Hindustan Aeronautics Limited

56th Annual Report 2018-19

Contents

Chairman's Statement....03

Significant Achievements & Events....05

Board of Directors & Chief Executive Officers....09

Financial Highlights....16

Corporate Information....20

Notice of 56th Annual General Meeting....22

Board's Report....33

Annexures to Board's Report....47

Management Discussion & Analysis Report....67

Corporate Governance Report....74

Business Responsibility Report....89

Standalone Financial Statement

Independent Auditors' Report....98

Comments of the C & A G....110

Balance Sheet....112

Statement of Profit and Loss....114

Statement of Changes in Equity....116

Statement of Cash Flow....118

Significant Accounting Policies....120

Notes to Financial Statements....126

Consolidated Financial Statement

Independent Auditors' Report....197

Comments of the C & A G....207

Balance Sheet....214

Statement of Profit and Loss....216

Statement of Changes in Equity....218

Statement of Cash Flow....220

Significant Accounting Policies....222

Notes to Financial Statements....228

To view or download,
Annual - Report 2018-2019,
please log on to
www.hal-india.co.in/Investors

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.

Chairman's Statement

Dear Shareholders,

It is my privilege to extend a very warm welcome to you all for the 56th Annual General Meeting of your Company.

I take this opportunity to share the performance highlights during the year and future outlook for the Company.

Financial and Performance Highlights of the Year

In 2018-19, we recorded the highest ever Turnover of ₹ 19,704.55 Crore, which is a 7.8 % increase from the previous year ₹ 18,283.86 Crore. The Profit Before Tax saw a growth of 12% from ₹ 3,239.85 Crore to ₹ 3,627.64 Crore while the Profit After Tax (PAT) increased by 14.8 % from ₹ 1,987.42 Crore to ₹ 2,282.44 Crore. Our Order Book position stood at a healthy ₹ 58,588 Crore, as on 31st March, 2019.

We paid an Interim Dividend of ₹ 19.80 per share of ₹ 10 each (198 %) for the Financial Year 2018-19, totalling to ₹ 662.09 Crore, excluding Dividend Distribution Tax of ₹ 136.09 Crore.

Our focus on production continues and during the year 2018-19, your Company produced 41 new Aircraft and Helicopters. Additionally, we produced 102 New Engines and Accessories. I am proud of our initiatives to indigenise production and become self-reliant, as set out by the Make in India mandate.

Significant Achievements

Your Company has witnessed several significant achievements during the year, few of which are highlighted as under:

- The LCA Tejas, which is a single-seat single-engine aircraft, successfully completed mid-air refuelling trial by Wet (actual) engagement on 10th September, 2018.
- Astra Missile was successfully test fired by the IAF on 26th September, 2018.
- The third Prototype (PT3) of the Light Utility Helicopter (LUH) made its successful maiden flight on 14th December, 2018.
- The Initial Operational Clearance (IOC) of the LCH Army version Helicopter was accorded by CEMILAC on 15th February, 2019.
- The Final Operational Clearance (FOC) of the LCA aircraft was received on 20th February, 2019 from ADA.
- We successfully accomplished 100 % running of HTFE-25 core-2 Engine with Inlet Guide Vane (IGV) modulation in March, 2019.

New Initiatives

As always, new initiatives have been a part of our endeavours and this year too, we have pursued several of them:

- During Aero India 2019, the Company had displayed the Naval Utility Helicopter (NUH) with Tail Boom Folding and Main Rotor folding, as a Technology Demonstrator. The NUH is a version of the Advanced Light Helicopter (ALH) Dhruv, customised to meet the operational requirements of the Navy.
- The Company also unveiled the Supersonic Omni Role Trainer Aircraft (SPORT) Simulator in Aero India 2019. We have been keen to launch the indigenous development of SPORT (Aircraft) with 4+ generation or equivalent capabilities to bridge the gap in pilot training to command front line fighters. The SPORT aircraft will be utilised for fighter training beyond the Advanced Jet Training stage and before inducting pilots into a front line fighter squadron.

- MoU with the Government of Arunachal Pradesh was signed in November, 2018 for the deployment of Do-228 aircraft and ALH Dhruv Helicopter for inter and intra-State connectivity.
- Consortium Agreement was signed with Larsen & Toubro Ltd. (L&T), Mumbai on 7th December, 2018, as industry-driven prime partners to ISRO, towards manufacturing and delivery of the Launch Vehicles. The Company and L&T will support ISRO in the integration of Launch Vehicles as per their requirement.

Future Outlook

- We have been seeing a continued increase in passenger travel and demand increase in global military expenditure. This bodes well for the global aerospace and defence industry. The trend is likely to continue in the coming year also. In recent times, geopolitical security threats have intensified global tensions leading to boost in defence expenditure by countries such as the USA, China, India and Japan.
- By 2025, we expect India to be the third largest aviation market, with a demand forecast for over 2,000 new aircraft in the next two decades, a majority of these being single-aisle planes.
- The growth of India's defence sector is expected to continue, supported by an increase in India's defence budget for 2019-20, at 9.31% over the previous year. The fund allocation for defence expenditure stands at ₹ 3,05,296 Crore. The increase in budget is towards modernising the Armed Forces, to strengthen their position for better managing the geo-political tension and potential security threats. Over the years, our Government has undertaken various initiatives to improve the business environment, with policy reforms to provide the required boost to the Indian Aerospace & Defence Industry. We can expect more foreign investment and an increase in export opportunity.
- Considering the changing economic and business environment, the Company has formulated strategies that are aligned to the Government's initiatives and market trend. We are implementing them to maximise the benefits for the Company and to support the development of Indian Aerospace and Defence Manufacturing Industry.

Research and Development (R&D)

During the year, the Company continued to focus its efforts towards development of new platform, technology and activities to enhance its capability with a view to bring technological superiority to its products and in order to cope with the future technological challenges. Towards the progress of the R&D efforts, the Company has incurred a total expenditure of ₹ 1,464.40 Crore for the year 2018-19 which is 7.43 % of the Turnover. Further, an amount of ₹ 214.88 Crore has been transferred to the R&D reserve during the year.

Corporate Governance

The Company is complying with the Guidelines on Corporate Governance framed by the Department of Public Enterprises (DPE) and SEBI Listing Regulations. 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. We are constantly reviewing the Policies and Procedures of the Company, and updating them to ensure transparency in all aspects of the Company's working.

Corporate Social Responsibility and Sustainability Development

As always, your Company is committed to social responsibility. We have undertaken various programmes and projects towards integrating our social and business goals, and in a sustainable manner. During the year, an amount of ₹ 72.46 Crore has been spent on CSR activities.

Acknowledgement

We continue, and will continue to pursue global standards, and I am confident that the Company will achieve many milestones. We hope to attain all round success with the continued support and guidance of all our stakeholders.

I take this opportunity to extend my sincere gratitude to the Department of Defence Production, the Defence Acquisition Council, Defence Finance, Department of Civil Aviation and our valuable customers viz., the Indian Air Force, Army, Navy, Coast Guard, Border Security Force, ISRO and other Global Aviation Companies.

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

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

JAI HIND

Place : Bengaluru
Date : 29th July, 2019

R. Madhavan
Chairman & Managing Director

Significant Achievements

Maiden Flight of third Prototype (PT3) of Light Utility Helicopter (LUH) was conducted successfully on 14th December, 2018.

LCA Tejas successfully completed mid-air refuelling trial on 10th September, 2018.

Astra Missile integrated in Su-30 MKI Aircraft & test fired on 26th September, 2018.

The LCA Naval Prototype 2 (NP2), safely executed the first contact of the arrestor hook system with Arresting wire at moderate taxi-in speeds on location at the Shore Based Test Facility, INSHansa, Goa, on 2nd August, 2018.

The Light Utility Helicopter (LUH) made its maiden flight on 29th December, 2018.

The Light Combat Helicopter (LCH) project was accorded Initial Operational Clearance (IOC) for the Army version by RCMA (H/c) on 15th February, 2019.

The first green helicopter earmarked for Indian Coast Guard completed its build with installation of basic systems and had a successful maiden ground run at Helicopter Complex, Bengaluru on 28th June, 2018.

The LCA Tejas Division produced 16th LCA of IOC contract as per the target till 31st March, 2019.

LCH fires BNG Missile at Integrated Test Range, Chandipur in January 2019.

Significant Events

Shri R Madhavan, CMD inaugurated a 8.4 MW wind energy power plant in Bagalkot district, Karnataka on 23rd January, 2019.

HAL signed a Consortium Agreement with Larsen & Toubro Ltd, Mumbai on 7th December, 2018 in Bengaluru on an industry driven prime partners to ISRO to manufacture and deliver PSLV.

The handing over ceremony of first Do-228 aircraft to Indian Navy against the order of 12 aircraft was held at Transport Aircraft Division, Kanpur on 28th January, 2019. Rear Admiral Mukul Asthana, NM, ACNS (Air) graced the occasion and accepted symbolic key and aircraft acceptance certificate.

HAL handed over the first three ALHs as part of the 22 ALH MK III contract to the Indian Army during the Aero India, 2019 on 22nd February, 2019.

Shri Mohammed Ahmed Al Bowardi Al Falacy, Ministry of State for Defence Affairs, UAE visited HAL facilities in Bengaluru on 17th October, 2018

Auxiliary Fuel Tank Integrated on Light Combat Helicopter.

Glimpse of Aero India 2019 held at Bengaluru

Army Chief flies HAL's Light Combat Helicopter during Aero India, 2019

Naval Utility Helicopter demonstrating tail boom and main rotor folding during Aero India-2019.

The Defence Minister, Ms Nirmala Sitharaman visited HAL Stall during the Aero India 2019 on February 20, 2019 and evinced keen interest in HAL products displayed at the stall.

Participation in Foreign Airshow

HAL participated in LIMA 2019 wherein Malaysian PM Dr Mahathir Mohamad visited LCA Tejas Aircraft

Board of Directors (As on 28th June, 2019)

Shri R. Madhavan
Chairman and
Managing Director

Shri R. Madhavan is a graduate in Mechanical Engineering from NIT, Raipur and also holds post graduate degree of M. Tech from IIT Madras.

Shri R. Madhavan joined Hindustan Aeronautics Ltd (HAL) as a Management Trainee (Technical) in July 1982 and has been associated with HAL for over 36 years. He was elevated to the position of Executive Director, Accessories Division, Lucknow in July 2017. Prior to his elevation, Shri Madhavan had served in various key positions across the different verticals within HAL.

Under his leadership, Accessories Division, Lucknow (ADL) had overcome multiple challenges and emerged much stronger by doubling up its topline within a span of 3 fiscal years besides consistently meeting annual targets of all financial & physical parameters during last 4 years. During his tenure, ADL was also awarded the best performing Division (Customer Services) award in company-wide competition during January 2016.

Shri Madhavan with his rich and varied experience had provided solutions related to intricate technical problems and strategic issues. He provided valuable inputs as a member of Tri-service committee for high altitude operation of Helicopters and had overseen successful launch of export of Engine sets to USA while in Engine Division, Bangalore, which led to considerable improvement in the Division's process to meet the international standards. Under his leadership, the Quality team at Corporate Office bagged the prestigious Platinum Technology award for the company at Berlin. He spearheaded successful absorption of technology for production of Su-30 Airframe & Engine accessories from raw material phase, at HAL Accessories Division, Lucknow. He had also extensively contributed to GOI's "Make in India" strategy by developing MSME sector vendors for Aerospace Manufacturing, and had set roadmap for enhancing self-reliance & self-sufficiency through indigenisation efforts for obsolescence management and for developing alternate technology leading to product improvement & reduction in cost.

Shri Madhavan had also taken several e-initiatives, implementation of which have brought in systemic changes, transparency & process improvement.

An avid reader and active in professional societies, Shri Madhavan is a member of Aeronautical Society of India (AeSI).

Shri V. M. Chamola
Director (HR)

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 and further extended upto 31st December, 2019.

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 Sunil Kumar
Director (Operations)

Shri Sunil Kumar was appointed as Director (Operations) of the company with effect from 16th October, 2017. He joined HAL as Design Trainee in 1981. He holds bachelor's degree in Mechanical Engineering from Dayalbagh Engineering Institute, Agra. He has over 36 years of comprehensive management and engineering experience in Aerospace Industry and has handled various key assignments at Lucknow, Kanpur, Korwa and Hyderabad divisions of HAL. Shri Sunil Kumar has headed Avionics Divisions, Hyderabad & Korwa as Executive Director (Hyd & Korwa) prior to joining HAL Corporate Office as Director (Operations).

