Balance | 402 | 1381 |
| Accretion / (Decretion)-B | -979 | -408 |
| Total (A+B) | -51085 | 56217 |

Note - 40 : Employee benefits expense*

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|----------------------------------------------------|-----------------------------|-----------------------------|
| Salaries and Wages | 298130 | 264944 |
| Contribution to Provident and Other Funds | | |
| - Contribution to Provident Fund/ Others** | 39930 | 43362 |
| - Contribution to Gratuity | 3269 | 4051 |
| Staff Welfare Expenses (Net) | 14298 | 14030 |
| Rent for Hiring Accommodation for Officers / Staff | 1292 | 1051 |
| Total | 356919 | 327438 |
| *Includes Directors' Remuneration | | |
| Salaries | 171 | 128 |
| Contribution to Provident Fund | 13 | 11 |
| Gratuity | - | 10 |

**Refer Note No. 49 Clauses 11 (c) & 11 (d)



Note - 41 : Finance costs

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|------------------------------|-----------------------------|-----------------------------|
| Borrowing costs- Other | 667 | - |
| Interest on Short Term Loans | 355 | - |
| Total | 1022 | - |

Note - 42 : Depreciation, Amortization expense and Impairment Loss

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|--------------------------------------------|-----------------------------|-----------------------------|
| A. DEPRECIATION ON ASSETS | 26565 | 31433 |
| B. AMORTISATION | | |
| Intangible assets- Development Expenditure | 2651 | 3767 |
| Other Intangible assets | | |
| - Licence Fees | 7353 | 18629 |
| - Computer Software | 1129 | 1018 |
| - Documentation | 1988 | 1517 |
| Special Tools | 28389 | 28914 |
| Sub Total | 41510 | 53845 |
| C. IMPAIRMENT LOSS | 3210 | 1004 |
| Total (A + B+C) | 71285 | 86282 |

Note - 43 : Other expenses

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|------------------------------------------------------|-----------------------------|-----------------------------|
| Shop Supplies | 10485 | 10657 |
| Power and Fuel | 17200 | 17149 |
| Water Charges | 5538 | 6229 |
| Rent for Office Premises etc. | 252 | 254 |
| Travelling (includes Foreign Travel) | 7301 | 7144 |
| Training (includes Foreign Training) | 1262 | 1186 |
| Repairs: | | |
| Buildings | 8071 | 7592 |
| Plant, Machinery and Equipment | 13524 | 10481 |
| Others | 4166 | 3786 |
| Expenses on Tools and Equipment | 4875 | 5059 |
| Insurance | 1938 | 1707 |
| Rates and Taxes | 2018 | 847 |
| Postage and Telephones | 1133 | 1190 |
| Printing and Stationery | 1226 | 1223 |
| Publicity | 3086 | 1983 |
| Advertisement | 1219 | 1809 |
| Bank Charges | 615 | 593 |
| Loss on Foreign Currency Transaction and Translation | - | 4408 |
| Legal Expenses | 521 | 303 |
| Auditors' Remuneration: | | |
| For Audit Fee | 38 | 38 |
| For Taxation matters | 7 | 4 |
| For Other Services | 98 | 43 |
| Selling Agents Commission | 69 | 42 |
| Donations | 2 | 1 |
| Handling Charges | 413 | 371 |
| Write Off: | | |
| Fixed Assets | - | 2 |
| Stores | 151 | 192 |
| Shortages / Rejections | 1 | 1 |
| Freight and Insurance | 1565 | 1076 |
| JWG share of Profit | 250 | 185 |
| Corporate Social Responsibility # | 6528 | 4817 |
| Interest on Micro, Small and Medium Enterprises | 8 | 1 |
| Loss on Fair Value Adjustment | 1074 | 7 |
| Miscellaneous Operating Expenses (@) | 30230 | 27226 |
| Total | 124864 | 117606 |
| (@) includes Director's Sitting Fees | 16 | 19 |

(#) Does not include CSR assets of ₹ 268 lakh capitalised under Note 1A . Total CSR expenditure is ₹ 6796 lakh.



Note - 44 : Direct Input to WIP / Expenses Capitalised

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|-----------------------------------|-----------------------------|-----------------------------|
| A) DIRECT INPUT TO WIP | | |
| Project related Travel | 730 | 672 |
| Project related Training | 363 | 1008 |
| Project related Other Expenditure | 1961 | 4181 |
| Royalty | 748 | 904 |
| Foreign Technician Fee | 6733 | 8489 |
| Ground Risk Insurance | 2178 | 2261 |
| Design and Development | 11505 | 6426 |
| Sundry Direct Charges - Others | 18595 | 21699 |
| Sub-Total (A) | 42813 | 45640 |
| B) EXPENSES CAPITALISED | | |
| Licence Fees | 507 | 2161 |
| Computer software | 723 | 2545 |
| Documentation | 2518 | 847 |
| Sub-Total (B) | 3748 | 5553 |
| Total (A + B) | 46561 | 51193 |

Note - 45 : Provisions

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|---------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Replacement and Other Charges | 24216 | 32315 |
| Warranty | 8394 | 15005 |
| Raw Materials and Components, Stores and Spare parts and Construction Materials | 10011 | 7345 |
| Liquidated Damages | 30877 | 34986 |
| Doubtful Debts | 4530 | 9903 |
| Doubtful Claims | 3036 | 4086 |
| Investments | 123 | 1472 |
| Total | 81187 | 105112 |

Note - 46 : Expenses relating to Capital and Other Accounts

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|-------------------------------------|-----------------------------|-----------------------------|
| Expenses allocated to: | | |
| Other Intangible assets Expenditure | 3748 | 5553 |
| Special Tools | 2173 | 4554 |
| Capital Works | 1040 | - |
| Development Expenditure | 25157 | 21437 |
| Others | 28676 | 2058 |
| Total | 60794 | 33602 |



Other Comprehensive Income

Note - 47 : Items that will not be reclassified to Profit or Loss

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|-----------------------------------------------------------|-----------------------------|-----------------------------|
| (A) Changes in revaluation surplus | - | - |
| (B) Remeasurements of the defined benefit plans | 930 | 1029 |
| (C) Equity Instruments through Other Comprehensive Income | - | - |
| Total (A+B+C) | 930 | 1029 |

Note - 48 : Items that will be reclassified to Profit or Loss

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|-------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Exchange differences in translating the financial statements of a foreign operation | 1 | -4 |
| Total | 1 | -4 |



Note No. 49 Notes to Accounts- Stand Alone

(Rupees unless otherwise stated is in lakhs)

| S.No | Mandatory Disclosures | | |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------------|
| 1. | FIRST TIME ADOPTION OF Ind AS | | |
| | <p>These Standalone Financial Statements of Hindustan Aeronautics Limited for the year ended 31st March 2017 have been prepared in accordance with Ind AS. For the purposes of transition to Ind AS, the Company has followed the guidance prescribed in Ind AS 101, First-Time Adoption of Indian Accounting Standards, with April 1, 2015 as the transition date and Indian Generally Accepted Accounting Principles (IGAAP) as the previous GAAP. The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Notes have been applied in preparing the Standalone Financial Statements for the year ended 31st March, 2017 and the comparative information. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's Balance Sheet and Statement of Profit and Loss, is set out in Clause 1 (i) and (ii). Exemptions on the first-time adoption of Ind AS availed in accordance with Ind AS 101 have been set out in Clause 1 (vi).</p> | | |
| | <p>The following reconciliations provide the effect of transition to Ind AS from IGAAP in accordance with Ind AS 101:</p> | | |
| | <p>1. Equity as at April 1st, 2015 and March 31st, 2016 2. Net profit for the year ended March 31st, 2016</p> | | |
| | (i) Reconciliation of Equity from IGAAP to Ind AS is stated as under: | | (₹ in Lakhs) |
| | Particulars | 1st April 2015 | 31st March 2016 |
| | Equity as per IGAAP | 1678607 | 1241864 |
| | Ind AS Adjustments: | | |
| | 1) Reversal of Proposed dividend | - | 14120 |
| | 2) Provision for Liquidated Damages | -109183 | -107322 |
| | 3) Provision for Onerous Contract | -110469 | -110469 |
| | 4) Impairment of Intangible Asset | -7548 | -8553 |
| | 5) Reversal of Warranty Liability | 41627 | 45573 |
| | 6) Reversal/Recognition of Warranty Sales | -34545 | -46029 |
| | 7) Fair Value Adjustment | 508 | 508 |
| | 8) Prior Period Adjustment | -65420 | -4688 |
| | 9) Recognition of POC Sales for Service Contract | 19041 | 16033 |
| | 10) Reversal of Work in Progress relating to POC Sales | -19041 | -16033 |
| | 11) Deferred Tax effect on new temporary differences recognised under IND AS | 95844 | 76892 |
| | Equity as per Ind AS | 1489420 | 1101897 |



| (ii) Reconciliation of Net Profit for the year ended 31st March, 2016 | | (₹ in Lakhs) |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------|
| Particulars | 31st March 2016 | |
| Profit After Tax as per IGAAP (A) | 165377 | |
| Ind AS Adjustments: | | |
| 1) Reversal of Liquidated Damages provided as at 01 st April, 2015 | 22172 | |
| 2) Provision for Liquidated Damages | -20310 | |
| 3) Recognition of Warranty Sales | 27730 | |
| 4) Reversal of Warranty Sales | -39214 | |
| 5) Reversal of Warranty Liability | 3946 | |
| 6) Recognition of POC Sales for Service Contract | 16033 | |
| 7) Reversal of Work in Progress relating to POC Sales | -16033 | |
| 8) Reversal of POC Sales booked as at 01 st April, 2015 | -18927 | |
| 9) Reversal of Work in Progress relating to POC Sales booked as at 01 st April 2015 fully not reversed | 18927 | |
| 10) Impairment of Intangible Asset | -1004 | |
| 11) Amortisation of Liability towards Russian Rouble | 7 | |
| 12) Amortisation of Reimbursement of Liability towards Russian Rouble | -7 | |
| 13) Prior Period Adjustment | 60732 | |
| 14) Deferred tax effect on above adjustments | -18953 | |
| 15) Reversal of Proposed Dividend | - | |
| 16) Gain on Net defined benefit transferred to OCI | -1029 | |
| 17) Tax on Gain on Net defined benefit transferred to OCI | 356 | |
| 18) Loss on translation of Foreign Currency operations transferred to OCI | 4 | |
| 19) Tax on Loss on translation of Foreign Currency operations transferred to OCI | -2 | |
| Total Adjustments (B) | 34429 | |
| Profit after tax as per Ind AS [(A)+(B)] | 199806 | |
| Other Comprehensive Income/ Loss | 670 | |
| Total Comprehensive Income as per Ind AS | 200476 | |



| (iii) Reconciliation of Balance Sheet as at 01st April, 2015 | | | | (₹ in Lakhs) |
|--------------------------------------------------------------------------------|----------------|-------------------|-------------------|----------------|
| Particulars | Adjusted IGAAP | Ind AS Adjustment | Ind AS Regrouping | As per Ind AS |
| Non-current assets: | | | | |
| 1) Property Plant & Equipment | 503743 | -156 | -4 | 503583 |
| 2) Capital work-in-progress | 22702 | - | - | 22702 |
| 3) Investment Property | - | - | 4 | 4 |
| 4) Other Intangible assets | 163707 | -12 | - | 163695 |
| 5) Intangible assets under development | 51665 | -7548 | - | 44117 |
| 6) Investments in Joint Venture | 17540 | - | - | 17540 |
| 7) Financial Assets | | | | |
| (i) Investments | 56993 | - | - | 56993 |
| (ii) Trade receivables | 1554 | - | - | 1554 |
| (iii) Loans | 5225 | - | - | 5225 |
| (iv) Others | 86928 | -49595 | - | 37333 |
| 8) Deferred tax assets (net) | - | - | - | - |
| 9) Other non-current assets | 140344 | -4688 | - | 135656 |
| Current assets: | | | | |
| 1) Inventories | 2515231 | -18716 | - | 2496516 |
| 2) Financial Assets | | | | |
| (i) Investments | - | - | - | - |
| (ii) Trade receivables | 624260 | -14973 | - | 609287 |
| (iii) Cash and cash equivalents | 1767139 | - | - | 1767139 |
| (iv) Bank balances other than (iii) above | - | - | - | - |
| (v) Loans | 17596 | - | - | 17596 |
| (vi) Others | 199002 | -322 | - | 198680 |
| 3) Current Tax Assets (Net) | - | -13546 | 23586 | 10040 |
| 4) Other currents assets | 230619 | -47629 | -23586 | 159404 |
| Total | 6404249 | -157185 | - | 6247064 |

| Reconciliation of Balance Sheet as at 01 st April, 2015 | | | | (₹ in Lakhs) |
|--------------------------------------------------------------------|----------------|-------------------|-------------------|----------------|
| Particulars | Adjusted IGAAP | Ind AS Adjustment | Ind AS Regrouping | As per Ind AS |
| EQUITY AND LIABILITIES: | | | | |
| EQUITY: | | | | |
| 1) Equity Share capital | 48200 | - | - | 48200 |
| 2) Other Equity | 1630407 | -189187 | - | 1441220 |
| LIABILITIES | | | | |
| Non-current liabilities: | | | | |
| 1) Financial Liabilities | | | | |
| (i) Borrowings | - | - | - | - |
| (ii) Trade payables | 50439 | -50099 | - | 340 |
| (iii) Other financial liabilities | 37290 | 33 | - | 37323 |
| 2) Provisions | 49245 | 195368 | 12669 | 257282 |
| 3) Deferred tax liabilities (Net) | 161922 | -95844 | - | 66078 |
| 4) Other non-current liabilities | 875131 | - | - | 875131 |
| Current Liabilities: | | | | |
| 1) Financial liabilities | | | | |
| (i) Borrowings | - | - | - | - |
| (ii) Trade payables | 227000 | -244 | - | 226757 |
| (iii) Other financial liabilities | 111569 | 131 | - | 111701 |
| 2) Other current liabilities | 2935853 | - | - | 2935853 |
| 3) Provisions | 277191 | -17342 | -12669 | 247179 |
| 4) Current Tax Liabilities (Net) | - | - | - | - |
| Total | 6404249 | -157185 | - | 6247064 |



| (iv) Reconciliation of Balance Sheet as at 31st March, 2016 | | | | (₹ in Lakhs) |
|-------------------------------------------------------------------------------|----------------|-------------------|-------------------|----------------|
| Particulars | Adjusted IGAAP | Ind AS Adjustment | Ind AS Regrouping | As per Ind AS |
| Non-current assets: | | | | |
| 1) Property Plant & Equipment | 544446 | - | -4 | 544442 |
| 2) Capital work-in-progress | 37537 | - | - | 37537 |
| 3) Investment Property | - | - | 4 | 4 |
| 4) Other Intangible assets | 148084 | - | - | 148084 |
| 5) Intangible assets under development | 73552 | -8553 | - | 64999 |
| 6) Investments in Joint Venture | 16067 | - | - | 16067 |
| 7) Financial Assets | | | | |
| (i) Investments | 72573 | - | - | 72573 |
| (ii) Trade receivables | - | - | - | - |
| (iii) Loans | 5199 | - | - | 5199 |
| (iv) Others | 89710 | -49579 | - | 40132 |
| 8) Deferred tax assets (net) | - | - | - | - |
| 9) Other non-current assets | 153312 | -4688 | - | 148624 |
| Current assets: | | | | |
| 1) Inventories | 2415811 | -16033 | - | 2399778 |
| 2) Financial Assets | | | | |
| (i) Investments | - | - | - | - |
| (ii) Trade receivables | 513182 | -29493 | - | 483689 |
| (iii) Cash and cash equivalents | 1330343 | - | - | 1330343 |
| (iv) Bank balances other than (iii) above | - | - | - | - |
| (v) Loans | 9805 | - | - | 9805 |
| (vi) Others | 221227 | -345 | - | 220882 |
| 3) Current Tax Assets (Net) | - | - | - | - |
| 4) Other current assets | 119974 | - | 9723 | 129697 |
| Total | 5750823 | -108691 | 9723 | 5651855 |

| (iv) Reconciliation of Balance Sheet as at 31 st March, 2016 | | | | (₹ in Lakhs) |
|-------------------------------------------------------------------------|----------------|-------------------|-------------------|----------------|
| Particulars | Adjusted IGAAP | Ind AS Adjustment | Ind AS Regrouping | As per Ind AS |
| EQUITY AND LIABILITIES: | | | | |
| EQUITY: | | | | |
| 1) Equity Share capital | 36150 | - | - | 36150 |
| 2) Other Equity | 1205716 | -139968 | - | 1065747 |
| LIABILITIES | | | | |
| Non-current liabilities: | | | | |
| 1) Financial Liabilities | | | | |
| (i) Borrowings | - | - | - | - |
| (ii) Trade payables | 50083 | -50083 | - | - |
| (iii) Other financial liabilities | 39731 | - | - | 39731 |
| 2) Provisions | 46038 | 199190 | 3023 | 248251 |
| 3) Deferred tax liabilities (Net) | 158367 | -76891 | - | 81475 |
| 4) Other non-current liabilities | 915455 | - | - | 915455 |
| Current Liabilities: | | | | |
| 1) Financial liabilities | | | | |
| (i) Borrowings | - | - | - | - |
| (ii) Trade payables | 215471 | -349 | - | 215122 |
| (iii) Other financial liabilities | 97695 | - | - | 97695 |
| 2) Other current liabilities | 2678236 | 503 | - | 2678740 |
| 3) Provisions | 307881 | -41092 | -3023 | 263766 |
| 4) Current Tax Liabilities (Net) | - | - | 9723 | 9723 |
| Total | 5750823 | -108690 | 9723 | 5651855 |



v) There were no significant reconciliation items between cash flows prepared under IGAAP and those prepared under Ind AS.

(vi) Exemptions availed on first-time adoption of Ind AS 101 as at transition date :

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The company has accordingly applied the following exemptions.

(a) As per para D7AA of Ind AS 101, Property, Plant and Equipment and Intangible assets were carried in the statement of financial position prepared in accordance with IGAAP on 31st March, 2015. The Company has elected to regard such carrying values as deemed cost at the date of transition.

(b) As per para D36 of Ind AS 101 in respect of Customer funded assets the company proposes to apply appendix C of Ind AS 18 wherein the assets created after 01.04.2016 with the customer funding shall be capitalized.

(c) As per para B8C of Ind AS 101 the Company has recognized the fair value of financial Assets/Liabilities at new gross carrying amount of that financial asset or the amortised cost of that financial liability at the date of transition to Ind AS.

(d) As per para D13 of Ind AS 101, which states that the Company need not comply with the requirements for cumulative translation differences that existed at the date of transition as stated in Ind AS 21. Instead the differences for all the foreign operations can be deemed to be zero at the date of transition and, the gain or loss on subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to Ind AS and shall include later translation differences.

(vii) Others:

(a) Under IGAAP, actuarial gains and losses related to the defined benefit schemes for Gratuity and liabilities towards employee leave encashment were recognised in the statement of profit or loss. Under Ind AS, the actuarial gains and losses form part of re-measurement of the net defined benefit liability / asset which is recognised in the Other Comprehensive Income (OCI). Consequently, the tax effect of the same has also been recognised in OCI instead of statement of profit or loss.

(b) Standards issued but not effective- Ind AS 115 - Revenue from Contract with Customers :

In February 2015, the Ministry of Corporate Affairs had notified Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of Revenue and Cash Flow arising from the entity's contract with customers. The effective date of Ind AS 115 has been deferred by the MCA.

(viii) Notes to Clause 1(i) :

(a) Reversal of Proposed dividend:

Under IGAAP, proposed dividend is recognised as a liability in the period to which it relates. Under Ind AS, dividend is adjusted directly in Equity in the period in which it is paid irrespective of the period to which it relates. Accordingly, no amount has been recognised as liability towards proposed dividend (including dividend distribution tax) in financial year 2014-15 as per IGAAP has been reversed and the same is adjusted in Equity in the year 2015-16 as paid. During the year 2015-16, ₹ 14120 lakhs recognised as proposed dividend (including dividend distribution tax) as per IGAAP has been reversed and the same is adjusted in Equity in the period 01.04.2016 to 31.03.2017 as paid.

(b) Provision for Liquidated Damages:

Under IGAAP, Provision for Liquidated Damages against the Company is recognised in Accounts on acceptance i.e. recognised at the time of setting-up of sales. Under Ind AS, Provision for Liquidated Damages will be recognised for the period of delay between the due date of supply of the Goods / rendering of services as per delivery schedule and the expected Date of delivery of said Goods / rendering of service in respect of manufacture / repair and overhaul of Aircraft / Helicopters/ Engines / Rotables, supply of spares and development activities etc. This led to an increase in Liquidated Damages Provision on the date of transition (i.e. as on 01st April, 2015) by ₹ 109183 lakhs which was adjusted against retained earnings. Further during the year 2015-16, Provision for Liquidated Damages of ₹ 20310 lakhs was recognised in Statement of Profit & Loss Statement and Provision for Liquidated Damages of ₹ 22171 lakhs was reversed in Statement of Profit & Loss Statement as the same was recognised in the retained earnings as on 01.04.2015.



(c) Provision for Onerous Contract:

Onerous contract has been recognised in respect of 140 Su-30 manufacturing programme (Block-IV). The schedule of delivery under the contract was 2012-13 to 2014-15, whereas the same is expected to be delivered from 2017-18 to 2019-20. While the selling price remaining constant, increase in material cost, labour cost and other costs has resulted in the contract becoming onerous and the loss amounting to ₹ 110469 lakhs is recognised as on 01st April, 2015.

(d) Impairment of Intangible Asset :

Wherever it is not possible to assess the useful life of an intangible asset, the same is not amortised. However impairment on the same is done when there is an indication that an intangible asset may be impaired. Accordingly, an amount of ₹ 7548 lakhs has been recognised as Impairment loss as on 01st April 2015 and ₹ 1004 lakhs for the year 2015-16

(e) Reversal of Warranty Liability :

Under IGAAP, provision for warranty is made at the time of setting up of sales for manufacture / repair and overhaul of Aircraft / Helicopters/ Engines / Rotables, supply of spares and development activities etc., within the frame work of the conditions agreed with the customers. Under Ind AS, provision for warranty for manufacture and repair and overhaul of Aircraft / Helicopters/ engines / rotatables and spares will be made based on actuarial valuation. This led to a decrease in provision on the date of transition (i.e. as on 01st April, 2015) by ₹ 41627 lakhs and which was adjusted against retained earnings as on 01.04.2015. Further during the year 2015-16, Provision of Warranty Liability was reduced by ₹ 3946 lakhs and same was adjusted in the statement of Profit and Loss.

(f) Reversal of Warranty Sales :

Under IGAAP, revenue pertaining to Warranty is recognised 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. Under Ind AS, revenue pertaining to warranty in relation to Manufacturing and Overhaul is recognised proportionately over the period of warranty within the frame work of the conditions agreed with the customer. Due to the above change, the following changes has been made to retained earning as on 01.04.2015 and the Statement of Profit and Loss for the year ended 31st March, 2016.

(₹ in Lakhs)

| Particulars | Retained Earnings as on 01.04.2015 | Profit and Loss for the year ended 31 st March, 2016 |
|-------------------------------------------------|---------------------------------------|--------------------------------------------------------------------|
| Reversal of Warranty Sales | 34545 | 39214 |
| Spill over of Warranty Sales from earlier years | - | 27730 |

(g) Fair Value Adjustment for Russian Debt :

(i) As per IGAAP, the amount of liability towards Russian Debt and the corresponding reimbursement of the same from the customer are recognised at gross amount in the books of Accounts. However under Ind AS - 109, both the liability towards Russian Debt and corresponding reimbursement from customer should be initially recognised at fair value and subsequently should be carried at amortised cost. The difference between transaction price and fair value is treated as gain/loss on fair valuation and the same is amortised over the period of Russian Debt. As on 01st April, 2015, the retained earnings is increased by ₹ 50424 lakhs and decreased by ₹ 49917 lakhs and corresponding Deferred Liabilities and Deferred Assets is also reduced, as disclosed below:

(₹ in Lakhs)

| Particulars | Current | Non-Current | Effect on Retained Earnings |
|-------------------------|----------|-------------|--------------------------------|
| a) Deferred Liabilities | 325 | 50100 | 50425 |
| b) Deferred Assets | 322 | 49595 | 49917 |
| Total (a-b) | 3 | 505 | 508 |



(ii) During the year 15-16, both gain on liability towards Russian debt of ₹ 7 lakhs and loss on reimbursement of Russian debt amounting to ₹ 7 lakhs is amortized to the statement of profit and loss, as given below:

(₹ in Lakhs)

| Particulars | Current | Non-Current | Effect on Retained Earnings |
|-------------------------|---------|-------------|-----------------------------|
| a) Deferred Liabilities | 23 | -16 | 7 |
| b) Deferred Assets | -23 | 16 | -7 |
| Total (a+b) | - | - | - |

(h) Prior Period Items :

The Company has retrospectively corrected prior period errors in the first set of financial statements by restating the comparative amounts for the prior periods in which the error occurred. Wherever the error has occurred before 01st April, 2015, the Company has restated the opening balances of assets, liabilities and equity as on 01st April 2015. The following prior period adjustments were made as on 01st April 2015.

| Particulars | (₹ in Lakhs) |
|------------------------------------|--------------|
| a) Income Tax * | 65863 |
| b) Other Miscellaneous adjustments | -443 |
| Total (a+b) | 65420 |

* The Company has reached a settlement with Income Tax Department regarding disallowance of provisions towards warranty, replacement, materials, liquidated damages and allowance of reversal of such provisions. As per Ind AS 8, the provision of ₹ 54620 lakhs has been adjusted along with interest of ₹ 11243 lakhs in the opening equity as on 01st April 2015.

(i) Recognition of Overhaul Sales under Percentage Completion Method (POC):

As per IGAAP, Sales are setup and recognised based on completed contract basis. However, as per Ind AS - 18, the sales for Overhaul of Aircraft/Helicopter and Engines are setup and recognised under POC method. This led to increase in sales on the date of transition by ₹ 19041 lakhs and reduction in Work in Progress by ₹ 19041 lakhs and which was adjusted against retained earnings as on 01.04.2015. During the year 2015-16, Sales was increased by ₹ 16033 lakhs and Work in Progress was reduced by ₹ 16033 lakhs and the same was adjusted in the Statement of Profit and Loss for the year ended 31st March, 2016. Further, during the year 2015-16, sales of ₹ 19041 lakhs was reversed as the same was booked under POC method in the retained earning as on 01.04.2015.

(j) Deferred Tax effect on new temporary differences recognised under Ind AS:

IGAAP requires deferred tax accounting using the income statement approach, which focus on differences between taxable profits and accounting profits for the period. Ind AS- 12 requires entities to account for deferred taxes using the Balance Sheet approach, which focus on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS- 12 approach has resulted in deferred tax on new temporary differences which was not required under the IGAAP. In addition, the various transitional adjustments lead to temporary differences. Accordingly the deferred tax adjustment are recognised in correlation to the underlying transaction in the retained earnings. On the date of transition (i.e. 01.4.2015), the net impact on deferred tax liabilities is ₹ 95844 lakhs and for the year ended 31st March, 2016 is ₹ 76891 lakhs

(k) Gain/Loss on remeasurement of net defined benefit liability/asset:

As per IGAAP, gains and losses on remeasurement of net defined benefit liability/asset are recognised in the Statement of Profit and Loss, whereas under Ind AS the same has been recognised in Other Comprehensive Income by accumulating in a separate component of equity. Accumulated loss (excluding tax) on remeasurement of net defined benefit liability amounting to ₹ 6503 lakhs as on 01st April, 2015 have been transferred from Retained Earnings to a separate component of Equity. An amount of ₹ 1029 lakhs has been recognised as gain on remeasurement of defined benefit plan for the year ended 31st March, 2016.

(l) Gain/Loss on translation of foreign operations:

As per IGAAP, gains and losses on translation of foreign operation are recognised in Statement of Profit and Loss, whereas under Ind AS - 21 the same shall be recognised in Other Comprehensive Income by accumulating in a separate component of equity. An amount of ₹ 4 lakhs has been recognised as loss on translation of foreign operation for the year ended 31st March, 2016.



| 2. Financial instruments by category | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------|--------------------------------------------------|----------------------------|---------------------|
| (a) The carrying value and fair value of Financial instruments by each category as at 31 st March, 2017 were as follows: (₹ in Lakhs) | | | | | |
| Particulars | Financial assets/ liabilities at amortised costs | Financial assets/ liabilities at FVTPL | Financial assets/ liabilities at FVTOCI | Total Carrying Value | Total Fair Value |
| Assets: | | | | | |
| (i) Investments | 98074 | - | - | 98074 | 98074 |
| (ii) Loans | 15761 | - | - | 15761 | 15761 |
| (iii) Other financial assets | 293944 | - | - | 293944 | 293944 |
| (iv) Trade receivables | 422051 | - | - | 422051 | 422051 |
| (v) Cash and Cash equivalents | 1112111 | - | - | 1112111 | 1112111 |
| Liabilities: | | | | | |
| (i) Trade payables | 179722 | - | - | 179722 | 179722 |
| (ii) Other financial liabilities | 146806 | - | - | 146806 | 146806 |
| (iii) Borrowings | 95000 | - | - | 95000 | 95000 |
| (b) The carrying value and fair value of Financial instruments by each category as at 31 st March, 2016 were as follows: | | | | | |
| Particulars | Financial assets/ liabilities at amortised costs | Financial assets/ liabilities at FVTPL | Financial assets/ liabilities at FVTOCI | Total Carrying Value | Total Fair Value |
| Assets: | | | | | |
| (i) Investments | 88640 | - | - | 88640 | 88640 |
| (ii) Loans | 15004 | - | - | 15004 | 15004 |
| (iii) Other financial assets | 261013 | - | - | 261013 | 261013 |
| (iv) Trade receivables | 483689 | - | - | 483689 | 483689 |
| (v) Cash and Cash equivalents | 1330343 | - | - | 1330343 | 1330343 |
| Liabilities: | | | | | |
| (i) Trade payables | 215122 | - | - | 215122 | 215122 |
| (ii) Other financial liabilities | 137426 | - | - | 137426 | 137426 |
| (c) Interest income/expenses, gain/loss recognised on Financial assets and liabilities: | | | | | |
| Particulars | Year ended 31 st March, 2017 | Year ended 31 st March, 2016 | | | |
| (i) Financial assets at amortised cost | | | | | |
| - Interest income from bank deposits | 89043 | 154857 | | | |
| - Interest income from other financial assets | 312 | 310 | | | |
| - Gain/Loss on amortisation of financial assets | 254 | 7 | | | |
| (ii) Financial liabilities at amortised cost | | | | | |
| - Gain/Loss on amortisation of financial liabilities | 1074 | 7 | | | |



| | |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3 | <p>Financial Risk and Capital Management</p> <p>The Financial Risks in a Business Entity can be classified as Market Risk, Credit Risk, Liquidity Risk, Operational Risk and Legal Risk. The status of these Risks at the Company is as brought out hereunder:</p> <p>a) Market Risk As significant Revenues of the Company accrues from Supplies / Services to Defence Services, the Company is not exposed to the Risk of Volatile Market conditions.</p> <p>b) Credit Risk The Company's Customers are mainly the Defence Services namely Indian Air Force (IAF), Indian Army, Indian Navy and Coast Guard. The Company ensures meeting its financial obligations due to periodic inflow of money as per Advance / milestone payment terms in the Contracts with Defence Services, by holding negotiations.</p> <p>c) Liquidity Risk The Liquidity Risk involves the Risk of Asset Liquidity and Operational Funding. The Company is safeguarded against such Risks due to periodic inflow of cash, arising out of Advance / milestone based payment terms in the Contracts with Customers.</p> <p>d) Operational Risk The Operational Risks involve Operational Failures, such as mismanagement or technical failures, fraud risk etc. The Company is successful in efficiently managing its affairs exercising due-governance as part of its various processes. Further, the Company being a multi-division Company, is able to manage the risk of technical failures arising at unit level.</p> <p>e) Legal Risk The Company enters into Contracts / Business dealings after due-vetting of Contracts / Deeds by robust in-house legal departments and, if so, required by obtaining the legal opinions from external legal experts. The prevailing System at the Company is adequate to guard against any such Risks.</p> |
| 4 | As per Ind AS-109 relating to Accounting for Investments, Dividend received from Joint Venture Companies, is recognised when right to receive Dividend is established. |

| | | | | | |
|----------|----------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------|-----------------------------------------------------|-----------------------------------------|
| 5 | Break-up of Deferred Tax Liabilities and Assets are given below: | | | | |
| A | (a) For the year ended 31 st March, 2017 | | | (₹ in lakhs) | |
| | Particulars | Opening balance as on 01.04.2016 | Additions/ (reversals) in Income statement | Additions / (reversals) recognized in Equity | Closing Balance as on 31.03.2017 |
| | Deferred Tax Liability | | | | |
| | Tangible Assets | 12455 | 2026 | - | 14481 |
| | Intangible Assets | 57751 | 8099 | - | 65850 |
| | Special Tools and Equipment | 129712 | 1726 | - | 131438 |
| | Total | 199918 | 11851 | - | 211769 |
| | Deferred Tax Asset | | | | |
| | Accrued Leave Salary | 27318 | 866 | - | 28184 |
| | Provision for Liquidated Damages, Onerous Contract and Wage Revision | 90398 | -2835 | - | 87563 |
| | Statutory Payments | 727 | -697 | - | 30 |
| | Total | 118443 | -2666 | - | 115777 |
| | Net Deferred Tax Liability | 81475 | 14517 | - | 95992 |

| (b) For the year ended 31 st March, 2016 | | | | (₹ in lakhs) |
|------------------------------------------------------|----------------------------------|--------------------------------------------|---------------------------------------------|----------------------------------|
| Particulars | Opening balance as on 01.04.2015 | Additions/ (reversals) in Income statement | Additions/ (reversals) recognized in Equity | Closing balance as on 31.03.2016 |
| Deferred Tax Liability | | | | |
| Tangible Assets | 12879 | -424 | - | 12455 |
| Intangible Assets | 52758 | 4993 | - | 57751 |
| Special Tools and Equipment | 120330 | 9382 | - | 129712 |
| Total | 185967 | 13951 | - | 199918 |
| Deferred Tax Asset | | | | |
| Accrued Leave Salary | 25116 | 2202 | - | 27318 |
| Provision for Liquidated Damages & Onerous Contracts | 93507 | -3109 | - | 90398 |
| Statutory Payments | 1266 | -539 | - | 727 |
| Total | 119889 | -1446 | - | 118443 |
| Net Deferred Tax Liability | 66078 | 15397 | - | 81475 |

| Particulars | | 31 st March 2017 | 31 st March 2016 |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| B | A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before taxes is summarised below: | | |
| | Profit before taxes | 359189 | 321722 |
| | Enacted tax rates | 34.608% | 34.608% |
| | Expected tax expense/(benefit) | 124,308 | 111,341 |
| | Effect of : | | |
| | Deductible expense for tax purpose: | | |
| | -Expenditure on Scientific Research u/s. 35 | -15866 | -16462 |
| | -Deduction towards addition to Plant & Machinery (Sec 32AC(1A) &(1B)) | -1744 | -1217 |
| | -Provisions for Warranty, Replacement, Doubtful Debts, Claims & Materials etc.,. (Net) | -2043 | - |
| | Non-deductible expenses for tax purposes: | | |
| | -Provisions for Warranty, Replacement, Doubtful Debts, Claims & Materials etc.,. (Net) | - | 19616 |
| | -Sustainable Development and Corporate Social Responsibility | 2259 | 1667 |
| | -Impairment of long term investments. | 42 | 510 |
| | -Other Non Deductible Expenditures | 1907 | 3329 |
| | Taxation impact on INDAS Adjustment | -11847 | 2466 |
| | Tax Expense * | 97016 | 121250 |



(₹ in lakhs)

| | Particulars | 31 st March 2017 | 31 st March 2016 |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| 6 | * Amount of Income Tax relating to each component of OCI: | | |
| | Remeasurement of defined benefit plans | 322 | 356 |
| | Exchange differences in translating the financials statements of a foreign operations. | - | -2 |
| 7 | 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 2010-11 to 2014-15. The appeal by the Company before Appellate Authorities are pending. The demands raised by the tax department on account of the above, being ₹ 176959 (PY ₹ 208213) is shown as contingent liability. For the Assessment Year 2015-16 also same treatment has been adopted in the Accounts for which Assessments are pending | | |
| 8 | As per the communication from the Ministry of Corporate Affairs vide letter dated 16.05.2017, it has been communicated to the Company that in order to extend the exemption under Ind AS 108 - Operating Segments, an amendment of notification No.463 (E) dated 05.06.2015 would be required. As per the prescribed procedure under Section 462 of the Companies Act 2013, the notification for carrying out the said amendment would need to be laid before the Parliament. The Ministry of Corporate Affairs has initiated action for laying the relevant notification for exemption to the Company from application of Ind AS 108 in the Parliament. In view of the above, no disclosure is made by the Company as required under Ind AS 108. | | |
| 9 | Disclosure relating to Ind AS- 17 (Leases) The Company has various operating leases for office facilities, residential premises for employees etc., that are renewable on a periodic basis. Rental expenses for the leases recognised in the statement of Profit and Loss during the year is Note 40 Note 43 | 31st March 2017 1292 252 | 31st March 2016 1051 254 |
| 10 | Expense recognised in carrying amount of an item of PPE in course of its construction. | - | - |
| 11 | Provision for Gratuity and Earned Leave has been made based on Actuarial Valuation. The date of Actuarial valuation is as on 31 st March 2017 Employee Benefits: The Company has adopted Ind AS-19 for Employee Benefits. Consequently, the liability thereon is accounted on the basis of actuarial valuation, and is being recognised as short-term benefits / long term benefits: | | |
| A | Gratuity: The Company has a Gratuity Scheme for its employees, which is a funded plan. Every year the Company funds to the Gratuity Trust to the extent of shortfall of the assets over the fund obligations, which is determined through actuarial valuation. As per the Gratuity Scheme, Gratuity is payable to an employee on the cessation of his employment after he has rendered continuous service for not less than 5 (five) years in the Company. For every completed year of service or part thereof in excess of six months, the Company shall pay Gratuity to an employee at the rate of 15 (fifteen) days' emoluments based on the emoluments last drawn subject to an overall ceiling of ₹ 10 (Ten) Lakhs. | | |

The following tables summarises 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:

Gratuity :

Analysis of Defined Benefit Obligation(DBO) :

A split of the defined benefit obligation as at the valuation date between liability which has not vested and that which has fully vested is presented in the table below: (₹ In lakhs)

| Particulars | Period Ended | | |
|----------------------------------------|-----------------------------|-----------------------------|----------------------------|
| | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
| DBO in respect of non vested employees | 1047 | 1028 | 965 |
| DBO in respect of vested employees | 90496 | 88315 | 86650 |
| Total DBO | 91543 | 89343 | 87615 |

The component of the DBO which is attributable to future salary increases is shown in the table below:

| Particulars | Period Ended | | |
|-----------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
| DBO without effect of projected salary growth | 69089 | 69156 | 68596 |
| Plus effect of salary growth | 22454 | 20187 | 19019 |
| DBO with projected salary growth | 91543 | 89343 | 87615 |

Sensitivity Analysis:

Gratuity is a lump sum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The key actuarial assumptions to which the benefit obligation results are particularly sensitive to are discount rate and future salary escalation rate. The following table summarizes the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 50 basis points.

| Particulars | Period Ended 31 st March 2017 | |
|-------------------------------------|------------------------------------------|------------------------|
| | Discount Rate | Salary Escalation Rate |
| Impact of increase in 50 bps on DBO | -4.04% | 1.96% |
| Impact of decrease in 50 bps on DBO | 4.38% | -2.09% |

| Particulars | Period Ended 31 st March 2016 | |
|-------------------------------------|------------------------------------------|------------------------|
| | Discount Rate | Salary Escalation Rate |
| Impact of increase in 50 bps on DBO | -3.84% | 1.96% |
| Impact of decrease in 50 bps on DBO | 4.16% | -2.05% |

| Particulars | Period Ended 1 st April 2015 | |
|-------------------------------------|-----------------------------------------|------------------------|
| | Discount Rate | Salary Escalation Rate |
| Impact of increase in 50 bps on DBO | -3.70% | 2.02% |
| Impact of decrease in 50 bps on DBO | 4.03% | -2.05% |

These sensitivities have been calculated to show the movement in DBO in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analyses.



| Projected Plan Cash Flow | | | (₹ In lakhs) |
|---------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Maturity Profile | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
| Expected benefits for year 1 | 13921 | 15330 | 16312 |
| Expected benefits for year 2 | 9543 | 9424 | 8932 |
| Expected benefits for year 3 | 9658 | 9146 | 9200 |
| Expected benefits for year 4 | 9582 | 9230 | 8880 |
| Expected benefits for year 5 | 9714 | 9156 | 8872 |
| Expected benefits for year 6 | 8695 | 9245 | 8723 |
| Expected benefits for year 7 | 7001 | 8163 | 8833 |
| Expected benefits for year 8 | 5853 | 6503 | 7811 |
| Expected benefits for year 9 | 4733 | 5401 | 6148 |
| Expected benefits for year 10 and above | 140598 | 130822 | 123511 |
| Total | 219298 | 212420 | 207222 |
| The weighted average duration to the payment of these cash flows is | 8.41 years | 7.99 years | 7.72 years |

| Amount recognised in Balance Sheet: | | | (₹ In lakhs) |
|------------------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
| Present value of funded defined benefit obligation | 91543 | 89343 | 87615 |
| Fair value of plan assets | 89204 | 86321 | 74945 |
| Net funded obligation | 2339 | 3022 | 12669 |
| Net defined benefit liability / (asset) recognized in balance sheet | 2339 | 3022 | 12669 |
| Net defined benefit liability / (asset) is bifurcated as follows: | | | |
| Non Current | 2339 | 3022 | 12669 |
| Amount recognised in Statement of Profit & Loss: | | | |
| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
| Current Service Cost | 3149 | 3163 | 2747 |
| Interest on net defined benefit liability / (asset) | 120 | 888 | 71 |
| Gains) / losses on settlement | - | - | - |
| Total expense charged to Statement of profit and loss. | 3269 | 4051 | 2818 |
| Amount recognised in Other Comprehensive Income: | | | |
| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
| Opening amount recognized in OCI outside Statement of Profit and Loss. | 8823 | 9852 | - |
| Remeasurements during the period due to | | | |
| Changes in financial assumptions | 1141 | 708 | 6561 |
| Experience adjustments | -348 | 695 | 4999 |
| Actual return on plan assets less interest on plan assets | -1723 | -2432 | -1708 |
| Closing amount recognized in OCI outside Statement of profit and loss | 7893 | 8823 | 9852 |

Reconciliation of Net Liability / Asset:

The movement of net liability / asset from the beginning to the end of the accounting period as recognized in the balance sheet of the Company is shown below: (₹ In lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Opening net defined benefit liability / (asset) | 3022 | 12669 | 2292 |
| Expense charged to profit & loss account | 3269 | 4051 | 2818 |
| Amount recognized outside profit & loss account | -930 | -1029 | 9852 |
| Employer contributions | -3022 | -12669 | -2293 |
| Impact of liability assumed or (settled)* | - | - | - |
| Closing net defined benefit liability / (asset) | 2339 | 3022 | 12669 |

MOVEMENT IN BENEFIT OBLIGATIONS:

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Opening of defined benefit obligation | 89343 | 87615 | 76426 |
| Current service cost | 3149 | 3163 | 2747 |
| Past service cost | - | - | - |
| Interest on defined benefit obligation | 6412 | 6317 | 6173 |
| Remeasurements due to: | | | |
| Actuarial loss / (gain) arising from change in financial assumptions | 1141 | 708 | 6561 |
| Actuarial loss / (gain) arising from change in demographic assumptions | - | - | - |
| Actuarial loss / (gain) arising on account of experience changes | -348 | 696 | 4999 |
| Benefits paid | -8154 | -9156 | -9291 |
| Liabilities assumed / (settled)* | - | - | - |
| Liabilities extinguished on settlements | - | - | - |
| Closing of defined benefit obligation | 91543 | 89343 | 87615 |

MOVEMENT IN PLAN ASSETS:

A reconciliation of the plan assets during the inter-valuation period is given below :

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Opening fair value of plan assets | 86321 | 74946 | 74134 |
| Employer contributions | 3022 | 12669 | 2293 |
| Interest on plan assets | 6292 | 5429 | 6102 |
| Administration expenses | | | |
| Remeasurements due to: | | | |
| Actual return on plan assets less interest on plan assets | 1723 | 2432 | 1708 |
| Benefits paid | -8154 | -9156 | -9291 |
| Assets acquired / (settled)* | - | - | - |
| Assets distributed on settlements | - | - | - |
| Closing fair value of plan assets | 89204 | 86321 | 74946 |

* On account of business combination or inter group transfer


DISAGGREGATION OF PLAN ASSETS:

(₹ In lakhs)

| | Period Ended 31 st March 2017 | | |
|---------------------------------|------------------------------------------|------------------|--------------|
| | Quoted Value | Non Quoted Value | Total |
| Property | - | - | - |
| Government debt instruments | - | 2913 | 2913 |
| Other debt instruments | - | - | - |
| Entity's own equity instruments | - | - | - |
| Insurer managed funds | - | 86117 | 86117 |
| Others | - | 174 | 174 |
| | - | 89204 | 89204 |

| | Period Ended 31 st March 2016 | | |
|---------------------------------|------------------------------------------|------------------|--------------|
| | Quoted Value | Non Quoted Value | Total |
| Property | - | - | - |
| Government debt instruments | - | 3463 | 3463 |
| Other debt instruments | - | - | - |
| Entity's own equity instruments | - | - | - |
| Insurer managed funds | - | 82644 | 82644 |
| Others | - | 214 | 214 |
| | - | 86321 | 86321 |

| | Period Ended 1 st April 2015 | | |
|---------------------------------|-----------------------------------------|------------------|--------------|
| | Quoted Value | Non Quoted Value | Total |
| Property | - | - | - |
| Government debt instruments | - | 4018 | 4018 |
| Other debt instruments | - | - | - |
| Entity's own equity instruments | - | - | - |
| Insurer managed funds | - | 70676 | 70676 |
| Others | - | 251 | 251 |
| | - | 74945 | 74945 |

(₹ in Lakhs)

| | | 31 st March 2017 | 31 st Mar 2016 | 1 st Apr 2015 |
|----------|----------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------|-----------------------------|
| | Principal Assumptions : | | | |
| | Discounting Rate (p.a.) | 7.70% | 7.85% | 7.95% |
| | Salary escalation rate (p.a.) | 6.00% | 6.00% | 6.00% |
| B | Earned Leave | | | |
| | The Actuarial Liability of Earned Leave of the employees of the Company as at March 31 st | 81437 | 78935 | 72573 |
| | Discounting Rate | 7.70% | 7.85% | 7.95% |
| | Salary escalation rate | 6.00% | 6.00% | 6.00% |
| | Retirement Age | 60 years | 60 years | 60 years |
| C | Provident Fund | | | |
| | During the period, the company has recognized the following amount in the statement of profit and loss account | | | |
| | Defined Contribution Plan | | | |
| | Contribution to PF and Family Pension | 19785 | 21095 | - |
| D | Pension & Medical | | | |
| | During the period, the company has recognized the following amount in the statement of profit and loss account | | | |
| | Defined Contribution Plan | | | |
| | Contribution to Pension | 10033 | 9797 | - |
| | Contribution to Medical | 10112 | 12470 | - |



E.) The following table summarizes the disclosure report provided by the Actuary: March 2017 (Ind AS 19)

| EMPLOYEES' PROVIDENT FUND TRUST * | HAL(BC) | NASIK | KORAPUT | HYDERABAD | LUCKNOW | KORWA | KANPUR | HQ |
|--------------------------------------------------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Summary of Data: | | | | | | | | |
| Accumulated Value of the PF as at Valuation Date | 151951 | 73649 | 62039 | 26674 | 59328 | 28411 | 22658 | 7423 |
| Value of Surplus/(Deficit) Account as at Valuation Date | 2758 | 870 | 1039 | 635 | 113 | 28 | 60 | 113 |
| Avg. Remaining Tenure of the Investment | 7.24 | 6.21 | 7.31 | 7.18 | 4.75 | 5.22 | 8.00 | 6.77 |
| Amount to be Recognized in Balance Sheet: | | | | | | | | |
| Present Value of Obligation as at the end of the period | 151951 | 73649 | 62039 | 26674 | 59328 | 28411 | 22658 | 7423 |
| Fair Value of Plan Assets at the end of the year | 151951 | 73649 | 62039 | 26674 | 59328 | 28411 | 22658 | 7423 |
| Net Liability | - | - | - | - | - | - | - | - |
| Asset Information : | | | | | | | | |
| Property | - | - | - | - | - | - | - | - |
| Government of India Securities | 139330 | 61254 | 25011 | 22193 | 23087 | 24784 | 20966 | 5301 |
| High Quality Corporate Bonds/ Other Debt Instruments | - | - | 20474 | - | 23815 | - | - | 1804 |
| Special Deposit Scheme | - | - | - | - | - | - | - | - |
| Equity Shares of Listed Companies | - | - | - | 436 | 790 | - | 496 | - |
| Investment with Insurer | - | - | - | - | - | - | - | - |
| Dues to HAL | - | - | - | - | - | - | - | - |
| Others | 12621 | 12395 | 16554 | 4045 | 11636 | 3627 | 1196 | 318 |
| Total | 151951 | 73649 | 62039 | 26674 | 59328 | 28411 | 22658 | 7423 |
| Summary of Principal Actuarial Assumptions: | | | | | | | | |
| Discount Rate (p.a) | 7.70% | 7.70% | 7.70% | 7.70% | 7.70% | 7.70% | 7.70% | 7.70% |
| Future Derived Return on Assets (p.a) | 9.96% | 9.98% | 8.78% | 10.18% | 9.70% | 10.08% | 9.84% | 9.66% |
| Discount Rate for the Remaining Term to Maturity of the Investment (p.a) | 7.14% | 6.88% | 7.15% | 7.13% | 6.83% | 6.74% | 7.21% | 7.03% |
| Average Historic Yield on the Investment (p.a) | 9.40% | 9.16% | 8.23% | 9.61% | 8.83% | 9.12% | 9.35% | 8.99% |
| Guaranteed Rate of Return(p.a) | 8.65% | 8.65% | 8.65% | 8.65% | 8.65% | 8.65% | 8.65% | 8.65% |

* In case of inter-divisional transfer of employees moneys standing to the credit of the employees in the trust accounts will be transferred to the trust accounts of the division to which he is posted.

E.) The following table summarizes the disclosure report provided by the Actuary: March 2016 (Ind AS 19) (₹ In lakhs)

| EMPLOYEES' PROVIDENT FUND TRUST * | HAL(BC) | NASIK | KORAPUT | HYDERABAD | LUCKNOW | KORWA | KANPUR | HQ |
|--------------------------------------------------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Summary of Data: | | | | | | | | |
| Accumulated Value of the PF as at Valuation Date | 127652 | 66463 | 52249 | 24487 | 58110 | 26060 | 20819 | 6846 |
| Value of Surplus/(Deficit) Account as at Valuation Date | 2052 | 801 | 696 | 485 | 97 | 61 | 60 | 88 |
| Avg. Remaining Tenure of the Investment | 7.55 | 6.8 | 8.65 | 6.17 | 4.72 | 4.75 | 8.00 | 5.80 |
| Amount to be Recognized in Balance Sheet: | | | | | | | | |
| Present Value of Obligation as at the end of the period | 127652 | 66463 | 53353 | 24487 | 58110 | 26060 | 20819 | 6846 |
| Fair Value of Plan Assets at the end of the year | 127652 | 66463 | 52249 | 24487 | 58110 | 26060 | 20819 | 6846 |
| Net Liability | - | - | 1104 | - | - | - | - | - |
| Asset Information : | | | | | | | | |
| State Government Securities | - | - | - | - | - | - | - | - |
| Government of India Securities | 78163 | 24150 | 21763 | 11005 | 23587 | 15657 | 9419 | 4641 |
| High Quality Corporate Bonds | 28388 | 24128 | 17872 | 9120 | 21420 | 700 | 8735 | 1366 |
| Special Deposit Scheme | 14980 | 9295 | 6853 | 507 | 5900 | 1585 | 1548 | 375 |
| Equity Shares of Listed Companies | 1423 | - | - | 254 | 140 | - | 215 | - |
| Investment with Insurer | - | - | - | - | - | - | - | - |
| Dues to HAL | - | - | - | - | - | - | - | - |
| Others | 4698 | 8890 | 5761 | 3601 | 7063 | 8118 | 902 | 464 |
| Total | 127652 | 66463 | 52249 | 24487 | 58110 | 26060 | 20819 | 6846 |
| Summary of Principal Actuarial Assumptions: | | | | | | | | |
| Discount Rate (p.a) | 7.85% | 7.85% | 7.85% | 7.85% | 7.85% | 7.85% | 7.85% | 7.85% |
| Future Derived Return on Assets (p.a) | 9.61% | 9.28% | 8.25% | 9.48% | 9.14% | 9.43% | 9.16% | 9.01% |
| Discount Rate for the Remaining Term to Maturity of the Investment (p.a) | 7.77% | 7.81% | 7.86% | 7.84% | 7.61% | 7.65% | 7.77% | 7.82% |
| Average Historic Yield on the Investment (p.a) | 9.53% | 9.24% | 8.26% | 9.47% | 8.90% | 9.23% | 9.08% | 8.98% |
| Guaranteed Rate of Return(p.a) | 8.75% | 8.75% | 8.75% | 8.75% | 8.75% | 8.75% | 8.75% | 8.75% |

* In case of inter-divisional transfer of employees moneys standing to the credit of the employees in the trust accounts will be transferred to the trust accounts of the division to which he is posted.



E.) The following table summarizes the disclosure report provided by the Actuary: March 2015 (Ind AS 19)

| | (₹ In lakhs) | | | | | | | | | |
|--------------------------------------------------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--|--|
| EMPLOYEES' PROVIDENT FUND TRUST * | HAL(BC) | NASIK | KORAPUT | HYDERABAD | LUCKNOW | KORWA | KANPUR | HQ | | |
| Summary of Data: | | | | | | | | | | |
| Accumulated Value of the PF as at Valuation Date | 113839 | 55355 | 48103 | 22314 | 55095 | 23063 | 18789 | 6071 | | |
| Value of Surplus/(Deficit) Account as at Valuation Date | 1852 | 834 | 655 | 485 | 125 | 100 | 55 | 74 | | |
| Avg. Remaining Tenure of the Investment | 7.21 | 7.09 | 8 | 6.62 | 4.8 | 4.1 | 6.50 | 4.64 | | |
| Amount to be Recognized in Balance Sheet: | | | | | | | | | | |
| Present Value of Obligation as at the end of the period | 113839 | 55355 | 48842 | 22314 | 55095 | 23063 | 18947 | 6071 | | |
| Fair Value of Plan Assets at the end of the year | 113839 | 55355 | 48103 | 22314 | 55095 | 23063 | 18789 | 6071 | | |
| Net Liability | - | - | 739 | - | - | - | 158 | - | | |
| Asset Information : | | | | | | | | | | |
| State Government Securities | - | - | - | - | - | - | - | - | | |
| Government of India Securities | 54540 | 19699 | 19515 | 8940 | 15510 | 18479 | 8128 | 3230 | | |
| High Quality Corporate Bonds | 42201 | 18625 | 15593 | 10130 | 18693 | 1585 | 7952 | 2128 | | |
| Special Deposit Scheme | 14980 | 9295 | 6853 | 507 | 5900 | - | 1548 | 375 | | |
| Equity Shares of Listed Companies | - | - | - | - | 700 | - | - | - | | |
| Investment with Insurer | - | - | - | - | - | - | - | - | | |
| Dues to HAL | - | - | - | - | - | - | - | - | | |
| Others | 2118 | 7736 | 6142 | 2737 | 14292 | 2999 | 1161 | 338 | | |
| Total | 113839 | 55355 | 48103 | 22314 | 55095 | 23063 | 18789 | 6071 | | |
| Summary of Principal Actuarial Assumptions: | | | | | | | | | | |
| Discount Rate (p.a) | 7.95% | 7.95% | 7.95% | 7.95% | 7.95% | 7.95% | 7.95% | 7.95% | | |
| Future Derived Return on Assets (p.a) | 9.69% | 9.23% | 8.33% | 9.83% | 8.92% | 9.28% | 8.59% | 8.99% | | |
| Discount Rate for the Remaining Term to Maturity of the Investment (p.a) | 7.97% | 7.98% | 7.98% | 8.02% | 7.88% | 7.90% | 8.03% | 7.88% | | |
| Average Historic Yield on the Investment (p.a) | 9.71% | 9.26% | 8.36% | 9.90% | 8.85% | 9.23% | 8.67% | 8.92% | | |
| Guaranteed Rate of Return(p.a) | 8.75% | 8.75% | 8.75% | 8.75% | 8.75% | 8.75% | 8.75% | 8.75% | | |

In case of inter-divisional transfer of employees monies standing to the credit of the employees in the trust accounts will be transferred to the trust accounts of the division to which he is posted.



| S.No | Mandatory Disclosures |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11F | As per recommendations of 3rd Pay Revision Committee(PRC) constituted by the Central Government, revision of pay scales of the employees of the Company is due with effect from 01 st January 2017. The Company has created provision of ₹ 14100 lakhs on an estimated basis. |
| 12A | <p>Pension</p> <p>In line with the Guidelines issued by the Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Govt. of India for revision of the Salary Structure of Executives of CPSEs w.e.f. 1.1.07 and as per the approval accorded by the Board of Directors and Department of Defence Production, Ministry of Defence, a Defined Contribution Pension Scheme was notified in the Company on 16.7.14, in respect of Executives retired etc., from 1.1.07.</p> <p>A Defined Contribution Pension Scheme in respect of Workmen retired after 1.1.12 was notified on 2.6.15, which was agreed as a part of the Workmen's Wage Revision effective from 1.1.12.</p> <p>Contribution to the Corpus of the above schemes by the management may vary from year to year as the same is dependent on profits generated, affordability & sustainability by the Company.</p> <p>The Scheme is managed by a duly constituted Trust.</p> |
| 12B | <p>Post Superannuation Group Health Insurance Schemes</p> <p>In line with the Guidelines issued by the Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Govt. of India and as per the approval accorded by the Board of Directors and Department of Defence Production, Ministry of Defence, Post Superannuation Group Health Insurance Schemes in respect of (a) Employees (Officers & Workmen) retired before 1.1.07 and (b) Executives retired on or after 1.1.07, were introduced w.e.f. 1.2.14.</p> <p>A Post Superannuation Group Health Insurance Scheme in respect of Workmen of the Company retired, etc. after 1.1.07 has been introduced in the Company w.e.f. 1.2.15, which was agreed as a part of the Workmen's Wage Revision effective from 1.1.12.</p> <p>Benefits under the Scheme may vary from year to year, as contribution to the Corpus of the Scheme is dependent on profits generated, affordability & sustainability by the Company.</p> <p>The Scheme is managed by a duly constituted Trust.</p> |
| 13 | Ind AS-21 relates to Accounting for the effects of changes in the Foreign Exchange rates, |

(₹ In lakhs)

| | Particulars | 31 st March 2017 | 31 st March 2016 |
|-----|-------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| (a) | Exchange rate variation recognised in Statement of Profit and Loss towards Capital Assets | 42 | 62 |

| | |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (b) | As and when the instalments in respect of deferred debts 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 recognised as sales when realised from the customer except to the extent it pertains to Capital Assets. The sales for Exchange Rate Variation considered for CY is ₹ 4488 Lakhs (PY ₹ 3887 Lakhs). The Assets and Liabilities relating to deferred credit transaction are reinstated as on 31 st March each year under Non-Current Other Financial Assets, Current Other Financial Assets (recoverable within one year), Non-current Other Financial Liabilities and Current Other Financial Liabilities (to be settled within one year) |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|


14. DISCLOSURE RELATING TO Ind AS-24 ON RELATED PARTY DISCLOSURES

(₹ In lakhs)

| (a) | The name of the transacting related party | (b) | Description of the relationship between the parties | (c) | Description of the nature of the transactions | (d) | Volume of the transactions either as an amount or as an appropriate proportion on Purchase of Goods and Services | (Previous Year) | Volume of the transactions either as an amount or as an appropriate proportion on Sale of Goods and Services | (Previous Year) |
|-----|------------------------------------------------------|---------------|-----------------------------------------------------|-----|-----------------------------------------------|------|------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------|-----------------|
| | M/s. Indo Russian Aviation Limited | Joint Venture | | | Purchase and sale of goods and services | 9784 | (7329) | 1482 | (895) | |
| | M/s. BAe HAL Software Limited | Joint Venture | | | Purchase and sale of goods and services | 933 | (873) | - | - | |
| | M/s. Snecma HAL Aerospace Private Limited | Joint Venture | | | Purchase and sale of goods and services | - | - | - | - | |
| | M/s. SAMTEL HAL Display Systems Limited | Joint Venture | | | Purchase and sale of goods and services | 2065 | (3970) | - | - | |
| | M/s. HAL-Edge-wood Technologies Private Limited | Joint Venture | | | Purchase and sale of goods and services | 24 | (79) | - | - | |
| | M/s. HALBIT Avionics Private Limited | Joint Venture | | | Purchase and sale of goods and services | 358 | (13066) | - | - | |
| | M/s. Info-tech HAL Limited | Joint Venture | | | Purchase and sale of goods and services | 132 | (141) | - | - | |
| | M/s. HATSOFF Helicopter Training Private Ltd. | Joint Venture | | | Purchase and sale of goods and services | 5 | (6) | 10 | (1) | |
| | M/s. Tata HAL Technologies Ltd. | Joint Venture | | | Purchase and sale of goods and services | 151 | (554) | - | - | |
| | M/s. International Aerospace Manufacturing Pvt. Ltd. | Joint Venture | | | Purchase and sale of goods and services | - | - | 321 | (501) | |
| | M/s. Multirole Transport Aircraft Ltd. | Joint Venture | | | Purchase and sale of goods and services | - | - | - | - | |
| | M/s. Aerospace & Aviation Sector Skill Council | Joint Venture | | | Purchase and sale of goods and services | - | - | - | - | |
| | Helicopter Engines MRO Pvt Ltd | Joint Venture | | | Purchase and sale of goods and services | - | - | - | - | |
| | M/s Naini Aerospace Ltd | Subsidiary | | | Purchase and sale of goods and services | - | - | - | - | |

(₹ 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-Edge-wood Technologies Private Limited | M/s. HALBIT Avionics Private Limited | M/s. Info-tech 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. | M/s. Aerospace & Aviation Sector Skill Council | Helicopter Engines MRO Pvt Ltd | M/s Naini Aerospace Ltd |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------|-------------------------------------------|-----------------------------------------|-------------------------------------------------|--------------------------------------|----------------------------|-----------------------------------------------|---------------------------------|------------------------------------------------------|----------------------------------------|------------------------------------------------|--------------------------------|-------------------------|
| (e) | Amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date on Purchase of Goods and Services | 3946 | 373 | - | 16 | 121 | 3431 | 17 | - | 239 | - | - | - | - | - |
| | (Previous Year) | (2661) | (366) | - | (56) | (97) | (3866) | (4) | (4) | (279) | - | - | - | - | - |
| (f) | Amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date on Sale of Goods and Services | - | 17 | - | - | 364 | 44 | - | 407 | - | 413 | 4 | - | 44 | 2 |
| | (Previous Year) | (901) | (105) | - | - | (328) | (50) | - | (345) | - | (877) | (8) | - | - | - |
| | Rent | 3 | 280 | - | - | 32 | 48 | - | 53 | - | 145 | 20 | - | - | - |
| | (Previous Year) | (2) | (189) | - | - | (32) | (49) | - | (53) | - | (136) | (18) | - | - | - |
| (g) | Advances Outstanding on Purchases of Goods and Services as on 31.3.2017. | 5 | 27 | 1 | - | 43 | 14 | - | - | - | - | - | - | - | - |
| | (Previous Year) | (2) | (27) | (1) | (237) | (49) | (101) | - | - | - | - | - | - | - | - |



(₹ In lakhs)

| (a) | The name of the transacting related party | M/s. Indo Russian Aviation Limited | M/s. HAL BAE HAL Software Limited | M/s. Snecma HAL Aerospace Private Limited | M/s. SAMTEL HAL Display Systems Limited | M/s. HAL-Edge-Tech-nologies Private Limited | M/s. HALBIT Avionics Private Limited | M/s. Info-tech HAL Limited | M/s. HATSOFF Helicopter Training Private Ltd. | M/s. Tata HAL Technologies Ltd. | M/s. International Aero-space Manu-facturing Pvt. Ltd. | M/s. Multirole Transport Aircraft Ltd. | M/s Aero-space & Aviation Sector Skill Council | Helicopter Engines MRO Pvt Ltd | M/s Naini Aero-space Ltd |
|-----|---------------------------------------------------------------------|------------------------------------|-----------------------------------|-------------------------------------------|-----------------------------------------|---------------------------------------------|--------------------------------------|----------------------------|-----------------------------------------------|---------------------------------|--------------------------------------------------------|----------------------------------------|------------------------------------------------|--------------------------------|--------------------------|
| | Advances Outstanding on Sale of Goods and Services as on 31.3.2017. | - | - | - | - | - | - | - | 448 | - | - | 180 | - | - | - |
| | (Previous Year) | - | - | - | - | - | - | - | (448) | - | - | (2685) | - | - | - |
| (h) | Interest | - | - | - | - | - | - | - | 1 | - | - | - | - | - | - |
| | (Previous Year) | - | - | - | - | - | - | - | (41) | - | - | - | - | - | - |
| (i) | Dividend on Investments | 244 | 15 | 46 | - | - | - | - | - | - | - | - | - | - | - |
| | (Previous Year) | (155) | (44) | (23) | - | - | - | - | - | - | - | - | - | - | - |

* Figures in brackets relate to previous year.

The differences in the amount disclosed by the company and the JV's are due to reconciliation items.

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

Shri T. Suvarna Raju - Chairman & Managing Director
 Shri V.M. Chamola - Director(HR)
 Shri S. Subrahmanyam - Director (Operations)
 Shri D.K. Venkatesh - Director - Engineering and R&D
 Shri C.V. Ramana Rao - Director (Finance) & CFO
 Dr. A.K. Mishra - Director (Finance) till 31.01.2016

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

15. Indo Russian Helicopters Ltd. (JVC), has been incorporated on 02.05.2017 for manufacture and supply of Ka226 T Helicopters with the arrangement of 50.5% stake of HAL, 42% stake by Russian Helicopters and 7.5% by Rosoboron Exports.