Performance of Avionics Division Hyderabad is the testimony of his leadership & execution skills. During his tenure (2012-2017) HAL, Hyderabad bagged various National & State level awards including prestigious Raksha Mantri's award for "Best Performing Division of DPSUs" for two consecutive years 2013-14 & 2014-15.

Shri Arup Chatterjee
Director (Engineering and R&D)

Shri Arup Chatterjee is a B.Tech in Mechanical Engineering from Jadavpur University and has done M. Tech in Aircraft Production Engineering from IIT, Madras. He has also done MBA from IGNOU.

Shri Chatterjee joined HAL as 17th Batch Management Trainee in the year 1982. He had held several key positions in the Company prior to his elevation as Director (Engg. and R&D) w.e.f 1st June, 2018.

Shri Arup Chatterjee has over 36 years of wide experience in Aerospace Industry. During his career spanning of 36 years, Shri Chatterjee has served in various Divisions of HAL. He was the head of Machine Shop, Methods Deptt., IMM Department, Projects, Planning of Avionics Equipment required for Russian & Western origin Aircraft platform, in Korwa Division, where he has served for 28 years. He has also served in Kanpur Division for 4 years in the field of Air Frame Manufacturing and had served in the capacity of head of IJT project, Planning and IMM for Dornier, Avro & UAV Projects.

Further, he had served in Koraput Division of HAL, where he had immensely contributed in various programmes / projects viz., Repair & Overhaul of R25, R29B & R33 engines for MiG series fighter aircraft as well as Manufacture & repair/overhaul of AL31FP engines for Su-30 aircraft. Prior to his elevation to the post of Director (Engg. and R&D), he was the General Manager of Aircraft Research & Design Centre.

Shri C B Ananthakrishnan
Director (Finance) & CFO

Shri C B Ananthakrishnan was appointed as Director (Finance) & CFO of the Company with effect from 1st August, 2018. Prior to his appointment as Director (Finance), he was holding the post of Executive Director (Finance) of our Company. He joined our company as Chief Manager (Finance) on 31st March 2004 and thereafter worked in various capacities. He holds a bachelor's degree in Commerce from Loyola College, Chennai, MBA in Finance from Madras University and is a Cost & Management Accountant. He has over 30 years of work experience in Public & Private sectors with stints in merchant banking, pharmaceuticals, fertilizers, aerospace industry and has held various positions in our Company. Presently, he is nominee director on the Board of Multi-Role Transport Aircraft Limited (MTAL) Joint Venture Company of HAL.

He played an active role in HAL's Initial Public Offer (IPO) during March 2018. Having rich experience in pricing, he was instrumental in signing of major helicopter contracts of HAL including supply of 159 helicopters to the Armed Forces.

Shri Chandraker Bharti
Joint Secretary (Aerospace)
Govt. Nominee Director

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 21 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.

Dr. Tessy Thomas
Director General
(Aeronautical System), ADE
Govt. Nominee Director

Dr. Tessy Thomas is a post-graduate in Mechanical Engineering with specialization in Guided Missiles from Institute of Armament and has also done MBA in Operations Management from Indira Gandhi National Open University. She has been awarded Doctor of Philosophy (Ph.D) in Missile Guidance by Jawaharlal Nehru Technological University, Hyderabad.

Dr. Tessy Thomas, who is currently serving as Director General, Aeronautical Systems in Aeronautical Development Establishment, Bangalore, has served more than 30 years in DRDO. She had held multi-dimensional roles & responsibilities and had contributed in various fields such as Guidance, Control, Inertial Navigation, Trajectory Simulation and Mission Design. Dr. Tessy Thomas had held various key assignments in DRDO, which include Project Director for AGNI-4 project, Project Director (Mission) for the long range AGNI-5 system, Director, Advanced Systems Laboratory, DRDO.

Dr. Tessy Thomas is the Chairperson of Board of Governors of the Indian Institute of Science Education & Research, Thiruvananthapuram and Indian Society for Advancement of Materials & Process Engineering, Hyderabad Chapter. Dr. Tessy Thomas is also a member in various other Professional Institutions and Societies related to Science, Technology and Engineering.

Dr. Tessy Thomas has been conferred with various prestigious Awards / Honours, the latest being the "First Ladies" Award for First Missile Woman of India from the Hon'ble President of India as Exceptional Woman who transcended barriers to be the First in their Fields on 21st January, 2018.

Ms. Dipali Khanna
Independent Director

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.

Dr. J.K. Bajaj
Independent Director

Dr. J.K. Bajaj, the founder Director of the Centre for Policy Studies has done M.Sc (Honours) in Physics and also holds Ph.D in Theoretical Physics from the Punjab University, Chandigarh. His areas of specialization include Scientific & Technological tradition of India; Indian Society, Economy and Polity; Indian ideas and institutions; Religious Demography, Natural Resources and Geography.

Dr. Bajaj, during his career had held several important positions, and has been a member of the apex governing and advisory bodies of several national institutions, including, the Indian Council of Social Science Research (ICSSR). Currently he is serving as a member of the Governing Body of the National Council of Rural Institutes and as a member of the Expert Group on Environmental Standards of the Ministry of Environment and Forests.

Dr. Bajaj has done extensive research work on science & technology policy, on the interface between science & society and on the Indian traditions of Science & Technology. He has also been interested in studying the geography, culture, history and economy of different parts of India at the micro level and has published detailed and highly illustrated Atlases for several districts of Madhya Pradesh.

Shri Siddharth
Independent Director

Shri Siddharth, a graduate from St. Stephen's College, University of Delhi also holds Post-Graduation with specialization in History from the University of Rajasthan, Jaipur. Shri Siddharth, a 1983 batch IAS officer of West Bengal cadre has more than 32 years of experience and retired as Additional Chief Secretary to Government of West Bengal in November 2015.

During his illustrious career, Shri Siddharth has served with distinction over 3 decades and had held key positions in the Government of Indian and the State Government. He has rich experience in the field of Commerce & Industry with valuable global exposure. Shri Siddharth has also served in International Organizations, where he was the Chairman of the Board of Governors of Common Fund for Commodities, Amsterdam – An International Organization with 106 member countries under the aegis of United Nations, during 2010-11. Driven by the impeccable service record coupled with domain expertise, the West Bengal Government appointed him as the Principal Advisor Industry on the day of his retirement in November 2015 and later he was also appointed as Chairman of the Bengal Industrial Development and Promotion Board, where he served from 2016 to 2017.

Shri Anil Kumar
Independent Director

Shri Anil Kumar is an M.Tech graduate in Mechanical Engineering from IIT, Delhi. He has served in Bharat Electronics Limited, a Defence Public Sector Undertaking, for more than 38 years.

During his career in BEL, he had held key positions in the areas of Development and Engineering (R&D), Production, Materials Management. He has vast experience in Product Design, Project Management, General Management and Technology Management areas. Shri Anil Kumar retired as Chairman & Managing Director of BEL in December 2013. Prior to his elevation to the post of Chairman & Manging Director, Shri Anil Kumar had served as Director (Other Units) of BEL, where he had headed 8 of the 9 units of BEL located across the Country. Shri Anil Kumar had also served as Advisor to Chairman, HAL, during October 2014 to September 2015.

Shri Neelakanta Iyer R.
Independent Director

Shri Neelakanta Iyer R. is a Chartered Accountant by profession and has more than 37 years of experience. He holds Bachelor Degree of Science in Zoology from University College of Trivandrum and also has done Chartered Accountancy from the Institute of Chartered Accountants of India, Delhi. His areas of specialization include Funds Management, Budgeting, Cost controls & reduction, Funds raising, Cash Flow Management and ERP implementation.

Shri Neelakanta Iyer, during his career spanning over 37 years had held several important positions, including Chief Executive Officer, wherein he was instrumental in setting up a greenfield BPO Company for handling accounting and book keeping jobs from across the globe. He had also served as Financial Controller, Revenue Controller, Financial Advisor and Consultant Chartered Accountant with key focus on streamlining the financial operations, preparation of Corporate Plans for restructuring & diversification, Financial Management, Taxation etc.

Shri Neelakanta Iyer is presently serving as a Consultant, providing consultancy for Small, Medium & Large Business and also to Government of India. His notable assignments with Government of India are Project for Commercial Accounting in the Postal Department, Financial Management of Brihat Mumbai Municipal Corporation and Registration & Management of Non-Government Organizations.

Dr. S Malla Reddy
Independent Director

Dr. S. Malla Reddy has done Master's Degree in Arts and LLB. He has also been awarded Doctor of Philosophy (PhD) in Political Science by Osmania University.

Dr. Malla Reddy had held various key assignments, such as, Director, Co-op. Agriculture Development Bank, Medchal from 1981-85; Sarpanch, Grama Panchayat Bowrampet from 1988-95; and Director, Golconda Grameena Bank from 2000-02.

Rear Admiral K C Sekhar
AVSM, VMS (Retd)

Rear Admiral K.C. Sekhar is an alumni of National Defence Academy was commissioned in the Indian Navy in July 1972. He has served in Indian Navy for 36 years.

During his long career in the Indian Navy spanning over 36 years, Rear Admiral K.C. Sekhar had held various key positions, such as, Director, DMDE, Hyderabad; Diplomatic Assignment at Asmara, Ethiopia; Deputy Director General of Naval Projects; Admiral Superintendent, Naval Dockyard, Mumbai; and Assistant Chief of Material at Naval Headquarters. He had the rare distinction of commanding the establishment of INS Eksila at Visakhapatnam, the premier Gas Turbine Overhauling Establishment of the Indian Navy.

Rear Admiral Sekhar took premature retirement from the Indian Navy and took over the reins of Garden Reach Shipbuilders & Engineers (GRSE), as Chairman & Managing Director from 2nd July, 2008 to 31st October, 2011. He was also holding the additional charge of CMD of Hindustan Shipyard Ltd, Visakhapatnam from January, 2011 to August, 2011. After superannuation from GRSE, Rear Admiral Sekhar served as Chief Operating Officer of erstwhile Pipavav Defence and Off Shore Engg. Company Ltd, Rajoula, Gujarat till 2015. He had also served as Independent Director of Bharat Electronics Ltd during 2013 for a period of one year. Currently, Rear Admiral Sekhar is serving as Independent Director for MV Hospital for Diabetes, Royapuram, Chennai.

Rear Admiral K.C. Sekhar has been awarded two meritorious awards i.e. Ati Vishisht Seval Medal (AVSM) and Vishisht Seva Medal (VSM) for his outstanding contribution to the Indian Navy.

Chief Executive Officers (CEOs) (As on 28th June, 2019)

Shri Rajiv Kumar
Chief Executive Officer (AC)

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 39 years, he has held various positions in the Company.

Shri Shekhar Shrivastava
Chief Executive Officer (BC)

Shri Shekhar Shrivastava, Chief Executive Officer, Bangalore Complex is a graduate in Mechanical Engineering and holds Master's degree from IIT Madras in Aircraft Production Engineering. He joined HAL as Management Trainee (Technical) in 1983. He was appointed as Chief Executive Officer, Bangalore Complex, w.e.f 1st October, 2017. During his career spanning 35 years in HAL, he held various positions in the Company. He has vast experience of handling very complex projects involving various stake holders and interactions with customers like Indian Air Force, Indian Navy, Ministry of Defence and many overseas customers.

Shri G V S Bhaskar
Chief Executive Officer (HC)

Shri G V S Bhaskar, Chief Executive Officer, Helicopter Complex has done B. Tech from Regional Engg College, Warangal and Master of Engineering from Indian Institute of Science, Bangalore. He had joined HAL in August 1984 and started his career in Rotary Wing Research & Design Centre (RWRDC) as Aeronautical Engineer. He was appointed as Chief Executive Officer, Helicopter Complex, w.e.f 1st October, 2017. As a technical & management executive, he has 34 years of experience in various spectrum of Aeronautical Field.

Shri Bh V Seshagiri Rao
Chief Executive Officer (MC)

Shri Bh. V. Seshagiri Rao, Chief Executive Officer, MiG Complex, graduate in Electronics & Communications Engineering from Andhra University and holds Master's Degree in Business Administration (Marketing) from Osmania University, Telangana. He joined HAL on 1st June, 1983 in Avionics Division, Hyderabad as Engineering Trainee. During his career spanning 35 years in HAL, he has experience of working in various departments like Quality Control, Assembly & Testing and Program Management of Aircraft and its accessories. He was appointed as Chief Executive Officer, MIG Complex, w.e.f. 1st November, 2018.