16. Key Management Personnel in the Company

(₹ In lakhs)

| | Particulars | 31 st March 2017 | | | 31 st March 2016 | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------|-----------------------------------------|-------|-----------------------------|-----------------------------------------|-------|
| | | Salary | Company Contribution to PF / Gratuity * | Total | Salary | Company Contribution to PF / Gratuity * | Total |
| 1 | Shri T Suvarna Raju, Chairman & Managing Director | 41 | 3 | 44 | 33 | 3 | 36 |
| 2 | Shri V.M. Chamola, Director (HR) | 44 | 3 | 47 | 33 | 2 | 35 |
| 3 | Shri S. Subrahmanyam, Director(Operations) | 46 | 3 | 49 | 31 | 3 | 34 |
| 4 | Shri D.K. Venkatesh, Director - Engineering | 32 | 2 | 34 | 8 | 1 | 9 |
| 5 | Shri C. V. Ramana Rao, Director(Finance) & CFO | 30 | 3 | 33 | 2 | - | 2 |
| 6 | Shri G.V. Sessa Reddy (Company Secretary) | 16 | 1 | 17 | 10 | 1 | 11 |
| 7 | Dr. A. K. Mishra **** | - | - | - | 33 | 15 | 48 |
| 8 | Shri Ashok Tandon (Company Secretary)***** | - | - | - | 13 | 14 | 27 |
| *does not include Employers contribution towards Pension Fund as the entitlement of the same is only on superannuation **** Dr. A.K. Mishra superannuated on 31.01.2016 ***** Shri Ashok Tandon superannuated on 30.04.2015 | | | | | | | |

17. The disaggregation of changes to OCI is shown below:

During the year ended 31st March 2017

(₹ In lakhs)

| Particulars | Opening balance as on 01.04.2016 | Additions | Reversals | Closing balance as on 31.03.2017 |
|--------------------------------------------------------------------------------|----------------------------------|------------|-----------|----------------------------------|
| Gains and losses arising from the financial statements of a foreign operations | -3 | 1 | - | -2 |
| Re-measurement gains/losses on defined benefit plans (Gratuity) | -5831 | 608 | - | -5223 |
| Total | -5834 | 609 | - | -5225 |

During the year ended 31st March 2016

| Particulars | Opening balance as on 01.04.2015 | Additions | Reversals | Closing balance as on 31.03.2016 |
|--------------------------------------------------------------------------------|----------------------------------|------------|-----------|----------------------------------|
| Gains and losses arising from the financial statements of a foreign operations | - | - | -3 | -3 |
| Re-measurement gains/losses on defined benefit plans (Gratuity) | -6503 | 673 | - | -5831 |
| Total | -6503 | 673 | -3 | -5834 |



(₹ In lakhs)

| | Particulars | 31 st March 2017 | 31 st March 2016 |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 18 | As per Ind AS-33 relating to Earnings per Share (Basic and Diluted)- | | |
| | Profit Before Tax | 358258 | 320697 |
| | Provision for Taxation | 96695 | 120892 |
| | Net Profit After Tax | 261563 | 199805 |
| | Weighted Average Number of Equity Shares of Face Value of ₹ 10/- each fully paidup | 361500000 | 482000000 |
| | Earnings per Share (in Rupees) - Basic and Diluted | 72.35 | 41.45* |
| | *The Company has bought back 12,05,00,000 Equity Shares of ₹ 10/- each on 30th March 2016. Earnings per share has been calculated by dividing the Net Profit or Loss for the period by 48,20,00,000 equity shares. The effect of buy-back is not considered for the purpose of calculation of Earnings Per Share, as there is no significant change in value of the same. | | |
| 19 | As per Ind AS - 36- Impairment of Assets, the loss on impairment recognised in the Books of Accounts is | 3210 | 1004 |

| | Particulars | 31 st March 2017 | 31 st March 2016 | 31 st March 2015 |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| 20 | Contingent Liabilities not provided for | | | |
| | Outstanding Letters of Credit and Guarantees | | | |
| | (a) Letters of Credit | 106350 | 93719 | 158925 |
| | Non-fund based limits of ₹ 205000 lakhs (PY ₹ 205000 Lakhs) from consortium of bankers are secured by hypothecation of Inventories and all Receivables. The total limits sanctioned of ₹ 250000 lakhs (PY ₹ 250000 lakhs) is interchangeable between the consortium of banks and between fund based and non-fund based limits. | | | |
| | (b) Indemnity Bonds given by the Company for performance | 593732 | 513754 | 503526 |
| | (c) Performance Guarantee given by the Company. | 7465 | 9775 | 14221 |
| | (d) Claims / Demands against the Company not acknowledged as Debts (Gross) | | | |
| | (i) Sales Tax / Entry Tax (Refer Clause 42(b)) | 669536 | 623406 | 227265 |
| | (ii) Income Tax | 176959 | 200680 | 184107 |
| | (iii) Municipal Tax | 4057 | 7144 | - |
| | (iv) Service Tax (Refer Clause 42(b)) | 51503 | 78849 | 64444 |
| | (v) Customs Duty | 23569 | 23569 | 23569 |
| | (vi) Others | 10723 | 11270 | 11661 |
| | Sub Total | 936347 | 944918 | 511046 |
| 21 | Commitments | | | |
| | Estimated amount of contracts remaining to be executed and not provided for | | | |
| | i) on Capital Account | 126131 | 110557 | 92918 |
| | ii) towards purchase of Inventory and Services | 947278 | 773917 | 1008986 |
| | Total | 1073409 | 884474 | 1101904 |

22. As per Ind AS 37 relating to Provisions, Contingent Liability and Contingent Assets - the movement of provisions in the Books of Accounts is as follows

(₹ In lakhs)

| | Nature of Provision | Opening Balance | Provision made during the year | Utilisation during the year | Reversal during the year | Closing Balance |
|----|-------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------|-----------------------------|--------------------------|-----------------|
| a) | Provision for Replacement and Other Charges | 95805 | 24216 | 22704 | 8627 | 88690 |
| | (Previous Year) | (66276) | (32315) | (2545) | (241) | (95805) |
| b) | Provision for Warranty Charges | 66034 | 8394 | 4162 | 16376 | 53890 |
| | (Previous Year) | (61448) | (15005) | (4378) | (6041) | (66034) |
| c) | Provision for Redundancy in Raw Material and Components, Stores and Spares, Construction Material and Loose Tools | 61886 | 10011 | - | 1817 | 70080 |
| | (Previous Year) | (60125) | (7345) | - | (5584) | (61886) |
| d) | Provision for Liquidated Damages | 150736 | 30877 | 53111 | - | 128502 |
| | (Previous Year) | (159720) | (34986) | (43970) | - | (150736) |
| e) | Provision for Doubtful Debts | 11066 | 4530 | 36 | 1307 | 14253 |
| | (Previous Year) | (1163) | (9903) | - | - | (11066) |
| f) | Provision for Claims | 11903 | 3036 | 236 | 828 | 13875 |
| | (Previous Year) | (7868) | (4086) | - | (52) | (11903) |
| g) | Impairment in value of Investments | 6462 | 123 | - | - | 6585 |
| | (Previous Year) | (4990) | (1472) | - | - | (6462) |
| h) | Provision for Onerous contract | 110469 | - | - | - | 110469 |
| | (Previous Year) | (110469) | - | - | - | (110469) |

* Figures in brackets relate to previous year.

Provision for replacement and other charges represents, amounts towards expenditure incurred from the date of Signalling Out Certificate (SOC) to date of ferry out, loan items taken from the customer which needs to be replaced etc.,

Warranty represents Performance Warranty for manufacture, repair and overhaul of Aircraft / Helicopters/ Engines / Rotables, supply of spares and development activities etc

Provision for Redundancy in Raw Material and Components, Stores and Spares, Construction Material and Loose Tools represents provision on redundancy of such materials, completed / specific projects and other surplus / redundant materials pending transfer to salvage stores etc.,

Provision for Liquidated Damages represents amounts provided for the period of delay between the due date of supply of the Goods / rendering of services as per delivery schedule and the expected Date of delivery of said Goods / rendering of service in respect of manufacture / repair and overhaul of Aircraft / Helicopters/ Engines / Rotables, supply of spares and development activities etc.

Provision for Doubtful Debts represents provision made on expected credit losses

Provision for doubtful claims represents provision on expected credit losses.

Impairment in value of investment represents reduction in the share of net worth below investment

Provision for Onerous contract has been recognised as the cost of meeting obligations is over and above the economic benefits expected to be received under it.



(₹ In lakhs)

| | Particulars | 31 st March 2017 | 31 st March 2016 |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 23 | As per Ind AS 40 - Investment property: | | |
| | Information regarding income and expenditure of Investment property | | |
| | Rental income derived from investment properties | 659 | 476 |
| | Direct operating expenses (including repairs and maintenance) generating rental income | 1 | - |
| | Direct operating expenses (including repairs and maintenance) that did not generate rental income | 1 | 2 |
| | Profit arising from investment properties before depreciation and indirect expenses | 657 | 474 |
| | Less – Depreciation | - | - |
| | Profit arising from investment properties before indirect expenses | 657 | 474 |
| | Fair value of investment property As at 31 st March 2017, the fair value of the properties is ₹ 3631 lakhs as valued by an independent valuer. | | |
| 24 | Value of Imports calculated on CIF basis: | | |
| | (i) Raw Materials | 412213 | 443541 |
| | (ii) Components and Spare parts | 192300 | 248047 |
| | (iii) Capital Goods | 16030 | 13301 |
| | (iv) Special Tools | 28114 | 41961 |
| | Total | 648657 | 746850 |
| 25 | Raw Materials, Spare Parts and Components consumed : | | |
| | (i) Imported (including Customs Duty) | 765925 | 841188 |
| | (In % to total) | 86.49 | 88.73 |
| | (ii) Indigenous | 119651 | 106809 |
| | (In % to total) | 13.51 | 11.27 |
| | Total (Gross) | 885576 | 947997 |
| 26 | Expenditure in Foreign currency on account of | | |
| | (i) Royalty | 748 | 904 |
| | (ii) License Fee | 507 | 2018 |
| | (iii) Documentation | 520 | 781 |
| | (iv) Professional, Consultancy and Foreign Technician Fees | 14722 | 18530 |
| | (v) Foreign Travel | 641 | 1061 |
| | (vi) Liason Office Abroad | 310 | 278 |
| | (vi) Others | 2069 | 1327 |
| | Total | 19517 | 24899 |

(₹ In lakhs)

| | Particulars | 31 st March 2017 | 31 st March 2016 |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 27 | Earnings in Foreign Exchange : | | |
| | (i) Export on FOB Basis * | 45594 | 35341 |
| | (ii) Services ** | 908 | 4826 |
| | * Excludes CY Nil lakhs (PY ₹ 4263 lakhs) towards exports to Nepal in INR | | |
| | ** Excludes CY Nil Lakhs (PY ₹ 176 lakhs) towards Exports to Nepal in INR | | |
| | Total | 46502 | 40167 |
| 28(a) | Impact on Additional depreciation debited to Statement of Profit and Loss on account of Component Accounting | - | 315 |
| 28(b) | Impact on Additional Depreciation debited to retained earnings on account of Component Accounting | - | 25 |
| 28(c) | Impact due to changes in Accounting Policies on CSR Assets | - | 4254 |
| 28(d) | Impact due to changes in Accounting Policies on account of Actuarial Valuation of Provident Fund | - | 1104 |
| 29 | Property, Plant and Equipment acquired with financial assistance / subsidy from outside agencies either wholly or partly are capitalised at net cost to the Company and does not include assets given by the customer for use of their jobs by the Company | 117713 | 117713 |
| 30 | Disclosure with regard to Joint Working Groups | | |
| | The Company has entered into a Joint Working Agreements with Air India (AIJWG) to start Ramp Handling Business and CONCOR to carry out Air Cargo Handling Business. The Joint Working Group pools together the resources for carrying out its business activity and ownership of the assets vests with the respective working group. | | |
| | Share of income from Joint Working Groups of the Company with Air India and HALCON : | | |
| | AIJWG | 183 | 149 |
| | HALCON | 67 | 36 |
| | Total | 250 | 185 |



(₹ In lakhs)

| 31. Disclosure with regard to Joint Working Group | | | | |
|----------------------------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Name of the Joint Working Group | AIJWG | | HALCON | |
| | 31st March 2017 | 31st Mar 2016 | 31st March 2017 | 31st Mar 2016 |
| Country of Incorporation | India | | India | |
| Share of Company/ Ownership Interest | 50.00% | 50.00% | 50.00% | 50.00% |
| Principal Activities | Flight Handling | | Cargo Handling | |
| Liabilities - Company's Share | 1347 | 1301 | 726 | 688 |
| Non-Current Assets - Company's share | 2 | 2 | 225 | 284 |
| Current Assets - Company's share | 1346 | 1299 | 502 | 404 |
| Income - Company's Share | 214 | 190 | 200 | 136 |
| Expenditure - Company's Share | 31 | 41 | 133 | 100 |
| Profit / (Loss) Company's Share | 183 | 149 | 67 | 36 |
| Contingent Liability | 444 | 444 | - | - |

| | Particulars | 31st March 2017 | 31st March 2016 |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| 32 | The aggregate amount of Research and Development Expenditure recognised as an expense during the period is as below: | | |
| | Research and Development Expenditure | | |
| | Expenditure in R&D included in : | | |
| | Raw Material Consumption | 23998 | 20053 |
| | Direct Expenses | 32706 | 31714 |
| | Salaries and Wages | 45852 | 43999 |
| | Other Expenses | 7841 | 7625 |
| | Depreciation, Amortisation and Impairment loss | 9263 | 7361 |
| | Provisions | 990 | 459 |
| | Inter Services /Common Services | 7724 | 7906 |
| | Total R & D Expenditure | 128374 | 119117 |
| 33 | R&D Corpus The Company's Board has approved the creation of R&D Corpus (excluding customer funded R&D) with an annual contribution of 10% of Operational Profit after tax. Utilisation of R&D Reserve is disclosed at Note 23 of the Accounts | | |
| 34 | Pending finalisation of contract for delivery of 1 ALH to Nepal as directed by Government of India, sales was initially recognised at ₹ 8210 lakhs (at the rate it was originally sold to Indian Army). Based on the replacement cost, an invoice for ₹ 12473 lakhs was subsequently raised on Ministry of External Affairs (MEA), GOI. Pending confirmation of payment of the balance amount of ₹ 4989 lakhs (being 40% of the revised invoice), provision has been created. | | |

| | | | | | |
|------|----------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------------|--------------|---------------|
| 35 | Total Land held (in Acres). (Refer Note -1A) | | 11813.44 | 11808.44 | |
| | Particulars | Division | Assets | Acres | Amount |
| 35.1 | Instruments of transfer in respect of land and building taken possession by the Company have not been executed | Lucknow/ Kanpur / FMD / Nasik | Land | 734.01 | 290 |
| | | (Previous Year) | Land | (736.62) | (309) |
| | | Kanpur | Building | - | 35 |
| | | (Previous Year) | Building | - | (35) |
| 35.2 | Land has been handed over /earmarked to the Government / other agencies pending execution of instruments of transfer | FMD/ Nasik/ Korwa/ Engine / Koraput | Land | 141.98 | 56 |
| | | (Previous Year) | Land | (180.66) | (56) |
| 35.3 | Land has been given on lease to the Government/ other agencies | FMD/ Nasik/ Lucknow/ Kanpur | Land | 1106.09 | 67 |
| | | (Previous Year) | Land | (1068.93) | (67) |

* Figures in brackets relate to previous year.

| | |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 35.4 | <p>The Company's Barrackpore Unit is in possession of 22.51 acres (PY 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 ₹ 32 lakhs (Previous year ₹ 32 Lakhs) has been made. The transfer of the land is being pursued with Defence Estate Officer, Kolkatta. 7.115 acres of land received from Indian 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 has also been taken as NIL.</p> <p>Land includes 200 acres of land taken on lease for establishing a unit at Kasargod at a cost of ₹ 708 Lakhs. This cost is amortised over the lease period of 90 years. The lease charges for the year amounting to ₹ 8 lakhs has been considered under depreciation for the year.</p> <p>Land includes 0.27 acres of land taken on lease for liason office Mumbai at a cost of ₹ 3 lakhs (including development cost). This cost is amortised over the lease period of 30 years. The amount of amortisation has been considered under depreciation for the year.</p> |
| 35.5 | <p>FMD Division is holding 2105.831 acres (PY 2105.831 acres) land of which 11.959 acres (PY 11.959 acres) is under litigation/encroachment with third parties and 10.152 acres (PY 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 ₹ 2179 lakhs (PY ₹ 2061 lakhs) towards lease cum rental charges with various parties has not been considered in the books of accounts of FMD, pending settlement of dispute.</p> <p>d) 1.339 acres of land at Nasik Division has been encroached.</p> <p>e) 50.21 acres (approximately) of land belonging to Koraput Division is encroached.</p> <p>f) 711.22 sq.mt. of land out of the land at Corporate Office has been acquired for the Metro Rail Project by M/s. Bangalore Metro Rail Corporation Limited (M/s BMRCL). The compensation awarded of ₹ 549 lakhs by M/s. Karnataka Industrial Area Development Board (KIADB) is contested by Company in the City Civil Court at Bangalore. As the matter is subjudice, no adjustment has been made in the books. A joint committee comprising the Company and BMRCL has been formed to arrive at an out of court settlement.</p> |



(₹ In lakhs)

| | Particulars | 31 st March 2017 | 31 st March 2016 |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 36 | Special Tools and Equipment includes Tools and Equipment in progress, under inspection and in transit. | 1776 | 3672 |
| 37 | Sales include deliveries for which amendment to firm task is awaited from the customer. | 4753 | 4492 |
| 38 | 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 is assessed on technical estimates and is subject to adjustment at the end of the project. | | |
| 39 | Inventories does not include materials belonging to the customers but held by the Company on their behalf | 79390 | 74905 |
| 40 | Dividend | | |
| | (a) The amount of dividend proposed to be distributed to Equity share holders | NIL | NIL |
| | (b) The corresponding amount of dividend distribution tax for the amount of proposed dividend | NIL | NIL |
| 41 | Total amount remitted during the year in foreign currencies on account of dividends | | |
| | (i) Total Number of Non-resident Shareholders | NIL | NIL |
| | (ii) Total Number of Shares held by Non-resident Shareholders on which the Dividends were due and the year to which the Dividends related | NIL | NIL |
| 42(a) | In terms of Pricing Policy agreed with Indian Air Force and Indian Army, prices approved are exclusive of taxes and duties i.e. Sales Tax, Service Tax etc. In case, the above customer does not submit an exemption certificate, taxes would be levied and the same would be re-imbursed by the customer. | | |
| 42(b) | 1.) The Sales Tax /VAT/Entry Tax disputes on defence sales in the State of Karnataka have been resolved between officials of Department of Defence Production, Ministry of Defence, the Company and representatives of Indian Air Force and Indian Army with Commercial Tax Department and Finance Department of Govt., of Karnataka. | | |
| | a. Amount as per agreed formulation, paid by the Company | 130710 | 130710 |
| | b. Amount already collected from the customer | 122980 | 113405 |
| | c. Balance to be collected from the customer (a-b) | 7730 | 17305 |
| | 2.) In respect of the VAT/Sales Tax dues in the state of Odisha, the amount as per agreed formulation have been paid and recovered from the customers | | |
| | 3.) In respect of other states, where the sales tax demands are under dispute, the same is shown under contingent liability (Clause 20 of Note 49). | | |

(₹ In lakhs)

| | Particulars | 31 st March 2017 | 31 st March 2016 |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 43 | Information under Micro, Small and Medium Enterprises | | |
| | 1. The Principal and the Interest due thereon as at 31.03.2017 | | |
| | a.) Principal | 335 | 1350 |
| | b.) Interest | 7 | 165 |
| | 2. The amounts paid by the Company beyond the appointed day during the year ending 31 st March 2017 | | |
| | a.) Principal | - | 377 |
| | b.) Interest | - | - |
| | 3. The Interest due and payable for the period of delay (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act. | - | 9 |
| | 4. The interest accrued and remaining unpaid at the year ending 31.03.2017 | 6 | 2 |
| | 5. The amount of further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the Small Enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act. | 8 | 1 |
| | The information has been given in respect of such suppliers to the extent they could be indentified as Micro Small and Medium Enterprises on the basis of information available with the Company. | | |
| 44 | <p>The Company, during the financial year 2011-12, had detected a fraud of ₹ 391 lakhs by way of unauthorised transfer of funds from the bank account of the Division to his bank account and the account of his accomplices. The Company has initiated criminal proceedings in 2011-12. During 2012-13, the Company has filed two Civil Suits for recovery of fraudulently drawn amounts against the accused, his accomplices and also State Bank of India for ₹ 289 Lakhs and Shri Krishna Souharda Credit Co-operative Limited for ₹ 102 Lakhs. Both the civil cases and criminal case are under progress. Properties of the accused amounting to ₹ 138 lakhs have also been attached by the court.</p> <p>During the court proceedings, State Bank of India, expressed its willingness to settle its liability through negotiations as out of court settlement. The negotiations with State Bank of India is in the advanced stage. Further, the Company is hopeful of getting the amount recovered from the accused through the court as the property of the accused has been attached.</p> | | |



(₹ In lakhs)

| Particulars | | 31 st March 2017 | 31 st March 2016 | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------|-------------------|----------------------------|
| (a). Gross amount required to be spent by the company on CSR activities | | 6692 | 6831 | | |
| 2016-17 | | | | | |
| (a). Amount spent during the year on CSR activities | | In Cash | Yet to be paid in Cash | Total | |
| (i) Construction / Acquisition of any Assets | | 2311 | 529 | 2840 | |
| (ii) On purposes other than (i) above | | 3892 | 64 | 3956 | |
| Total | | 6203 | 593 | 6796 | |
| 2015-16 | | | | | |
| (b). Amount spent during the year on CSR activities | | In Cash | Yet to be paid in Cash | Total | |
| (i) Construction / Acquisition of any Assets | | 5337 | 521 | 5858 | |
| (ii) On purposes other than (i) above | | 2808 | 405 | 3213 | |
| Total | | 8145 | 926 | 9071 | |
| The Company had established Wind Power Plant at Davanagere District, Karnataka under CSR project in 2015-16. An amount of ₹ 737 lakhs surplus, was generated through savings in energy charges from the Wind Power Plant for 2016-17. The surplus will be utilised for other CSR projects/ activities during 2017-18 over and above the 2% budget allocation as per the Companies Act, 2013. | | | | | |
| 46 | In the opinion of the Board, the Company does not have any assets other than fixed assets and Non-current investments having a value on realisation in the ordinary course of business less than the amount stated. | | | | |
| 47 | Sales, based on Accounting Policy of the Company and experts opinion, is accounted on issuance of Signalling Out Certificate (SOC) by the customers. 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 details of Aircraft/Helicopters which are yet to be ferried out (for which sales has been setup) is as under; | | | | |
| | Year | Sales (Net of Excise Duty) | VALUE OF THE AIRCRAFT / HELICOPTERS TO BE FERRIED OUT | | |
| | | | ALH | % of Sales | Date of approval of |
| | 2014-15 | 1546615 | 6050 | 0.39% | 08.08.2015 |
| | 2015-16 | 1658627 | 31762 | 1.91% | 29.06.2016 |
| | 2016-17 | 1760544 | 78342 | 4.45% | 29.06.2017 |
| The expenditure involved in the work carried out post SOC date is absorbed against the provision for future charges. The company has taken up with Ministry of Defence (MOD) for amendment of ALH contract in respect of both Indian Air Force and Indian Army to bring them in line with the accounting policy of the Company. In respect of Indian Air Force, MOD have concurred "in principle" to above, with the stipulation that the contract amendment can be made only after similar contract amendment in respect of Indian Army contract with the Company is finalized. In respect of Indian Army contracts, the matter is under discussion. | | | | | |



(₹ In lakhs)

| | Particulars | 31 st March 2017 | 31 st March 2016 |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| 48A | In the LCA(FOC) Contract No AirHQ/S 96056/6/4/ASR(FOC) dated 23 rd March 2014, the GE Engine price has been included at EC 2003 level and without escalation clause. The issue of incorporation of escalation clause has been taken up with IAF/MOD for amendment. In the interim, the said GE Engine have been evaluated at lower of cost or Net Realizable Value to give effect to Ind AS-2. Consequently the amount of ₹ 37591 lakhs has been charged to cost of sales. | - | 14655 |
| 48B | HTFE 25 Project: The Company 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. An expenditure of ₹ 6513 lakhs (PY ₹ 4531 lakhs) has been accounted under Intangible Assets and would be amortized over production units. Preliminary Design Review(PDR) of Engine has been completed during 2014-15. Based on core engine-1 test results the compressor efficiency was found on lower side. Hence compressor redesign was initiated. Compressor redesign completed in Apr 2017. Detailed design and drawing release will be completed by May 2017. Core engine-2 run is planned in Jan 2018 and the full engine run is planned in Jul 2018. | | |
| 48C | HTT 40 Project: The Company 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. The Company is funding the HTT Design and Development programme. Accordingly, an expenditure of ₹ 12236 lakhs (PY ₹ 7771 lakhs) has been treated as Development expenditure and accounted under Intangible Assets. | | |
| 48D | Preliminary Design of Prospective Multi Role Fighter (PMF) project has been completed in 2013-14. Pending finalization of R&D contract with Ministry of Defence, Government of India, sales has been recognised during the current year for the expenditure incurred towards design and development of PMF. | | |
| 49 | Out of the Total Work-in Progress(WIP), ₹ 11262 lakhs represents WIP build up in respect of anticipated order for Hawk Aircraft (20 numbers from Indian Air Force and 12 numbers from Navy) | | |
| 50 | Operating Cycle | The Company is having Multiple Business Activity. Operating cycle is determined by Divisions based on individual business activity. | |
| 51 | Special Tools includes ₹ 2187 Lakhs (Previous Year ; ₹ 2351 lakhs) towards Compact Multi Purpose Advanced Stabilised System (COMPASS) Project at M/s Bharat Electronics Limited (Ms BEL), on behalf of MRO Division against which Company derives future economic benefits for repair of electro optical pods. | | |
| 52 | Aircrafts 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 provided in the sales contract. As the aircraft is flight worthy and the respective customer has accepted the same, the sales are accounted, consistently, on the basis of Signal Out Certificate(SOC). 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, within the contract period. | | |



53 Advances from Customers of ₹ 785616 Lakhs and Milestone receipts of ₹ 2087861 Lakhs disclosed in Note Nos. 29 and Note 33 as Non-Current and Other Current Liabilities represent gross amounts received. These amounts have been utilised for procurement of Special Purpose Tooling, Incurrence of Intangible Assets, Inventory Holding, Advances to Vendors etc. as detailed below:

(₹ In lakhs)

| Particulars | 31 st March 2017 | | 31 st March 2016 | |
|------------------------------------------------|-----------------------------|--------------------|-----------------------------|--------------------|
| | Note 29 Non - Current | Note 33 Current | Note 29 Non - Current | Note 33 Current |
| Advances from Customer | | | | |
| - Defence | 307106 | 469116 | 323089 | 427343 |
| - Others | - | 9394 | - | 4607 |
| | 307106 | 478510 | 323089 | 431950 |
| Less: Utilisation of Advances | | | | |
| - Inventory | 219778 | 276088 | 234642 | 217804 |
| - Advances against Goods & Services | 4035 | - | 7180 | 26508 |
| - Deferred Revenue Expenditure | - | 35956 | - | - |
| - Special Tools & Equipment | 15841 | 11253 | 17758 | 4659 |
| - Trade Receivables | - | - | - | 1206 |
| - Claims Receivables | - | 1115 | 1362 | - |
| | 239654 | 324412 | 260942 | 250177 |
| Net Advances from Customer (A) | 67452 | 154098 | 62147 | 181773 |
| Milestone Receipt | | | | |
| - Defence | 661033 | 1360874 | 574638 | 2072821 |
| - Others | 16585 | 49369 | 17728 | 58658 |
| | 677618 | 1410243 | 592366 | 2131479 |
| Less: Utilisation of Milestone Receipts | | | | |
| - Inventory | 256171 | 722929 | 196984 | 1225809 |
| - Advances against Goods & Services | 4082 | 43423 | 2433 | 35661 |
| - Deferred Revenue Expenditure | 13540 | 43145 | 11467 | 89493 |
| - Special Tools & Equipment | 120738 | 151228 | 99996 | 221448 |
| - Trade Receivables | 422 | 20231 | - | 39192 |
| - Claims Receivables | 35168 | 2736 | 905 | 1723 |
| | 430121 | 983692 | 311785 | 1613326 |
| Net Milestone Receipts (B) | 247497 | 426551 | 280581 | 518153 |
| Total (A+B) | 314949 | 580649 | 342728 | 699926 |

(₹ In lakhs)

| Summary | | |
|--------------------------------------------------|-----------------------------|-----------------------------|
| Particulars | 31 st March 2017 | 31 st March 2016 |
| (A) Gross Advances from Defence Customers | | |
| Initial Advances from Defence Customers | 776222 | 750432 |
| Milestone Advances from Defence Customers | 2021907 | 2647459 |
| Gross Advances from Defence Customers (A) | 2798129 | 3397891 |
| Advances from Others (B) | 75348 | 80993 |
| Total (A+B) | 2873477 | 3478884 |
| Less Advances / Milestone utilisation (C) | 1977880 | 2436230 |
| Advances / Milestone Receipts (A+B-C) | 895597 | 1042654 |
| Defence Customers | 820249 | 961661 |
| Others | 75348 | 80993 |
| Total | 895597 | 1042654 |

| 54 UN-HEDGED FOREIGN CURRENCY EXPOSURE | | | | |
|----------------------------------------|-----------------------------------|--------------------------|-----------------------------------|--------------------------|
| Particulars | As on 31 st March 2017 | | As on 31 st March 2016 | |
| | Foreign Currency | Amount in INR (in lakhs) | Foreign Currency | Amount in INR (in lakhs) |
| RECEIVABLES | | | | |
| GBP | 1060141 | 849 | 1439462 | 1357 |
| EURO | 49188 | 34 | - | - |
| USD | 24876407 | 16033 | 36083092 | 24048 |
| PAYABLES | | | | |
| GBP | 38279844 | 31327 | 36238512 | 34891 |
| EURO | 37042728 | 25941 | 21348496 | 15700 |
| USD | 50691763 | 33108 | 56038444 | 37404 |
| CHF | 651658 | 427 | 165921 | 115 |



(₹ In lakhs)

| Particulars | | | |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------|
| 55 | During the year, the Company had Specified Bank Notes (SBN's) or other denomination notes as defined in the MCA notification G.S.R 308 (e) dated 31 st March 2017. Details of SBN held and transacted during the period from 8 th November, 2016 to 30 th December, 2016, the denomination wise SBN's and other notes as per the notification are as follows: | | |
| | | Total | |
| Particulars | SBNs | Other Denomination Notes | Total |
| Closing cash in hand as on 08.11.2016 | 509 | 384 | 893 |
| (+) Permitted Receipts | 2 | 1,533 | 1,535 |
| (-) Permitted Payments | - | 1,298 | 1,298 |
| (-) Amount Deposited in Banks | 511 | 608 | 1,119 |
| Closing cash in hand as on 30.12.2016 | - | 11 | 11 |
| 56 | Previous year figures have been rearranged or regrouped wherever necessary. | | |

Note '1' to '49' and Accounting Policies attached form part of the Accounts
As per our Report attached

for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.004656S



(C.V. RAMANA RAO)
Director (Finance) & CFO



(T. SUVARNA RAJU)
Chairman & Managing Director



(S Sundarraman)
Partner
Membership No. 201028



(G.V. SESA REDDY)
Company Secretary

Place: Bangalore

Date: 29th June, 2017

Independent Auditors' Report

To,
The Members of M/s. Hindustan Aeronautics Limited,
15/1 Cubbon Road, Bengaluru- 560 001

Report on the Consolidated Ind AS Financial Statements:

1. We have audited the accompanying consolidated Ind AS financial statements of M/s. Hindustan Aeronautics Limited (hereinafter referred to as the "Holding Company"), and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") and its Joint ventures, comprising the Consolidated Balance Sheet as at 31st March, 2017, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statement").

Management's Responsibility for the Consolidated Ind AS Financial Statements:

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated cash flows and consolidated statement of changes in equity of the Group including its joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with relevant rules issued thereunder. The respective Board of Directors of the companies included in the Group and its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its joint ventures and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility:

3. Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.



5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.
6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in para 14 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements

Opinion:

7. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate Ind AS financial statements and on the other financial information of the subsidiary and joint ventures, the aforesaid consolidated Ind AS 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 including the Ind AS, of the consolidated financial position of the Group and its joint ventures as at 31st March 2017 and their consolidated financial performance including other comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Emphasis of Matter:

8. The auditors of M/s. HATSOFF Helicopter Training Private Limited, a joint venture of the Group, have drawn attention to the following in their audit report vide dated 02nd May, 2017, which has been reproduced by us as under:
 - a) Clause 13(i) of Note No. 49 of the consolidated Ind AS financial statements which indicate that though company has made a net profit of ₹ 1045 lakhs during the year ended 31st March, 2017 and, as of that date; the Company's current liabilities exceeded its current assets by ₹ 7516 lakhs. In addition to this, as at the balance sheet date, the Company has accumulated losses which have resulted in erosion of the net worth. The net worth of the Company as at 31st March, 2017 is negative by ₹ 3383 lakhs.
 - b) As per the management representation duly noted by the Board at its 47th Board meeting held on the 17th March, 2017 wherein the management has assessed the entity as going concern despite the existence of above stated material uncertainties and has assessed its ability to meet the obligations that are falling due. Management also has approved the projections for 2017-18 with an estimated turnover of ₹ 3775 lakhs with a net profit of ₹ 487.40 lakhs before tax and foreign exchange fluctuation as reasonable. Management further confirms that ICICI Bank has indicated in the recent correspondence to convert debt into equity as per the Facility Agreement if required. With the above developments, the management believes that the company has the ability to continue as going concern.
 - c) The ECB Loan classified as NPA is shown as Long Term borrowings as proposal by the bank to restructure the loan is pending as the terms are yet to be complied by the Company.



9. The auditors of M/s. Halbit Avionics Private Limited, a joint venture of the Group, have drawn attention to the following in their audit report vide dated 29th May, 2017, which has been reproduced by us as under:
- a) Clause 13(iii) of the Note No. 49 of the consolidated Ind AS financial statements indicates that the Company has accumulated losses of ₹ 1002 lakhs as at 31st March, 2017 and its current liabilities exceed the current assets by ₹ 243 lakhs. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. However, the Company based on its plans, is confident of funding its operating and capital expenditure and continue business operations in foreseeable future. In view of these factors, the Ind AS financial statements have been prepared under the going concern assumptions and consequently no adjustments have been made to the carrying values or classification of balance sheet items.
 - b) That the Company has not appointed Company Secretary required in terms of the provisions contained in the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2014 and the Companies Act, 2013.
10. The auditors of M/s. Snecma HAL Aerospace Private Limited, a joint venture of the Group, have drawn attention to the following in their audit report vide dated 22nd May, 2017, which has been reproduced by us as under:
- a) The trade receivables as at 31st March, 2017 include amount receivable for export of goods amounting to ₹ 68 lakhs which are outstanding for more than nine months from the date of export. Similarly the trade payables as at 31st March, 2017 include amount payable for import of goods / services amounting to ₹ 966 lakhs. As per the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000 as amended from time to time, the value of exports shall be realized within nine months from the date of export and the value of imports shall be remitted not later than six months from date of shipment.
11. The auditors of M/s. Tata HAL Technologies Limited, a joint venture of the Group, has drawn attention to the following in their audit report vide dated 25th May, 2017, which has been reproduced by us as under:
- a) The Company has incurred losses and its net worth has been substantially eroded as at 31st March, 2017. These conditions along with the other matters stated in the clause 13(iv) of Note No. 49 of the consolidated Ind AS financial statements indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis for the reasons stated in the said note.
12. The auditors of M/s. HAL Edgewood Technologies Private limited, a joint venture of the Group, has drawn attention to the following in their audit report vide dated 13th May, 2017, which has been reproduced by us as under:
- a) The Ind AS financial statements regarding the carrying value of deferred tax assets on account of timing differences pertaining to earlier years aggregating to ₹ 56 lakhs (year ended 31st March, 2016 ₹ 56 lakhs), the management of the Company is of the opinion that the deferred tax can be realised against the future taxable income.
 - b) Clause 13(ii)(c) of Note No. 49 of the consolidated Ind AS financial statements that the statements being prepared on a going concern basis, notwithstanding the fact that the Company's net worth is eroded [reported negative net worth as at 31st March, 2017 of ₹ 607 lakhs (year ended 31st March, 2016 ₹ 528 lakhs)]. The ability of the Company to continue as a going concern is interalia dependent on the Company's ability infuse requisite



funds for meeting its obligations (including statutory liabilities and those in respect of contracts entered into for purchase of goods and assets), rescheduling of debt/other liabilities.