Financial Highlights

Sl. No.	Particulars	Units	04-05	05-06	06-07	07-08	08-09
A	**Our Earnings**						
	Sales - Inland	₹ Cr.	4384	5155	7513	8284	9937
	Export Sales	₹ Cr.	150	186	271	341	437
	Total Sales	₹ Cr.	4534	5341	7784	8625	10374
	Changes in WIP & SIT& FG	₹ Cr.	450	575	1418	166	1437
	Total	₹ Cr.	**4984**	**5916**	**9202**	**8791**	**11811**
B	**Our Outgoings**						
	Cost of Materials	₹ Cr.	2686	3313	5980	4684	7636
	Manpower Cost	₹ Cr.	809	838	1055	1803	2543
	Net Operating Cost	₹ Cr.	918	1014	1163	1686	887
	Net Financing Cost	₹ Cr.	-251	-452	-840	-1664	-1732
	Depreciation	₹ Cr.	65	77	100	118	142
	Total	₹ Cr.	**4227**	**4790**	**7458**	**6627**	**9476**
C	**Our Savings**						
	Profit Before Tax	₹ Cr.	757	1126	1744	2164	2335
	Provision For Tax	₹ Cr.	256	355	595	532	595
	Profit After Tax For Appropriation	₹ Cr.	501	771	1149	1632	1740
D	**We Own**						
	Net Block	₹ Cr.	526	730	1021	1080	1328
	Other Assets (net)	₹ Cr.	3108	3854	4352	5585	6816
	Total	₹ Cr.	**3634**	**4584**	**5373**	**6665**	**8144**
E	**We Owe**						
	Equity	₹ Cr.	121	121	121	121	121
	Reserves and Surplus	₹ Cr.	2508	3050	3913	5163	6496
	Shareholders' Funds	₹ Cr.	2629	3171	4034	5284	6617
	Deferred Tax Liability	₹ Cr.	624	1048	1335	1379	1525
	Long Term Borrowings	₹ Cr.	380	363	2		
	Short Term Borrowings	₹ Cr.					
	Total	₹ Cr.	**3634**	**4584**	**5373**	**6665**	**8144**
F	**Cash and Bank Balance**		7480	11146	16706	19646	19745
G	**Financial Statistics**						
	Revenue from Operations (Net)	₹ Cr.					
	Value of Production	₹ Cr.	4984	5916	9202	8791	11811
	Value Added	₹ Cr.	2298	2603	3222	4107	4175
	Dividend						
	Dividend	₹ Cr.	100	201	250	327	348
	Dividend Tax	₹ Cr.	14	28	35	56	59
	Total	₹ Cr.	**114**	**229**	**285**	**383**	**407**

09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
11252	12878	13856	13941	14688	15131	16140	17139	17970	19300
205	237	348	383	440	490	446	465	314	405
11457	13115	14204	14324	15128	15621	16586	17604	18284	19705
2033	3335	-1511	-122	740	667	566	-501	-731	-1167
13490	**16450**	**12693**	**14202**	**15868**	**16288**	**17152**	**17103**	**17553**	**18538**
9222	11772	5761	8008	9149	8882	9172	8692	8046	7664
1954	2246	2721	2446	2685	3379	3274	3569	4299	4295
985	765	2813	2383	2349	2215	2734	1873	2296	2718
-1525	-1341	-2107	-2316	-2064	-1622	-1549	-880	-610	-89
166	169	177	184	171	262	314	266	282	322
10802	**13611**	**9365**	**10705**	**12290**	**13116**	**13945**	**13520**	**14313**	**14910**
2688	2839	3328	3497	3578	3172	3207	3583	3240	3628
721	725	789	500	885	784	1209	967	1253	1346
1967	2114	2539	2997	2693	2388	1998	2616	1987	2282
1466	1509	1556	1548	1582	1559	1694	1985	2391	2585
8163	9722	11260	13397	15794	13996	10140	12462	8936	13141
9629	**11231**	**12816**	**14945**	**17376**	**15555**	**11834**	**14447**	**11327**	**15726**
121	121	121	121	482	482	362	362	334	334
8003	9625	11218	13257	14533	14412	10657	12175	9151	10514
8124	9746	11339	13378	15015	14894	11019	12537	9485	10848
1505	1485	1477	1567	1682	661	815	960	978	720
								100	100
				679			950	764	4058
9629	**11231**	**12816**	**14945**	**17376**	**15555**	**11834**	**14447**	**11327**	**15726**
18658	20099	21933	19128	16935	17671	13299	11117	6524	112
	13124	14211	14328	15135	15730	16758	17950	18519	19894
13490	16450	12693	14202	15868	16288	17152	17103	17553	18538
4268	4678	6932	6194	6719	7406	7980	8411	9507	10874
393	423	814	824	890	480	510	917	1076	662
67	69	132	134	151	96	104	187	219	136
460	**493**	**946**	**957**	**1041**	**576**	**614**	**1104**	**1295**	**798**

Sl. No.	Particulars	Units	04-05	05-06	06-07	07-08	08-09
G	**Govt Share**						
	Dividend	₹ Cr.					348
	Dividend Tax	₹ Cr.					59
	Total	₹ Cr.					**407**
	Other than Government - share						
	Dividend	₹ Cr.					
	Dividend Tax	₹ Cr.					
	Total	₹ Cr.					
	R & D Expenditure	₹ Cr.	307	434	638	662	675
	EBITDA	₹ Cr.	974	1408	2125	2651	2905
	Inventory	₹ Cr.	3509	4810	7223	8615	10431
	Trade Receivables	₹ Cr.	1106	1404	1281	1486	1848
	No. Of Employees	Nos.	29807	29668	31666	34323	34822
	No of Equity Shares	Cr.	12.05	12.05	12.05	12.05	12.05
H	**Financial Ratios**						
	Sales Per Employee	₹	1521119	1800256	2458157	2512892	2979151
	Value Added Per Employee	₹	770960	877376	1017495	1196574	1198955
	PBT to Sales	%	17	21	22	25	23
	Earnings Per Share	₹	41.58	63.98	95.35	135.44	144.40
	Dividend as %age of Equity (including Dividend Tax)	%	95	190	237	318	338

1. During the Financial Year 2017-18, GOI divested 3,35,32,320 Equity Shares of ₹ 10/- each equivalent to 10.03% of the paid up capital of the Company. Consequently, the Company's shares was listed on 28th March 2018
2. The Company has bought back 2,71,12,500 Equity Shares of ₹ 10/- each on 19th Dec 2017. The effect of buy-back is considered for the purpose of calculation of Earnings Per Share.
3. 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.
4. The Company has issued 36,15,00,000 Equity Shares as Bonus Shares on 7th Feb 2014.

09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
393	423	814	824	890	480	510	917	1048	596
67	69	132	134	151	96	104	187	213	122
460	**493**	**946**	**957**	**1041**	**576**	**614**	**1104**	**1261**	**718**
								28	66
								6	14
								34	**80**
832	987	968	1949	1083	1042	1191	1284	1612	1464
3383	3654	4051	4098	4181	3987	4060	4273	4215	4826
13660	17427	16153	17980	22361	24965	23998	21340	19375	19765
1858	2318	3917	5530	6917	6108	4836	4220	6751	14029
33990	33681	32659	32644	32108	31144	30300	29526	29035	28345
12.05	12.05	12.05	12.05	48.20	48.20	36.15	36.15	33.44	33.44
3370697	3893887	4349184	4387943	4711598	5015733	5473927	5962130	6297179	6951843
1255663	1388914	2122539	1897439	2092625	2377986	2633663	2848508	3274259	3836303
23	22	23	24	24	20	19	20	18	18
163.24	175.44	210.71	62.18	55.87	49.54	41.45	72.35	56.15	68.26
382	409	785	199	216	120	170	305	388	239

Corporate Information

BOARD OF DIRECTORS (As on 28th June, 2019)

Shri R Madhavan
Chairman & Managing Director

Shri V. M. Chamola
Director (Human Resources)

Shri Sunil Kumar
Director (Operations)

Shri Arup Chatterjee
Director (Engineering and R&D)

Shri C B Ananthakrishnan
Director (Finance) & CFO

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

Dr. Tessy Thomas
Director General (Aeronautical System)
Aeronautical Development Establishment (ADE)
Govt. Nominee Director

Ms. Dipali Khanna
Independent Director

Dr. J K Bajaj
Independent Director

Shri Anil Kumar
Independent Director

Shri Siddharth
Independent Director

Shri Neelakanta Iyer R
Independent Director

Rear Admiral K C Shekar, AVSM, VSM (Retd)
Independent Director

Dr. S Malla Reddy
Independent Director

Company Secretary

Shri G. V. Sesha Reddy

Bankers

State Bank of India
Punjab National Bank
Indian Bank
Indian Overseas Bank
Bank of Baroda
Exim Bank
Syndicate Bank
Union Bank of India

Statutory Auditors

M/s. Maharaj NR Suresh and Co.,
Chartered Accountants, Bengaluru

Branch Auditors

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

M/s. Desai Associates
Chartered Accountants, Mumbai

M/s. Sarath & Associates
Chartered Accountants, Hyderabad

M/s. Patel Mohan Ramesh & Co.,
Chartered Accountants, Bengaluru

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

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

M/s. Prakash & Santhosh
Chartered Accountants, Kanpur

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

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

M/s. Mukunda Shiva & Associates
Chartered Accountants, Bengaluru

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

M/s. A. Rahgavendra Rao & Associates.,
Chartered Accountants, Bengaluru

M/s. B.C. Shetty & Co.,
Chartered Accountants, Bengaluru

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

M/s. YCRJ & Associates
Chartered Accountants, Bengaluru

Ms. P.V. Menon & Associates
Chartered Accountants, Bengaluru

M/s. A.P. Kunjithaya & Co.,
Chartered Accountants, Bengaluru

M/s. K. P. Rao & Co.,
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
FITCH Group
(India Ratings & Research Pvt. Ltd.)

NOTICE OF 56th AGM

NOTICE is hereby given that the 56th Annual General Meeting (AGM) of the Members of Hindustan Aeronautics Limited will be held on Wednesday, 18th September, 2019 at 1600 Hours at Dr. V.M. Ghatge Convention Centre, Hindustan Aeronautics Limited, next to HAL Heritage Centre and Aerospace Museum, Old Airport Road, Marathalli Post, Bengaluru -560 037 to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements including Consolidated Financial Statements of the Company for the financial year ended on 31st March, 2019, together with the Board's Report and the Auditors' Report thereon and Comments of the Comptroller & Auditor General of India.

2. To confirm payment of Interim dividend of ₹ 19.80 per equity share paid in April, 2019 as final dividend for the financial year 2018-19.

3. To appoint a Director in place of Shri Arup Chatterjee, (DIN -08139347) who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Shri C B Ananthakrishnan, (DIN - 06761339) who retires by rotation and being eligible, offers himself for re-appointment.

5. To appoint a Director in place of Shri Chandraker Bharti, (DIN - 02599261) who retires by rotation and being eligible, offers himself for re-appointment.

6. To fix remuneration of Statutory Auditors for the financial year 2019-20.

   In terms of provisions of Section 142 of the Companies Act, 2013, the remuneration of the Auditors shall be fixed by the Company in General Meeting or in such manner as the Company in General Meeting may determine. Hence, it is proposed that the Members may authorize the Board to fix the remuneration of the Statutory Auditors of the Company for the financial year 2019-20, as may deem fit.

SPECIAL BUSINESS

7. 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(2), 160 and other applicable provisions, if any, of the Companies Act, 2013, and the Rules made thereunder, Shri M.S. Velpari (DIN: 08516652) who was appointed as an Additional Director and designated as Director (Operations) of the Company by the Board of Directors with effect from 1st August, 2019 as per the Govt. of India, MoD letter F. No 49016/1/2018 –D(HAL-III) dated 22th July, 2019, and who holds office until the date of ensuing Annual General Meeting in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from him under Section 160 of the Companies Act, 2013 signifying his intention to appoint him as a Director, be and is hereby appointed as Director of the Company on terms and conditions as stipulated by the Government of India."

8. To ratify the remuneration payable to the Cost auditor appointed by the Board of Directors of the Company for the financial year 2018-19 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) excluding applicable Tax payable to M/s KPR & Associates, Cost Accountants, Bangalore, for conducting cost audit of the Company for the financial year 2018-19, as approved by the Board of Directors of the Company, be and is hereby ratified."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution to alter the Articles of Association of Company :

   "RESOLVED THAT pursuant to the provisions of Section 14 and other applicable provisions or Rules, if any, of the Companies Act, 2013, Article 114 of the Articles of Association of the Company be and is hereby substituted with the following:

   114 "The Company shall permit retention of lien up to a period not exceeding six (6) years to its employees holding posts below the Board Level when they are appointed to posts at the Board Level within HAL or in any other Central Public Sector Enterprise."

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution** for re-appointment of Ms. Dipali Khanna, as Part–Time Non-Official (Independent) Woman Director of the Company:

    "RESOLVED THAT pursuant to the Letter No. 49016/3/2016-D (HAL-III) dated 4th December, 2018 of the DDP, MoD and provisions of Section 149 (1) & (10), 150 (2) and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, Ms. Dipali Khanna, (DIN: 03395440) be and is hereby re-appointed as Part–Time Non-Official

(Independent) Woman Director of the Company for a period of one year from the date of completion of tenure i.e.. 8th January, 2019 or until further orders, whichever is the earlier.

By Order of the Board of Directors
For Hindustan Aeronautics Limited

Place: Bengaluru
Date: 1st August, 2019

(G V Sesha Reddy)
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY FORTY-EIGHT HOURS (48 HRS.) BEFORE THE COMMENCEMENT OF THE MEETING. BLANK PROXY FORM IS ATTACHED.

2. A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING 50(FIFTY) AND HOLDING IN AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY. PROXIES SUBMITTED ON BEHALF OF LIMITED COMPANIES, SOCIETIES ETC MUST BE SUPPORTED BY APPROPRIATE RESOLUTION/AUTHORITY, AS APPLICABLE.

3. Relevant Explanatory Statement pursuant to Section 102(2) of the Companies Act, 2013, in respect of Special Business, as set out above is annexed hereto.

4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 12th September, 2019 to Wednesday, the 18th September, 2019 for the purpose of AGM (both days inclusive).

5. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013 will be available for inspection by the members at the AGM venue.

6. The Register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the members at the AGM venue.

7. Brief profile of the Directors seeking appointment/re-appointment as mandated under regulation 36(3) of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 forms part of the Notice.

8. Share transfer documents and all correspondence relating thereto, must be addressed to the Registrar & Share Transfer Agent (RTA) of the Company i.e. Karvy Fintech Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad-500037 Telangana Tel: +91 (40) 67162222, Fax: +91 (40) 2342 0814 **E-mail Id: einward.ris@karvy.com; website: www.karvyfintech.com**

9. The Company has designated an exclusive **E-mail ID called investors@hal-india.co.in** for redressal of shareholders'/ investors' complaints/grievances. In case you have any queries/complaints or grievances, then please write to us at the above e-mail address.

10. In compliance with the provisions of section 108 of the Act, the Rules made thereunder and Regulation 44 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through e-voting services provided by M/s Karvy Fintech Private Limited, on all resolutions set forth in this Notice. The instructions for e-voting are annexed to the notice. The notice of 56th Annual General Meeting along with the proxy Form and attendance slip is being sent by electronic mode to those members whose email addresses are registered with the Company/ Depositories/RTA, unless any member has requested for a physical copy of the same. For members, who have not registered their email addresses, physical copies are being sent by the permitted mode. The facility for voting will also be made available at the AGM and members attending the AGM, who have not already cast their votes by remote e-voting shall be able to exercise their vote at the AGM through 'Insta Poll'. Members, who have cast their vote by remote e-voting prior to the AGM, may attend the AGM but shall not be entitled to cast their vote again.

11. The Board has appointed M/s Thirupal Gorige & Associates LLP, Practicing Company Secretary, as the Scrutinizer to scrutinize the e-voting/ instapoll in a fair and transparent manner.

12. The results of the above resolutions shall be declared not later than 48 hours from the conclusion of the AGM of the Company and the Resolutions will be deemed to be passed on the date of the AGM, subject to receipt of the requisite number of votes in favour of the resolutions.

13. The results of the voting declared along with the scrutinizer's report will be published on the website of the Company (www.hal-india.co.in) and on website of RTA (https://evoting.karvy.com) within 48 hours from the conclusion of the AGM and the same shall also be simultaneously communicated to the BSE Limited and the National Stock Exchange of India Limited.

14. In terms of Section 72 of the Companies Act, 2013, nomination facility is available to individual shareholders. Members holding shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares in individual name are advised to avail of the nomination facility by filing their own interest. Blank form can be obtained from RTA on request. Members holding shares in dematerialised form may contact their respective DPs for registration of nomination.

15. Pursuant to Section 139(5) read with Section 142 of the Companies Act, 2013, the Auditors of a Government Company are appointed or re-appointed by the Comptroller and Auditor General (C&AG) of India and their remuneration is to be fixed by the Company in the AGM. The members may authorise the Board to fix an appropriate remuneration of Auditors for the year 2019-20 after taking into consideration the increase in volume of work and prevailing inflation etc.

16. Members are requested:

    I. To bring their copies of Annual Report and Attendance Slip duly completed and signed at the meeting.

    II. To quote their Folio/DP & Client identification No. in all correspondence.

    III. Not to bring brief case, bags, eatables, cell phone etc. as they are prohibited inside the meeting hall for security reasons.

    IV. To notify immediately any change of their address and bank particulars to the RTA or the Company, in case shares are held in physical form and in case their shares are held in dematerialised form, information should be passed on directly to their respective Depository Participants and not to the RTA/ Company, without any delay.

    V. To note that no gift will be distributed at the meeting.

17. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

18. Members may also note that the Notice of the 56th AGM and the Annual-Report 2018-19 of the Company will be available on the Company's website www.hal-india.co.in.

19. Route map showing directions to reach to the venue of the meeting is given at the end of this notice.

EXPLANATORY STATEMENT IN PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

Item No.7 - Appointment of Shri M.S. Velpari, as Director (Operations)

Pursuant to the MoD letter F. No 49016/1/2018 –D(HAL-III) dated 22nd July, 2019, Shri M.S. Velpari (DIN: 08516652), was appointed as Additional Director and designated as Director (Operations) of the Company by the Board of Directors with effect from 1st August, 2019 under Section 161 of the Companies Act, 2013.

In terms of the provisions of Section 161 of the Companies Act, 2013, and Article No. 103 (7) of the Articles of Association of the Company, he would hold office upto the date of the ensuing Annual General Meeting. A notice in writing under Section 160 of the Act has been received from him signifying his intention to appoint him as Director of the Company along with deposit of Rupees One Lakh, which shall be refunded, in case he is elected as director or gets more than twenty-five percent of total valid votes cast on such resolution.

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

Born on 2nd February, 1962, Shri M.S. Velpari holds a bachelor's degree in Mechanical Engineering from College of Engineering, Guindy, Chennai and did Masters from IIT Madras in Aircraft Production Engineering.

He joined HAL in 1985 Management Trainee, 20th batch, and has about 35 years of experience in the areas of Manufacturing, Assembly, Design, Product support, customer support, Indigenisation and other Management functions, in various types of fixed wing and rotary wing platforms.

Other particulars as per Reg. 36(3) of SEBI (LODR) Regulations, 2015 are provided as under:

- Disclosure of relationship between directors inter-se: Nil
- Directorship held in other listed Companies: Nil
- Membership/ Chairmanship in other listed Companies: Nil
- Shareholding in Hindustan Aeronautics Ltd: Nil

None of the Directors, Key Managerial Personnel of the Company or their relatives except Shri M.S. Velpari, 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.8 – Ratification of Remuneration to Cost Auditors

The Board, on the recommendation of the Audit Committee, has approved in its 416th meeting held on 30th June, 2018, the appointment of M/s KPR & Associates, Cost Accountants, Bangalore, at a remuneration of ₹ 2,50,000/- (Rupees two lakhs and fifty thousand only) excluding applicable tax to conduct the Cost Audit of the Company for the financial year 2018-2019.

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

None of the Directors, Key Managerial Personnel of the Company or their relatives 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.9 – Alteration of Articles of Association

Pursuant to DPE vide OM F. No.16(10)/2010-GM dated 27.11.18 period of Lien with respect to employees below the Board Level, when appointed to posts at the Board Level have been extended from existing 5 (five) years to 6 (six) years.

However, the prevailing Rules of the Company as well as the Article No. 114 of Articles of Association, provided for lien for a period not exceeding 5 years. Therefore, it was proposed to amend the Rules as well as the Articles of Association of the Company, in–line with DPE Guidelines.

Accordingly, the Board at its 423rd meeting held on 11th February, 2019 had accorded its approval to amend the Article 114 of Articles of Association of the Company subject to approval of the shareholders.

In accordance with provisions of Section 14 of the Companies Act, 2013, any alteration of Articles of Association shall require the approval of the shareholders by way of Special Resolution.

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.

Item No.10 – Re-appointment of Ms. Dipali Khanna as Independent Director

Ms. Dipali Khanna (03395440), was appointed as Woman Part – Time Non-Official (Independent) Director of the Company w.e.f. 8th January, 2016 for a period of 3 years.

The Ministry of Defence, Department of Defence Production, Government of India vide Letter No. 49016/3/2016-D (HAL-III) dated 4th December, 2018 has re-appointed Ms. Dipali Khanna, as Part –Time Non-Official (Independent) Director of the Company for a period of one year w.e.f 8th January, 2019 or until further orders, whichever is the earlier.

Pursuant to provisions of Section 149 (10) of Companies Act, 2013, reappointment of independent director for 2nd term after completion of tenure requires approval of shareholders through Special Resolution.

Born on 23rd October,1952, Ms. Dipali Khanna holds Master's Degree in Arts with specialization in History from Delhi University and 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.

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 40 years with various Government Departments.

Other particulars as per Regulation 36(3) of SEBI (LODR) Regulations, 2015 are provided as under:

- Disclosure of relationship between directors inter-se: Nil
- Directorship held in other listed Companies:
  1. India Power Corporation Ltd
  2. Nitesh Estates Ltd.
- Membership/ Chairmanship in other listed Companies:

  Nitesh Estates Ltd. – Member of Audit Committee
- Shareholding in Hindustan Aeronautics Ltd: Nil

None of the Directors, Key Managerial Personnel of the Company or their relatives except Ms. Dipali Khanna 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

Place: Bengaluru
Date: 1st August, 2019

(G V Sesha Reddy)
Company Secretary

Additional information on Directors being appointed / re-appointed as required under Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations,

Name of the Director	**Shri Arup Chatterjee**	**Shri C B Ananthakrishnan**	**Shri Chandraker Bharti,**
DIN	**08139347**	**06761339**	**02599261**
Date of Birth	09.06.1962	29.08.1964	30.10.1967
Date of appointment	01.06.2018	01.08.2018	15.05.2018
Brief Resume	Shri Arup Chatterjee, Director (Engg and R & D) holds a B.Tech in Mechanical Engineering from Jadavpur University, and has done M. Tech in Aircraft Production Engineering from IIT, Chennai. He has also done MBA from IGNOU. Shri Chatterjee joined HAL as Management Trainee in 1982. He has over 36 years of wide experience in Aerospace Industry.	Shri C B Ananthakrishnan, Director (Finance) & CFO holds a bachelor's degree in Commerce from Loyola College, Chennai, MBA in Finance from Madras University and is a Cost & Management Accountant. He joined the Company as Chief Manager (Finance) in March 2004. He has over 31 years of work experience in Public & Private sectors with stints in merchant banking, pharmaceuticals, fertilizers, aerospace industry.	Shri Chandraker Bharti, Government Nominee Director is a graduate in engineering from Delhi College of Engineering and 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 22 years of experience in Civil Services and held various important assignments in various government departments.
Directorship held in other Listed Companies	Nil	Nil	Nil
Membership/ Chairmanship in other listed Companies	Nil	Nil	Nil
Shareholding in the Company	Nil	Nil	Nil
Relationship with other directors and Key Managerial Personnel of the Company	Nil	Nil	Nil

Hindustan Aeronautics Limited

Regd. Office: 15/1, Cubbon Road, Bengaluru-560001
E-mail: cosec@hal-india.co.in **website:** www.hal-india.co.in
CIN: L35301KA1963GOI001622

PROXY FORM

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

Name of the member (s)	
Registered Address	
E-mail Id	
Folio No/ Client Id*	
DP ID	
No. of Shares	

* Applicable for members holding shares in demat form.

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

2. Name : .....

Address : .....

.....

E-mail Id : .....