- c) Clause 13(ii)(b) of Note No. 49 of the consolidated Ind AS financial statements regarding the amortisation of intangible asset recognised on development of prototype units to the statement of profit and loss. The amortisation of intangible treatment is done in accordance units of production method. In the opinion of the Management that, the Company is confident of receiving Purchase Order from its Customer for further series upgrade for 154 OSMAC units on delivery of existing order of 11 prototype OSMAC units to its Customer and the intention of development of OSMAC units is to manufacture and deliver the series upgrade 154 OSMAC units to customer.

13. Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management..

Other Matters:

14. We did not audit the Ind AS financial statements of One subsidiary, whose Ind AS financial statements reflect total assets of ₹ 4197 lakhs and net assets of ₹ 2826 lakhs as at 31st March, 2017, total revenues of ₹ 23 lakhs and net cash outflows amounting to ₹ 3222 lakhs for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of net profit of ₹ 1673 lakhs for the year ended 31st March, 2017, as considered in the consolidated Ind AS financial statements, in respect of 13 joint ventures whose Ind AS financial statements have not been audited by us. These Ind AS financial statements have been audited by other auditors, whose report have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and joint ventures, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary and joint ventures, is based solely on the reports of the other auditors.
15. Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management..

Report on Other Legal and Regulatory Requirements:

16. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiary and joint ventures, as noted in the in para 14 of the other matter paragraph, we report, to the extent applicable, that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.



- c) The consolidated Balance Sheet, the consolidated Statement of Profit and Loss, the consolidated Statement of Cash Flows and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
- d) As per the communication from Ministry of Corporate Affairs vide their letter dated 16th May, 2017, it has been communicated to the Company that in order to extend the exemption to Ind AS 108 – Operating Segments for the Holding Company, an amendment of the Notification No. 463 (E) dated 05th June, 2015 would be required. As per the prescribed procedure under section 462 of the Companies Act 2013, the notification for carrying out the said amendment would need to be laid before the Parliament. The Ministry of Corporate Affairs has initiated action for laying the relevant notification for exemption to the Holding Company of application of Ind AS 108 in the Parliament. In view of the above, no disclosure is made by the Holding Company as required under Ind AS 108. Subject to the above, we state that in our opinion, the aforesaid Consolidated Ind AS Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
- e) In terms of Circular No. GSR 463(E) dated 05th June, 2015 issued by the Ministry of Corporate Affairs, Government of India, the Holding Company being Government Company, is exempt from the provisions of section 164(2) of the Act regarding disqualification of Directors. On the basis of the reports of the statutory auditors of its subsidiary company and joint ventures incorporated in India, none of the directors of its subsidiary company and joint ventures incorporated in India is disqualified as on 31st March, 2017 from being appointed as a director in terms of section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, its subsidiary company and joint ventures incorporated in India and the operating effectiveness of such controls, refer to our separate Report in “**Annexure - A**”.
- g) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditor’s) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary, and joint ventures as noted in the para 14 of the Other matter paragraph :
- i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, and its joint ventures. – Refer clause 8 of Note No. 49 to the consolidated Ind AS financial statements;
 - ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts – Refer clause 9(h) of Note No. 49 to the consolidated Ind AS financial statement in respect of such items as it relates to the Group and clause 10 of Note No. 49 of the consolidated Ind AS financial statement in respect of the Group’s share of net profit/loss in respect of its joint ventures. The Group does not have any derivative contracts.
 - iii. There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company, and joint ventures incorporated in India during the year ended 31st March 2017



- iv. The Group has provided requisite disclosures in its consolidated Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 08th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Group. Refer clause 14 of Note No. 49 to the consolidated Ind AS financial statements.

For M/s. S. Venkatram and Co
Chartered Accountants
Firm Registration No. 0046565

A handwritten signature in blue ink, appearing to read 'Sundarraman'.

S. Sundarraman
Partner
Membership No. 201028

Place : Bengaluru

Date : 29th June, 2017

“Annexure – A” to the Independent Auditor’s Report of even date on the consolidated Ind AS Financial Statements of M/s. Hindustan Aeronautics Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

1. In conjunction with our audit of the consolidated Ind AS financial statements of M/s. Hindustan Aeronautics Limited (‘the Holding Company’) as of and for the year ended 31st March 2017, we have audited the internal financial controls over financial reporting of the Holding Company and its subsidiary company and joint ventures, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company, its subsidiary company and its joint ventures, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (“the Guidance Note”) issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.
3. The Holding Company’s Management has in present financial year amongst other areas has specifically identified the following areas (i) Goods in Transit, (ii) Capital Work in Progress, Trade Receivables and (iv) Trade Payables, as a benchmark criteria for establishing Internal Financial Controls over financial reporting.

Auditors’ Responsibility

4. Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
5. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.
6. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the para 14 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.



Meaning of Internal Financial Controls Over Financial Reporting

7. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements

Inherent Limitations of Internal Financial Controls Over Financial Reporting

8. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

9. In our opinion, the Holding Company, its subsidiary company and its joint ventures, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

Other Matters

10. Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary company, and 13 joint ventures, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

For M/s. S. Venkatram and Co
Chartered Accountants
Firm Registration No. 004656S



S. Sundarraman
Partner
Membership No. 201028

Place : Bengaluru
Date : 29th June, 2017



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सं./No. Reports/2017-18/HAL 9K(16-17)/165

प्रधान निदेशक वाणिज्यिक लेखापरीक्षा एवं पदेन सदस्य
लेखापरीक्षा बोर्ड का कार्यालय, बंगलूर - 560 001
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT and Ex-Officio MEMBER, AUDIT BOARD,
BANGALORE - 560 001.

दिनांक/DATE. 14 July 2017

To

The Chairman & Managing Director
Hindustan Aeronautics Limited
Corporate Office,
No.15/1, Cubbon Road,
Bangalore-560001.

Sir,

Sub: Comments of the Comptroller and Auditor General of India under
section 143(6) (b) of the Companies Act, 2013.

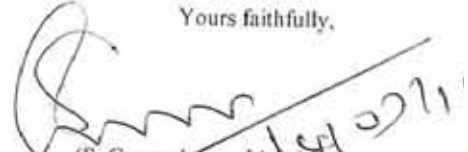
I forward herewith Nil Comments Certificate of the Comptroller and Auditor General
of India under Section 143(6) (b) of the Companies Act, 2013 on the accounts of Hindustan
Aeronautics Limited, Bangalore for the year ended 31 March 2017.

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;
- (iii) Placed before the AGM as required under proviso to Section 143(6)(b) of the
Companies Act, 2013.

The receipt of this letter may please be acknowledged.

Yours faithfully,


(S. Gunasekaran, IA&AS)
Deputy Director (Reports)

Encl: As above.

भारतीय लेखा तथा लेखापरीक्षा विभाग
INDIAN AUDIT & ACCOUNTS DEPARTMENT
पहला तल, बसव भवन, श्री बसवेश्वर रोड, बंगलूर - 560 001
1st Floor, Basava Bhavan, Sri Basaveswara Road, Bangalore - 560 001

दूरभा./ Phone : 2226 7646 / 2226 1168
Email : mabbangalore@cag.gov.in

फैक्स / Fax : 080-2226 2491



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HINDUSTAN AERONAUTICS LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2017.

The preparation of Consolidated Financial Statements of **Hindustan Aeronautics Limited, Bangalore** for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 139(5) read with section 129(4) of the Act are responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 29 June 2017.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6) (a) read with section 129(4) of the Act of the Consolidated Financial Statements of **Hindustan Aeronautics Limited, Bangalore** for the year ended 31 March 2017. We conducted a supplementary audit of the Financial Statements of Hindustan Aeronautics Limited, Bangalore, but did not conduct supplementary audit of the Financial Statements of one subsidiary company (Naini Aerospace limited, Allahabad) and thirteen Joint Venture Companies of Hindustan Aeronautics Limited (as per Annexure) for the year ended on that date. **Further section 139(5) and 143(6) (b) of the Act are not applicable to these Joint Venture Companies being private entities, for appointment of their Statutory Auditor nor for conduct of Supplementary Audit. Accordingly, C&AG has neither appointed the Statutory Auditors nor conducted the supplementary audit of these companies.** This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report.

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

Prachi Pandey
14-7-2017

(Prachi Pandey, IA&AS)

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

Bangalore
Dated: 14 July 2017



ANNEXURE

List of Joint Venture Companies of Hindustan Aeronautics Limited

1. BAeHAL Software Ltd, Bangalore
2. Indo Russian Aviation Ltd, Nasik
3. Snecma HAL Aerospace Pvt. Ltd, Bangalore
4. Samtel HAL Display System Ltd, New Delhi
5. HALBIT Avionics Pvt. Ltd, Bangalore
6. HAL Edgewood Technologies Private Ltd, Bangalore
7. Infotech HAL Limited, BANGALORE
8. HATSOFF Helicopter Training Pvt Ltd, Bangalore
9. Tata HAL Technologies Ltd, Bangalore
10. International Aerospace Manufacturing Private Ltd, Bangalore
11. Multirole Transport Aircraft Limited, Bangalore
12. Aerospace and Aviation Sector Skill Council
13. Helicopter Engine MRO Private Limited



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सं./No. Reports/2017-18/Naini ake (16-17)/15-7

प्रधान निदेशक वाणिज्यिक लेखापरीक्षा एवं पदेन सदस्य
लेखापरीक्षा बोर्ड का कार्यालय, बंगलूर - 560 001.
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT and Ex-Officio MEMBER, AUDIT BOARD,
BANGALORE - 560 001.

दिनांक / DATE. 11 July 2017.

To

The Chairman
M/s. Naini Aerospace Limited
UPSIDC Industrial Area
Post- TSL, Naini
Allahabad, U.P. - 211 010.

Sir,

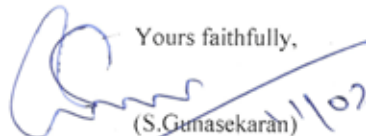
Sub: Comments of the Comptroller and Auditor General of India under section 143(6) (b) of the Companies Act, 2013.

I forward herewith Non review Certificate of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the accounts of M/s. Naini Aerospace Limited, Allahabad for the year ended 31 March 2017.

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;
- (iii) Placed before the AGM as required under proviso to Section 143(6) (b) of the Companies Act, 2013.

The receipt of this letter may please be acknowledged.

Yours faithfully,

(S. Ganesekar)
Deputy Director (Reports)

भारतीय लेखा तथा लेखापरीक्षा विभाग
INDIAN AUDIT & ACCOUNTS DEPARTMENT
पहला तल, बसव भवन, श्री बसवेश्वर रोड, बंगलूर - 560 001
1st Floor, Basava Bhavan, Sri Basaveswara Road, Bangalore - 560 001

दूरभा./ Phone : 2226 7646 / 2226 1168
Email : mabbangalore@cag.gov.in

फैक्स / Fax : 080-2226 2491

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE
FINANCIAL STATEMENTS OF NAINI AEROSPACE LIMITED, ALLAHABAD
FOR THE YEAR ENDED 31 MARCH 2017.**

The preparation of Financial Statements of Naini Aerospace Limited, Allahabad for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(7)¹ of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 17.05.2017.

I, on behalf of the Comptroller and Auditor General of India, have decided not to conduct the supplementary audit of the Financial Statements of Naini Aerospace Limited, Allahabad for the year ended 31 March 2017 under section 143 (6) (b) of the Act.

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

Prachi Pandey
11.7/17
(Prachi Pandey, IA&AS)

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

Place: Bangalore

Dated: 11 July 2017

¹ In case of first auditor appointed by the CAG



Consolidated Balance Sheet as at 31st March 2017

(₹ in Lakhs)

| Particulars | Note No. | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------------------|----------|-----------------------------|-----------------------------|----------------------------|
| ASSETS | | | | |
| (1) A. Non-current assets | | | | |
| (a)-i Property, Plant and Equipment | 1 | | | |
| Gross Block | 1A | 1116565 | 1028892 | 929156 |
| Less: Accumulated Depreciation | 1B | 538119 | 484450 | 425573 |
| Net Block | | 578446 | 544442 | 503583 |
| ii Property, Plant and Equipment-Customer Funded | 1 | | | |
| Gross Block | 1D | 5854 | - | - |
| Less: Accumulated Depreciation | 1E | 322 | - | - |
| Net Block | | 5532 | - | - |
| (b) Capital work-in-progress | 2 | 62112 | 37537 | 22702 |
| (c) Investment Property | 3 | | | |
| Gross Block | 3A | 9 | 9 | 9 |
| Less: Accumulated Depreciation | 3B | 5 | 5 | 5 |
| Net Block | | 4 | 4 | 4 |
| (d) Goodwill | 4 | - | - | - |
| (e) Other Intangible Assets | 5 | | | |
| Gross Block | 5A | 307310 | 303562 | 298009 |
| Less: Accumulated Amortization | 5B | 165948 | 155478 | 134314 |
| Net Block | | 141362 | 148084 | 163695 |
| (f) Intangible Assets under Development | 6 | | | |
| Gross Block | 6A | 130094 | 102598 | 76945 |
| Less: Accumulated Amortization | 6B | 31698 | 29047 | 25280 |
| Less: Impairment | 6C | 11762 | 8552 | 7548 |
| Net Block | | 86634 | 64999 | 44117 |
| (g) Investments in Joint Ventures | 7 | 20464 | 19006 | 19496 |
| (h) Financial Assets | | | | |
| (i) Investments-Others | 7A | 78935 | 72573 | 56993 |
| (ii) Trade Receivables | 8 | 1023 | - | 1554 |
| (iii) Loans | 9 | 5888 | 5199 | 5225 |
| (iv) Others | 10 | 36745 | 40132 | 37333 |
| (i) Deferred Tax Assets (net) | 11 | - | - | - |
| (j) Other Non-Current Assets | 12 | 121067 | 148624 | 135656 |
| Sub Total - A | | 1138212 | 1080600 | 990358 |
| (2) B. Current assets | | | | |
| (a) Inventories | 13 | 2132136 | 2398162 | 2495281 |
| (b) Financial Assets | | | | |
| (i) Investments | 14 | - | - | - |
| (ii) Trade receivables | 15 | 421028 | 483689 | 609287 |
| (iii) Cash and Cash Equivalents | 16 | 1115334 | 1330343 | 1767139 |
| (iv) Bank Balances other than (iii) above | 17 | - | - | - |
| (v) Loans | 18 | 9881 | 9805 | 17596 |
| (vi) Other Financial Assets | 19 | 258164 | 220882 | 198680 |
| (c) Current Tax Assets (Net) | 20 | 11493 | - | 10040 |
| (d) Other Currents Assets | 21 | 69011 | 129697 | 159404 |
| Sub Total - B | | 4017047 | 4572578 | 5257427 |
| Total Assets (A+B) | | 5155259 | 5653178 | 6247785 |

Consolidated Balance Sheet as at 31st March 2017

(₹ in Lakhs)

| Particulars | Note No. | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------------------------|----------|-----------------------------|-----------------------------|----------------------------|
| EQUITY AND LIABILITIES | | | | |
| (1) A. Equity | | | | |
| (a) Equity Share capital | 22 | 36150 | 36150 | 48200 |
| (b) Other Equity | 23 | 1219761 | 1067071 | 1441941 |
| Sub Total - A | | 1255911 | 1103221 | 1490141 |
| LIABILITIES | | | | |
| (1) B. Non-current liabilities | | | | |
| (a) Financial Liabilities | | | | |
| (i) Borrowings | 24 | - | - | - |
| (ii) Trade Payables | 25 | 19255 | - | 340 |
| (iii) Other Financial Liabilities | 26 | 37157 | 39731 | 37323 |
| (b) Provisions | 27 | 202974 | 248251 | 257282 |
| (c) Deferred Tax Liabilities (Net) | 28 | 95992 | 81475 | 66078 |
| (d) Other Non-Current Liabilities | 29 | 984724 | 915455 | 875131 |
| Sub Total - B | | 1340102 | 1284912 | 1236154 |
| (2) C. Current Liabilities | | | | |
| (a) Financial liabilities | | | | |
| (i) Borrowings | 30 | 95000 | - | - |
| (ii) Trade payables | 31 | 160467 | 215122 | 226757 |
| (iii) Other financial liabilities | 32 | 109764 | 97694 | 111701 |
| (b) Other Current Liabilities | 33 | 1906140 | 2678740 | 2935853 |
| (c) Provisions | 34 | 287875 | 263766 | 247179 |
| (d) Current Tax Liabilities (Net) | 35 | - | 9723 | - |
| Sub Total - C | | 2559246 | 3265045 | 3521490 |
| Total Equity and Liabilities - (A+B+C) | | 5155259 | 5653178 | 6247785 |

Note '1' to '49' and Accounting Policies attached form part of the Accounts
As per our Report attached

for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.004656S



(C.V. RAMANA RAO)
Director (Finance) & CFO



(T. SUVARNA RAJU)
Chairman & Managing Director



(S Sundarraman)
Partner
Membership No. 201028



(G.V. SESA REDDY)
Company Secretary

Place: Bangalore

Date: 29th June, 2017



Consolidated Statement of Profit and Loss for the period ended


(₹ in Lakhs)

| S.No. | Particulars | Note No. | 31 st March 2017 | 31 st March 2016 |
|-------|------------------------------------------------------------------------------------------------------------------------------------|----------|-----------------------------|-----------------------------|
| | REVENUE- | | | |
| I | Revenue from Operations | 36 | 1855493 | 1715850 |
| II | Other Income | 37 | 104189 | 159614 |
| III | Total Income (I+II) | | 1959682 | 1875464 |
| | EXPENSES | | | |
| IV | Cost of Materials Consumed | 38 | 840432 | 881186 |
| | Purchases of Stock-in-Trade | 38A | 29073 | 36368 |
| | Changes in Inventories of Finished Goods, Stock-in-Trade, Work-in-Progress and Scrap | 39 | 51091 | -56231 |
| | Excise Duty | | 60336 | 40012 |
| | Employee Benefits Expense | 40 | 357049 | 327438 |
| | Finance Costs | 41 | 1022 | - |
| | Depreciation, Amortization Expense and Impairment Loss | 42 | 71292 | 86282 |
| | Other Expenses | 43 | 124923 | 117607 |
| | Direct Input to WIP / Expenses Capitalised | 44 | 46561 | 51193 |
| | Provisions | 45 | 81187 | 105112 |
| | Total Gross Expenses | | 1662966 | 1588967 |
| | Less: Expenses relating to Capital and Other Accounts | 46 | 60794 | 33602 |
| | Total expenses (IV) | | 1602172 | 1555365 |
| V | Profit/(Loss) before Exceptional items and Tax (III-IV) | | 357510 | 320099 |
| VI | Share of Profit / (Loss) of Joint Ventures accounted using Equity Method | | 1666 | 1192 |
| VII | Exceptional Items | | - | - |
| VIII | Profit/(Loss) before Tax (V+VI) | | 359176 | 321291 |
| IX | Tax expense: | | | |
| | (1) Current Tax | | 82178 | 84589 |
| | (2) Minimum Alternate Tax (MAT) Credit (Entitlement)/Utilisation | | - | 20906 |
| | (3) Earlier Tax | | - | - |
| | (4) Deferred Tax | | 14517 | 15397 |
| X | Profit (Loss) for the period from Continuing Operations (VIII-IX) | | 262481 | 200399 |
| XI | Profit/(loss) from Discontinued Operations | | - | - |
| XII | Tax expense of Discontinued Operations | | - | - |
| XIII | Profit/(loss) from Discontinued Operations (after tax) (XI-XII) | | - | - |
| XIV | Profit/(loss) for the period (X+XIII) | | 262481 | 200399 |
| XV | Other Comprehensive Income | | | |
| | A (i) Items that will not be reclassified to profit or loss | 47 | 930 | 1029 |
| | (ii) Share of Other Comprehensive Income of JVs accounted using Equity Method | | 3 | 4 |
| | (iii) Income tax relating to items that will not be reclassified to Profit or Loss | | -323 | -357 |
| | B (i) Items that will be reclassified to profit or loss | 48 | 1 | -4 |
| | (ii) Share of Other Comprehensive Income of JVs accounted using Equity Method | | 4 | 6 |
| | (iii) Income tax relating to items that will be reclassified to Profit or Loss | | - | 2 |
| | | | 615 | 680 |
| XVI | Total Comprehensive Income for the period (XIV+XV) (Comprising Profit (Loss) and Other Comprehensive Income for the period) | | 263096 | 201079 |
| XVII | Earnings per Equity Share (for Continuing Operations): | | | |
| | (1) Basic | | 72.61 | 41.58 |
| | (2) Diluted | | 72.61 | 41.58 |
| XVIII | Earnings per Equity Share (for Discontinued Operations): | | | |
| | (1) Basic | | - | - |
| | (2) Diluted | | - | - |
| XIX | Earnings per Equity Share (for Continuing & Discontinued Operations): | | | |
| | (1) Basic | | 72.61 | 41.58 |
| | (2) Diluted | | 72.61 | 41.88 |

Note '1' to '49' and Accounting Policies attached form part of the Accounts As per our Report attached

for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.004656S


(C.V. RAMANA RAO)
Director (Finance) & CFO


(T. SUVARNA RAJU)
Chairman & Managing Director


(S Sundarraman)
Partner
Membership No. 201028
Place: Bangalore
Date: 29th June, 2017


(G.V. SESA REDDY)
Company Secretary

Consolidated- Statement of Changes in Equity for the year ended 31st March, 2017

| A. Equity Share Capital | | | | (₹ in Lakhs) | |
|-----------------------------|---------------------------------------------------------|------------------------------|---------------------------------------------------------|------------------------------|--|
| Balance as at April 1, 2015 | Changes in Equity Share Capital during the year 2015-16 | Balance as at March 31, 2016 | Changes in Equity Share Capital during the year 2016-17 | Balance as at March 31, 2017 | |
| 48200 | -12050 | 36150 | - | 36150 | |

| B. Other Equity | | | | | | | | | | (₹ in Lakhs) | |
|-------------------------------------------------------|----------------------------------|----------------------------|-----------------|-------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------|----------------|-------|--|--------------|--|
| Particulars | Reserves and Surplus | | | | Other Components of equity | | | Total | | | |
| | Research and Development Reserve | Capital Redemption Reserve | General Reserve | Retained earnings | Remeasurements of net defined benefit liability/ asset | Exchange differences in translating the financial statements of a foreign operation | | | | | |
| Balance as at April 1, 2015 | 17438 | - | 1431009 | - | -6506 | - | 1441941 | | | | |
| Current Year Transfer | 14669 | 12050 | - | - | - | - | 26719 | | | | |
| Profit for the year | - | - | - | 200399 | - | - | 200399 | | | | |
| Written Back in Current Year | -593 | - | - | - | - | - | -593 | | | | |
| Surplus Transferred from Statement of Profit and Loss | - | - | 112298 | - | - | - | 112298 | | | | |
| Transfer from R&D Reserve | - | - | 593 | - | - | - | 593 | | | | |
| Depreciation on transition | - | - | -25 | - | - | - | -25 | | | | |
| Withdrawn towards Buy Back of Shares | - | - | -514542 | - | - | - | -514542 | | | | |
| Transfer to Research & Development Reserve | - | - | - | -14669 | - | - | -14669 | | | | |
| Interim Dividend including tax | - | - | - | -61382 | - | - | -61382 | | | | |
| Transfer to Capital Redemption Reserve | - | - | - | -12050 | - | - | -12050 | | | | |
| Transfer to General Reserves | - | - | - | -112298 | - | - | -112298 | | | | |
| Items that will be reclassified to profit or loss | - | - | - | - | - | 2 | 2 | | | | |



(₹ in Lakhs)

| Particulars | Reserves and Surplus | | | | Other Components of equity | | Total |
|------------------------------------------------------------------------------|----------------------------------|----------------------------|-----------------|-------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------|----------------|
| | Research and Development Reserve | Capital Redemption Reserve | General Reserve | Retained earnings | Remeasurements of net defined benefit liability/ asset | Exchange differences in translating the financial statements of a foreign operation | |
| Income tax relating to items that will be reclassified to profit or loss | - | - | - | - | - | 2 | 2 |
| Items that will not be reclassified to profit or loss | - | - | - | - | 1033 | - | 1033 |
| Income tax relating to items that will not be reclassified to profit or loss | - | - | - | - | -357 | - | -357 |
| Balance as at March 31, 2016 | 31514 | 12050 | 1029333 | - | -5830 | 4 | 1067071 |
| Balance as at April 1, 2016 | 31514 | 12050 | 1029333 | - | -5830 | 4 | 1067071 |
| Current Year Transfer | 19656 | - | - | - | - | - | 19656 |
| Profit for the year | - | - | - | 262481 | - | - | 262481 |
| Written Back in Current Year | -1604 | - | - | - | - | - | -1604 |
| Surplus Transferred from Statement of Profit and Loss | - | - | 146539 | - | - | - | 146539 |
| Transfer to Statement of Profit & Loss | - | - | -14120 | - | - | - | -14120 |
| Transfer from General Reserve | - | - | - | 14120 | - | - | 14120 |
| Interim Dividend including tax | - | - | - | -96286 | - | - | -96286 |
| Final Dividend including tax | - | - | - | -14120 | - | - | -14120 |
| Transfer to R&D Reserve | - | - | - | -19656 | - | - | -19656 |
| Items that will be reclassified to profit or loss | - | - | - | - | - | 5 | 5 |

(₹ in Lakhs)

| Particulars | Reserves and Surplus | | | | Other Components of equity | | Total |
|------------------------------------------------------------------------------|----------------------------------|----------------------------|-----------------|-------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------|----------------|
| | Research and Development Reserve | Capital Redemption Reserve | General Reserve | Retained earnings | Remeasurements of net defined benefit liability/ asset | Exchange differences in translating the financial statements of a foreign operation | |
| Income tax relating to items that will be reclassified to profit or loss | - | - | - | - | - | - | - |
| Items that will not be reclassified to profit or loss | - | - | - | - | 933 | - | 933 |
| Income tax relating to items that will not be reclassified to profit or loss | - | - | - | - | -323 | - | -323 |
| Transfer to General Reserves | - | - | - | -146539 | - | - | -146539 |
| Transfer from R&D Reserve | - | - | 1604 | - | - | - | 1604 |
| Balance as at March 31, 2017 | 49566 | 12050 | 1163356 | - | -5220 | 9 | 1219761 |

As per our Report attached

for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.0046565



(S Sundarraman)

Partner

Membership No. 201028

Place: Bangalore

Date: 29th June, 2017



(C.V. RAMANA RAO)

Director (Finance) & CFO



(T. SUVARNA RAJU)

Chairman & Managing Director



(G.V. SESHHA REDDY)

Company Secretary



Consolidated Statement of Cash Flow for the Period Ended 31ST MARCH 2017

(₹ in Lakhs)

| Sl. No. | Particulars | 2016-17 | | 2015-16 | |
|---------|-----------------------------------------------------------------------------------------|---------|----------------|---------|---------------|
| I. | CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| | Net Profit as per Statement of Profit & Loss | | 360114 | | 322326 |
| | Adjustments to reconcile net profit to net cash provided by operating activities | | | | |
| | (Profit)/Loss on Sale of Property, Plant & Equipment | -80 | | -198 | |
| | Interest Paid | 1022 | | - | |
| | Interest Received - Net of Interest Liability to Customer | - | | - | |
| | Dividend Received | -47 | | -14 | |
| | Net (Gain)/Loss on Fair Value Adjustment | 820 | | - | |
| | Provision for Diminution in Value of Investments | 123 | | 1472 | |
| | Depreciation and amortization expense | 71292 | | 86282 | |
| | Sub-total | | 73130 | | 87542 |
| | Operating Profit Before Working Capital Changes | | 433244 | | 409868 |
| | Adjustments for Changes in Operating Assets and Liabilities | | | | |
| | Trade Receivables | 61638 | | 127153 | |
| | Loans, Financial Assets and Other Assets | 52508 | | -452 | |
| | Inventories | 266026 | | 97118 | |
| | Trade Payables | -35401 | | -11974 | |
| | Financial Liabilities, Provisions and Other Liabilities | -714748 | | -220825 | |
| | Sub-total | | -369977 | | -8980 |
| | Cash generated from Operations | | 63267 | | 400888 |
| | Direct Tax Paid | | -103717 | | -86088 |
| | Net Cash Provided by Operating Activities (a) | | -40450 | | 314800 |
| II. | CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| | Investments made | -6362 | | -15580 | |
| | Investment in Plant, Property & Equipment ¹ | -120147 | | -116129 | |
| | Intangible Assets | -31244 | | -31206 | |
| | Investment in Joint Ventures | -1581 | | -982 | |
| | Investment in Subsidiary | - | | - | |
| | Investment/(Maturity) of short term deposits | 459560 | | 298344 | |
| | Interest Received - Net of Interest Liability to Customer | - | | - | |
| | Dividend Received | 47 | | 14 | |
| | Sale of Plant, Property & Equipment | 1156 | | 261 | |
| | Net Cash Flow Provided by/(used in) Investing Activities (b) | | 301429 | | 134722 |

(₹ in Lakhs)

| Sl. No. | Particulars | 2016-17 | | 2015-16 | |
|---------|-----------------------------------------------------------------------|---------|----------------|---------|----------------|
| III. | CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| | Buy Back of Shares | - | | -526592 | |
| | Interest Paid | -1022 | | - | |
| | Loan from Banks | 95000 | | - | |
| | Dividend Paid (Interim/ Final Dividend inclusive of Tax) | -110406 | | -61382 | |
| | Net Cash Flow Provided by Financing Activities (c) | | -16428 | | -587974 |
| | Abstract: | | | | |
| I. | Net Cash Flow from Operating Activities (a) | | -40450 | | 314800 |
| II. | Net Cash Flow from Investing Activities (b) | | 301429 | | 134722 |
| III. | Net Cash Flow from Financing Activities (c) | | -16428 | | -587974 |
| | Net increase in Cash and Cash Equivalents during the year | | 244551 | | -138452 |
| | Cash and Cash Equivalents at the beginning of the year ² | | 34405 | | 172857 |
| | Closing Cash and Cash Equivalents at the end of the year ² | | 278956 | | 34405 |
| | Net increase in Cash and Cash Equivalents during the year | | 244551 | | -138452 |
| | Closing Cash and Cash Equivalents as per Ind AS-7 | | 278956 | | 34405 |
| | Add: Other Bank Balances included in Note-16 | | 836378 | | 1295938 |
| | Closing Cash and Cash Equivalents as per Note -16 | | 1115334 | | 1330343 |

Notes:

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

As per our Report attached

for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.004656S



(S Sundarraman)
Partner
Membership No. 201028
Place: Bangalore
Date: 29th June, 2017



(C.V. RAMANA RAO)
Director (Finance) & CFO



(T. SUVARNA RAJU)
Chairman & Managing Director



(G.V. SESA REDDY)
Company Secretary



SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING:

The Consolidated Financial Statements are prepared to comply in all material aspects with Indian Accounting Standards (Ind AS) as prescribed under Section 133 of Companies Act 2013 read with relevant rules of the Companies (Indian Accounting Standards) Rules with effect from 1st April 2016.

2. USES OF ESTIMATES:

Preparation of financial statements in conformity with the recognition and the measurement principle of Ind AS requires the management of the Company to make estimates, judgments and assumptions that affects the reported balances of Assets and Liabilities, disclosure relating to contingent liabilities as on the date of the Financial Statements and the reported amount of revenues and expense for the reporting period.

Estimates and the underline assumption are reviewed on ongoing basis. The revision to the accounting estimates if material are recognized in the period in which the estimates are revised.

3. BASIS OF CONSOLIDATION:

The interest in Joint Venture Companies has been accounted by using the Equity method of accounting to the extent of investment made. The financial statement of the subsidiary Company are consolidated on line by line basis.

4. PROPERTY PLANT & EQUIPMENT:

- a) Property, Plant and Equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.
- b) The costs directly attributable including borrowing cost on qualifying asset are capitalized when the Property, Plant and Equipment are ready for use, as intended by the management.
- c) Subsequent expenditure relating to Property, Plant and Equipment including major inspection costs, spare parts, standby and servicing equipment are capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.
- d) In accordance with Ind AS 101 provisions relating to first time adoption, the Company has chosen to consider the carrying value for all its Property, Plant and Equipment as their deemed cost as at the Opening Balance Sheet as at April 01, 2015.
- e) Lease hold land is capitalized and depreciated over the period of lease.
- f) As per para D36 of Ind AS 101, in respect of Customer Funded Assets the Company has adopted and applied Appendix C of Ind AS 18 wherein the assets created after 01.04.2016 has been capitalized.

- g) Depreciation is calculated on straight line basis over estimated useful life as prescribed in Schedule II of the Companies Act 2013. Plant and Equipment individually costing ₹ 50,000 and below are fully depreciated in the year of purchase.
- h) Where cost of an item of Property, Plant and Equipment are significant and have different useful lives, they are treated as separate components and depreciated over their estimated useful lives.
- i) Certain items like Special Tools are amortized over the number of units of production expected to be obtained from the asset based on technical assessment and management estimates depending on the nature and usage of the respective assets.
- j) CSR Assets are fully depreciated in the year of capitalization.
- k) The cost and the related accumulated depreciation is eliminated from the Financial Statement upon sale or de-recognition or retirement of the asset and the resultant gain or losses are recognized in the Statement of Profit and Loss of the relevant period.
- l) The estimated useful lives, residual values and depreciation / amortisation method are reviewed at the end of each reporting period with the effect of changes in estimates accounted for on a prospective basis.

5. INVESTMENT PROPERTY

Investment Properties are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. In accordance with Ind AS 101 provisions relating to first time adoption, the Company has chosen to consider the carrying value for all its Investment Property recognized in its Indian GAAP financial statement as their deemed cost as at the transition date viz. April 01, 2015.

6. INTANGIBLE ASSETS

- a) Intangible Assets are recognized at cost less any accumulated amortization and accumulated impairment losses if any.
- b) Expenditure on Research and Development is charged off as an expenditure in the year in which it is incurred.
- c) Development Costs having an useful life are recognized as an intangible asset and amortised over its useful life.
- d) Expenditure on licence fees, documentation charges etc, based on the definition criteria of intangible assets in terms of reliability of measurement of cost and future economic benefits from the assets, are amortised over production on technical estimates, and to the extent not amortised, are carried forward.
- e) The cost of software internally generated / acquired for internal use which is not an integral part of the related hardware, is recognized as an intangible asset and is amortised over its useful life, on straight line method. Amortisation commences when the asset is available for use.



- f) Wherever it is not possible to assess the useful life of an intangible assets (whether or not significant) the same has not been amortised. Impairment on the intangible assets are reviewed annually and when there is an indication of impairment, the asset is impaired.

7. LONG TERM INVESTMENT

- a) In accordance with Ind AS 101, provision relating to first time adoption, the Company has chosen to consider the carrying amount of investment as their deemed cost as at the Opening Balance sheet as at 01st April, 2015.
- b) Investments are carried individually at cost less accumulated impairment in the value of such Investment.
- c) Cost of Investment includes acquisition charges such as brokerage, fees and duties.
- d) Impairment in value of investment is made when there is a fall in value of investment.

8. 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.

9. FINANCIAL ASSETS AND LIABILITIES

The Company recognizes all Financial Assets and Liabilities at Fair Value on inception and subsequent measurements are done at amortised cost.

10. DEFERRED DEBTS

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

11. TRADE RECEIVABLES

Debts from the Government departments are generally treated as fully recoverable and hence the Company does not recognise credit risk of such financial assets. Impairment on account of expected credit loss is being assessed on a case to case basis in respect of dues outstanding for a significant period of time.

12. TRADE AND OTHER PAYABLES

Liabilities are recognized for the amounts to be paid in future for goods / services received whether billed by the supplier or not.



13. INVENTORIES

- a) Inventories are valued at lower of cost and Net Realisable Value.
- b) The cost of raw material excluding Goods-in-Transit, components and stores are assigned by using the weighted average cost formula. Goods-in-Transit are valued at cost to date. In the case of Finished Goods, 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.
- c) Provision for redundancy is assessed on ageing at a suitable percentage / level of the value of closing inventory of raw material and components, stores and spare parts and construction material. Besides, wherever necessary, adequate provision is made for the redundancy of such materials in respect of completed / specific projects and other surplus / redundant material pending transfer to salvage stores.
- d) Saleable / Disposable scrap is valued at Net Realisable Value.
- e) Stores declared surplus / unserviceable / redundant are charged to revenue in the year of such identification.
- f) Consumables issued from stores and lying unused at the end of the year are not reckoned as inventory.

14. REVENUE RECOGNITION

14.1. Manufacturing, Repair and Overhaul / Spares Sale

- a) Sales are set up on the basis of
 - i. Acceptance by the buyer's Inspector, by way of signaling out certificate, in the case of the manufacture of aircraft/helicopters
 - ii. For other deliverables like spares, sales are set up based on acceptance by the buyer's inspection agency or as agreed to by the buyer.
 - iii. For Repair of Aircraft/Helicopter/Engine & Repair/Overhaul of Rotables, Site repairs, Cat 'B' repair servicing etc., sales are recognized on acceptance by the Buyer's inspection agency or as agreed to by the Buyer.
 - iv. For Overhaul of Aircraft/Helicopter/Engine, sales are set up on Percentage Completion of Service (POC) method.
- b) 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.
- c) Revenue on Warranty is being recognized proportionately to the extent of warranty falling within the reporting period.

14.2. Development Sales

Development Sales are recognized on incurrance of expenditure identifiable to work orders and milestones achieved as per contract. Where milestones have not been defined in terms of their respective contract, sales are recognized based on the actual incurrance of expenditure.



15. EMPLOYEE BENEFITS

- a) Gratuity and Provident Fund are Defined Benefit Plans and liability is provided on the basis of actuarial valuation in respect of eligible employees and is remitted to the trust progressively.
- b) Provision for Earned leave is a Defined Benefit Plan and the liability is provided on the basis of actuarial valuation.
- c) Pension Scheme and Post Superannuation Group Health Insurance Scheme for employees are Defined Contribution Plans and the contribution to the corpus of the same is made by the Company to the trust. The Company's liability is limited to the extent of contribution made to these funds.

16. FOREIGN CURRENCY TRANSACTION

Assets and Liabilities are re-instated at the rate prevalent at each Balance Sheet date. The Income / Expenditure on account of this is charged to Statement of Profit & Loss.

17. INCOME TAXES

- a) Current Tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of Income Tax Act, 1961 (the "Act"). Current Tax includes tax liability computed as per the normal provisions of the Act and /or under Section 115JB of the Act.
- b) Deferred Tax is recognized using the Balance Sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred Tax Assets in excess of Deferred Tax Liability are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred Tax Assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

18. CLAIMS BY 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 and are carried forward till such time the Company has a legal right to recover such amounts.

19. PROVISION AND CONTINGENT LIABILITIES

- a) A provision is recognised, when the Company has the present obligation as result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made.
- b) Where no reliable estimate can be made or when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources, disclosure is made as Contingent Liability.



- c) When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

19.1 PROVISION FOR WARRANTY

Provision for warranty is recognized on actuarial valuation for Manufacturing and Repair and Overhaul of Aircraft/Helicopter/Engine/Rotables and Spares and development activities etc.

19.2 PROVISION FOR LIQUIDATED DAMAGES

Provision for Liquidated Damages is recognized when there is a delay between the due date of supply of the Goods/ rendering of Service as per delivery schedule and the expected date of delivery of said Goods / rendering of Service in respect of Manufacturing and Repair and Overhaul of Aircraft/Helicopter/Engine/ Rotables, Spares and development activities etc.

19.3 PROVISION FOR ONEROUS CONTRACTS

A provision for onerous contract is recognized when the expected benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(C.V.RAMANA RAO)

Director (Finance) & CFO

(T.SUVARNA RAJU)

Chairman & Managing Director

(G.V.SESHA REDDY)

Company Secretary

Place: Bengaluru

Date: 29th June 2017



Note - 1 : Plant, Property and Equipment
Note - 1A : Gross Block -Plant, Property and Equipment

Following table represents the changes in Plant, Property & Equipment for the year ended

(₹ in Lakhs)

| Particulars | Gross Block as at 1 st April 2016 | Additions | Reclasfn. / Adjustment | Disposals | Gross Block as at 31 st March 2017 |
|--------------------------------|----------------------------------------------------|--------------|---------------------------|-------------|-----------------------------------------------------|
| Cost or Deemed cost | | | | | |
| Fixed Assets | | | | | |
| Land | | | | | |
| - Leasehold | 846 | - | - | - | 846 |
| - Freehold | 1781 | 6 | - | - | 1787 |
| Buildings | 92350 | 9665 | - | - | 102015 |
| Plant and Equipment | 276444 | 36411 | -4 | 777 | 312074 |
| Furniture and Fixtures | 12225 | 1252 | 1 | 36 | 13442 |
| Vehicles | 8357 | 1356 | - | 176 | 9537 |
| Office Equipment | 18331 | 2114 | 3 | 32 | 20416 |
| Assets used for CSR Activities | 4254 | 268 | - | - | 4522 |
| Others | | | | | |
| Roads and Drains | 6351 | 927 | - | - | 7278 |
| Water Supply | 4086 | 643 | - | - | 4729 |
| Rail Road Sidings | 71 | - | - | - | 71 |
| Runways | 5566 | - | - | - | 5566 |
| Aircraft/Helicopters | 15343 | 2676 | - | - | 18019 |
| Sub Total | 446005 | 55318 | - | 1021 | 500302 |
| Special Tools | 582887 | 34400 | - | 1024 | 616263 |
| Total | 1028892 | 89718 | - | 2045 | 1116565 |

Note -1B : Accumulated Depreciation- Plant, Property and Equipment

(₹ in Lakhs)

| Particulars | Provision as at 1 st April 2016 | Additions | Reclasfn. / Adjustment | Disposals/ Reversals | Provision as at 31 st March 2017 | Net Block as at 31 st March 2017 | Net Block as at 31 st March 2016 |
|--------------------------------|--------------------------------------------|--------------|------------------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Depreciation | | | | | | | |
| Land | | | | | | | |
| - Leasehold | 64 | 12 | - | - | 76 | 770 | 782 |
| - Freehold | - | - | - | - | - | 1787 | 1781 |
| Buildings | 34013 | 3218 | - | - | 37231 | 64784 | 58337 |
| Plant and Equipment | 191448 | 16705 | 2 | 765 | 207390 | 104684 | 84996 |
| Furniture and Fixtures | 9033 | 1365 | (2) | 33 | 10363 | 3079 | 3192 |
| Vehicles | 5310 | 699 | - | 142 | 5867 | 3670 | 3047 |
| Office Equipment | 15207 | 1929 | - | 29 | 17107 | 3309 | 3124 |
| Assets used for CSR Activities | 4254 | 268 | - | - | 4522 | - | - |
| Others | | | | | | | |
| Roads and Drains | 4982 | 745 | - | - | 5727 | 1551 | 1369 |
| Water Supply | 2634 | 258 | - | - | 2892 | 1837 | 1452 |
| Rail Road Sidings | 71 | 0 | - | - | 71 | - | - |
| Runways | 4821 | 260 | - | - | 5081 | 485 | 745 |
| Aircraft/Helicopters | 4531 | 790 | - | - | 5321 | 12698 | 10812 |
| Subtotal | 276368 | 26249 | - | 969 | 301648 | 198654 | 169637 |
| Special Tools | 208082 | 28389 | - | - | 236471 | 379792 | 374805 |
| Total | 484450 | 54638 | - | 969 | 538119 | 578446 | 544442 |

31st March 2017

| | |
|----------------------------------------------------------------|------------|
| Gross Value of Assets with M/s. Midhani | 1195 |
| Cumulative Depreciation in respect of Assets with M/s. Midhani | 823 |
| | <u>373</u> |

31st March 2017

| | |
|--------------------------------------------------------------------------|----------|
| 1 Gross Value of Assets retired from Active Use | 2974 |
| 2 Less : Cumulative Depreciated Value of Assets retired from Active Use. | 2968 |
| WDV of Assets Retired from Active Use. | <u>6</u> |

* Depreciation for the year includes lease charges for land taken on lease for establishing units at Kasaragod & LO Mumbai



Note -1 : Plant, Property and Equipment
Note -1A : Gross Block -Plant, Property and Equipment

Following table represents the changes in Plant, Property & Equipment for the year ended

(₹ in Lakhs)

| Particulars | Gross Block as at 1 st April 2015 | Additions | Reclasfn. / Adjustment | Disposals | Gross Block as at 31 st March 2016 |
|--------------------------------|----------------------------------------------------|---------------|---------------------------|-------------|-----------------------------------------------------|
| Cost or Deemed cost | | | | | |
| Fixed Assets | | | | | |
| Land | | | | | |
| - Leasehold | 711 | 135 | - | - | 846 |
| - Freehold | 1781 | - | - | - | 1781 |
| Buildings | 84774 | 7540 | 52 | 16 | 92350 |
| Plant and Equipment | 249368 | 27831 | 146 | 901 | 276444 |
| Furniture and Fixtures | 10604 | 1724 | | 103 | 12225 |
| Vehicles | 7451 | 1028 | | 122 | 8357 |
| Office Equipment | 16771 | 2102 | -146 | 396 | 18331 |
| Assets used for CSR Activities | - | 4254 | - | - | 4254 |
| Others | | | | | |
| Roads and Drains | 5965 | 402 | - | 16 | 6351 |
| Water Supply | 3889 | 253 | -52 | 4 | 4086 |
| Rail Road Sidings | 71 | - | - | - | 71 |
| Runways | 5566 | - | - | - | 5566 |
| Aircraft/Helicopters | 15343 | - | - | - | 15343 |
| Sub Total | 402294 | 45269 | - | 1558 | 446005 |
| Special Tools | 526862 | 56025 | - | - | 582887 |
| Total | 929156 | 101294 | - | 1558 | 1028892 |
| Previous Year - Fixed Assets | 372862 | 30584 | - | 1152 | 402294 |
| Previous Year - Special Tools | 501037 | 25825 | - | - | 526862 |

Note -1B : Accumulated Depreciation- Plant, Property and Equipment

(₹ in Lakhs)

| Particulars | Provision as at 1 st April 2015 | Additions | Reclasfn. / Adjustment | Disposals/ Reversals | Provision as at 31 st March 2016 | Net Block as at 31 st March 2016 | Net Block as at 31 st March 2015 |
|--------------------------------|--------------------------------------------|--------------|------------------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Depreciation | | | | | | | |
| Land | | | | | | | |
| - Leasehold | 56 | 8 | - | - | 64 | 782 | 655 |
| - Freehold | - | - | - | - | - | 1781 | 1781 |
| Buildings | 30168 | 3809 | 52 | 16 | 34013 | 58337 | 54606 |
| Plant and Equipment | 175452 | 16838 | 28 | 870 | 191448 | 84996 | 73916 |
| Furniture and Fixtures | 7501 | 1615 | -3 | 80 | 9033 | 3192 | 3103 |
| Vehicles | 4873 | 543 | - | 106 | 5310 | 3047 | 2578 |
| Office Equipment | 13353 | 2257 | - | 403 | 15207 | 3124 | 3418 |
| Assets used for CSR Activities | - | 4254 | - | - | 4254 | - | - |
| Others | | | | | | | |
| Roads and Drains | 4106 | 892 | - | 16 | 4982 | 1369 | 1859 |
| Water Supply | 2463 | 227 | -52 | 4 | 2634 | 1452 | 1426 |
| Rail Road Sidings | 71 | - | - | - | 71 | - | - |
| Runways | 4555 | 266 | - | - | 4821 | 745 | 1011 |
| Aircraft/Helicopters | 3807 | 724 | - | - | 4531 | 10812 | 11536 |
| Subtotal | 246405 | 31433 | 25 | 1495 | 276368 | 169637 | 155889 |
| Special Tools | 179168 | 28914 | - | - | 208082 | 374805 | 347694 |
| Total | 425574 | 60347 | 25 | 1495 | 484450 | 544442 | 503583 |
| Previous Year - Fixed Assets | 214695 | 26243 | 6215 | 748 | 246405 | 155888 | - |
| Previous Year - Special Tools | 150885 | 28283 | - | - | 179168 | 347693 | - |

| | 31 st March 2016 | 31 st March 2015 |
|----------------------------------------------------------------|-----------------------------|-----------------------------|
| Gross Value of Assets with M/s. Midhani | 1195 | 1195 |
| Cumulative Depreciation in respect of Assets with M/s. Midhani | 532 | 444 |
| | <u>663</u> | <u>752</u> |

| | 31 st March 2016 | 31 st March 2015 |
|--------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 1 Gross Value of Assets retired from Active Use | 2730 | 2883 |
| 2 Less : Cumulative Depreciated Value of Assets retired from Active Use. | 2724 | 2870 |
| WDV of Assets Retired from Active Use. | <u>6</u> | <u>13</u> |

* Depreciation for the year includes lease charges for land taken on lease for establishing units at Kasaragod & LO Mumbai



Note -1D : Gross Block -Plant, Property and Equipment (Customer Funded)

Following table represents the changes in Plant, Property & Equipment for the year ended

(₹ in Lakhs)

| Particulars | Gross Block as at 1 st April 2016 | Additions | Reclasfn. / Adjustment | Disposals | Gross Block as at 31 st March 2017 |
|----------------------------|----------------------------------------------|-------------|------------------------|-----------|-----------------------------------------------|
| Cost or Deemed cost | | | | | |
| Fixed Assets | | | | | |
| Buildings | - | 1704 | - | - | 1704 |
| Plant and Equipment | - | 3908 | - | - | 3908 |
| Furniture and Fixtures | - | 97 | - | - | 97 |
| Vehicles | - | 71 | - | - | 71 |
| Office Equipment | - | 37 | - | - | 37 |
| Others | | | | | |
| Water Supply | - | 37 | - | - | 37 |
| Sub Total | - | 5854 | - | - | 5854 |
| Special Tools | - | | - | - | |
| Total | - | 5854 | - | - | 5854 |

Note -1E : Accumulated Depreciation- Plant, Property and Equipment (Customer Funded)

(₹ in Lakhs)

| Particulars | Provision as at 1 st April 2016 | Additions | Reclasfn. / Adjustment | Disposals/ Reversals | Provision as at 31 st March 2017 | Net Block as at 31 st March 2017 | Net Block as at 31 st March 2016 |
|------------------------|--------------------------------------------|------------|------------------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Depreciation | | | | | | | |
| Buildings | - | 30 | - | - | 30 | 1674 | - |
| Plant and Equipment | - | 169 | - | - | 169 | 3739 | - |
| Furniture and Fixtures | - | 90 | - | - | 90 | 7 | - |
| Vehicles | - | 17 | - | - | 17 | 54 | - |
| Office Equipment | - | 15 | - | - | 15 | 22 | - |
| Others | | | | | | | |
| Roads & Drains | - | - | - | - | - | - | - |
| Water Supply | - | 1 | - | - | 1 | 36 | - |
| Subtotal | - | 322 | - | - | 322 | 5532 | - |
| Special Tools | - | - | - | - | - | - | - |
| Total | - | 322 | - | - | 322 | 5532 | - |

Note - 2 : Capital Work in Progress

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Buildings | 39625 | 19396 | 10220 |
| Plant and Equipment | 8879 | 12830 | 7022 |
| Roads and Drains | - | 98 | 97 |
| Office Equipment | 15 | 165 | 28 |
| Water Supply | - | 178 | 45 |
| Plant and Equipment under Inspection and in Transit | 12785 | 4749 | 5189 |
| Special Tools | 808 | 121 | 101 |
| Total | 62112 | 37537 | 22702 |

Note - 3 : Investment Property

Following table represents the changes in Investment Property for the year ended

Note - 3A : Gross Block - Investment Property

(₹ in Lakhs)

| Particulars | Gross block as at 1 st April 2016 | Additions | Reclasfn. / Adjustment | Disposals | Gross block as at 31 st March 2017 |
|---------------------|----------------------------------------------|-----------|------------------------|-----------|-----------------------------------------------|
| Fixed Assets | | | | | |
| Buildings | 9 | - | - | - | 9 |
| Total | 9 | - | - | - | 9 |

Note-3B : Accumulated Depreciation - Investment Property

(₹ in Lakhs)

| Particulars | Provision as at 1 st April 2016 | Additions | Reclasfn. / Adjustment | Disposals/ Reversals | Provision as at 31 st March 2017 | Net Block as at 31 st March 2017 | Net Block as at 31 st March 2016 |
|---------------------|--------------------------------------------|-----------|------------------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Depreciation | | | | | | | |
| Buildings | 5 | - | - | - | 5 | 4 | 4 |
| Total | 5 | - | - | - | 5 | 4 | 4 |

Note - 3 : Investment Property

Following table represents the changes in Investment Property for the year ended

Note - 3A -Gross Block - Investment Property

(₹ in Lakhs)

| Particulars | Gross block as at 1 st April 2015 | Additions | Reclasfn. / Adjustment | Disposals | Gross block as at 31 st March 2016 |
|-----------------------------------|----------------------------------------------|-----------|------------------------|-----------|-----------------------------------------------|
| Fixed Assets | | | | | |
| Buildings | 9 | - | - | - | 9 |
| Total | 9 | - | - | - | 9 |
| Previous Year Investment Property | 9 | - | - | - | 9 |



Note - 3B : Accumulated Depreciation - Investment Property

(₹ in Lakhs)

| Particulars | Provision as at 1 st April 2015 | Additions | Reclasfn. / Adjustment | Disposals/ Reversals | Provision as at 31 st March 2016 | Net Block as at 31 st March 2016 | Net Block as at 31 st March 2015 |
|-------------------------------------|--------------------------------------------|-----------|------------------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Depreciation | | | | | | | |
| Buildings | 5 | - | - | - | 5 | 4 | 4 |
| Total | 5 | - | - | - | 5 | 4 | 4 |
| Previous Year - Investment Property | 5 | - | - | - | 5 | 4 | 4 |

Note - 5 : Other Intangible Assets

Following table represents the changes in Other Intangible Assets for the year ended 31st March 2017

Note-5A : Gross Block - Other Intangible Assets

(₹ in Lakhs)

| Particulars | As on 1 st April 2016 | Additions | As on 31 st March 2017 |
|-------------------|----------------------------------|-------------|-----------------------------------|
| Licence Fees | 248613 | 507 | 249120 |
| Computer Software | 11607 | 723 | 12330 |
| Documentation | 43342 | 2518 | 45860 |
| Total | 303562 | 3748 | 307310 |

Note-5B : Accumulated Amortization - Other Intangible Assets

(₹ in Lakhs)

| Particulars | As on 1 st April 2016 | Amortisation | As on 31 st March 2017 |
|-------------------|----------------------------------|--------------|-----------------------------------|
| Licence Fees | 132575 | 7353 | 139928 |
| Computer Software | 8807 | 1129 | 9936 |
| Documentation | 14096 | 1988 | 16084 |
| Total | 155478 | 10470 | 165948 |

Note - 5 : Other Intangible Assets

Following table represents the changes in Other Intangible Assets for the year ended 31st March 2016

Note-5A : Gross Block - Other Intangible Assets

(₹ in Lakhs)

| Particulars | As on 1 st April 2015 | Additions | As on 31 st March 2016 |
|-------------------|----------------------------------|-------------|-----------------------------------|
| Licence Fees | 246452 | 2161 | 248613 |
| Computer Software | 9062 | 2545 | 11607 |
| Documentation | 42495 | 847 | 43342 |
| Total | 298009 | 5553 | 303562 |
| Previous Year | 310960 | 12438 | 298009 |

Note - 5B : Accumulated Amortization - Other Intangible Assets

(₹ in Lakhs)

| Particulars | As on 1 st April 2015 | Amortisation | As on 31 st March 2016 |
|-------------------|-------------------------------------|--------------|--------------------------------------|
| Licence Fees | 113946 | 18629 | 132575 |
| Computer Software | 7789 | 1018 | 8807 |
| Documentation | 12579 | 1517 | 14096 |
| Total | 134314 | 21164 | 155478 |
| Previous Year | 136437 | 23255 | 134314 |

Note - 6 : Intangible Assets under Development

Following table represents the changes in Intangible Assets under Development for the year ended 31st March 2017

Note - 6A : Gross Block -Intangible assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2016 | Additions | As on 31 st March 2017 |
|-------------------------|-------------------------------------|--------------|--------------------------------------|
| Development Expenditure | 102598 | 27496 | 130094 |
| Total | 102598 | 27496 | 130094 |

Note - 6B : Accumulated Amortization - Intangible assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2016 | Amortisation | As on 31 st March 2017 |
|-------------------------|-------------------------------------|--------------|--------------------------------------|
| Development Expenditure | 29047 | 2651 | 31698 |
| Total | 29047 | 2651 | 31698 |

Note - 6C : Impairment Loss -Intangible assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2016 | Impairment Loss | As on 31 st March 2017 |
|-------------------------|-------------------------------------|-----------------|--------------------------------------|
| Development Expenditure | 8552 | 3210 | 11762 |
| Total | 8552 | 3210 | 11762 |

Note - 6 : Intangible Assets under Development

Following table represents the changes in Intangible Assets under Development for the year ended 31st March 2016

Note-6A : Gross Block -Intangible Assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2015 | Additions | As on 31 st March 2016 |
|-------------------------|----------------------------------|--------------|--------------------------------------|
| Development Expenditure | 76945 | 25653 | 102598 |
| Total | 76945 | 25653 | 102598 |
| Previous Year | 61590 | 15355 | 76945 |



Note - 6B : Accumulated Amortization - Intangible Assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2015 | Amortisation | As on 31 st March 2016 |
|-------------------------|-------------------------------------|--------------|--------------------------------------|
| Development Expenditure | 25280 | 3767 | 29047 |
| Total | 25280 | 3767 | 29047 |
| Previous Year | 22298 | 2982 | 25280 |

Note - 6C : Impairment Loss -Intangible Assets under Development

(₹ in Lakhs)

| Particulars | As on 1 st April 2015 | Impairment Loss | As on 31 st March 2016 |
|-------------------------|-------------------------------------|-----------------|--------------------------------------|
| Development Expenditure | 7548 | 1004 | 8552 |
| Total | 7548 | 1004 | 8552 |
| Previous Year | 7548 | - | 7548 |



Note - 7 : Investments -Joint Ventures

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|---------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| INVESTMENTS AT COST LESS PROVISION (NON-TRADE / UN-QUOTED) | | | |
| Investment in Equity Instruments | | | |
| In Joint Ventures | | | |
| A) M/s BAe-HAL Software Ltd-29,40,000 (29,40,000-P.Y) shares of ₹ 10 FV each fully paid | 294 | 294 | 294 |
| +/- Interest in Joint Venture | 444 | 437 | 584 |
| Net -M/s BAe-HAL Software Ltd | 738 | 731 | 878 |
| B) M/s Snecma HAL Aerospace Private Ltd -11,40,000 (11,40,000-P.Y) Shares of ₹ 100 F.V. each fully paid | 1140 | 1140 | 1140 |
| +/- Interest in Joint Venture | 1480 | 1396 | 1035 |
| Net - M/s Snecma HAL Aerospace Private Ltd | 2620 | 2536 | 2175 |
| C) M/s Indo Russian Aviation Ltd - 9,36,525 (9,36,525-P.Y) shares of ₹ 10 FV each fully paid | 94 | 94 | 94 |
| +/- Interest in Joint Venture | 3047 | 2602 | 2345 |
| Net - M/s Indo Russian Aviation Ltd. | 3141 | 2696 | 2439 |
| D) M/s HALBIT Avionics Pvt Ltd -3,82,500(3,82,500-P.Y) Shares of ₹ 100 FV each fully paid | 383 | 383 | 383 |
| +/- Interest in Joint Venture | - | - | -63 |
| Less: Provision for Impairment in value of Investment | 383 | 383 | 320 |
| Net - M/s. HALBIT Avionics Pvt. Ltd. | - | - | - |
| E) M/s HAL Edgewood Technologies Pvt Ltd 3,00,000(3,00,000-P.Y) Shares of ₹ 100 FV each fully paid | 300 | 300 | 300 |
| +/- Interest in Joint Venture | - | - | - |
| Less: Provision for Impairment in value of Investment | 300 | 300 | 300 |
| Net- M/s. HAL Edgewood Technologies Pvt. Ltd. | - | - | - |
| F) M/s SAMTEL HAL Display Systems Ltd-1,60,000 (1,60,000-P.Y) Shares of Rs 100 FV each fully paid | 160 | 160 | 160 |
| +/- Interest in Joint Venture | - | -55 | -107 |
| Less: Provision for Impairment in value of Investment | 160 | 105 | - |
| Net - M/s SAMTEL HAL Display Systems Ltd | - | - | 53 |
| G) M/s INFOTECH HAL Ltd - 20,00,000 (20,00,000-P.Y) Shares of Rs 10 FV each fully paid | 200 | 200 | 200 |
| +/- Interest in Joint Venture | -34 | -34 | -34 |
| Less: Provision for Impairment in value of Investment | 166 | 166 | 166 |
| Net- M/s. INFOTECH HAL Ltd. | - | - | - |



(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| H) M/s HATSOFF Helicopter Training Pvt Ltd -3,84,04,204 (3,84,04,204 P.Y) Shares of ₹ 10 FV each fully paid | 3840 | 3840 | 3840 |
| Less: Provision for Impairment in value of Investment | 3840 | 3840 | 3840 |
| Net- M/s. HATSOFF Helicopter Training Pvt. Ltd. | - | - | - |
| I) M/s TATA HAL Technologies Ltd -50,70,000 (50,70,000 P.Y.) Shares of ₹ 10 each fully paid | 507 | 507 | 507 |
| +/- Interest in Joint Venture | -84 | -145 | -145 |
| Less: Provision for Impairment in value of Investment | 423 | 362 | 362 |
| Net- M/s. TATA HAL Technologies Ltd. | - | - | - |
| J) M/s International Aerospace Manufacturing Pvt Ltd - 42,50,000 (42,50,000 - P.Y) Shares of Rs 100 FV each fully paid | 4250 | 4250 | 4250 |
| +/- Interest in Joint Venture | -11 | -812 | -1089 |
| Less: Provision for Impairment in value of Investment | 855 | 855 | - |
| Net-M/s International Aerospace Manufacturing Pvt Ltd | 3384 | 2583 | 3161 |
| K) M/s. Multirole Transport Aircraft Ltd. - 113,46,564 (113,46,564 P.Y.) Shares of Rs 100 FV each fully paid | 11347 | 11347 | 11347 |
| +/- Interest in Joint Venture | -457 | -450 | -570 |
| Less: Provision for Impairment in value of Investment | 457 | 450 | - |
| Net-M/s. Multirole Transport Aircraft Ltd. | 10433 | 10447 | 10777 |
| L) M/s. Aerospace & Aviation Sector Skill Council(AASSC) - 125 (125 P.Y.) Shares of Rs 10000 FV each fully paid | 13 | 13 | 13 |
| +/- Interest in Joint Venture | - | - | - |
| Net-M/s. Aerospace & Aviation Sector Skill Council | 13 | 13 | 13 |
| M) M/s. Helicopter Engines MRO Pvt Ltd* | 195 | - | - |
| +/- Interest in Joint Venture | -60 | - | - |
| Net-M/s. Helicopter Engines MRO Pvt Ltd | 135 | - | - |
| Total In Equity of Joint Ventures | 20464 | 19006 | 19496 |
| Total | 20464 | 19006 | 19496 |

Disclosure

| | | | |
|--------------------------------------------------------------|-------|-------|-------|
| (i) Aggregate amount of Quoted Investment and Market Value. | NIL | NIL | NIL |
| (ii) Aggregate amount of Unquoted Investments. | 20464 | 19006 | 19496 |
| (iii) Aggregate amount of impairment in value of investments | 6584 | 6461 | 4988 |

* Out of total investment of ₹ 195 lakhs, amount of ₹ 50 lakhs only (50,000 shares of ₹ 100 each) has been allotted as on 31st March 2017.