Signature : ....., or failing him

3. Name : .....

Address : .....

.....

E-mail Id : .....

Signature : .....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 56th Annual General Meeting of the Company, to be held on Wednesday, 18th September, 2019 at 1600 Hours at Dr. V.M. Ghatge Convention Centre, Hindustan Aeronautics Limited, next to HAL Heritage and Aerospace Museum, Old Airport Road, Marathalli Post, Bengaluru -560 037and at any adjournment thereof in respect of such resolutions as are indicated below:

Sl. No.	RESOLUTIONS	Vote		
		For	Against	Abstain
	ORDINARY BUSINESS			
1	To receive, consider and adopt the Audited Financial Statements (Standalone and Consolidated) of the Company for the financial year ended 31st March, 2019 and the report of the Board of Directors' and Auditors' thereon.			
2	To confirm payment of interim dividend for the financial year 2018-19 as final dividend.			
3	To appoint Shri Arup Chatterjee, (DIN -08139347), who retires by rotation as Director.			
4	To appoint Shri C B Ananthakrishnan, (DIN - 06761339), who retires by rotation as Director.			
5	To appoint Shri Chandraker Bharti, (DIN - 02599261), who retires by rotation as Director.			
6	To authorise the Board of Directors to fix remuneration of statutory auditors of the Company for the Financial Year 2019-20.			
	SPECIAL BUSINESS			
7	To appoint Shri M.S. Velpari as Director (Operations)			
8	To ratify the remuneration payable to the Cost auditor for the Financial Year 2018-19.			
9	To alter the Article 114 of Articles of Association of the Company.			
10	To Re-appoint Ms. Dipali Khanna, as Part–Time Non-Official (Independent) Woman Director of the Company.			

Signed this…… day of…… 2019

Affix Revenue Stamp

Signature of shareholder

Signature of Proxy holder(s)

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.

Hindustan Aeronautics Limited

Regd. Office: 15/1, Cubbon Road, Bengaluru-560001
E-mail: cosec@hal-india.co.in **website:** www.hal-india.co.in
CIN: L35301KA1963GOI001622

ATTENDANCE SLIP

Please fill attendance slip and hand it over at the entrance of the meeting venue. Joint shareholders may submit additional slip at the venue of the meeting.

Name of the Shareholder	:	
Address	:	
Folio No	:	
DP ID	:	
Client ID	:	
No of Shares held	:	

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the 56th Annual General Meeting of the Hindustan Aeronautics Limited held on Wednesday, 18th September, 2019 at 1600 Hours at Dr. V.M. Ghatge Convention Centre, Hindustan Aeronautics Limited, next to HAL Heritage and Aerospace Museum, Old Airport Road, Marathalli Post, Bengaluru -560 037.

Signature of Shareholder / Proxy

PROCEDURE AND INSTRUCTIONS FOR e-VOTING

I. **Remote e-voting:** In compliance with the provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and the provisions of Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by KARVY Fintech Private Limited (Karvy) on all resolutions set forth in this Notice, from a place other than the venue of the Meeting (Remote e-voting).

The process and manner for remote e-voting are as under:

(A) For members who receive notice of Annual General Meeting through e-mail:

Members whose email IDs are registered with the Company /Depository Participants (s) will receive an email from Karvy informing them of their User-Id and password. Once the members receive the email, he or she will need to go through the following steps to complete the e-voting process:

i. Launch internet browser by typing the URL: https://evoting.karvy.com.

ii. Enter the login credentials (i.e. User ID and password).

User ID – for members holding shares in demat form:

(a) For NSDL : 8 character DP ID followed by 8 digit Client ID

(b) For CDSL: 16 digit Beneficiary ID

User ID – for members holding shares in physical form:

EVEN (E-Voting Event Number) followed by Folio Number

Password: Your unique password forwarded via email through the electronic notice.

However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.

iii. After entering these details appropriately, click on "LOGIN".

iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,$, etc.,). The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

v. You need to login again with the new credentials.

vi. On successful login, the system will prompt you to select the "EVENT" i.e., **'HINDUSTAN AERONAUTICS LIMITED"**

vii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut-off Date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially "AGAINST" but the total number in "FOR/AGAINST" taken together shall not exceed your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the Member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.

viii. Members holding multiple folios/ demat accounts shall choose the voting process separately for each folio/ demat accounts.

ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.

x. You may then cast your vote by selecting an appropriate option and click on "Submit" a confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify.

xi. Once you have voted on the resolution (s), you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).

xii. Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at email gthirupal@gmail.com with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format **"Corporate Name_ Event No."**

(B) For members who receive the notice of Annual General Meeting in physical form:

In case of Members receive physical copy of Notice of AGM [for Members whose email IDs are not registered with the Company/Depository Participants (s)]:

i. E-Voting Event Number, User ID and Password is provided in the Attendance Slip.

ii. Please follow all steps from Sl. No. (i) to (xii) above to cast your vote by electronic means.

II. **Voting at AGM:** The Members, who have not cast their vote through Remote e-voting can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the AGM Venue. Members who have already cast their votes by Remote e-voting are eligible to attend the Meeting; however those Members are not entitled to cast their vote again in the Meeting.

A Member can opt for only single mode of voting i.e. through Remote e-voting or voting at the AGM. If a Member casts votes by both modes then voting done through Remote e-voting shall prevail and vote at the AGM shall be treated as invalid.

III. The attendance registration procedure for the AGM is as follows:

i. Shareholders are requested to tender their attendance slips at the registration counters at the venue of the AGM and seek registration before entering the meeting hall.

ii. Alternatively, to facilitate smooth registration / entry, the company has also provided web checking facility, which would help the shareholder enter the AGM hall directly without going through the registration formalities at the Registration Counters.

iii. The web check-in facilities will be available from 14th September, 2019 (9.00 A.M. IST) and ends on 17th September, 2019 (5.00 P.M. IST).

IV. The procedure of web check-in for the AGM is as follows:-

i. Log in to https://evoting.karvy.com and click on web check-in link.

ii. Select the Company name.

iii. Pass through the security credentials viz. DP ID, Client ID, Folio Entry, PAN Number and 'CAPTCHA' as directed by the system and click on the submit button.

iv. The system will validate the credentials. Click on 'Generate my Attendance Slip' button that appear on the screen.

v. Attendance slip in PDF format will appear on the screen. Select the print option for direct printing or download and save for printing.

vi. The shareholders need to furnish the printed attendance slip along with valid ID proof such as PAN card, Passport, Aadhaar Card or Driving Licence to enter the AGM hall.

OTHER INSTRUCTIONS

a. In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs) and E-voting user manual available at the download section of https://evoting.karvy.com (Karvy Website) or contact Mr. B. Srinivas (Unit:HINDUSTAN AERONAUTICS LIMITED) at Karvy Fintech Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032 or at einward.ris@karvy /evoting@karvy.com or phone no. 040 – 6716 2222 or call Karvy's toll free No. 1-800-34-54-001 for any further clarifications.

b. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

c. The remote e-voting period commences on 14th September, 2019 (9.00 A.M. IST) and ends on 17th September, 2019 (5.00 P.M. IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 11th September, 2019, may cast their votes electronically. A person who is not a Member as on the cut-off date should treat this Notice for information purposes only. The remote e-voting module shall be disabled for voting thereafter. Once the vote on a resolution(s) is cast by the Member, the Member shall not be allowed to change it subsequently.

d. The voting rights of Members shall be in proportion to their share of the paid up equity share capital of the Company as on the cut-off date i.e 11th September, 2019.

e. In case a person has become a Member of the Company after dispatch of AGM Notice but on or before the cut-off date for E-voting i.e., 11th September, 2019, he/she may obtain the User ID and Password in the manner as mentioned below :

i. If the mobile number of the member is registered against Folio No./ DP ID Client ID, the member may send SMS: MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399

Example for NSDL:

MYEPWD <SPACE> IN12345612345678

Example for CDSL:

MYEPWD <SPACE> 1402345612345678

Example for Physical:

MYEPWD <SPACE> XXXX1234567890

ii. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of https://evoting.karvy.com, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.

iii. Member may call Karvy's toll free number 1800-3454-001.

iv. Member may send an e-mail request to einward.ris@karvy.com. However, Karvy shall endeavour to send User ID and Password to those new Members whose e-mail ids are available.

f. KPRISM- Mobile service application by Karvy:

"Members are requested to note that, Registrar and Share Transfer Agents, M/s KARVY Fintech Private Limited have launched a new mobile application - KPRISM and website https://kprism.karvy.com for online service to shareholders.

Members can download the mobile application, register yourself (onetime) for availing host of services viz., consolidated portfolio view serviced by Karvy, Dividends status and send requests for change of Address, change / update Bank Mandate. Through the Mobile app, members can download Annual reports, standard forms and keep track of upcoming General Meetings, IPO allotment status and dividend disbursements. The mobile application is available for download from Android Play Store or scan the below QR code. Alternatively visit the link https://kprism.karvy.com/app/ to download the mobile application."

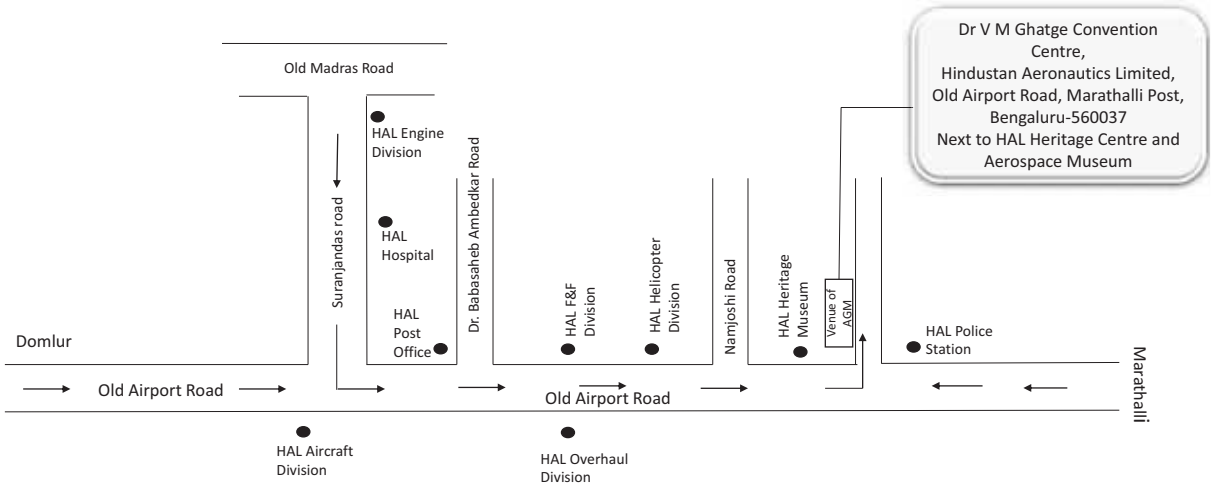
Logo : KPRISM QR Code :

Link : https://kprism.karvy.com/app/

Your Company will be providing transport facility at 1430 HRS from the specified destination given below to reach the venue comfortably:

SL NO	PICK UP POINT	LAND MARK
1	HAL Corporate Office,15/1 Cubbon Road, Bengaluru – 560 001	Cubbon Park Metro Station

ROUTE MAP TO THE VENUE



BOARD'S REPORT

To the Members,

Your Board of Directors takes great pleasure in presenting their 56th Annual Report on the performance of the Company, together with the Audited Financial Statements for the financial year ended 31st March, 2019, along with Reports of the Statutory Auditors and the Comptroller & Auditor General of India (C&AG) thereon.

Financial Highlights

The financial highlights for the year ended 31st March, 2019 are summarised as under:

(₹ in lakh)

PARTICULARS	2018-19	2017-18
Turnover	19,70,455	18,28,386
Exports	40,504	31,402
Profit Before Tax (PBT)	3,62,764	3,23,985
Provision for Tax	1,34,520	1,25,243
Profit After Tax (PAT)	2,28,244	1,98,742
R&D Expenditure	1,46,440	1,61,186
Earnings/ Share (in ₹)	68.26	56.15*
Book Value / Share (in ₹)	324	284

*Earnings per Share is calculated based on the weighted average number of equity shares outstanding

During the year under review, the turnover of the Company increased by 7.8 per cent, to ₹ 19,70,455 lakh from ₹ 18,28,386 lakh of the previous year. The Profit Before Tax for the year increased by 12 per cent to ₹ 3,62,764 lakh from ₹ 3,23,985 lakh in the previous year. The Profit After Tax (PAT) increased by 14.8 per cent to ₹ 2,28,244 lakh from ₹ 1,98,742 lakh in the previous year.