Note - 7A : Financial Asset- Investments-Others

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A) Investments in Structured Entities (UNQUOTED) | | | |
| a) HAE Co-operative Society of 25 (25 P.Y) Shares of ₹ 100 FV each fully paid | - | - | - |
| b) M/s Satnam Apartment Ltd - 41 (41 P.Y) Shares of ₹ 100 each at cost for acquisition of a Flat | - | - | - |
| Total In Equity of Others (A) | - | - | - |
| B) Other Investments (UNQUOTED) | | | |
| M/s LIC of India (For Funding Vacation Leave) | 78935 | 72573 | 56993 |
| Total In Other Investments (B) | 78935 | 72573 | 56993 |
| Total (A)+(B) | 78935 | 72573 | 56993 |

Note - 8 : Financial Asset-Trade Receivables

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Trade Receivables | | | |
| Secured, Considered Good | - | - | - |
| Unsecured, Considered Good | 1023 | - | 1554 |
| Doubtful | 1313 | 994 | 253 |
| | 2336 | 994 | 1807 |
| Less: Provision for Doubtful Debts | 1313 | 994 | 253 |
| Total | 1023 | - | 1554 |



Note - 9 : Financial Asset- Loans

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| A. Secured Considered Good | | | |
| a) Security Deposits | | | |
| b) Others | | | |
| Loans and Advances to Related Parties | - | - | 400 |
| Employee Advances (\$) | - | 1 | 1 |
| Sub-total (A) | - | 1 | 401 |
| B. Unsecured Considered Good | | | |
| a) Security Deposits | | | |
| Govt Departments for Customs Duty and for Supplies | 633 | 250 | 288 |
| Public Utility Concerns | 3023 | 2941 | 2697 |
| Others | 519 | 553 | 542 |
| b) Others | | | |
| Employee Advances (\$) | 1713 | 1454 | 1297 |
| Sub-total (B) | 5888 | 5198 | 4824 |
| Total (A +B) | 5888 | 5199 | 5225 |
| (\$)Amount due by the Officers of the Company at the end of the year | - | - | - |

Note -10 : Financial Asset-Others

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| A) Claims Receivable | | | |
| Considered Good | 1 | 1375 | 504 |
| Considered Doubtful | 9299 | 7925 | 4816 |
| | 9300 | 9300 | 5320 |
| Less: Provision for Doubtful Claims | 9299 | 7925 | 4816 |
| Sub-total (A) | 1 | 1375 | 504 |
| B) Balances with Bank | | | |
| Short Term Deposits - Exceeding 12 Months* | 61 | - | 48 |
| Sub-total (B) | 61 | - | 48 |
| C) Others | | | |
| Interest accrued and not due | 1 | - | - |
| Deferred Debts | 36682 | 38757 | 36781 |
| Sub-total (C) | 36683 | 38757 | 36781 |
| Total (A +B +C) | 36745 | 40132 | 37333 |
| *Fully Earmarked for Committed Liabilities of more than 12 months | | | |



Note - 11: Deferred Tax Assets (net)

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------|--------------------------------|--------------------------------|-------------------------------|
| Total | - | - | - |

Note - 12 : Other Non- Current assets

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A) Inventories (Lower of Cost and Net Realisable Value)# | | | |
| (i) Raw Materials and Components | 43206 | 35397 | 30658 |
| Less: Provision for Redundancy | 43206 | 35397 | 30658 |
| | - | - | - |
| (ii) Stores and Spares Parts | 2977 | 2100 | 2661 |
| Less: Provision for Redundancy | 2977 | 2100 | 2661 |
| | - | - | - |
| (iii) Loose Tools and Equipment | 2296 | 2175 | 810 |
| Less: Provision for Redundancy | 2296 | 2175 | 810 |
| | - | - | - |
| (iv) Construction Materials | 5 | 2 | 2 |
| Less: Provision for Redundancy | 5 | 2 | 2 |
| | - | - | - |
| (v) Inventory - Warranty | 1656 | - | - |
| Less: Provision for Redundancy | 1656 | - | - |
| | - | - | - |
| Sub Total Inventories | - | - | - |
| B) Advances | | | |
| Capital Advances | 12155 | 11758 | 9393 |
| Advances against Goods and Services | 3001 | 3117 | 1584 |
| Advances against Special Tools | 666 | 4022 | 8285 |
| Other Loans and Advances | 651 | 791 | 1779 |
| | 16473 | 19688 | 21041 |
| C) Others | | | |
| Balances with Revenue Authorities under dispute | | | |
| - Income tax | 104071 | 128936 | 114595 |
| - Others | 523 | - | - |
| D) Prepaid Expenses | - | - | 20 |
| Total (A+B+C+D) | 121067 | 148624 | 135656 |
| (#) includes those issued to Sub-Contractors for Job Works | - | - | - |



Note -13 : Inventories

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|---------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Inventories (Lower of Cost and Net Realisable Value)# | | | |
| (i) Raw Materials and Components | 1030326 | 1229622 | 1308305 |
| Less: Provision for Redundancy | 19044 | 21433 | 24977 |
| | 1011282 | 1208189 | 1283328 |
| (ii) Work-in-Progress | 1024345 | 1072115 | 1013654 |
| (iii) Finished Goods | - | - | - |
| (iv) Stock-in-Trade | 2304 | 4646 | 5347 |
| (v) Stores and Spares Parts | 30209 | 30009 | 24640 |
| Less: Provision for Redundancy | 586 | 567 | 798 |
| | 29623 | 29442 | 23842 |
| (vi) Loose Tools and Equipment | 8651 | 7672 | 8059 |
| Less: Provision for Redundancy | 153 | 144 | 136 |
| | 8498 | 7528 | 7923 |
| (vii) Construction Materials | 105 | 100 | 88 |
| Less: Provision for Redundancy | 4 | 4 | 4 |
| | 101 | 96 | 84 |
| (vii) Disposable Scrap | 402 | 1381 | 1789 |
| (viii) Goods under Inspection and in Transit | | | |
| - Raw Material and Components | 42507 | 64945 | 149563 |
| - Stores and Spare Parts | 447 | 4013 | 2804 |
| - Loose Tools and Equipment | 65 | 1571 | 1725 |
| | 43019 | 70529 | 154092 |
| (ix) Inventory - Warranty | 12714 | 4301 | 5302 |
| Less: Provision for Redundancy | 152 | 65 | 80 |
| | 12562 | 4236 | 5222 |
| Total | 2132136 | 2398162 | 2495281 |
| (#) includes those issued to Sub-Contractors for Job Works | 37553 | 31783 | 32504 |

Note - 14 - Financial Asset- Investments (Non-Trade / Un-Quoted)

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|---------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Investments at cost (Non-Trade / Un-Quoted) | - | - | - |
| Total | - | - | - |

Note - 15 : Financial Asset- Trade Receivables

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Trade Receivables | | | |
| Secured Considered Good | 15 | 10 | 132 |
| Unsecured Considered Good | 398533 | 477319 | 602785 |
| Doubtful | 12941 | 10071 | 909 |
| | 411489 | 487400 | 603826 |
| Less: Provision for Doubtful Debts | 12941 | 10071 | 909 |
| Sub Total | 398548 | 477329 | 602917 |
| Unbilled revenue | 22480 | 6360 | 6370 |
| Sub Total | 22480 | 6360 | 6370 |
| Total | 421028 | 483689 | 609287 |

Note -16 : Financial Asset- Cash & Cash Equivalents

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A) Balances with Bank | | | |
| - Current Account | 33429 | 33391 | 47053 |
| - Short Term Deposits | 240965 | - | 125000 |
| - Other Short Term Deposits with Financial Institutions | 1273 | 998 | 783 |
| B) Cash on Hand | 6 | 16 | 20 |
| C) Cheques, Drafts on Hand | 3283 | - | 1 |
| Sub Total (A+B+C) | 278956 | 34405 | 172857 |
| D) Other Bank Balances | | | |
| Margin Money | 522 | - | - |
| Others | | | |
| - Short Term Deposits * | 835856 | 1295938 | 1594282 |
| Sub Total-D | 836378 | 1295938 | 1594282 |
| Total (A)+(B)+(C)+(D) | 1115334 | 1330343 | 1767139 |
| *Balance with Banks to the extent held as Margin Money or Security against Borrowings, Guarantees, Other Commitments | 100019 | 18 | 16 |



Note - 17 : Financial Asset- Bank Balances other than (iii) above

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------|-----------------------------|-----------------------------|----------------------------|
| Total | - | - | - |

Note - 18 : Financial Asset- Loans

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| A. Secured, Considered Good | | | |
| Security Deposit | - | - | - |
| Loans and Advances to Related Parties | - | - | 1782 |
| Others | | | |
| Employee Advances (\$) | 102 | 107 | 277 |
| Sub-Total (A) | 102 | 107 | 2059 |
| B. Unsecured, Considered Good | | | |
| i) Security Deposits | | | |
| Govt Departments for Customs Duty and for Supplies | 3425 | 3481 | 3280 |
| Public Utility Concerns | 40 | 38 | 49 |
| Others | 2866 | 1687 | 1387 |
| ii) Others | | | |
| Loans and Advances to Related Parties | 33 | 266 | 6931 |
| Employee Advances (\$) | 3415 | 4226 | 3890 |
| Sub-Total (B) | 9779 | 9698 | 15537 |
| Total (A + B) | 9881 | 9805 | 17596 |
| (\$) Amount due by the Officers of the Company at the end of the year | 7 | 43 | 8 |

Note - 19 : Other Financial Assets

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Claims Receivable | | | |
| Considered Good | 213287 | 156792 | 121154 |
| Considered Doubtful | 4576 | 3978 | 3052 |
| | 217863 | 160770 | 124206 |
| Less: Provision for Doubtful Claims | 4576 | 3978 | 3052 |
| Claims Receivable | 213287 | 156792 | 121154 |
| Interest Accrued and Due | 7163 | 5986 | 5586 |
| Interest Accrued and not Due | 29504 | 49390 | 63424 |
| Current Maturities of Deferred Debt | 8210 | 8714 | 8516 |
| Total | 258164 | 220882 | 198680 |



Note - 20 : Current Tax Assets

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------|--------------------------------|--------------------------------|-------------------------------|
| Current Tax (Net) | 11493 | - | 10040 |
| Total | 11493 | - | 10040 |

Note - 21 : Other Current Assets

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Advances against Goods and Services | 66014 | 125949 | 152619 |
| Advances against Special Tools | - | 1024 | 1485 |
| Other Loans and Advances | 1185 | 1109 | 722 |
| Others | | | |
| Prepaid Expenses | 1805 | 1585 | 4572 |
| Balance with Revenue Authorities | | | |
| - Income Tax | 2 | - | - |
| Revenue Stamps | - | 25 | - |
| Balances in Franking Machine | 5 | 5 | 6 |
| Total | 69011 | 129697 | 159404 |



EQUITY

Note - 22 : Equity Share Capital

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| Authorised Capital 60,00,00,000 Equity Shares of ₹ 10 each | 60000 | 60000 | 60000 |
| Issued, Subscribed and Fully Paid up 36,15,00,000 Equity Shares of ₹ 10 each fully paid-up | 36150 | 36150 | 48200 |
| Subscribed and not Fully Paid up | - | - | - |
| Par Value per Share (Rs.) | 10 | 10 | 10 |
| Reconciliation of the Number of Shares Outstanding at the beginning and at the end of the Reporting period | | | |
| Opening Equity Shares (Nos.) | 361500000 | 482000000 | 482000000 |
| Add: Additions during the Year (Nos.) | - | - | - |
| Less: Shares Bought Back (Nos.) | - | 120500000 | - |
| Closing Equity Shares (Nos.) | 361500000 | 361500000 | 482000000 |
| Shares in the Company held by each Shareholder holding more than 5 percent shares specifying the number of Shares held | President of India and Nominees hold the entire 36,15,00,000 Shares | President of India and Nominees hold the entire 36,15,00,000 Shares | President of India and Nominees hold the entire 48,20,00,000 Shares |
| Terms/ Rights attached to Equity Shares: | | | |
| The Company has one (1) Class of Shares i.e. Equity Shares The Equity Shares rank Parri Passu in all respects including right to dividend, Issue of new shares, voting rights and in the assets of the Company in the event of Liquidation. Entire capital is held by single share holder. | | | |
| Buyback of Shares: | | | |
| In accordance with the approval of Board of Directors at its 396 th meeting held on 22 nd March, 2016 and approval of shareholders through special resolution in the Extra-ordinary General Meeting held on the said date, the Company has bought back 12,05,00,000 fully paid equity shares of ₹10/- each equivalent to 25% of the paid –up share capital and Free Reserves of the Company, for an aggregate amount of ₹ 428438 lakhs at ₹ 355.55 per equity share from the President of India. The consideration amount for back buy of shares was paid to the Government of India on 30 th March, 2016 and the shares so bought back were extinguished on 5 th April, 2016. | | | |

Note - 23 : Other Equity

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Other Reserves | | |
| A. Research & Development Reserve | | |
| Opening Balance | 31514 | 17438 |
| Add: Current Year Transfer | 19656 | 14669 |
| Less: Transfer to General Reserve on utilisation | 1604 | 593 |
| Closing Balance (A) | 49566 | 31514 |
| B. Capital Redemption Reserve | | |
| Opening Balance | 12050 | - |
| Add: Current Year Transfer | - | 12050 |
| Closing Balance (B) | 12050 | 12050 |
| C. General Reserve As per last Balance Sheet | | |
| (+/-) Surplus Transferred from Statement of Profit and Loss | 1029333 | 1431009 |
| Add: Transfer from R&D Reserve | 146539 | 112298 |
| Less: Depreciation on transition | 1604 | 593 |
| Less: Withdrawn towards Buy Back of Shares | - | 25 |
| Less: Transfer to Statement of Profit and Loss * | - | 514542 |
| Closing Balance (C) | 1163356 | 1029333 |
| (ii) Retained earnings - Surplus in the Statement of Profit & Loss | | |
| Surplus in Statement of Profit and Loss | | |
| Add: Net Profit / (Net Loss) for the Current Year (i) | 262481 | 200399 |
| Add: Transfer from General Reserve (ii)* | 14120 | - |
| Less: Appropriations / Allocations | | |
| Transfer to Research & Development Reserve | 19656 | 14669 |
| Interim Dividend including Tax for the year ended 31 st March 2017: | | |
| Dividend ₹ 80000 Lakhs + Tax ₹16286 Lakhs (For the year ended 31 st March 2016: Dividend ₹ 51000 Lakhs + Tax ₹10382 Lakhs) | 96286 | 61382 |
| Final Dividend including Tax for the year ended 31 st March 2016: | | |
| Dividend ₹11732 Lakhs + Tax ₹ 2388 Lakhs) | 14120 | - |
| Transfer to Capital Redemption Reserve | - | 12050 |
| Total (iii) | 130062 | 88101 |
| Transfer To General Reserves (i)+(ii)-(iii) | 146539 | 112298 |
| D. Other Components of Equity | | |
| Fair Value through Other Comprehensive Income (FVOCI) | | |
| Opening Balance | -5826 | -6506 |
| Add:- Additions made during the year | 615 | 680 |
| Less:- Deletions made during the year | - | - |
| Closing Balance (D) | -5211 | -5826 |
| Total (A+B+C+D) | 1219761 | 1067071 |

* Represents Final Dividend including Dividend Tax for the year 2015-16



Note - 24 : Borrowings

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------|--------------------------------|--------------------------------|-------------------------------|
| Total | - | - | - |

Note - 25 : Trade Payables

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|----------------|--------------------------------|--------------------------------|-------------------------------|
| Trade Payables | 19255 | - | 340 |
| Total | 19255 | - | 340 |

Note - 26 : Other Financial Liabilities

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------|--------------------------------|--------------------------------|-------------------------------|
| Other Liabilities | 71 | 563 | 151 |
| Deferred Debt | 37086 | 39168 | 37172 |
| Total | 37157 | 39731 | 37323 |

Note - 27 : Provisions

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A. Provisions for Employee Benefits | | | |
| Gratuity | 2970 | 3023 | 12669 |
| Earned Leave | 46616 | 45348 | 39785 |
| Sub-Total (A) | 49586 | 48371 | 52454 |
| B. Others | | | |
| Replacement and Other Charges | 10619 | 9518 | 9460 |
| Liquidated Damages | 58925 | 79893 | 84899 |
| Onerous Contract | 83844 | 110469 | 110469 |
| Sub-Total (B) | 153388 | 199880 | 204828 |
| Total (A+B) | 202974 | 248251 | 257282 |



Note - 28 : Deferred tax liabilities (Net)

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| The tax effect of significant temporary differences that resulted in Deferred Tax Liabilities: | | | |
| As per last Balance Sheet | 81475 | 66078 | 168160 |
| Add / Less: Current Year's Provisions | 14517 | 15397 | -99931 |
| Add/Less: Impact of Depreciation on transition | - | - | -2151 |
| Total | 95992 | 81475 | 66078 |

Note - 29 : Other Non current Liabilities

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A. Advances from Customers | | | |
| Defence | 307106 | 323089 | 259594 |
| Sub Total (A) | 307106 | 323089 | 259594 |
| B. Milestone Receipt | | | |
| Defence | 661033 | 574638 | 615537 |
| Others | 16585 | 17728 | - |
| Sub Total (B) | 677618 | 592366 | 615537 |
| Total (A+B) | 984724 | 915455 | 875131 |

Note - 30 : Borrowings

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A. Secured Long Term Borrowings: | | | |
| Loans Repayable on Demand | | | |
| (i) From Banks | 95000 | - | - |
| Sub-total (A) | 95000 | - | - |
| B. Unsecured Long Term Borrowings: | | | |
| Sub-total (B) | - | - | - |
| Total (A+B) | 95000 | - | - |

Security

Fixed Deposits with the same Bank to the extent of ₹100000 Lakhs

Period of Loans/Terms of Repayment

From the date of release 1 year, bullet payment on the due date

Interest Rates

5.90% pa



Note - 31 : Trade Payables

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|----------------|--------------------------------|--------------------------------|-------------------------------|
| Trade Payables | 160467 | 215122 | 226757 |
| Total | 160467 | 215122 | 226757 |

Note - 32 : Other Financial Liabilities

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Dues to Employees | 39862 | 30763 | 37285 |
| Others Liabilities | 62699 | 58948 | 66576 |
| Current Maturities of Deferred Debts | 7203 | 7983 | 7840 |
| Total | 109764 | 97694 | 111701 |

Note - 33 : Other Current Liabilities

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|----------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A) Advances from Customers | | | |
| Defence | 469116 | 427343 | 549594 |
| Others | 9394 | 4607 | 3270 |
| Sub Total (A) | 478510 | 431950 | 552864 |
| B) Milestone Receipt | | | |
| Defence | 1360874 | 2072821 | 2305079 |
| Others | 49369 | 58658 | 56895 |
| Sub Total (B) | 1410243 | 2131479 | 2361974 |
| Advances from Customers (A + B) | 1888753 | 2563429 | 2914838 |
| C) Other Payables | | | |
| Taxes (Other than Taxes on Income) | 8431 | 108256 | 14486 |
| Others | 8956 | 7055 | 6529 |
| Total (A+B+C) | 1906140 | 2678740 | 2935853 |



Note - 34 : Provisions

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|--------------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| A. Provisions for Employee Benefits | | | |
| Gratuity | 12 | - | - |
| Earned Leave | 35434 | 33587 | 32788 |
| Others | 23944 | 5894 | 21306 |
| Sub-total (A) | 59390 | 39481 | 54094 |
| B. Others | | | |
| Replacement and Other Charges | 78071 | 86288 | 56816 |
| Warranty | 53890 | 66034 | 61448 |
| Liquidated Damages | 69577 | 70842 | 74821 |
| Excise Duty | 322 | 1121 | - |
| Onerous Contract | 26625 | - | - |
| Sub-total (B) | 228485 | 224285 | 193085 |
| Total (A+B) | 287875 | 263766 | 247179 |

Note - 35 : Current tax liability(Net)

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
|-----------------------------|--------------------------------|--------------------------------|-------------------------------|
| Current Tax Liability(Net) | - | 9723 | - |
| Total | - | 9723 | - |



Note - 36 : Revenue from Operations

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|----------------------------------------------------------|-----------------------------|-----------------------------|
| A. Sale of Products | | |
| (i) Inland Sales | | |
| Finished Goods | 982979 | 1012062 |
| Spares | 147226 | 174358 |
| Development | 61520 | 61091 |
| Miscellaneous | 1930 | 2046 |
| Total Inland Sales of Products | 1193655 | 1249557 |
| (ii) Export Sales | | |
| Finished Goods | 27124 | 23131 |
| Spares | 18470 | 16477 |
| Total Export Sales of Products | 45594 | 39608 |
| Total Sale of Products (A) | 1239249 | 1289165 |
| B. Sale of Services | | |
| (i) Inland Sale of Services | | |
| Repair and Overhaul | 579146 | 402702 |
| Other Services | 1549 | 1760 |
| Total Inland Sales of Services | 580695 | 404462 |
| (ii) Export Sale of Services | | |
| Repair and Overhaul | 889 | 3058 |
| Other Services | 19 | 1944 |
| Total Export Sales of Services | 908 | 5002 |
| Total Sales of Services (B) | 581603 | 409464 |
| Total Sales (A+B) | 1820852 | 1698629 |
| C. Other Operating Revenues | | |
| (i) Disposal of Scrap and Surplus / Unserviceable Stores | 1513 | 366 |
| (ii) Provision no longer required | 29754 | 11918 |
| (iii) Others | 3374 | 4937 |
| Total Operating Revenues (C) | 34641 | 17221 |
| Revenue from Operations (A+B+C) | 1855493 | 1715850 |



Note - 37 : Other Income

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|------------------------------------------------------|-----------------------------|-----------------------------|
| Interest Income | | |
| - Short term Deposits / Loans | 89065 | 154857 |
| - Sundry Advances - Employees | 124 | 119 |
| - Other Deposits | 188 | 191 |
| Sub-total | 89377 | 155167 |
| Dividend Income | | |
| Dividend income | 47 | 14 |
| Other Non-Operating Income | | |
| Gain on Foreign Currency Transaction and Translation | 7006 | - |
| Profit on Sale of Assets (Net) | 80 | 198 |
| Miscellaneous | 7425 | 4228 |
| Gain on Fair Value Adjustment | 254 | 7 |
| Total | 104189 | 159614 |

Note - 38 : Cost of materials consumed

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Consumption Of Raw Material, Components, Stores And Spare Parts | | |
| Opening Stock | 1301531 | 1371655 |
| Add: Purchases | 678584 | 855994 |
| Add: Subcontracting, Fabrication and Machining Charges. | 26942 | 22273 |
| Less: Closing Stock | 1121198 | 1301531 |
| | 885859 | 948391 |
| Less: Transfer to | | |
| Special Tools and Equipment | 32227 | 51471 |
| Capital Works | -0 | 5 |
| Development Expenditure | 2339 | 4216 |
| Expense Accounts and Others | 10861 | 11513 |
| | 45427 | 67205 |
| Total | 840432 | 881186 |

Note - 38A : Purchase of Stock-in-Trade

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|----------------------------|-----------------------------|-----------------------------|
| Purchase of Stock-in-Trade | 29073 | 36368 |



Note - 39 : Changes in Inventories of Finished Goods, Stock-in-Trade and Work-In-Progress and Scrap

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|--------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-progress | | |
| Opening Balance | | |
| (i) Finished Goods | - | - |
| (ii) Work-in-Progress | 1072115 | 1013654 |
| (iii) Stock in Trade | 4646 | 5347 |
| | 1076761 | 1019001 |
| Closing Balance | | |
| (i) Finished Goods | - | - |
| (ii) Work-in-Progress | 1024345 | 1072115 |
| (iii) Stock in Trade | 2304 | 4646 |
| | 1026649 | 1076761 |
| Less : Excise Duty on accretion/ Decretion to Stock | - | -1121 |
| Accretion / (Decretion) -A | -50112 | 56639 |
| Change in Disposables Scrap | | |
| Opening Balance | 1381 | 1789 |
| Closing Balance | 402 | 1381 |
| Accretion / (Decretion)-B | -979 | -408 |
| Total (A+B) | -51091 | 56231 |

Note - 40 : Employee benefits expense

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|----------------------------------------------------|-----------------------------|-----------------------------|
| Salaries and Wages | 298235 | 264944 |
| Contribution to Provident and Other Funds | | |
| - Contribution to Provident Fund/ Others | 39944 | 43362 |
| - Contribution to Gratuity | 3270 | 4051 |
| Staff Welfare Expenses (Net) | 14308 | 14030 |
| Rent for Hiring Accommodation for Officers / Staff | 1292 | 1051 |
| Total | 357049 | 327438 |
| *Includes Directors' Remuneration | | |
| Salaries | 171 | 128 |
| Contribution to Provident Fund | 13 | 11 |
| Gratuity | - | 10 |



Note - 41 : Finance costs

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|------------------------------|-----------------------------|-----------------------------|
| Borrowing costs- Other | 667 | - |
| Interest on Short Term Loans | 355 | - |
| Total | 1022 | - |

Note - 42 : Depreciation, Amortization Expense and Impairment Loss

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|--------------------------------------------|-----------------------------|-----------------------------|
| A. DEPRECIATION ON ASSETS | 26572 | 31433 |
| B. AMORTISATION | | |
| Intangible assets- Development Expenditure | 2651 | 3767 |
| Other Intangible assets | | |
| - Licence Fees | 7353 | 18629 |
| - Computer Software | 1129 | 1018 |
| - Documentation | 1988 | 1517 |
| - Others | - | - |
| Special Tools | 28389 | 28914 |
| Sub Total | 41510 | 53845 |
| C. IMPAIRMENT LOSS | 3210 | 1004 |
| Total (A+B+C) | 71292 | 86282 |



Note - 43 : Other expenses

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|------------------------------------------------------|-----------------------------|-----------------------------|
| Shop Supplies | 10485 | 10657 |
| Power and Fuel | 17201 | 17149 |
| Water Charges | 5538 | 6229 |
| Rent for Office Premises etc. | 252 | 254 |
| Travelling (includes Foreign Travel) | 7302 | 7144 |
| Training (includes Foreign Training) | 1264 | 1186 |
| Repairs: | | |
| Buildings | 8071 | 7592 |
| Plant, Machinery and Equipment | 13524 | 10481 |
| Others | 4166 | 3786 |
| Expenses on Tools and Equipment | 4875 | 5059 |
| Insurance | 1938 | 1707 |
| Rates and Taxes | 2018 | 847 |
| Postage and Telephones | 1133 | 1190 |
| Printing and Stationery | 1227 | 1223 |
| Publicity | 3086 | 1983 |
| Advertisement | 1219 | 1809 |
| Bank Charges | 615 | 593 |
| Loss on Foreign Currency Transaction and Translation | - | 4408 |
| Legal Expenses | 526 | 303 |
| Auditors' Remuneration: | | |
| For Audit Fee | 39 | 38 |
| For Taxation matters | 7 | 4 |
| For Other Services | 98 | 43 |
| Selling Agents Commission | 69 | 42 |
| Donations | 2 | 1 |
| Handling Charges | 413 | 371 |
| Write Off: | | |
| Fixed Assets | - | 2 |
| Stores | 151 | 192 |
| Shortages / Rejections | 1 | 1 |
| Freight and Insurance | 1565 | 1076 |
| JWG share of Profit | 250 | 185 |
| Corporate Social Responsibility # | 6528 | 4817 |
| Interest on Micro, Small and Medium Enterprises | 8 | 1 |
| Loss on Fair Value Adjustment | 1074 | 7 |
| Miscellaneous Operating Expenses (@) | 30277 | 27227 |
| Total | 124923 | 117607 |
| (@) includes Director's Sitting Fees | 16 | 19 |

(#) Does not include CSR assets of ₹ 268 lakh capitalised under Note 1A . Total CSR expenditure is ₹ 6796 lakh.

Note - 44 : Direct Input to WIP / Expenses Capitalised

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|-----------------------------------|-----------------------------|-----------------------------|
| A) DIRECT INPUT TO WIP | | |
| Project related Travel | 730 | 672 |
| Project related Training | 363 | 1008 |
| Project related Other Expenditure | 1961 | 4181 |
| Royalty | 748 | 904 |
| Foreign Technician Fee | 6733 | 8489 |
| Ground Risk Insurance | 2178 | 2261 |
| Design and Development | 11505 | 6426 |
| Sundry Direct Charges - Others | 18595 | 21699 |
| Sub-Total (A) | 42813 | 45640 |
| B) EXPENSES CAPITALISED | | |
| Licence Fees | 507 | 2161 |
| Computer software | 723 | 2545 |
| Documentation | 2518 | 847 |
| Sub-Total (B) | 3748 | 5553 |
| Total (A+B) | 46561 | 51193 |

Note - 45 : Provisions

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|---------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Replacement and Other Charges | 24216 | 32315 |
| Warranty | 8394 | 15005 |
| Raw Materials and Components, Stores and Spare parts and Construction Materials | 10011 | 7345 |
| Liquidated Damages | 30877 | 34986 |
| Doubtful Debts | 4530 | 9903 |
| Doubtful Claims | 3036 | 4086 |
| Investments | 123 | 1472 |
| Total | 81187 | 105112 |



Note - 46 : Expenses relating to Capital and Other Accounts

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|-------------------------------------|-----------------------------|-----------------------------|
| Expenses allocated to: | | |
| Other Intangible assets Expenditure | 3748 | 5553 |
| Special Tools | 2173 | 4554 |
| Capital Works | 1040 | |
| Development Expenditure | 25157 | 21437 |
| Others | 28676 | 2058 |
| Total | 60794 | 33602 |

Other Comprehensive Income

Note - 47 : Items that will not be reclassified to Profit or Loss

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|-----------------------------------------------------------|-----------------------------|-----------------------------|
| (A) Changes in revaluation surplus | - | - |
| (B) Remeasurements of the defined benefit plans | 930 | 1029 |
| (C) Equity Instruments through Other Comprehensive Income | - | - |
| Total (A+B+C) | 930 | 1029 |

Note - 48 : Items that will be reclassified to Profit or Loss

(₹ in Lakhs)

| Particulars | 31 st March 2017 | 31 st March 2016 |
|-------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Exchange differences in translating the financial statements of a foreign operation | 1 | -4 |
| Total | 1 | -4 |

Note No. 49 : Consolidated Notes to Accounts

(Rupees unless otherwise stated is in lakhs)

1. In Compliance with Ind AS 112 - Disclosure of Interest in Other Entities, the required information is as follows:-

Disclosure of Interest in following class of Joint ventures:

| Name of the Joint Ventures* | Nature of Business | Participating Interest (in %) | | |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------|----------------------------|
| | | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
| International Aerospace Manufacturing Private Limited (IAMPL) | Manufacturing of compressed rings, turbine blades. | 50% | 50% | 50% |
| BAeHAL Software Limited (BAeHAL) | Develop, Improve, Market, Sell, Lease or Loaning of Computer Softwares | 49% | 49% | 49% |
| Snecma HAL Aerospace Private Limited (SNECMA) | Produce Engine Parts & Components | 50% | 50% | 50% |
| SAMTEL HAL Display Systems Limited (SAMTEL) | Design, Develop & Manufacture of various types of display systems for airborne, military & Ground Applications. | 40% | 40% | 40% |
| Infotech HAL Limited (INFOTECH) | Engineering Services work in aero engines field, Technical Publications, Works from OEM. | 50% | 50% | 50% |
| HAL-Edgewood Technologies Private Limited (HAL-EDGEWOOD) | Hi-tech aerospace & Defence Product Design, Development, manufacturing & Technology Transfer. | 50% | 50% | 50% |
| HALBIT Avionics Private Limited (HALBIT) | Design, Develop, Market & Support (Operations & Maintenance) Products. *Provide support and maintenance services | 50% | 50% | 50% |
| Indo-Russian Aviation Limited (IRAL) | Overhaul & Repair of Aircraft, Engines | 48% | 48% | 48% |
| HATSOFF Helicopter Training Private Limited(HATSOFF) | Military & Civil Helicopter Pilot Training Services, Marketing about Training Services | 50% | 50% | 50% |
| TATA HAL Technologies Limited (TATA-HAL) | Provide Engineering & Design Solutions Leveraging the strength of parties. | 50% | 50% | 50% |
| Multirole Transport Aircraft Limited (MTAL) | Preliminary & Detail Design of MTA MTA Prototypes Prod. *Factory Testing of MTA *Flight Aircraft Tests of MTA | 50% | 50% | 50% |
| Aerospace Aviation and Sectors Skill Council(AASSC) | Research and aggregate skill requirements of the aviation and aerospace industry | 50% | 50% | 50% |
| Helicopter, Engines MRO Pvt Ltd | To provide support, maintenance, repair and overhaul of Helicopter engines | 50% | - | - |

* All Joint Ventures have been incorporated in India and the principal place of business is in India.



During the year, on 04.02.2017, the Company has acquired a wholly owned subsidiary, Naini Aerospace Limited (incorporated on 29.12.2016).

| Name of the Subsidiary | Nature of Business | Controlling Interest (in %) | | |
|-------------------------|------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| | | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
| Naini Aerospace Limited | Manufacture of Looms for Helicopter and Aircrafts and support for second line manufacture of Helicopter at TAD, Kanpur | 100% | - | - |

2. Principles of Consolidation:

| Sl. No. | Particulars |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | The Consolidated Financial Statements (CFS) of Hindustan Aeronautics Limited (HAL), Joint Ventures and its Subsidiary are prepared in accordance with Ind AS 28 (Investments in Associates & Joint Ventures), Ind AS 110 (Consolidated Financial Statements), Ind AS 111 (Joint Arrangements) and are presented to the extent possible in the same manner as the the Company's Standalone Financial Statement. |
| 2 | Subsidiaries are all entities over which the group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to effect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date when control ceases. |
| 3 | The Group combines the financial statements of the parents and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of Subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group. |
| 4 | Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post acquisition profits or losses of the investee in profit and loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from Joint Ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in Joint Ventures equals or exceeds its interest in the entity, including any other long-term unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and its Joint Ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of Joint Ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The carrying amount of equity accounted investments are tested for impairment. |
| 5 | Interests in Joint Ventures are accounted for using the equity method after initially being recognised at cost in the Consolidated Balance Sheet. |
| 6 | As per the Shareholders' Agreements entered by the Company relating to all the Joint Ventures which clearly specifies the intent of the Company to subscribe and hold the specified percentage of the equity from the beginning, no pre-acquisition profits/losses arose on consolidation. |
| 7 | In respect of contingent liabilities and commitments proportionate share of the Company's and others entire amount as shown by Joint Ventures has been considered for disclosure. |
| 8 | The figures of previous year have been considered based on audited financial statements of the Subsidiary / Joint Ventures. |

(₹ unless otherwise stated is in lakhs)

| S.No | Mandatory Disclosures | | |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| 3. | <u>FIRST TIME ADOPTION OF Ind AS</u> | | |
| | <p>These Consolidated Financial Statements of Hindustan Aeronautics Limited for the year ended 31st March, 2017 have been prepared in accordance with Ind AS. For the purposes of transition to Ind AS, the Company has followed the guidance prescribed in Ind AS 101, First-Time Adoption of Indian Accounting Standards, with 1st April, 2015 as the transition date and Indian Generally Accepted Accounting Principles (IGAAP) as the previous GAAP. The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Notes have been applied in preparing the Consolidated Financial Statements for the year ended 31st March, 2017 and the comparative information. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's Balance Sheet and Statement of Profit and Loss, is set out in Clause 1 (i) and (ii). Exemptions on the first-time adoption of Ind AS availed in accordance with Ind AS 101 have been set out in Clause 3(vi).</p> <p>The following reconciliations provide the effect of transition to Ind AS from IGAAP in accordance with Ind AS 101:</p> <p>1. Equity as at April 1st, 2015 and 31st March, 2016 2. Net profit for the year ended 31st March, 2016</p> | | |
| | (i) Reconciliation of Equity from IGAAP to Ind AS is stated as under: | | (₹ in Lakhs) |
| | Particulars | 01st April 2015 | 31st March 2016 |
| | Equity as per IGAAP | 1673026 | 1236063 |
| | Ind AS Adjustments: | | |
| | 1) Reversal of Proposed dividend | - | 14120 |
| | 2) Provision for Liquidated Damages | -109183 | -107322 |
| | 3) Provision for Onerous Contract | -110469 | -110469 |
| | 4) Impairment of Intangible Asset | -7548 | -8553 |
| | 5) Reversal of Warranty Liability | 41627 | 45573 |
| | 6) Reversal/Recognition of Warranty Sales | -34545 | -46029 |
| | 7) Fair Value Adjustment | 508 | 508 |
| | 8) Prior Period Adjustment | -65420 | -4688 |
| | 9) Recognition of POC Sales for Service Contract | 19041 | 16033 |
| | 10) Reversal of Work in Progress relating to POC Sales | -19041 | -16033 |
| | 11) Deferred Tax effect on new temporary differences recognised under IND AS | 95844 | 76891 |
| | 12) JV Ind AS Adjustment | 6302 | 7127 |
| | Equity as per Ind AS | 1490141 | 1103221 |



| (ii) Reconciliation of Net Profit for the year ended 31st March, 2016 | | (₹ in Lakhs) |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------|
| Particulars | 31st March 2016 | |
| Profit After Tax as per IGAAP (A) | 165157 | |
| Ind AS Adjustments: | | |
| 1) Reversal of Liquidated Damages provided as at 01 st April, 2015 | 22171 | |
| 2) Provision for Liquidated Damages | -20310 | |
| 3) Recognition of Warranty Sales | 27730 | |
| 4) Reversal of Warranty Sales | -39214 | |
| 5) Reversal of Warranty Liability | 3946 | |
| 6) Recognition of POC Sales for Service Contract | 16033 | |
| 7) Reversal of Work in Progress relating to POC Sales | -16033 | |
| 8) Reversal of POC Sales booked as at 01 st April, 2015 | -18927 | |
| 9) Reversal of Work in Progress relating to POC Sales booked as at 01 st April 2015 fully not reversed | 18927 | |
| 10) Impairment of Intangible Asset | -1004 | |
| 11) Amortisation of Liability towards Russian Rouble | 7 | |
| 12) Amortisation of Reimbursement of Liability towards Russian Rouble | -7 | |
| 13) Prior Period Adjustment | 60732 | |
| 14) Deferred tax effect on above adjustments | -18953 | |
| 15) Reversal of Proposed Dividend | - | |
| 16) Gain on Net defined benefit transferred to OCI | -1029 | |
| 17) Tax on Gain on Net defined benefit transferred to OCI | 356 | |
| 18) Loss on translation of Foreign Currency operations transferred to OCI | 4 | |
| 19) Tax on Loss on translation of Foreign Currency operations transferred to OCI | -2 | |
| 20) JV Ind AS Adjustments | 815 | |
| Total Adjustments (B) | 35243 | |
| Profit after tax as per Ind AS [(A)+(B)] | 200400 | |
| Other Comprehensive Income/ Loss | 670 | |
| OCI relating to JV | 9 | |
| Total Comprehensive Income as per Ind AS | 201079 | |

| (iii) Reconciliation of Balance Sheet as at 01 st April, 2015 | | | | (₹ in Lakhs) |
|--------------------------------------------------------------------------|----------------|-------------------|-------------------|----------------|
| Particulars | Adjusted IGAAP | Ind AS Adjustment | Ind AS Regrouping | As per Ind AS |
| Non-current assets: | | | | |
| 1) Property Plant & Equipment | 503743 | -156 | -4 | 503583 |
| 2) Capital work-in-progress | 22702 | - | - | 22702 |
| 3) Investment Property | - | - | 4 | 4 |
| 4) Other Intangible assets | 163707 | -12 | - | 163695 |
| 5) Intangible assets under development | 51665 | -7548 | - | 44117 |
| 6) Investments in Joint Venture | 13194 | 6302 | - | 19496 |
| 7) Financial Assets | | | | |
| (i) Investments | 56993 | - | - | 56993 |
| (ii) Trade receivables | 1554 | - | - | 1554 |
| (iii) Loans | 5225 | - | - | 5225 |
| (iv) Others | 86928 | -49595 | - | 37333 |
| 8) Deferred tax assets (net) | - | - | - | - |
| 9) Other non-current assets | 140344 | -4688 | - | 135656 |
| Current assets: | | | | |
| 1) Inventories | 2513996 | -18716 | - | 2495281 |
| 2) Financial Assets | | | | |
| (i) Investments | - | - | - | - |
| (ii) Trade receivables | 624260 | -14973 | - | 609287 |
| (iii) Cash and cash equivalents | 1767139 | - | - | 1767139 |
| (iv) Bank balances other than (iii) above | - | - | - | - |
| (v) Loans | 17596 | - | - | 17596 |
| (vi) Others | 199002 | -322 | - | 198680 |
| 3) Current Tax Assets (Net) | - | -13546 | 23586 | 10040 |
| 4) Other currents assets | 230619 | -47629 | -23586 | 159404 |
| Total | 6398668 | -150883 | - | 6247785 |



| Reconciliation of Balance Sheet as at 01 st April, 2015 | | | | (₹ in Lakhs) |
|--------------------------------------------------------------------|----------------|-------------------|-------------------|----------------|
| Particulars | Adjusted IGAAP | Ind AS Adjustment | Ind AS Regrouping | As per Ind AS |
| EQUITY AND LIABILITIES: | | | | |
| EQUITY: | | | | |
| 1) Equity Share capital | 48200 | - | - | 48200 |
| 2) Other Equity | 1624826 | -182885 | - | 1441941 |
| LIABILITIES | | | | |
| Non-current liabilities: | | | | |
| 1) Financial Liabilities | | | | |
| (i) Borrowings | - | - | - | - |
| (ii) Trade payables | 50439 | -50099 | - | 340 |
| (iii) Other financial liabilities | 37290 | 33 | - | 37323 |
| 2) Provisions | 49245 | 195368 | 12669 | 257282 |
| 3) Deferred tax liabilities (Net) | 161922 | -95844 | - | 66078 |
| 4) Other non-current liabilities | 875131 | - | - | 875131 |
| Current Liabilities: | | | | |
| 1) Financial liabilities | | | | |
| (i) Borrowings | - | - | - | - |
| (ii) Trade payables | 227000 | -244 | - | 226757 |
| (iii) Other financial liabilities | 111569 | 131 | - | 111701 |
| 2) Other current liabilities | 2935853 | - | - | 2935853 |
| 3) Provisions | 277191 | -17342 | -12669 | 247179 |
| 4) Current Tax Liabilities (Net) | - | - | - | - |
| Total | 6398668 | -150883 | - | 6247785 |

| (iv) Reconciliation of Balance Sheet as at 31 st March, 2016 | | | | (₹ in Lakhs) |
|-------------------------------------------------------------------------|----------------|-------------------|-------------------|----------------|
| Particulars | Adjusted IGAAP | Ind AS Adjustment | Ind AS Regrouping | As per Ind AS |
| Non-current assets: | | | | |
| 1) Property Plant & Equipment | 544446 | - | -4 | 544442 |
| 2) Capital work-in-progress | 37537 | - | - | 37537 |
| 3) Investment Property | - | - | 4 | 4 |
| 4) Other Intangible assets | 148084 | - | - | 148084 |
| 5) Intangible assets under development | 73552 | -8553 | - | 64999 |
| 6) Investments in Joint Venture | 11881 | 7125 | - | 19006 |
| 7) Financial Assets | | | | |
| (i) Investments | 72573 | - | - | 72573 |
| (ii) Trade receivables | - | - | - | - |
| (iii) Loans | 5199 | - | - | 5199 |
| (iv) Others | 89710 | -49579 | - | 40132 |
| 8) Deferred tax assets (net) | - | - | - | - |
| 9) Other non-current assets | 153312 | -4688 | - | 148624 |
| Current assets: | | | | |
| 1) Inventories | 2414196 | -16033 | - | 2398162 |
| 2) Financial Assets | | | | |
| (i) Investments | - | - | - | - |
| (ii) Trade receivables | 513182 | -29493 | - | 483689 |
| (iii) Cash and cash equivalents | 1330343 | - | - | 1330343 |
| (iv) Bank balances other than (iii) above | - | - | - | - |
| (v) Loans | 9805 | - | - | 9805 |
| (vi) Others | 221227 | -345 | - | 220882 |
| 3) Current Tax Assets (Net) | - | - | - | - |
| 4) Other currents assets | 119974 | - | 9723 | 129697 |
| Total | 5745021 | -101566 | 9723 | 5653178 |



| Reconciliation of Balance Sheet as at 31 st March, 2016 | | | | (₹ in Lakhs) |
|--------------------------------------------------------------------|----------------|-------------------|-------------------|----------------|
| Particulars | Adjusted IGAAP | Ind AS Adjustment | Ind AS Regrouping | As per Ind AS |
| EQUITY AND LIABILITIES: | | | | |
| EQUITY: | | | | |
| 1) Equity Share capital | 36150 | - | - | 36150 |
| 2) Other Equity | 1199913 | -132842 | - | 1067071 |
| LIABILITIES | | | | |
| Non-current liabilities: | | | | |
| 1) Financial Liabilities | | | | |
| (i) Borrowings | - | - | - | - |
| (ii) Trade payables | 50083 | -50083 | - | - |
| (iii) Other financial liabilities | 39731 | - | - | 39731 |
| 2) Provisions | 46038 | 199190 | 3023 | 248251 |
| 3) Deferred tax liabilities (Net) | 158367 | -76891 | - | 81475 |
| 4) Other non-current liabilities | 915455 | - | - | 915455 |
| Current Liabilities: | | | | |
| 1) Financial liabilities | | | | |
| (i) Borrowings | - | - | - | - |
| (ii) Trade payables | 215471 | -349 | - | 215122 |
| (iii) Other financial liabilities | 97694 | - | - | 97694 |
| 2) Other current liabilities | 2678236 | 503 | - | 2678740 |
| 3) Provisions | 307881 | -41092 | -3023 | 263766 |
| 4) Current Tax Liabilities (Net) | - | - | 9723 | 9723 |
| Total | 5745019 | -101563 | 9723 | 5653178 |



v) There were no significant reconciliation items between cash flows prepared under IGAAP and those prepared under Ind AS.

(vi) Exemptions availed on first-time adoption of Ind AS 101 as at transition date :

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The company has accordingly applied the following exemptions.

(a) As per para D7AA of Ind AS 101, Property, Plant and Equipment and Intangible assets were carried in the statement of financial position prepared in accordance with IGAAP on 31st March, 2015. The Company has elected to regard such carrying values as deemed cost at the date of transition.

(b) As per para D36 of Ind AS 101 in respect of Customer funded assets the company proposes to apply appendix C of Ind AS 18 wherein the assets created after 01.04.2016 with the customer funding shall be capitalized.

(c) As per para B8C of Ind AS 101 the Company has recognized the fair value of financial Assets/Liabilities at new gross carrying amount of that financial asset or the amortised cost of that financial liability at the date of transition to Ind AS.

(d) As per para D13 of Ind AS 101, which states that the Company need not comply with the requirements for cumulative translation differences that existed at the date of transition as stated in Ind AS 21. Instead the differences for all the foreign operations can be deemed to be zero at the date of transition and, the gain or loss on subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to Ind AS and shall include later translation differences.

(vii) Others:

(a) Under IGAAP, actuarial gains and losses related to the defined benefit schemes for Gratuity and liabilities towards employee leave encashment were recognised in the statement of profit or loss. Under Ind AS, the actuarial gains and losses form part of re-measurement of the net defined benefit liability / asset which is recognised in the Other Comprehensive Income (OCI). Consequently, the tax effect of the same has also been recognised in OCI instead of statement of profit or loss.

(b) Standards issued but not effective- Ind AS 115 - Revenue from Contract with Customers :

In February 2015, the Ministry of Corporate Affairs had notified Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of Revenue and Cash Flow arising from the entity's contract with customers. The effective date of Ind AS 115 has been deferred by the MCA.

(viii) Notes to Clause 3(i) :

(a) Reversal of Proposed dividend:

Under IGAAP, proposed dividend is recognised as a liability in the period to which it relates. Under Ind AS, dividend is adjusted directly in Equity in the period in which it is paid irrespective of the period to which it relates. Accordingly, no amount has been recognised as liability towards proposed dividend (including dividend distribution tax) in financial year 2014-15 as per IGAAP has been reversed and the same is adjusted in Equity in the year 2015-16 as paid. During the year 2015-16, ₹ 14120 lakhs recognised as proposed dividend (including dividend distribution tax) as per IGAAP has been reversed and the same is adjusted in Equity in the period 01.04.2016 to 31.03.2017 as paid.

(b) Provision for Liquidated Damages:

Under IGAAP, Provision for Liquidated Damages against the Company is recognised in Accounts on acceptance i.e. recognised at the time of setting-up of sales. Under Ind AS, Provision for Liquidated Damages will be recognised for the period of delay between the due date of supply of the Goods / rendering of services as per delivery schedule and the expected Date of delivery of said Goods / rendering of service in respect of manufacture / repair and overhaul of Aircraft / Helicopters/ Engines / Rotables, supply of spares and development activities etc. This led to an increase in Liquidated Damages Provision on the date of transition (i.e. as on 01st April, 2015) by ₹ 109183 lakhs which was adjusted against retained earnings. Further during the year 2015-16, Provision for Liquidated Damages of ₹ 20310 lakhs was recognised in Statement of Profit & Loss Statement and Provision for Liquidated Damages of ₹ 22171 lakhs was reversed in Statement of Profit & Loss Statement as the same was recognised in the retained earnings as on 01.04.2015.



(c) Provision for Onerous Contract:

Onerous contract has been recognised in respect of 140 Su-30 manufacturing programme (Block-IV). The schedule of delivery under the contract was 2012-13 to 2014-15, whereas the same is expected to be delivered from 2017-18 to 2019-20. While the selling price remaining constant, increase in material cost, labour cost and other costs has resulted in the contract becoming onerous and the loss amounting to ₹ 110469 lakhs is recognised as on 01st April, 2015.

(d) Impairment of Intangible Asset :

Wherever it is not possible to assess the useful life of an intangible asset, the same is not amortised. However impairment on the same is done when there is an indication that an intangible asset may be impaired. Accordingly, an amount of ₹ 7548 lakhs has been recognised as Impairment loss as on 01st April 2015 and ₹ 1004 lakhs for the year 2015-16

(e) Reversal of Warranty Liability :

Under IGAAP, provision for warranty is made at the time of setting up of sales for manufacture / repair and overhaul of Aircraft / Helicopters/ Engines / Rotables, supply of spares and development activities etc., within the frame work of the conditions agreed with the customers. Under Ind AS, provision for warranty for manufacture and repair and overhaul of Aircraft / Helicopters/ engines / rotables and spares will be made based on actuarial valuation. This led to a decrease in provision on the date of transition (i.e. as on 01st April, 2015) by ₹ 41627 lakhs and which was adjusted against retained earnings as on 01.04.2015. Further during the year 2015-16, Provision of Warranty Liability was reduced by ₹ 3946 lakhs and same was adjusted in the statement of Profit and Loss.

(f) Reversal of Warranty Sales :

Under IGAAP, revenue pertaining to Warranty is recognised 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. Under Ind AS, revenue pertaining to warranty in relation to Manufacturing and Overhaul is recognised proportionately over the period of warranty within the frame work of the conditions agreed with the customer. Due to the above change, the following changes has been made to retained earning as on 01.04.2015 and the Statement of Profit and Loss for the year ended 31st March, 2016.

(₹ in Lakhs)

| Particulars | Retained Earnings as on 01.04.2015 | Profit and Loss for the year ended 31 st March, 2016 |
|-------------------------------------------------|------------------------------------|-----------------------------------------------------------------|
| Reversal of Warranty Sales | 34545 | 39214 |
| Spill over of Warranty Sales from earlier years | - | 27730 |

(g) Fair Value Adjustment for Russian Debt :

(i) As per IGAAP, the amount of liability towards Russian Debt and the corresponding reimbursement of the same from the customer are recognised at gross amount in the books of Accounts. However under Ind AS - 109, both the liability towards Russian Debt and corresponding reimbursement from customer should be initially recognised at fair value and subsequently should be carried at amortised cost. The difference between transaction price and fair value is treated as gain/loss on fair valuation and the same is amortised over the period of Russian Debt. As on 01st April, 2015, the retained earnings is increased by ₹ 50424 lakhs and decreased by ₹ 49917 lakhs and corresponding Deferred Liabilities and Deferred Assets is also reduced, as disclosed below:

(₹ in Lakhs)

| Particulars | Current | Non-Current | Effect on Retained Earnings |
|-------------------------|----------|-------------|-----------------------------|
| a) Deferred Liabilities | 325 | 50100 | 50425 |
| b) Deferred Assets | 322 | 49595 | 49917 |
| Total (a-b) | 3 | 505 | 508 |

(ii) During the year 15-16, both gain on liability towards Russian debt of ₹ 7 lakhs and loss on reimbursement of Russian debt amounting to ₹ 7 lakhs is amortized to the statement of profit and loss, as given below:

| (₹ in Lakhs) | | | |
|-------------------------|---------|-------------|-----------------------------|
| Particulars | Current | Non-Current | Effect on Retained Earnings |
| a) Deferred Liabilities | 23 | -16 | 7 |
| b) Deferred Assets | -23 | 16 | -7 |
| Total (a+b) | - | - | - |

(h) Prior Period Items :

The Company has retrospectively corrected prior period errors in the first set of financial statements by restating the comparative amounts for the prior periods in which the error occurred. Wherever the error has occurred before 01st April, 2015, the Company has restated the opening balances of assets, liabilities and equity as on 01st April 2015. The following prior period adjustments were made as on 01st April 2015.

| Particulars | (₹ in Lakhs) |
|------------------------------------|--------------|
| a) Income Tax * | 65863 |
| b) Other Miscellaneous adjustments | -443 |
| Total (a+b) | 65420 |

* The Company has reached a settlement with Income Tax Department regarding disallowance of provisions towards warranty, replacement, materials, liquidated damages and allowance of reversal of such provisions. As per Ind AS 8, the provision of ₹ 54620 lakhs has been adjusted along with interest of ₹ 11243 lakhs in the opening equity as on 01st April 2015.

(i) Recognition of Overhaul Sales under Percentage Completion Method (POC):

As per IGAAP, Sales are setup and recognised based on completed contract basis. However, as per Ind AS - 18, the sales for Overhaul of Aircraft/Helicopter and Engines are setup and recognised under POC method. This led to increase in sales on the date of transition by ₹ 19041 lakhs and reduction in Work in Progress by ₹ 19041 lakhs and which was adjusted against retained earnings as on 01.04.2015. During the year 2015-16, Sales was increased by ₹16033 lakhs and Work in Progress was reduced by ₹ 16033 lakhs and the same was adjusted in the Statement of Profit and Loss for the year ended 31st March, 2016. Further, during the year 2015-16, sales of ₹ 19041 lakhs was reversed as the same was booked under POC method in the retained earning as on 01.04.2015.

(j) Deferred Tax effect on new temporary differences recognised under Ind AS:

IGAAP requires deferred tax accounting using the income statement approach, which focus on differences between taxable profits and accounting profits for the period. Ind AS- 12 requires entities to account for deferred taxes using the Balance Sheet approach, which focus on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS- 12 approach has resulted in deferred tax on new temporary differences which was not required under the IGAAP. In addition, the various transitional adjustments lead to temporary differences. Accordingly the deferred tax adjustment are recognised in correlation to the underlying transaction in the retained earnings. On the date of transition (i.e. 01.4.2015), the net impact on deferred tax liabilities is ₹ 95844 lakhs and for the year ended 31st March, 2016 is ₹ 76891 lakhs

(k) Gain/Loss on remeasurement of net defined benefit liability/asset:

As per IGAAP, gains and losses on remeasurement of net defined benefit liability/asset are recognised in the Statement of Profit and Loss, whereas under Ind AS the same has been recognised in Other Comprehensive Income by accumulating in a separate component of equity. Accumulated loss (excluding tax) on remeasurement of net defined benefit liability amounting to ₹ 6503 lakhs as on 01st April, 2015 have been transferred from Retained Earnings to a separate component of Equity. An amount of ₹ 1029 lakhs has been recognised as gain on remeasurement of defined benefit plan for the year ended 31st March, 2016.

(l) Gain/Loss on translation of foreign operations:

As per IGAAP, gains and losses on translation of foreign operation are recognised in Statement of Profit and Loss, whereas under Ind AS - 21 the same shall be recognised in Other Comprehensive Income by accumulating in a separate component of equity. An amount of ₹ 4 lakhs has been recognised as loss on translation of foreign operation for the year ended 31st March, 2016.



4. Financial instruments by category (₹ in Lakhs)

(a) The carrying value and fair value of Financial instruments by each category as at 31st March, 2017 were as follows:

| Particulars | Financial assets/ liabilities at amortised costs | Financial assets/ liabilities at FVTPL | Financial assets/ liabilities at FVTOCI | Total Carrying Value | Total Fair Value |
|----------------------------------|-----------------------------------------------------------|-------------------------------------------------|--------------------------------------------------|----------------------------|---------------------|
| Assets: | | | | | |
| (i) Investments | 99399 | - | - | 99399 | 99399 |
| (ii) Loans | 15769 | - | - | 15769 | 15769 |
| (iii) Other financial assets | 294908 | - | - | 294908 | 294908 |
| (iv) Trade receivables | 422051 | - | - | 422051 | 422051 |
| (v) Cash and Cash equivalents | 1115334 | - | - | 1115334 | 1115334 |
| Liabilities: | | | | | |
| (i) Trade payables | 179722 | - | - | 179722 | 179722 |
| (ii) Other financial liabilities | 146921 | - | - | 146921 | 146921 |
| (iii) Borrowings | 95000 | - | - | 95000 | 95000 |

(b) The carrying value and fair value of Financial instruments by each category as at 31st March, 2016 were as follows:

| Particulars | Financial assets/ liabilities at amortised costs | Financial assets/ liabilities at FVTPL | Financial assets/ liabilities at FVTOCI | Total Carrying Value | Total Fair Value |
|----------------------------------|-----------------------------------------------------------|-------------------------------------------------|--------------------------------------------------|----------------------------|---------------------|
| Assets: | | | | | |
| (i) Investments | 91579 | - | - | 91579 | 91579 |
| (ii) Loans | 15004 | - | - | 15004 | 15004 |
| (iii) Other financial assets | 261013 | - | - | 261013 | 261013 |
| (iv) Trade receivables | 483689 | - | - | 483689 | 483689 |
| (v) Cash and Cash equivalents | 1330343 | - | - | 1330343 | 1330343 |
| Liabilities: | | | | | |
| (i) Trade payables | 215122 | - | - | 215122 | 215122 |
| (ii) Other financial liabilities | 137426 | - | - | 137426 | 137426 |

(c) Interest income/expenses, gain/loss recognised on Financial assets and liabilities:

| Particulars | Year ended 31 st March, 2017 | Year ended 31 st March, 2016 |
|------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| (i) Financial assets at amortised cost | | |
| - Interest income from bank deposits | 89065 | 154857 |
| - Interest income from other financial assets | 312 | 310 |
| - Gain/Loss on amortisation of financial assets | 254 | 7 |
| (ii) Financial liabilities at amortised cost | | |
| - Gain/Loss on amortisation of financial liabilities | 1074 | 7 |

5. Financial Risk and Capital Management

The Financial Risks in a Business Entity can be classified as Market Risk, Credit Risk, Liquidity Risk, Operational Risk and Legal Risk.

The status of these Risks at the Company is as brought out hereunder:

a) Market Risk

As significant Revenues of the Company accrues from Supplies / Services to Defence Services, the Company is not exposed to the Risk of Volatile Market conditions.

b) Credit Risk

The Company's Customers are mainly the Defence Services namely Indian Air Force (IAF), Indian Army, Indian Navy and Coast Guard. The Company ensures meeting its financial obligations due to periodic inflow of money as per Advance / milestone payment terms in the Contracts with Defence Services, by holding negotiations.

c) Liquidity Risk

The Liquidity Risk involves the Risk of Asset Liquidity and Operational Funding. The Company is safeguarded against such Risks due to periodic inflow of cash, arising out of Advance / milestone based payment terms in the Contracts with Customers.

d) Operational Risk

The Operational Risks involve Operational Failures, such as mismanagement or technical failures, fraud risk etc. The Company is successful in efficiently managing its affairs exercising due-governance as part of its various processes. Further, the Company being a multi-division Company, is able to manage the risk of technical failures arising at unit level.

e) Legal Risk

The Company enters into Contracts / Business dealings after due-vetting of Contracts / Deeds by robust in-house legal departments and, if so, required by obtaining the legal opinions from external legal experts. The prevailing System at the Company is adequate to guard against any such Risks.

6. As per the communication from the Ministry of Corporate Affairs vide letter dated 16.05.2017, it has been communicated to the Company that in order to extend the exemption under Ind AS 108 - Operating Segments, an amendment of notification No.463 (E) dated 05.06.2015 would be required. As per the prescribed procedure under Section 462 of the Companies Act 2013, the notification for carrying out the said amendment would need to be laid before the Parliament. The Ministry of Corporate Affairs has initiated action for laying the relevant notification for exemption to the Company from application of Ind AS 108 in the Parliament. In view of the above, no disclosure is made by the Company as required under Ind AS 108.



7. Additional information pursuant to para 2 of general instructions for the preparation of consolidated financial statements (₹ in Lakhs)

| Name of the Entity in the Group | Net Assets, i.e. Total Assets minus Total Liabilities | | Share in Net Profit or Loss | | Share in Other Comprehensive Income | | Share in Total Comprehensive Income | |
|-------------------------------------------------------------|-------------------------------------------------------|----------------|-------------------------------------|---------------|-------------------------------------------------|------------|-------------------------------------------------|---------------|
| | As % of consolidated net assets | Amount | As % of consolidated profit or loss | Amount | As % of consolidated other comprehensive income | Amount | As % of consolidated total comprehensive income | Amount |
| Parent | | | | | | | | |
| Hindustan Aeronautics Limited | 98 | 1253662 | 99 | 261563 | 98 | 609 | 99 | 262172 |
| Subsidiaries | | | | | | | | |
| Naini Aerospace Limited | - | 2826 | - | -174 | - | - | - | -174 |
| Joint Ventures (Investment as per the equity method) | | | | | | | | |
| 1. M/s BAe-HAL Software Ltd | - | 742 | - | 26 | 1 | 3 | - | 29 |
| 2. M/s Snecma HAL Aerospace Private Ltd | - | 2620 | - | 136 | - | 2 | - | 138 |
| 3. M/s Indo Russian Aviation Ltd | - | 5040 | - | 965 | - | 1 | - | 966 |
| 4. M/s HALBIT Avionics Pvt Ltd | - | -118 | - | 1 | 1 | 5 | - | 5 |
| 5. M/s HAL Edgewood Technologies Pvt Ltd | - | -368 | - | -40 | - | - | - | -40 |
| 6. M/s SAMTEL HAL Display Systems Ltd | - | -97 | - | -154 | - | 1 | - | -152 |
| 7. M/s INFOTECH HAL Ltd | - | 167 | - | 51 | - | -1 | - | 50 |
| 8. M/s HATSOFF Helicopter Training Pvt Ltd | - | -1692 | - | 523 | - | -1 | - | 522 |
| 9. M/s TATA HAL Technologies Ltd | - | 84 | - | -146 | - | 1 | - | -146 |
| 10. M/s International Aerospace Manufacturing Pvt Ltd | - | 4267 | - | 819 | - | - | - | 819 |
| 11. M/s. Multirole Transport Aircraft Ltd. | 1 | 10890 | - | -7 | - | - | - | -7 |
| 12. M/s. Aerospace & Aviation Sector Skill Council(AASSC) | - | 13 | - | -34 | - | - | - | -34 |
| 13. M/s.Helicopter Engines MRO Pvt Ltd | - | 135 | - | -60 | - | - | - | -60 |
| Total | | 1278171 | | 263470 | | 619 | | 264089 |

| Sl. No. | Particulars | 31 st March 2017 | | 31 st March 2016 | | 1 st April 2015 | | |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------|-----------------------------|----------------|----------------------------|----------------|---------|
| | | HAL | JV's | HAL | JV's | HAL | JV's | TOTAL |
| 1 | Contingent Liabilities not provided for | | | | | | | |
| | Outstanding Letters of Credit and Guarantees | | | | | | | |
| | (i) Letters of Credit | 106350 | - | 93719 | - | 158925 | - | 158925 |
| | Non-fund based limits of ₹ 205000 lakhs (PY ₹ 205000 Lakhs) from Consortium Bankers, are secured by hypothecation of Inventories and all Receivables. The total limits sanctioned of ₹ 250000 lakhs (PY ₹ 250000 lakhs) is interchangeable between the consortium banks and between fund based and non-fund based limits. | | | | | | | |
| | (ii) Indemnity Bonds given by the Company for performance | 593732 | 1484 | 513754 | 1365 | 503526 | 1365 | 504892 |
| | (iii) Performance Guarantee | 7465 | 621 | 9775 | 965 | 14221 | 985 | 15207 |
| | Claims / Demands against the Company not acknowledged as Debts (Gross) | | | | | | | |
| (i) Sales Tax / Entry Tax | 669536 | - | 623406 | - | 227265 | - | 227265 | |
| (ii) Income Tax | 176959 | 130 | 200680 | 130 | 184107 | 23 | 184130 | |
| (iii) Municipal Tax | 4057 | - | 7144 | - | - | - | - | |
| (iv) Service Tax | 51503 | 15 | 78849 | 15 | 64444 | 15 | 64459 | |
| (v) Customs Duty | 23569 | 59 | 23569 | 59 | 23569 | 59 | 23628 | |
| (vi) Others | 10723 | 72 | 11270 | 23 | 11661 | 226 | 11886 | |
| Total | 936346 | 276 | 936622 | 227 | 511045 | 324 | 511369 | |
| 2 | Commitments | | | | | | | |
| | Estimated amount of contracts remaining to be executed and not provided for | | | | | | | |
| | i) on Capital Account | 126131 | 2156 | 110557 | 1906 | 92918 | 1885 | 94803 |
| | ii) towards purchase of Inventory and Services | 947278 | 9 | 773917 | 9 | 1008986 | 163 | 1009149 |
| Total | 1073409 | 2166 | 1075574 | 1915 | 1101904 | 2048 | 1103952 | |

8. Contingent Liabilities and Commitments

(₹ in Lakhs)



9. As per Ind AS 37 relating to Provisions, Contingent Liability and Contingent Assets - the movement of provisions in the Books of Accounts is as follows :

(₹ in Lakhs)

| | Nature of Provision | Opening Balance | Provision made during the year | Utilisation during the year | Reversal during the year | Closing Balance |
|----|-------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------|-----------------------------|--------------------------|-----------------|
| a) | Provision for Replacement and Other Charges | 95805 | 24216 | 22704 | 8627 | 88690 |
| | (Previous Year) | (66276) | (32315) | (2546) | (241) | (95805) |
| b) | Provision for Warranty Charges | 66034 | 8394 | 4163 | 16376 | 53890 |
| | (Previous Year) | (61448) | (15005) | (4378) | (6041) | (66034) |
| c) | Provision for Redundancy in Raw Material and Components, Stores and Spares, Construction Material and Loose Tools | 61886 | 10011 | (0) | 1817 | 70080 |
| | (Previous Year) | (60125) | (7345) | - | (5584) | (61886) |
| d) | Provision for Liquidated Damages | 150736 | 30877 | 53111 | - | 128502 |
| | (Previous Year) | (159720) | (34986) | (43970) | - | (150736) |
| e) | Provision for Doubtful Debts | 11066 | 4530 | 35 | 1,307 | 14253 |
| | (Previous Year) | (1163) | (9903) | - | - | (11066) |
| f) | Provision for Claims | 11903 | 3036 | 236 | 828 | 13875 |
| | (Previous Year) | (7,868) | (4,086) | - | (52) | (11903) |
| g) | Impairment in value of Investments | 6462 | 123 | - | - | 6585 |
| | (Previous Year) | (4990) | (1472) | - | - | (6462) |
| h) | Provision for Onerous contract | 110469 | - | - | - | 110469 |
| | (Previous Year) | (110469) | - | - | - | (110469) |
| | Total | 514360 | 81188 | 80249 | 28954 | 486344 |
| | Previous Year * | (472060) | (105112) | (50894) | (11918) | (514360) |

* Figures in brackets relate to previous year.

Provision for replacement and other charges represents, amounts towards expenditure incurred from the date of Signalling Out Certificate (SOC) to date of ferry out, loan items taken from the customer which needs to be replaced etc.,

Warranty represents Performance Warranty for manufacture, repair and overhaul of Aircraft / Helicopters/ Engines / Rotables, supply of spares and development activities etc.,

Provision for Redundancy in Raw Material and Components, Stores and Spares, Construction Material and Loose Tools represents provision on redundancy of such materials, completed / specific projects and other surplus / redundant materials pending transfer to salvage stores etc.,

Provision for Liquidated Damages represents amounts provided for the period of delay between the due date of supply of the Goods / rendering of services as per delivery schedule and the expected Date of delivery of said Goods / rendering of service in respect of manufacture / repair and overhaul of Aircraft / Helicopters/ Engines / Rotables, supply of spares and development activities etc.

Provision for Doubtful Debts represents provision made on expected credit losses

Provision for doubtful claims represents provision on expected credit losses.

Impairment in value of investment represents reduction in the share of net worth below investment

Provision for Onerous contract has been recognised as the cost of meeting obligations is over and above the economic benefits expected to be received under it.