Production Highlights

During the year 2018-19, your Company produced 41 new Aircraft and Helicopters. Additionally, we produced 102 New Aero-Engines and Accessories.

During the year 2018-19 your Company overhauled 213 platforms of various aircraft. Further, 560 Russian and western origin aero-engines were overhauled by the Company during the year under review.

Dividend

The Board of Directors of the Company has formulated a Dividend Distribution Policy keeping in view the provisions of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations), the Companies Act, 2013 (Companies Act) and Guidelines issued by the Department of Public Enterprises (DPE Guidelines) and the Department of Investment and Public Asset Management (DIPAM). The Policy is available on the Company's website at https://hal-india.co.in/Common/Uploads/DMS/Dividend_Distribution_Policy.pdf

During the year, your Company has paid interim dividend of ₹ 19.80 per share of ₹ 10 each (198 per cent) for the financial year 2018-19, totaling to ₹ 66,209 lakh, excluding dividend distribution tax of ₹ 13,609 lakh. No Final dividend has been recommanded by the Board for the financial year 2018-19.

Reserves

During the year under review, ₹ 21,488 lakh was transferred to Research & Development Reserve and ₹ 1,26,938 lakh to General Reserve.

Borrowings

As on 31st March, 2019, the short term and long term borrowings of the Company stood at ₹ 10,000 lakh and ₹ 4,05,801 lakh respectively.

Indian Accounting Standards

The Financial Statements have been prepared in compliance with Indian Accounting Standards (Ind AS) and provisions of the Companies Act.

Internal Financial Controls

The Company has in place adequate internal financial controls with reference to its financial statements. A detailed note on internal financial controls is provided in the Management Discussion and Analysis Report.

Significant Achievements

The Company has achived several milestones during the year under review. A few of which are highlight as under:

- Light Combat Helicopter (LCH) successfully completed all weapon integration and firing tests in January, 2019 and is ready for induction. Initial Operational Clearance (IOC) of LCH for Army version was accorded by CEMILAC on 15th February, 2019.
- The maiden flight of third prototype (PT3) of Light Utility Helicopter (LUH) was successfully conducted on 14th December, 2018.

- Advanced Light Helicopter (ALH) blade folding capability was demonstrated to customer on 19th December, 2018 on CG 855 helicopter. This is the First ALH manufactured for Coast Guard under 16th ALH contract of Coast Guard.
- The LCA Tejas successfully completed mid-air refuelling trial by Wet (actual) engagement on 10th September, 2018.
- Successfully accomplished 100 per cent running of HTFE-25 core-2 engine with Inlet Guide Vane (IGV) modulation in March, 2019.
- Indigenously designed and developed (nation's first ever) Gas Turbine Electrical Generator (GTEG-60) Auxiliary Power Unit (APU) to start the main engines of AN-32 Military Transport aircraft was flown successfully on 11th February, 2019.
- Astra Missile was successfully test fired by the IAF on 26th September, 2018.
- The LCA Naval Prototype – 2 (NP2), safely executed the first contact of the HAL-designed and developed Arrester Hook System (AHS) with arresting wire at moderate taxi-in speed on 2nd August, 2018.
- The first FOC standard Rear Fuselage Assembly of LCA Tejas has been completed. This is one of the major modules of LCA and jig out was done on 11th February, 2019, and Final Operational Clearance (FOC) of LCA received on 20th February, 2019.
- The first Mirage 2000 aircraft upgraded to IOC standard with indigenous modification kits was delivered by the Company to the IAF on 1st January, 2019.
- The Company successfully flew the Light Utility Helicopter (LUH) on 29th December, 2018.

Current Projects and Programs

During the year, the Company continued to carry out the production and supply of various type of aircraft held with IAF and aerospace structures to fulfil the requirements of our esteemed customers.

The Company has also continued its endeavour to design and develop new platforms towards contributing to new revenue lines for the Company.

Development Programs

The Company has achieved significant progress in various R&D / Development Projects, such as the 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. A project update for each of them is listed below:

(I) Fixed Wing Aircraft

Combat Aircraft

(a) Light Combat Aircraft (LCA) – Tejas

The LCA - Tejas is an indigenously designed and developed 'Make in India' fighter aircraft. It is the smallest and lightest multi-role supersonic single engine fighter in its class in the world. Tejas has thus far completed over 4250 test flights, of which 523 were carried out during the year under review, towards Final Operational Clearance (FOC). Its Maiden Mid-air Refueling Trial was successfully completed with the Wet (actual) engagement in September, 2018. This capability provides the IAF a much desired advantage during combat operations. Aeronautical Development Agency (ADA) also handed over the Drawing Applicability List (DAL) and equipment Standard of Preparation (SOP) documents towards FOC configuration, to the Company on 31st December, 2018. It was duly cleared by the Centre of Military Airworthiness & Certification (CEMILAC) to proceed with the production of FOC-standard aircraft. More recently, the FOC was issued on 20th February, 2019, which has now enabled the Company to take up production activities towards delivery of fighters against the FOC contract. The Company has earlier completed production of all the fighters against the IOC contract.

(b) LCA Mk 1A

The Company has undertaken the design and development of LCA Mk 1A, which will have additional features like an EW Suite, Active Electronically Scanned Array (AESA) RADAR and Beyond Visual Range (BVR) Missile. A Request for Proposal (RFP) was received from Air HQ for manufacturing and supply of 83 LCA Mk 1A on 20th December, 2017. The Company submitted the Technical & Commercial proposal on 13th March, 2018. The contract is expected to be

finalised during the financial year 2019-20 and once finalised will be a significant boost to the order book position of the Company and will pave the way for the large scale induction of this indigenous combat aircraft to Services.

Trainer Aircraft

(a) Hindustan Turboprop Trainer (HTT – 40)

HTT – 40 is the Basic Trainer Aircraft (BTA) currently being designed and developed indigenously by the Company. The aircraft would be used for basic flight training, aerobatics, instrument flying and close-formation flights with its secondary roles including navigation and night flying. A total of three prototypes have been built, with two flying prototypes and one Structural Test Specimen (STS). The two flying prototypes are undergoing flight trials with 260 cumulative test flights completed towards certification. The STS ultimate test was completed for Ultimate load (165 per cent).

HTT – 40 completed Stall tests and achieved acceptable stall characteristics. It also completed hot weather, Sea level, Cross wind, Range & Endurance, and Night Flying trials. Aircraft successfully entered and recovered from a two turn spin using conventional controls in November, 2018. Further spin tests are under progress.

Once certified, the aircraft will ensure availability of an indigenous platform in this segment. Further with 0-0 ejection seat, the aircraft has better safety features compared to the currently operational imported variant. Being an indigenous product it will also provide greater maintenance support and reduced dependence on exports at a much lower life cycle cost. The customer has evinced interest in the Aircraft and the Company is likely to get future orders once the Aircraft is fully certified.

Aircraft Upgrades

(a) Mirage 2000

Service Use Clearance was accorded by RCMA for the FOC upgraded Mirage 2000 I/TI aircraft on 29th May 2018. In-house developed MC2 Mission Computer has been cleared for service use and series upgrade commenced during the year 2018-19. Provisional clearance for DASH IV Helmet was also accorded by RCMA during the year. The first upgraded Mirage 2000 aircraft to IOC standard with indigenous modification kits was delivered by the Company to IAF on 1st January, 2019.

(b) Jaguar DARIN III

Final Operational Clearance (FOC) Weapon trials carried out in May 2018. During the year, Service Clearance & Production clearance for Jaguar DARIN-III Mission Computer (MC) has been received and series manufacturing commenced in March, 2019. Clearances for all LRUs obtained from RCMA except for RWR, TCU & Lighting panel (Trainer). So far 436 flight trails have been completed and the programme is moving closer to FOC.

(c) Hawk Upgrade – "Hawk-i"

Hawk India (Hawk-i) is the indigenously-upgraded Hawk Mk 132 aircraft with enhanced operational and training capabilities. Flight evaluation of Radio Altimeter (RADALT), IFF Mk-XII, Solid State Digital Video Recording System (SSDVRS), Softnet Radio and ICU completed.

The Company has successfully integrated indigenous Smart Anti Airfield Weapon (SAAW), an aircraft-launched advanced precision strike weapon on Hawk-i aircraft, and completed its first sortie on 12th February, 2019. Spin & Stall trials of Hawk-i with CMDS modification were carried out up to two spins. Spin data analysis was completed and the report submitted to RCMA. Implementation of full Hawk Mk 132 functionalities through RTOS is in progress. So far, a total of 71 sorties have been completed.

(II) Helicopters

(a) Light Combat Helicopter (LCH)

The LCH is a dedicated combat helicopter designed and developed indigenously by the Company. It has the distinction of being the first attack helicopter to land at Siachen. Four Technology Demonstrators (TDs) have been built and were extensively flight tested this year. A total of 1,498 flights have been carried out so far, of which 291 flights were completed during the year 2018-19. LCH has successfully completed all development trials including weapon (Turret Gun, Rocket System and Air to Air Missile) integration tests and is ready for operational induction awaiting orders. The quote was submitted by the Company in March, 2018 against RFP for the supply of an initial batch of 15 helicopters and order is awaited. Initial Operational Clearance (IOC) of LCH for Army version was accorded by CEMILAC on 15th February, 2019. The commercial discussions are in final stage with the customer and the contract is excpected to be finalised during the financial year 2019-20.

(b) Light Utility Helicopter (LUH)

The LUH is a single engine, new generation 3-ton weight class helicopter, incorporating state-of-the-art technology features, planned to replace Cheetah and Chetak helicopters being operated by the Indian Armed Forces. During the year, the first flight of the third prototype (PT-3) of LUH was carried out on 14th December, 2018. All three prototypes are currently under flight trials with a total of 245 flight tests completed, of which 154 flights were carried out during the year. LUH has also completed envelope expansion trials, Cold Weather trials, Sea level flights with maximum all up weight and Hot weather trials. Further, development flights are under progress towards certifications.

(III) Aero Engines

(a) 25 KN Hindustan Turbofan Engine (HTFE-25)

Design and development of a 25kN thrust class turbofan engine, which can be used on Basic/ Advanced military trainers, on small business jets and also large UAV applications is under progress. The engine can be used on a 5-ton weight class aircraft in single engine

configuration and on aircraft of up to 9-ton weight class with twin-engine configuration. Two core engines have been produced so far and are undergoing development trials. So far 339 runs have been completed on Core-1 and Core-2 engines, of which 96 runs were completed in 2018-19. HTFE-25 was successfully completed cold light up at 14°C with spark igniters and achieving 100 per cent max speed with and without IGV modulation. HTFE-25 engine was also successfully tested with a Technology demonstrator of Servo based Fuel Measuring Unit (FMU).

The Company has taken up the design and development of 'Afterburner Technology' for HTFE-25 aero engine. The afterburner module was mounted on the PTAE engine followed by a successful demonstration of the basic afterburner technology using a fixed area propelling nozzle for HTFE-25 engine, in March, 2019.

(b) 1200 KW Turboshaft Engine (HTSE-1200)

The 1200KW Turbo shaft engine would be used as power plant for 3 to 6-ton category helicopters. One technology demonstrator of HTSE-1200 engine was built and is currently under testing. Sea level testing was conducted in DefExpo-2018 and a maximum speed of 76 per cent of engine has been achieved.

Technology demonstrators of Effusion Cooled Combustor and High Efficiency Compressor were developed and built for HTSE-1200 engine and successfully tested on the engine. Directionally Solidified Gas Generator (GG) Turbine blades were also successfully developed for the engine. So far 250 runs have been completed successfully.

Once certified, the above engine programmes promise self-reliance in the critical field of aero engines and availability of core engine technological capabilities within the country.

Order Book Position

We are pleased to report that the Order Book position of your Company as on 31st March, 2019 stands at ₹ 58,588 crore.

Loans, Guarantees and Investments

Details of Loans, Guarantees and Investments are covered under the provisions of Section 186 of the Companies Act and form part of notes to the Financial Statements provided in this Annual Report.

Related Party Transactions

There were no significant related party transactions with the Company's promoters, Directors, Management or their relatives, which could have had a potential conflict with the interests of the Company. All Related Party Transactions were placed before the Audit Committee and the Board, wherever applicable, for approval. Information pursuant to Section 188(2) of the Companies Act and Rule 8(2) of the Companies (Accounts) Rules, 2014 on contract(s) or arrangement(s) with related parties referred to in Section 188(1) of the Companies Act is attached to this Report as **Annexure-I**.