(₹ in Lakhs)

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| 10. Provisions for the material foreseeable losses on long-term contracts has been made in the respective financial statements of the Joint ventures as listed below: | 2016-17 | 2015-16 |
| HALBIT Avionics Private Limited | 32.07 | 32.07 |

11. Summarised financial information of Subsidiary

(₹ in Lakhs)

| Summarised Balance Sheet | Naini Aerospace Limited 31st March 2017 |
|---------------------------------|---------------------------------------------------------------|
| Current assets | 4197 |
| Current liabilities | 179 |
| Net Current assets | 4019 |
| Non-current assets | |
| Non-current liabilities | 1192 |
| Net Non-current assets | -1192 |
| Net assets | 2826 |

| Summarised Statement of Profit & Loss | Naini Aerospace Limited 31st March 2017 |
|--------------------------------------------------|---------------------------------------------------------------|
| Revenue | 23 |
| Profit for the year | -174 |
| Other Comprehensive Income | - |
| Total Comprehensive Income | -174 |

| Summarised Cash Flows | Naini Aerospace Limited 31st March 2017 |
|-------------------------------------------------------------|---------------------------------------------------------------|
| Cash flow from operating activities | 209 |
| Cash flow from investing activities | 13 |
| Cash flow from financing activities | 3000 |
| Net increase/(decrease) in cash and cash equivalents | 3222 |

The subsidiary was incorporated on 29.12.2016



12. Summarised financial information of Joint Ventures

(₹ in Lakhs)

| Summarised Balance Sheet | BAe-HAL Software Ltd | | | Sneema HAL Aerospace Private Ltd | | | SAMTEL HAL Display Systems Ltd | | | HAL Edgewood Technologies Pvt Ltd* | | |
|----------------------------------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------------|-----------------------------|----------------------------|--------------------------------|-----------------------------|----------------------------|------------------------------------|-----------------------------|----------------------------|
| | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
| Current assets | | | | | | | | | | | | |
| - Cash & Cash equivalents | 97 | 158 | 58 | 250 | 1277 | 2010 | 1 | 3 | 12 | 3 | 98 | 2 |
| - Other assets | 1739 | 1915 | 1982 | 5489 | 4542 | 3426 | 451 | 865 | 1164 | 405 | 320 | 313 |
| Total current assets | 1835 | 2073 | 2039 | 5739 | 5818 | 5436 | 453 | 868 | 1176 | 409 | 418 | 315 |
| Total non-current assets | 451 | 514 | 664 | 1810 | 1972 | 1664 | 137 | 297 | 319 | 812 | 831 | 850 |
| Current liabilities | | | | | | | | | | | | |
| - Financial liabilities (excluding trade payables) | - | - | - | 916 | 1180 | 928 | 452 | 452 | 604 | 336 | 339 | 323 |
| - Other liabilities | 672 | 987 | 780 | 1243 | 1227 | 1511 | 292 | 272 | 152 | 1108 | 1086 | 993 |
| Total current liabilities | 672 | 987 | 780 | 2159 | 2408 | 2439 | 743 | 723 | 756 | 1443 | 1425 | 1315 |
| Non-Current liabilities | | | | | | | | | | | | |
| - Financial liabilities (excluding trade payables) | - | - | - | 46 | 78 | 102 | - | - | - | 381 | 343 | 251 |
| - Other liabilities | 99 | 108 | 121 | 105 | 233 | 207 | 90 | 303 | 607 | 4 | 9 | 8 |
| Total non-current liabilities | 99 | 108 | 121 | 151 | 311 | 309 | 90 | 303 | 607 | 385 | 352 | 259 |
| Net assets | 1515 | 1492 | 1803 | 5239 | 5072 | 4351 | -243 | 139 | 132 | -607 | -528 | -409 |
| | | | | | | | | | | 128 | 128 | 128 |

* Share application money pending allotment

12. Summarised financial information of Joint Ventures

(₹ in Lakhs)

| Summarised Balance Sheet | HALBIT Avionics Pvt Ltd | | | Indo Russian Aviation Ltd | | | INFOTECH HAL Ltd | | | HATSOFF Helicopter Training Pvt Ltd | | |
|----------------------------------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|-------------------------------------|-----------------------------|----------------------------|
| | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
| Current assets | | | | | | | | | | | | |
| - Cash & Cash equivalents | 462 | 658 | 512 | 8408 | 8046 | 6858 | 10 | 45 | 10 | 891 | 1873 | 163 |
| - Other assets | 4701 | 5053 | 4391 | 4595 | 4181 | 3510 | 994 | 609 | 366 | 2525 | 921 | 693 |
| Total current assets | 5163 | 5711 | 4903 | 13004 | 12227 | 10368 | 1004 | 653 | 376 | 3415 | 2794 | 856 |
| Total non-current assets | 126 | 252 | 399 | 88 | 84 | 77 | 55 | 69 | 48 | 20618 | 21376 | 22175 |
| Current liabilities | | | | | | | | | | | | |
| - Financial liabilities (excluding trade payables) | - | - | - | - | - | - | - | - | - | 10320 | 9057 | 6106 |
| - Other liabilities | 5406 | 6056 | 4727 | 2142 | 2732 | 2224 | 708 | 472 | 277 | 611 | 543 | 457 |
| Total current liabilities | 5406 | 6056 | 4727 | 2142 | 2732 | 2224 | 708 | 472 | 277 | 10931 | 9599 | 6564 |
| Non-Current liabilities | | | | | | | | | | | | |
| - Financial liabilities (excluding trade payables) | - | - | - | 1 | 152 | 141 | - | - | - | 16382 | 18923 | 20039 |
| - Other liabilities | 120 | 154 | 189 | 448 | 446 | 441 | 17 | 18 | 13 | 103 | 76 | 71 |
| Total non-current liabilities | 120 | 154 | 189 | 448 | 598 | 582 | 17 | 18 | 13 | 16485 | 18998 | 20110 |
| Net assets | -237 | -248 | 386 | 10501 | 8981 | 7640 | 333 | 233 | 134 | -3383 | -4428 | -3643 |



(₹ in Lakhs)

12. Summarised financial information of Joint Ventures

| Summarised Balance Sheet | TATA HAL Technologies Ltd | | | International Aerospace Manufacturing Pvt Ltd | | | Multirole Transport Aircraft Ltd. | | | Aerospace & Aviation Sector Skill Council(AASSC) | | | Helicopter Engines MRO Pvt Ltd | | |
|----------------------------------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------------------------|-----------------------------|----------------------------|-----------------------------------|-----------------------------|----------------------------|--------------------------------------------------|-----------------------------|----------------------------|--------------------------------|-----------------------------|----------------------------|
| | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 | 31 st March 2017 | 31 st March 2016 | 1 st April 2015 |
| Current assets | | | | | | | | | | | | | | | |
| -Cash & Cash equivalents | 59 | 172 | 47 | 371 | 36 | 28 | 3033 | 27 | 107 | 3 | 4 | 24 | 215 | - | - |
| -Other assets | 349 | 438 | 396 | 12332 | 11790 | 9994 | 6695 | 13355 | 14008 | 306 | 359 | 1 | - | - | - |
| Total current assets | 408 | 609 | 443 | 12703 | 11826 | 10022 | 9728 | 13382 | 14115 | 309 | 363 | 25 | 215 | - | - |
| Total non-current assets | 79 | 95 | 151 | 10210 | 11063 | 11883 | 12444 | 8425 | 7499 | 8 | 3 | - | 200 | - | - |
| Current liabilities | | | | | | | | | | | | | | | |
| - Financial liabilities (excluding trade payables) | 237 | - | 6 | 7697 | 8608 | 9806 | - | 2 | 31 | - | - | - | - | - | - |
| - Other liabilities | 53 | 223 | 140 | 5217 | 5420 | 5227 | 15 | 12 | 30 | 292 | 341 | 1 | 145 | - | - |
| Total current liabilities | 290 | 223 | 146 | 12914 | 14028 | 15033 | 16 | 14 | 61 | 292 | 341 | 1 | 145 | - | - |
| Non-Current liabilities | | | | | | | | | | | | | | | |
| - Financial liabilities (excluding trade payables) | - | - | - | 1350 | 1856 | 426 | 3 | - | - | - | - | - | - | - | - |
| - Other liabilities | 30 | 22 | 21 | 115 | 109 | 84 | 374 | - | - | - | - | - | - | - | - |
| Total non-current liabilities | 30 | 22 | 21 | 1465 | 1965 | 510 | 377 | - | - | - | - | - | - | - | - |
| Net assets | 168 | 459 | 427 | 8534 | 6896 | 6363 | 21779 | 21793 | 21552 | 25 | 25 | 24 | 270 | - | - |

(₹ in Lakhs)

| Summarised Statement of Profit & Loss | BAe-HAL Software Ltd | | Snecma HAL Aerospace Private Ltd | | SAMTEL HAL Display Systems Ltd | | HAL Edgewood Technologies Pvt Ltd | | HALBIT Avionics Pvt Ltd | | Indo Russian Aviation Ltd | |
|----------------------------------------------|-----------------------------------|-----------------------------------|----------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------|
| | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | |
| Revenue | 2108 | 2182 | 7382 | 6946 | 1572 | 4187 | 113 | 92 | 748 | 1212 | 11789 | 8696 |
| Interest income | 56 | 70 | 20 | 16 | - | - | - | 1 | 49 | 88 | 629 | 662 |
| Depreciation & amortisation | 37 | 35 | 417 | 325 | 30 | 36 | 16 | 18 | 58 | 69 | 15 | 9 |
| Interest expense | - | - | 13 | 29 | 39 | 101 | 17 | 23 | - | - | - | 3 |
| Income tax expense | 18 | 71 | 430 | 351 | 127 | -4 | - | - | 18 | 79 | 1085 | 932 |
| Profit from continuing operations | 52 | -213 | 273 | 775 | -384 | 6 | -80 | -118 | 2 | -634 | 2011 | 1704 |
| Profit from discontinued operations | - | - | - | - | - | - | - | - | - | - | - | - |
| Profit for the year | 52 | -213 | 273 | 775 | -384 | 6 | -80 | -118 | 2 | -634 | 2011 | 1704 |
| Other comprehensive income | 7 | 11 | 4 | - | 3 | 1 | - | - | 9 | - | 1 | - |
| Total comprehensive income | 59 | -202 | 277 | 775 | -381 | 7 | -80 | -118 | 11 | -633 | 2013 | 1704 |
| Dividends declared (HAL share) | 15 | 44 | 46 | 23 | - | - | - | - | - | - | 197 | 140 |



(₹ in Lakhs)

| Reconciliation to carrying amounts | BAe-HAL Software Ltd | | Snecma HAL Aerospace Private Ltd | | SAMTEL HAL Display Systems Ltd | | HAL Edgewood Technologies Pvt Ltd | | HALBIT Avionics Pvt Ltd | | Indo Russian Aviation Ltd | |
|------------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------------|-----------------------------|--------------------------------|-----------------------------|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-------------|
| | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | |
| Opening net assets | 1492 | 1803 | 5072 | 4351 | 139 | 132 | -656 | -409 | -248 | 386 | 8981 | 7640 |
| Share application money pending allotment relating to other JV Partner | - | - | - | - | - | - | - | -128 | - | - | - | - |
| Profit for the year | 52 | -213 | 273 | 775 | -384 | 6 | -80 | -118 | 2 | -634 | 2011 | 1704 |
| Other comprehensive income | 7 | 11 | 4 | - | 3 | 1 | - | - | 9 | - | 1 | - |
| Dividends paid | -36 | -108 | -110 | -53 | - | - | - | - | - | - | -492 | -352 |
| Appropriation | - | - | - | - | - | - | - | - | - | - | - | -12 |
| Share Capital issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing net assets | 1515 | 1492 | 5239 | 5072 | -243 | 139 | -736 | -656 | -237 | -248 | 10501 | 8981 |
| Group's share in % | 49% | 49% | 50% | 50% | 40% | 40% | 50% | 50% | 50% | 50% | 48% | 48% |
| Group's share in INR | 742 | 731 | 2620 | 2536 | -97 | 55 | -368 | -328 | -118 | -124 | 5040 | 4311 |
| Unrealised Gain/ Loss | -4 | - | - | - | - | - | - | - | - | - | -1900 | -1615 |
| Unrecognised Losses (Net of subsequent profits) | - | - | - | - | 257 | 49 | 668 | 628 | 501 | 506 | - | - |
| Provision for Diminution Goodwill | - | - | - | - | 160 | 105 | 300 | 300 | 383 | 383 | - | - |
| Carrying amount | 738 | 731 | 2620 | 2536 | - | - | - | - | - | - | 3141 | 2696 |

(₹ in Lakhs)

| Summarised Statement of Profit & Loss | INFOTECH HAL Ltd | | HATSOFF Helicopter Training Pvt Ltd | | TATA HAL Technologies Ltd | | International Aerospace Manufacturing Pvt Ltd | | Multirole Transport Aircraft Ltd. | | Aerospace & Aviation Sector Skill Council(AASSC) | | Helicopter Engines MRO Pvt Ltd | |
|------------------------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------------------------|-----------------------------|-----------------------------------|-----------------------------|--------------------------------------------------|-----------------------------|--------------------------------|--|
| | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | |
| Revenue | 655 | 614 | 3759 | 1835 | 509 | 941 | 19121 | 13940 | 433 | 30 | - | - | - | |
| Interest Income | 1 | 1 | 60 | 14 | 4 | 6 | 12 | 17 | 693 | 702 | 23 | 10 | - | |
| Depreciation & amortisation | 1 | - | 966 | 981 | 18 | 36 | 1938 | 1964 | 483 | 8 | 1 | - | - | |
| Interest expense | - | - | 917 | 841 | 17 | 11 | 343 | 230 | - | - | - | - | - | |
| Income tax expense | 13 | 1 | - | - | - | 9 | 709 | 291 | 496 | 119 | - | - | - | |
| Profit from continuing operations | 102 | 99 | 1046 | -791 | -293 | 32 | 1637 | 528 | -13 | 240 | -68 | -14 | -120 | |
| Profit from discontinued operations | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Profit for the year | 102 | 99 | 1046 | -791 | -293 | 32 | 1637 | 528 | -13 | 240 | -68 | -14 | -120 | |
| Other comprehensive income | -2 | 1 | -1 | 7 | 1 | - | - | 5 | - | - | - | - | - | |
| Total comprehensive income | 100 | 100 | 1045 | -785 | -291 | 32 | 1637 | 534 | -13 | 240 | -68 | -14 | -120 | |
| Dividends declared (HAL share) | - | - | - | - | - | - | - | - | - | - | - | - | - | |



(₹ in Lakhs)

| Reconciliation to carrying amount | INFOTECH HAL Ltd | | HATSOFF Helicopter Training Pvt Ltd | | TATA HAL Technologies Ltd | | International Aerospace Manufacturing Pvt Ltd | | Multirole Transport Aircraft Ltd. | | Aerospace & Aviation Sector Skill Council(AASSC) | | Helicopter Engines MRO Pvt Ltd | |
|-------------------------------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------------------------|-----------------------------|-----------------------------------|-----------------------------|--------------------------------------------------|-----------------------------|--------------------------------|--|
| | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 | |
| Opening net assets | 233 | 134 | -4428 | -3643 | 427 | 6896 | 6363 | 21552 | 25 | 24 | - | - | - | |
| Share application money pending allotment | - | - | - | - | - | - | - | - | - | - | - | 290 | - | |
| Profit for the year | 102 | 99 | 1046 | -791 | 32 | 1637 | 528 | -13 | 240 | -68 | -120 | - | - | |
| Other comprehensive income | -2 | 1 | -1 | 7 | - | - | 5 | - | - | - | - | - | - | |
| Dividends paid | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Appropriation | - | - | - | - | - | - | - | - | - | 68 | 15 | - | - | |
| Share Capital issued | - | - | - | - | - | - | - | - | - | - | - | 100 | - | |
| Closing net assets | 333 | 233 | -3383 | -4428 | 168 | 8534 | 6896 | 21779 | 21793 | 25 | 25 | 270 | 270 | |
| Group's share in % | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | |
| Group's share in INR | 167 | 117 | -1692 | -2214 | 230 | 4267 | 3448 | 10890 | 10897 | 13 | 13 | 135 | 135 | |
| Unrealised Gain/Loss | - | - | - | - | - | -28 | -10 | - | - | - | - | - | - | |
| Unrecognised Losses (Net of subsequent profits) | - | 50 | 5532 | 6054 | 133 | - | - | - | - | - | - | - | - | |
| Provision for Diminution | 166 | 166 | 3840 | 3840 | 362 | 855 | 855 | 457 | 450 | - | - | - | - | |
| Goodwill | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Carrying amount | - | - | - | - | - | 3384 | 2583 | 10433 | 10447 | 13 | 13 | 135 | 135 | |



13. Notes Specific to Joint Ventures

(i) In respect of HATSOFF Helicopter Training Private Limited

Going Concern

The Company has made a net profit of ₹ 1045 lakhs during the year ended 31st Mar 2017 and, as of that date, the Company's current liabilities exceeded its current assets. In addition to this, as at the Balance Sheet date, the Company has significant accumulated losses which have resulted in erosion of the net worth. The networth of the Company as at 31st March 2017 is negative by ₹ 3383 Lakhs/- (as at 31st March 2016 ₹ 4428 Lakhs/-) However, these financial statements have been prepared on a going concern basis, notwithstanding the above factors in view of the following:

- 1) The Company and CAE (who own 100% shares of the Company equally) have provided requisite funding on earlier occasions when the company needed the same.
- 2) The company along with the shareholders are presently pursuing several options with the company's bankers, viz., ICICI Bank for addressing the issues relating to the current classification of the loan account with them as Non Performing Asset (NPA). Further ICICI bank has the option to convert the loan into equity as per Facility Agreement if required and indicated to the company that they may exercise the option. The Company has paid ECB loan interest upto date and continues to service interest commitments regularly. Considering the promoters ability to fund the companies requirements and procure orders for execution, management is of the opinion that company is a going concern.

(ii) In respect of HAL-Edgewood Private Limited

(a) The working capital loans in the nature of demand loan and cash credit has been obtained from State Bank of India and is secured by charge on trade receivables and un encumbered stock of the Company. There were defaults in repayment of the loan pursuant to which the bank has classified the loan facility as non performing assets and has stopped charging interest to the loan accounts. The interest have been provided by placing reliance on the letter provided by the Bank upto financial year 2013-14. From financial year 2014-15 onwards the interest has been provided upto 31 December 2016 as per the rates stated in the sanction letter.

Further, the State Bank of India, Stressed Assets Recovery Branch has introduced a scheme for One Time Settlement of non performing assets. Pursuant to such scheme, the Company was offered to pay an amount of ₹ 82.06 lakhs against the outstanding principal and interest amounts on or before 23 July 2017. The Company has made the payment of ₹ 20.52 lakhs in accordance with the scheme of OTS.

(b) The amortisation of Intangible assets is done in accordance with Unit of Production Method. In the opinion of the management, the Company is confident of receiving Purchase order form its customers for further series upgrade for 154 OSAMC units of delivery of on existing order of 11 prototype OSAMC units to its customers and the intention of development of OSAMC units is to manufacture and deliver the series upgrade 154 OSAMC units to customers.

c) The company's networth is eroded (reported negative networth of ₹ 607 lakhs as at 31st March 2017). The ability of the company to continu as a going concern is inter-alia dependant on the company's ability to infuse requisite funds for meeting its obligations, rescheduling of debt/ other liabilities. The financial statements are prepared on a going concern basis.

(iii) In respect of HALBIT Avionics Private Ltd

The Company has accumulated losses of ₹ 1002 lakhs as at March 31, 2017 (31st March, 2016 - ₹ 1013 Lakhs). The Company's current liabilities exceed its current assets by ₹ 243 lakhs (31st March, 2016 - ₹ 345 Lakhs). However, based on the estimated future growth as per the business plans and projected cash flow, the Company is confident of funding its operating and Capital Expenditure and continue business operations in the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

(iv) In respect of TATA HAL Technologies Limited

Going Concern

The Company's revenues has substantially reduced (compared to earlier years) and the Company has incurred losses in the year ended 31st March, 2017. The Networth of the the Company was significantly eroded as at that date. These Financial statements have been prepared on a going concern basis, based on management's assessment of raising adequate finances for the company and expected cash flows from management's business plans and the continuing operational support expected to be received from the venturers of the Company, it would be able to realise its assets and meet all its obligations in the normal course of business. The ability of the Company to continue as a going concern is dependant on the successful outcome of the management's mitigation plans and continued operational support from the venturers.



14. During the year, the Company had Specified Bank Notes (SBN's) or other denomination notes as defined in the MCA notification G.S.R 308 (e) dated 31st March 2017. Details of SBN held and transacted during the period from 8th November, 2016 to 30th December, 2016, the denomination wise SBN's and other notes as per the notification are as follows:

Hindustan Aeronautics Limited

(₹ in Lakhs)

| Particulars | Total | | |
|----------------------------------------------|----------|--------------------------|-----------|
| | SBNs | Other Denomination Notes | Total |
| Closing cash in hand as on 08.11.2016 | 509 | 384 | 893 |
| (+) Permitted Receipts | 2 | 1,533 | 1,535 |
| (+) Amount Withdrawn from Banks | - | - | - |
| (-) Permitted Payments | - | 1,298 | 1,298 |
| (-) Amount deposited in Banks | 511 | 608 | 1,119 |
| Closing cash in hand as on 30.12.2016 | - | 11 | 11 |

Joint Ventures

(₹ in Lakhs)

| Particulars | Total | | |
|----------------------------------------------|----------|--------------------------|----------|
| | SBNs | Other Denomination Notes | Total |
| Closing cash in hand as on 08.11.2016 | 2 | 1 | 3 |
| (+) Permitted Receipts | 1 | 7 | 8 |
| (+) Amount Withdrawn from Banks | - | 1 | 1 |
| (-) Permitted Payments | 2 | 7 | 9 |
| (-) Amount deposited in Banks | 1 | - | 1 |
| Closing cash in hand as on 30.12.2016 | - | 2 | 2 |

The subsidiary was incorporated on 29.12.2016

(₹ in Lakhs)

| | Particulars | 31 st March 2017 | 31 st March 2016 |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 15 | As per Ind AS-33 relating to Earnings per Share (Basic and Diluted)- | | |
| | Profit Before Tax | 359176 | 321291 |
| | Provision for Taxation | 96695 | 120892 |
| | Net Profit After Tax | 262481 | 200399 |
| | Number of Equity Shares of Face Value of ₹ 10/- each fully paidup * | 361500000 | 482000000 |
| | Earnings per Share (in Rupees) - Basic and Diluted * | 72.61 | 41.58* |
| | *The Company has bought back 12,05,00,000 Equity Shares @ ₹ 10/- each on 30th March 2016. Earnings per share has been calculated by dividing the net profit or loss for the period by 48,20,00,000 equity shares. The effect of buy-back is not considered for the purpose of calculation of Earnings Per Share, as there is no significant change in value of the same. | | |
| 16 | Previous Year figures have been rearranged or regrouped wherever necessary. | | |

Note '1' to '49' and Accounting Policies attached form part of the Accounts As per our Report attached

for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.0046565



(S Sundarraman)
Partner
Membership No. 201028



(C.V. RAMANA RAO)
Director (Finance) & CFO



(T. SUVARNA RAJU)
Chairman & Managing Director



(G.V. SESH REDDY)
Company Secretary

Place: Bangalore

Date: 29th June, 2017



Form AOC - 1

Statement containing salient features of the financial statement of subsidiaries/Associate companies/ joint ventures

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Part "A": Subsidiaries

(₹ in Lakhs)

| Sl.No | Particulars | 31 st March 2017 |
|-------|------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 1 | Name of the Subsidiary | M/s. Naini Aerospace Limited |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | NA |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries. | NA |
| 4 | Share capital | 3000 |
| 5 | Reserves & surplus | -174 |
| 6 | Total assets | 4197 |
| 7 | Total Liabilities | 1371 |
| 8 | Investments | 0 |
| 9 | Turnover | 0 |
| 10 | Profit/loss before taxation | -174 |
| 11 | Provision for taxation | 0 |
| 12 | Profit/loss after taxation | -174 |
| 13 | Proposed Dividend | 0 |
| 14 | % of shareholding | 100% |

1. Names of subsidiaries which are yet to commence operations – M/s Naini Aerospace Limited

2. Names of subsidiaries which have been liquidated or sold during the year- NIL

for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.004656S



(C.V. RAMANA RAO)
Director (Finance) & CFO



(T. SUVARNA RAJU)
Chairman & Managing Director



(S Sundarraman)
Partner
Membership No. 201028



(G.V. SSHA REDDY)
Company Secretary

Place: Bangalore

Date: 29th June, 2017

Part "B": Associates and Joint Ventures

(₹ in Lakhs)

| SI No. | Name of Joint Venture | M/s BAE-HAL Software Ltd | M/s Snecma HAL Aerospace Private Ltd | M/s SAMTEL HAL Display Systems Ltd | M/s HAL Edgewood Technologies Pvt Ltd | M/s HALBIT Avionics Pvt Ltd | M/s Indo Russian Aviation Ltd | M/s INFOTECH HAL Ltd | M/s HATSOFF Helicopter Training Pvt Ltd | M/s TATA HAL Technologies Ltd | M/s International Aerospace Manufacturing Pvt Ltd | M/s Multirole Transport Aircraft Ltd. | M/s Aerospace & Aviation Sector Skill Council (AASSC) | M/s Helicopter Engines MRO Pvt Ltd |
|--------|---------------------------------------------------------------------------|--------------------------|--------------------------------------|------------------------------------|---------------------------------------|-----------------------------|-------------------------------|----------------------|-----------------------------------------|-------------------------------|---------------------------------------------------|---------------------------------------|-------------------------------------------------------|------------------------------------|
| 1 | Latest audited Balance Sheet Date | 31.03.2017 | 31.03.2017 | 31.03.2017 | 31.03.2017 | 31.03.2017 | 31.03.2017 | 31.03.2017 | 31.03.2017 | 31.03.2017 | 31.03.2017 | 31.03.2017 | 31.03.2017 | 31.03.2017 |
| 2 | Date on which the Associates or joint venture was associated or acquired | Feb-93 | Oct-05 | Jan-07 | Apr-07 | May-07 | Sep-94 | Aug-07 | Jan-08 | May-08 | Jul-10 | Dec-10 | Sep-14 | Aug-16 |
| 3 | Shares of Associate/Joint Ventures held by the company on the year end | | | | | | | | | | | | | |
| a | No. | 2940000 | 1140000 | 160000 | 300000 | 382500 | 936525 | 2000000 | 38404204 | 5070000 | 4250000 | 11346564 | 125 | 50000 |
| b | Amount of Investment in Associates/Joint Venture | 294 | 1140 | 160 | 300 | 383 | 94 | 200 | 3840 | 507 | 4250 | 11347 | 13 | 195 |
| c | Extent of Holding % | 49% | 50% | 40% | 50% | 50% | 48% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| 4 | Description of how there is significant influence | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| 5 | Reason why the associate/joint venture is not consolidated | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| 6 | Networth attributable to Shareholding as per latest audited Balance Sheet | 742 | 2620 | -97 | -368 | -118 | 5040 | 167 | -1692 | 84 | 4267 | 10890 | 13 | 135 |



| SI No. | Name of Joint Venture | M/s BAe-HAL Software Ltd | M/s Snecma HAL Aerospace Private Ltd | M/s SAMTEL HAL Display Systems Ltd | M/s HAL Edgewood Technologies Pvt Ltd | M/s HALBIT Avionics Pvt Ltd | M/s Indo Russian Aviation Ltd | M/s INFOTECH HAL Ltd | M/s HATSOFF Helicopter Training Pvt Ltd | M/s TATA HAL Technologies Ltd | M/s International Aerospace Manuf-acturing Pvt Ltd | M/s Multirole Transport Aircraft Ltd. | M/s Aerospace & Aviation Sector Skill Council (AASSC) | M/s Helicopter Engines MRO Pvt Ltd |
|--------|---------------------------------|--------------------------|--------------------------------------|------------------------------------|---------------------------------------|-----------------------------|-------------------------------|----------------------|-----------------------------------------|-------------------------------|----------------------------------------------------|---------------------------------------|-------------------------------------------------------|------------------------------------|
| 7 | Profit / Loss for the year | 59 | 277 | -381 | -80 | 11 | 2013 | 100 | 1045 | -291 | 1637 | -13 | -68 | -120 |
| i | Considered in Consolidation | 29 | 138 | | | | 966 | | | | 819 | -7 | | -60 |
| ii | Not Considered in Consolidation | 30 | 138 | -381 | -80 | 11 | 1047 | 100 | 1045 | -291 | 819 | -7 | -68 | -60 |

1. Name(s) of joint venture(s) which is/are yet to commence operations:-

a. M/s Helicopter Engines MRO Pvt Ltd

b. M/s Multi-Role Transport Aircraft Limited

2. Names of associates or joint ventures which have been liquidated or sold during the year - **NIL**

for **M/s. S. Venkatram & Co.,**
Chartered Accountants
Firm Regn. No.004656S



(S Sundarraman)
Partner
Membership No. 201028

Place: Bangalore

Date: 29th June, 2017



(C.V. RAMANA RAO)
Director (Finance) & CFO



(T. SUVARNA RAJU)
Chairman & Managing Director



(G.V. SESH REDDY)
Company Secretary



Registered Office:

HINDUSTAN AERONAUTICS LIMITED

Post Box No.5150, 15/1, Cubbon Road, Bengaluru – 560 001

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

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

CORPORATE OFFICE

SHRI. T SUVARNA RAJU

Chairman & Managing Director

SHRI. V M CHAMOLA

Director (HR)

SHRI. C V RAMANA RAO

Director (Finance) & CFO

VIGILANCE

SHRI. B SELVA KUMAR

Chief Vigilance Officer

HAL MANAGEMENT ACADEMY

SHRI. P S BHOOPATHY

General Manager (HR)

SHRI. SANDEEP PATNAIK

Offg. General Manager (HR-SD)

COMPANY SECRETARIAT

SHRI. G V SESA REDDY

Company Secretary

LIAISON OFFICE, NEW DELHI

SHRI. MRIGENDRA KUMAR

Resident Manager, Delhi

PLANNING & PROJECTS

SHRI. MD MAZHAR ALI QURAISHI

Executive Director

(Planning & Projects)

SHRI DIBYENDU MAITI

General Manager

(Planning & Projects-Russian)

CUSTOMER SERVICES

SHRI. MALOY DE

Executive Director (CS & QA)

SHRI. VENUGOPAL GUPTA

Offg. GM (CS)

FLIGHT OPERATIONS – FIXED WING

AIR CMDE KA MUTHANA VSM

(Retd.)

Chief of Test Flying (FW)

FINANCE & ACCOUNTS

SHRI. CB ANANTHA KRISHNAN

General Manager (Finance)

SHRI.D SUDHAKARAN NAIR

General Manager (Finance)

HUMAN RESOURCES

SHRI. A K TYAGI

Executive Director (HR)

SHRI. JOSE JACOB

Executive Director (HR-ER)

SHRI. M R UDAYAKUMAR

General Manager (CSR & SD)

SHRI ALOK VERMA

General Manager (HR)

MARKETING

SHRI. VENUGOPAL D

General Manager (Marketing)

SYSTEM AUDIT

SHRI. SANJIV KAPOOR

General Manager (SYA)

INDIGENISATION

SHRI. K RAMAKRISHNA

General Manager (Indigenization)

JOINT VENTURE & OUT SOURCING

SHRI. M M TAPASE

General Manager (JV & OS)

INTEGRATED MATERIALS

MANAGEMENT

SHRI. S K TANDON

General Manager (IMM)

QUALITY ASSURANCE

SHRI. SYED ABDUL RAZACK

General Manager (QA)

SHRI. A K SINHA

Offg. GM(Quality & PI)

INFORMATION TECHNOLOGY

SHRI. RAJEEV AGARWAL

General Manager (IT)

MANAGEMENT SERVICES

SHRI. G BALAKRISHNAN

General Manager (MS)

BANGALORE COMPLEX

SHRI. R KAVERI RENGANATHAN

CEO (BC)

SMT. VIDYA UPADHYAYA

General Manager(Finance)

SHRI D DEEPAK

General Manager (HR)

IJT-LSP PROJECT GROUP

SHRI. UMESH CHANDRA

Àddl. General Manager (Projects)

FOUNDRY & FORGE DIVISION

SHRI VENKATESH M S

General Manager

ENGINE DIVISION

SHRI.K RAJAMANI

General Manager (Engine)

SHRI. B KRISHNA KUMAR

Chief of Projects

AIRCRAFT DIVISION

SHRI. E ANDREW SUNDERAJ

General Manager

LCA – TEJAS DIVISION

SHRI. V SRIDHARAN

Executive Director (LCA-Tejas)

SHRI. P G YOGINDRA

Executive Director (LCAMk1A)

SHRI. VELPARI M S

Chief of Projects

AEROSPACE DIVISION

SHRI. SHEKHAR SRIVASTAVA

General Manager (Aerospace)

MEDICAL & HEALTH

Dr. C S RANGA RAO

Chief of Medical Services



IMGT DIVISION

SHRI. K RAMESH

Addl. General Manager
(Manufacturing, Marketing &
Maintenance)

OVERHAUL DIVISION

SHRI. RAKESH KAUL

General Manager

SHRI. RADHA KRISHNA H S

Chief of Projects

FACILITIES MANAGEMENT DIVISION

SHRI. G VENKATESHWARA RAO

General Manager (FMD)

FLIGHT OPERATIONS – FIXED WING

Gp.Capt.(Retd.) C SUBRAMANIAM

Chief Test Pilot (FW)

AIRPORT SERVICE CENTRE

SHRI. RAJENDER SHARMA

HEAD (ASC)

DESIGN COMPLEX

SHRI. D K VENKATESH

Director (Engineering and R&D)

SHRI. S P BHATTACHARYA

Executive Director (Engineering
&R&D)

SHRI. PRAVEEN CHANDER

Executive Director (Sys.)

SHRI. A K SRIVASTAVA

General Manager (Fin)

SHRI. MAHABALESHWARA BHAT K

Chief Designer (RW)

AIRCRAFT R&D CENTRE

SHRI. SANJIV SHUKLA

Executive Director (ARDC)

SHRI. R V HULIRAJ

Chief Designer (ARDC)

SMT. NEMICHANDRAMMA

Chief Designer(UAV)

SHRI KUPPU RAJ C

Chief Designer (Structure)

MISSION COMBAT SYSTEM R&D CENTRE

SHRI. PRAKASH K

General Manager (MCSRDC)

SHRI DORAISAMY N

Chief Designer

AERO ENGINE R&D CENTRE

DR. T R RAJANNA

Chief Designer

AIRCRAFT UPGRADE R&D CENTRE, NASIK

SHRI. A K MALAGAUDANAVAR

Chief Designer

GAS TURBINE R&D CENTRE, KORAPUT

SHRI. NABIN CHANDRA SATAPATHY

Addl. General Manager (Design)

AEROSPACE SYSTEMS & EQUIPMENT R&D CENTRE- LUCKNOW

SHRI. B K SHARMA

Chief Designer

TRANSPORT AIRCRAFT R&D CENTRE -KANPUR

SHRI. A K SHRIVASTAVA

Addl. General Manager (Design)

DESIGN DEPARTMENT , AVIONICS DIVISION - KORWA

SHRI. MATA PRASAD

Addl. General Manager(Design)

STRATEGIC ELECTRONICS R&D CENTRE, HYDERABAD

SMT. S THENMOZHI

General Manager (SLRDC)

SMT. PANNAGESWARI S

Chief Designer

CENTRAL MATERIAL & PROCESS LAB

Dr. RAGHAVENDRA BHAT R

Deputy General Manager (CMPL)

ROTARY WING R&D CENTRE

SHRI. CHALWADE D B

General Manager (RWRDC)

SHRI. SHOWKATH ALI BAIG M

Chief Designer

SHRI. S BHATTACHARYA

Chief Designer (TS, RS &IT)

SHRI QURAIISHI MA

Chief Designer (LUH)

SHRI RAVINDRANATH R

Chief Designer (SS, DYN & MAT)-RC

SMT. VASANTHI S

Chief Designer(ES)

SHRI KUMARASWAMY K G

Chief Designer (LCH)

HELICOPTER COMPLEX

SHRI. V SADAGOPAN

CEO (HC)

SHRI. SAMIR KUMAR PADHI

Executive Director (Finance)

SHRI. H K SINGH

General Manager (HR)

HELICOPTER DIVISION

SHRI. V NATARAJAN

Executive Director (Helicopter)

SHRI. I NARAYANA REDDY

Chief of Projects

SHRI. AMITABH BHAT

Chief of Projects (LUH)

SHRI. G P. CAPT(RETD) HARI KRISHNAN NAIR S CDTP (RW)

HELICOPTER MRO DIVISION

SHRI. G V S BHASKAR

General Manager (Helicopter-MRO)

SHRI. GANESH D

Chief of Projects

FLIGHT OPERATIONS (RW)

Wg. Cdr (Retd.) UNNI PILLAI

Executive Director (CTP-RW)

Cdr. ANIL KUMAR GULATI (Retd.)

Deputy Chief Test Pilot (RW)

SHRI. N C KARNIC

Offg. Chief Flight Test Engineer

BARRACKPORE DIVISION

SHRI. ANBUVELAN S

General Manager (Barrackpore)

AEROSPACE COMPOSITES DIVISION

SHRI PRAMOD KUMAR

General Manager

MIG COMPLEX

SHRI. DALJEET SINGH

CEO (MC)



**AIRCRAFT MANUFACTURING
DIVISION, NASIK**

SHRI. A B GHARAD
General Manager (AMD)

SHRI. S P KHAPLI
Offg. Chief of Projects

**AIRCRAFT OVERHAUL DIVISION,
NASIK**

SHRI. B V SESHAGIRI RAO
General Manager (AOD)

SHRI. R K MISHRA
CEO (IX), NAeL

SHRI. U B SINGH
Chief of Projects

KORAPUT DIVISION

SHRI. DEBASHIS DEB
Executive Director (Koraput)

ENGINE DIVISION, KORAPUT

SHRI. ASUTOSH MALLICK
General Manager (Engine Division)

SUKHOI ENGINE DIVISION, KORAPUT

SHRI ARUP CHATTERJEE
General Manager (Sukhoi Engine
Division)

SHRI JITENDRA MOHAN SAHU
General Manager (Sukhoi Engine
Division)

ACCESSORIES COMPLEX

SHRI. RAJIV KUMAR
CEO (AC)

SHRI. R B SHARMA
General Manager(HR)

SHRI. RAJAT PRABHAT
Offg. General Manager (HR-ER)

ACCESSORIES DIVISION, LUCKNOW

SHRI. R MADHAVAN
Executive Director

SHRI. K A HUSAIN
Chief of Projects (M&I)

**TRANSPORT AIRCRAFT DIVISION,
KANPUR**

SHRI. SAJAL PRAKASH
General Manager

AVIONICS DIVISION, KORWA

SHRI. ASHISH MUKHERJEE
General Manager

SHRI. ARUN KRISHNA
Chief of Projects

AVIONICS DIVISION, HYDERABAD

SHRI. SUNIL KUMAR
Executive Director (Hyderabad &
Korwa)

SHRI. NIRMAL BABU K
Chief of Projects

SHRI. ANIL MATTO
Offg. COP