Consolidated Financial Statements

The consolidated financial statements of your Company and its joint venture and subsidiary companies for the year ended 31st March, 2019 have been prepared in accordance with the provisions of Section 129(3) of the Companies Act and applicable Accounting Standards, and form part of this report.

Pursuant to the first proviso of Section 129(3) of the Companies Act read with Rule 5 of Companies (Accounts) Rules, 2014, a separate statement containing salient features of the financial statements of subsidiaries / associate / joint venture companies in Form AOC-1 is appended to this report, which forms part of the Financial Statements.

Subsidiary/ Associate/ Joint Venture Companies

As on 31st March, 2019, your Company has two Subsidiaries and fourteen Joint Venture Companies (JVCs) including two not-for-profit companies (Section 8 Companies). Naini Aerospace Limited, a wholly owned subsidiary of the Company is engaged in the business of manufacturing looms for aircraft and helicopters. During the year, your Company has made a further investment of ₹ 2,000 lakh in equity shares of the Company.

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

Annual Return

In accordance with the provisions of Section 92(3) and Section 134(3)(a) of the Companies Act read with Rules 12(1) of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return of the Company is made available on the Company website at http://www.hal-india.co.in/investors/Annual Reports.

Secretarial Standards

The Company complies with all applicable mandatory secretarial standards issued by the Institute of Company Secretaries of India.

Meetings of the Board

During the year, 11 (eleven) Board Meetings were held and the maximum interval between any two meetings was not more than 120 days. The details of meetings of the Board and Committees thereof held during the year are furnished in the Corporate Governance Report, which forms part of this Report.

Changes in Board of Directors and Key Managerial Personnel

The following changes took place in the Board of Directors and of Key Managerial Personnel (KMP) of your Company during the financial year:

S.N.	Name of the Director	Designation	Date of Appointment	Date of Cessation
1	Dr. C.P. Ramanarayanan	Govt. Nominee Director	01.05.2018	19.06.2018 (Nomination withdrawn)
2	Shri Chandraker Bharti	Govt. Nominee Director	15.05.2018	-
3	Shri D.K. Venkatesh	Director (Engg. and R&D)	-	31.05.2018 (Superannuation)
4	Shri Arup Chatterjee	Director (Engg. and R&D)	01.06.2018	-
5	Dr. Tessy Thomas	Govt. Nominee Director	02.07.2018	-
6	Dr. S. Malla Reddy	Independent Director	24.07.2018	-
7	Rear Adml. K.C. Shekar (Retd.)	Independent Director	24.07.2018	-
8	Shri C.V.Ramana Rao	Director (Finance) & CFO	-	31.07.2018 (Superannuation)
9	Shri C.B. Ananthakrishnan	Director (Finance) & CFO	01.08.2018	-
10	Shri T. Suvarna Raju	Chairman and Manging Director	-	31.08.2018 (Superannuation)
11	Shri R. Madhavan	Chairman and Manging Director	01.09.2018	-

On completion of tenure of Ms. Dipali Khanna, Part-Time Non-Official (Independent) Director on 7th January, 2019, the Ministry of Defence, DDP, re-appointed her for a period of one year w.e.f. 8th January, 2019.

Committees of the Board

As on 31st March, 2019, the Board had five Statutory Committees namely Audit Committee, Nomination & Remuneration Committee, Corpoate Social Responsibility & Sustainable Development Committee, Stakeholders Relationship Committee and Risk Management Committee.

A detailed note on the composition of the Board and its Committees is provided in the Corporate Governance Report.

Declaration from Independent Directors

The Company has received necessary declarations from each Independent Director of the Company under the Companies Act stating that the Independent Directors of the Company met with the criteria of their independence laid down in Section 149(6) of the Companies Act and Regulation 25(8) of the SEBI (LODR) Regulations.

Company's Policy on Directors' Appointment and Remuneration

The appointment, tenure and remuneration of Directors (Functional Directors including CMD) are determined by the Government of India. Selection is made by the Public Enterprises Selection Board (PESB). The Terms & Conditions of appointment, including the period of appointment, the Scale of Pay and other entitlements are notified by the Government of India.

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

Independent Directors are appointed by the 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.

In view of the Gazette Notification No GSR 463 (E) dated 5th June, 2015 of the Ministry of Corporate Affairs (MCA), your Company, as a Government Company, is not required to frame a policy on Directors' appointment and remuneration, including criteria for determining qualifications etc. under Section 134(3)(e) of the Companies Act.

Board Evaluation

Pursuant to the Notification No. 463 (E) dated 5th June, 2015 issued by the Ministry of Corporate Affairs, 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 for your Company, as the performance of directors is evaluated by the Administrative Ministry.

The performance evaluation of the Independent Directors was carried out by the entire Board and found to be satisfactory. The Board opined that all Independent Directors fulfil the conditions specified in the Companies Act and SEBI (LODR) Regulations, and are independent of the management.

The performance of non-independent directors and Board as a whole was reviewed by the Independent Directors during the year.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

As a defence Central Public Sector Enterprise (CPSE), your Company was granted exemption by MCA vide Notification GSR No.680 (E) dated 4th September, 2015. from 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.

Outsourcing

The Company has embarked on a path to be a lead integrator of aircraft and helicopter platforms on par with the global OEMs, Outsourcing had been taken up diligently even in upcoming platforms including LCA, HTT – 40, LUH, LCH etc.

Development and Implementation of Risk Management Policy

The Company has a Board approved Risk Management Policy in place. 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 until the closure and signing off the mitigation plans.

Corporate Social Responsibility (CSR)

Your Company, as a responsible Corporate, has been driven by a vision of a developed India, underlining its commitment to give back to the society and environment. This has influenced the design and implementation of the Company's CSR plans.

Pursuant to the provisions of Section 135 of the Companies Act and Companies (Corporate Social Responsibility Policy) Rules, 2014 & DPE Guidelines, the Company has undertaken various activities as per the CSR Policy. The projects / programmes / activities were taken up in line with Schedule VII of the Companies Act.

The Corporate Social Responsibility Policy of the Company is available on the Company's website at https://hal-india.co.in/Common/Uploads/DMS/CSR_Policy.pdf. Salient features of the Policy form part of the Annual Report.

A separate Report on CSR activities undertaken by your Company during the year 2018-19 is enclosed as **Annexure-III.**

Business Responsibility Report

SEBI (LODR) Regulations stipulate that the annual report shall include a Business Responsibility Report describing the initiatives taken by the listed entity from an environmental, social and governance perspective in the format specified. Accordingly, the Business Responsibility Report for the year 2018-19 has been drawn up and appended to this Report.

Significant and Material Orders

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

Public Deposits

During the year, your Company has not received any deposits from the public.

Maintenance of Cost Records

Your Company maintains cost records as specified by the Central Government under Section 148(1) of the Companies Act.

Transfer of Shares

During the year under review, 400 equity shares of ₹ 10 each were transferred from Nominees of the President of India to the President of India.

Issue of Equity Shares with Differential Rights

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

Particulars of Employees and Related Disclosures

The provisions of Section 197 of the Companies Act and the relevant Rules do not apply to your Company, in view of the Gazette Notification No. G.S.R. 463 (E) dated 5th June, 2015 issued by the Ministry of Corporate Affairs, Government of India.

MoU with Government

Your Company continues to sign the annual Memorandum of Undertaking (MoU) with the Ministry of Defence, Government of India.

The performance of the Company for the year 2017-18 has been rated as "Excellent" in terms of MoU with the Government. MoU rating for the year 2018-19 is under review by the Government.

Events subsequent to the date of Financial Statements

There are no material changes and commitments affecting the financial position of the Company, that have occurred between 31st March, 2019 and date of signing of this Report.

Research and Development Efforts

During the year, the Company continued to focus its efforts towards development of new platform, technology and activities to enhance its capability with a view to bring technological superiority to its products and in order to cope with the future technological challenges. Towards the progress of the R&D efforts, the Company has incurred a total expenditure of ₹ 1,46,440 lakh for the year 2018-19 which is 7.43 per cent of the turnover.

The Company continues to work with premier R&D organisations like DRDO laboratories, CSIR-NAL, the 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 ₹ 21,488 lakh (10 per cent of Operating PAT) to the R&D reserve for contribution to the R&D corpus during the year 2018-19.

During the year, the Company filed 82 IPR applications, making a total of 1,621 IPRs filed by Company. 70 IPRs were granted during the year, taking the total IPR held by the organization to 178.

Exports

The Company has achieved export sales of ₹ 40,504 lakh. The major exports include supply of one Do-228 aircraft to Seychelles People's Defence Forces, Structural Work Packages, Forgings, Castings and Rolled Rings to major Aerospace OEMs and Repairables, Spares & Services to foreign aircraft operators.

Towards enhancing its brand and showcasing its products and capabilities, the Company participated in leading international Air Shows/Exhibitions, including Defexpo-2018 (India),ARMY-2018 (Moscow), Farnborough Air Show 2018 (UK), Africa Aerospace & Defence (South Africa), DEFPOL-2018 (Vietnam), Indo Defence Exhibition-2018 (Indonesia), EDEX-2018 (Egypt), Aero India 2019, and LIMA 2019 (Malaysia). The Company is also making 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.

With an objective to enhance business opportunities, your Company's focus is on securing long term projects towards meeting the entire global requirements, through Offset programs accrued from the Indian Defence Capital Acquisition. Various strategic initiatives were taken to establish and progress business framework / agreement with the OEMs.

Vendor Development

During the year, the Company conducted 27 vendor development programmes, of which eight were for Micro & Small Enterprises (MSEs) owned by SC/ST Entrepreneurs.

The Company has registered with RXIL and M1exchange for enabling payments through TReDS platform. The Company has already made payments through TReDS–RXIL platform. All efforts are made to bring the MSEs on TReDS platform. Currently, several vendors are registered with TReDS platform and efforts are being made to bring other vendors also on the portal. The Company has also registered with MSME SAMADHAAN portal and the same is being monitored regularly for resolution of grievances of MSEs, if any. The procurement details are being updated monthly in "MSME SAMBANDH" Portal.

The Company has implemented the Purchase Preference Policy (Make in India) w.e.f 1st July, 2018 in line with provisions indicated in Public Procurement (Preference to Make in India), Order 2017 issued by the Department of Industrial Policy and Promotion (DIPP) to encourage 'Make in India' and promote manufacturing and production of goods and services in India.

The Company has registered on DPE portal and the weekly data is regularly uploaded w.r.t procurement from MSME through GeM portal and payment through TReDS platform.

Procurement from Micro & Small Enterprises (MSEs)

During the year, the total value of procurement including outsourcing made from MSEs was ₹ 73,389 lakh.

Indigenisation

The Company's endeavour to boost the indigenisation programme is consistently progressing to achieve self reliance in the field of Aeronautics. Obsolescence management, savings in foreign exchange and cost reduction of various items for manufacture and ROH of Aircraft and Helicopters are the consideration for Indigenisation. During the year, the number of items indigenized is 1,566 and total foreign exchange saving is ₹ 11,767 Lakhs.

Make In India Initiatives

HAL's "Make in India" Portal

In support of the Make in India programme, the Company has listed over 350 imported systems and subsystems used in its projects, including ALH, LCA, Do-228 and Jaguar. Private industries are invited to come forward for indigenous production of these systems, leading to import substitution.

The Company has also hosted more than 100 Tools, Testers and Ground Equipment for manufacturing/ ROH / maintenance of SU-30 MKI on its website under the Make in India program.

Make-II Framework and Indigenisation Policy

The Company is in the process of implementing the following policy/ Framework promulgated by MoD:

- Framework for implementation of 'Make-II' Procedure at DPSUs;
- Policy Initiatives for Indigenisation of Components and Spares Used in Defence Platforms for DPSUs.

Human Resource Development

The number of employees as on 31st March, 2019 stood at 28,345.

During the year 2018-19, opportunities for Officers to build their knowledge-based competencies were supported. Ten Officers were sponsored for M.Tech programmes at the Defence Institute of Advanced Technology, Pune / Indian Institutes of Technology and 5 Officers were sponsored for a PG Diploma in Public Policy & Management at the Indian Institute of Management, Bangalore. One Officer was sponsored for the 74th Staff Course at the Defence Staff College, Wellington, Tamil Nadu. Four Officers were sponsored for Ph.D Programmes at the IISc, Bangalore and IITs.

As on 31st March, 2019, a total of 4,105 Apprentices were engaged in the Company, comprising 10.29 per cent of the total employee strength including contractual staff.

Employee Welfare

The Company continues to extend welfare benefits to the employees and their dependants including comprehensive Medical Facilities, Housing Facilities, Canteen Facilities (for employees only), Educational Facilities for Employees Children, and Sports Facilities.

REPRESENTATION OF SC/STs

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

Representation of SC/STs in the total strength of the Company as on 1st January, 2018 and 1st January, 2019

Category (Grade / Scale of Pay)	Total Strength as on		Number of SCs as on		Number of STs as on	
	1.1.2018	**1.1.2019**	1.1.2018	**1.1.2019**	1.1.2018	**1.1.2019**
Group – A (Grade – II & above)	8,807	**8,554**	1,557	**1,516**	529	**514**
Group – B (Grade – I)	43	**31**	8	**4**	4	**2**
Group – C (Scale – 3 to Special Scale)	20,354	**19,972**	3,501	**3,501**	1,473	**1,463**
Group – D (Scales – 1 & 2)						
(i) Excluding Safai Karmacharis	15	**15**	4	**4**	-	**-**
(ii) Safai Karmacharis	-	**-**	-	**-**	-	**-**
Total	29,219	**28,572**	5,070	**5,025**	2,006	**1,979**

Recruitments made during the period 1st January, 2018 to 31st December, 2018 and the SC/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)	22	-	-	2	1
Group – B (Grade – I)	-	-	-	-	-
Group – C (Scale-3 to Special Scale)	233	64	35	55	22
Group – D (Scales – 1 & 2)					
(i) Excluding Safai Karmacharis	-	-	-	-	-
(ii) Safai Karmacharis	-	-	-	-	-
Total	**255**	**64**	**35**	**57**	**23**

Vacancy-Based Promotions made during the period 1st January, 2018 to 31st December, 2018 and the SC/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)	1,272	NA	NA	203	67
Group – B (Grade – I)	-	-	-	-	-
Group – C (Scale–3 to Special Scale)	-	-	-	-	-
Group – D (Scales – 1 & 2)					
(i) Excluding Safai Karmacharis	-	-	-	-	-
(ii) Safai Karmacharis	-	-	-	-	-
Total	**1,272**	**-**	**-**	**203**	**67**

Employee Relations (ER) / Industrial Relations

The Employee Relations Scenario in the Company has been peaceful and cordial during the year. Smooth relations were maintained between the Management and the Unions / Associations by effective communication Meetings with the representatives of the recognised Unions / Officers Associations at the Divisional, Complex & Corporate Levels were held to discuss issues.

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

Rajbhasha Implementation

In accordance with the Guidelines issued by the Department of Official Language, Ministry of Home Affairs, New Delhi, vigorous efforts are being made by all the Divisions of the Company towards implementation of the Official Language Policy (OL Policy) of the Government of India. To bring awareness about the OL Policy & Technical Facilities developed in the field of Official Language, a two-day Training Programme on 'Usage of Technical Terminology & OL Policy' was organised in April 2018 for Bengaluru-based Divisions and Offices with the help of the Commission for Scientific & Technical Terminology, Ministry of HRD, GoI. A seminar was organised for all the Divisions of the Company on 21st April, 2018 and an OL Policy Booklet was released on this occasion. Hindi Fortnight was celebrated from 14th September to 28th September 2018 by all the Divisions of the Company that saw enthusiastic participation by the employees. The 16th All HAL Hindi Utsav was organised between 5th December, 2018 and 8th December, 2018. More than 300 Workmen / Officers took part in the various competitions organised during the Utsav.

During the year, Hindi Language Training (Prabodh, Praveen and Pragya courses) were organised for the Bengaluru Divisions with the cooperation of the Central Hindi Teaching Institute (CHTI), Bengaluru. A Training Session was conducted on filing up of Quarterly Progress Report (QPR) on 15th March, 2019.

The progress made towards OL Implementation by the Divisions of the Company was reviewed by the Hindi Margdarshan Samiti at the Corporate level. Inspections of

various Divisions related to Official Language have been conducted successfully by the Department of Official Language / Ministry of Defence during the year.

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 the required provisions in this regard.

Internal Complaints Committees as per Section 4 of the Act have been put in place. Information for the year 2018, in terms of Section 22 of the Act, is as indicated below:

(i)	Number of Cases pending as on 1st January, 2018	-	2
(ii)	Number of Complaints of Sexual Harassment received in the year 2018	-	2
(iii)	Number of Complaints disposed off during the year 2018	-	3
(iv)	Number of Cases pending as on 31st December, 2018 & its status	-	1 Case was pending at the ICC Inquiry stage as on 31st December, 2018. However, the case was subsequently closed on 27th February, 2019.

Information Technology (IT) Initiatives

Your Company has taken up many IT initiatives to ensure Customer delight, Process Improvement and IT Security. Towards enhancing customer experience, a Flight Operations & Safety (FOS) portal was launched, to record and track actions related to accidents. The portal is integrated with Quality & Customer Service dashboards to follow up on issues related to these. The portal is also integrated with internal mailing system for automated reports on incidents/ accidents.

As part of employee enablement in the Company, an Employee Self Service (ESS) portal that facilitates automation of address proof, salary certificate, NOC etc., has been developed. The system has the provision to digitally sign the certificate by the issuing authority thereby providing for a paperless system with compliance to IT Security. In continuation with the efforts towards a performance appraisal for Officers, we have shifted Workmen performance appraisals online. Two portals have been launched for productivity improvement, viz., a Task Management application, and a Meeting Management application for scheduling meetings with both external/ internal stakeholders. Both portals are configured with SMS/ mail alerts for faster collaboration.

On the infrastructure front, a Multi Protocol Label Switching (MPLS) Wide Area Network covering 16 locations of the Company has been established for high speed data transfer.

Your Company has been keen towards improving the IT Security posture by implementing best practices and complying with applicable guidelines. As part of this, details of all IT Assets in the Company have been collected and published on the IT Asset management portal. A set of directives for Mobile Device Security has been framed to prevent leakage of information from mobile devices accessing the Company's server/ network on the internet. The Electronic Information Asset Protection Guidelines, a set of directives to protect users from the risks emanating from sharing of confidential data outside the Company Network was also framed during this period.

Awards & Recognitions

During the year, your Company received various Awards and Recognitions. Some of the important awards conferred to the Company are as under:

- Golden Peacock Innovative Product / Service Award for the year 2018 for the project "Repair of Non ToT Test Equipment ARM-RLSU (SNK-30 MK) used for Checking of Radar Complex of Su-30 MKI Aircraft, during the Global Convention held between 17th and 19th April, 2018 at Dubai.
- Star Performer Award for the year 2016-17 in the Product Group – Defence Related Items, Large Enterprise, was presented by the Engineering Export Promotion Council (EEPC) India on 31st May, 2018 at New Delhi.
- The Gold Trophy in recognition of outstanding contribution to Skill Development was awarded to your Company in the Best PSU- Public Sector Training Programme" category, during the Summit-cum-Awards function on Skilling India, organised by ASSOCHAM on 1st November, 2018 at New Delhi.
- 41st EEPC Southern Region Export Award for 'Excellence in Export of Engineering Services' for the year 2016-17 on 28th December, 2018.
- "Governance Now" 6th PSU Award for Technology Adaptation under Navratna Category at New Delhi on 17th January, 2019.
- The Apex India CSR Excellence Awards 2018 in the Aerospace Sector, for outstanding achievement in CSR

Management of the Kumudvathi River Rejuvenation project was awarded by the Apex India Foundation, on 18th February 2019 at New Delhi.

- The HAL CSR Project "Kumudvathi River Rejuvenation" was declared as the joint winner under the Water & Sanitation category during the CSR Rotary Karnataka Conference 2019 organised by "The Rotary District 3190", on 15th February, 2019 in Bengaluru.

Vigilance

The Vigilance Department of the Company is headed by the Chief Vigilance Officer (CVO), an IPoS Officer on deputation from the Govt. of India. Vigilance Officers and Staff are posted to the Corporate Office and all the Divisions and Complexes of the Company. The Vigilance Department has been certified as ISO 9001: 2015 compliant, an initiative for delivering Quality Vigilance work. The Quality Management System (QMS) has been designed to effectively implement Quality Policies through Quality Objectives.

During the year, the Vigilance Department handled 313 complaints; and 1,123 Surprise/ Routine checks & CTE Type inspections were carried out in the Divisions in corruption-prone areas. Based on the outcome of checks/inspections and complaints, 34 cases were taken up for further investigation. The investigations on 27 cases were concluded with 14 cases referred for disciplinary action, six cases for administrative action while seven cases were closed with nothing adverse found during investigation.

During the year, final orders awarding 3 major penalties, 8 minor penalties, 25 advisory, 5 counselling, 1 warning and 2 exoneration were issued by the concerned disciplinary authorities.

Preventive and Proactive Vigilance has been the thrust area of the Vigilance Department. Some of the major initiatives by the Department during the year were:

- **Amendment to Purchase Manual:** Vigilance took initiative and organised a brainstorming session on the prevailing Supply Chain Management of the Company. As a result, 16 amendments were issued to the Purchase Manual which will help Managers in the decision-making and procurement process.
- **System studies** were carried out to streamline procedure for:
- Engagement of job contract labour/ skilled contract labour vis-à-vis their attendance and payments;
- Management of HAL schools including engagement of teachers;
- Procurement of medicines;
- Measures towards cost efficiency and cost reduction.
- **Sensitisation on Vigilance:** 76 (Seventy six) sessions were conducted to sensitise the HAL fraternity to be vigilant and join hands in curbing corruption. Workshops were held across the Divisions on Vigilance-related topics.
- **Workshops:** Several workshops were conducted with important functionalities/stakeholders in areas like Material Management, Finance, HR, Service Contracts, and Work Contracts.

Fraud Reporting

During the year, a fraud involving misappropriation of funds of ₹ 1,876 lakh by a Company Official in Koraput Division of the Company was reported. The matter is under investigation by the CBI. The details of the same are covered under Clause 21 of Note No. 49 of the financial statements.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(a) In the preparation of the annual accounts for the year ended 31st March 2019, the applicable accounting standards have 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 on 31st March, 2019 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 laid down internal financial controls which are being followed by the Company and that such internal controls are adequate and are operating effectively;

(f) 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

Statutory Auditors

The Statutory Auditors of your Company were appointed by the Comptroller & Auditor General of India (C&AG). M/s. Maharaj N.R. Suresh & Co., Chartered Accountants, Bengaluru were appointed as Statutory Auditors for auditing the Accounts of the Company for the year 2018-19 and 18 firms of Chartered Accountants were appointed as Branch Auditors.

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

Auditors' Report

The Auditors' Report on financial statements for the financial year 2018-19 and comments of the Comptroller & Auditor General of India (C&AG) under Section 143(6) of the Companies Act are appended to this Report. The statutory auditors' report does not contain any qualification, reservation or adverse remarks.

Cost Auditor

M/s. KPR & Associates, Cost Accountants were appointed as Cost Auditors for conducting the Cost Audit of the Company for the year 2018-19.

Secretarial Auditor

In terms of Section 204(1) of the Companies Act, the Company has engaged Shri S. Viswanathan, Practicing Company Secretary, Bengaluru to conduct Secretarial Audit of the Company for the year 2018-19. The Secretarial Audit report is annexed to this Report as **Annexure - IV** and forms part of Annual-Report. The said report does not contain any qualification, reservation or adverse remarks.

Annual Secretarial Compliance Report

The Company has filed the Annual Secretarial Compliance Report for the year 2018-19 with the BSE Ltd and National Stock Exchange of India Limited. The report was received from Practising Company Secretary and filed within the stipulated time as specified under Regulation 24A of the SEBI (LODR) Regulations.

Corporate Governance

Your Company has taken firm and structured initiatives to maintain the highest standards of Corporate Governance and its practices which are valued by our stakeholders. The practices emanate from the need to position multi-layered checks and balances at various levels to ensure transparency of its operations and in the decision making process.

In terms of SEBI (LODR) Regulations and DPE Guidelines, a report on Corporate Governance for the year ended 31st March, 2019 along with a certificate from the Company's Secretarial Auditor confirming compliance of applicable laws, rules and regulations is included in this Annual Report.

Management Discussion and Analysis Report

As per Regulations 34(2)(e) of the SEBI (LODR) Regulations, the Management Discussion and Analysis Report (MDAR) forms part of the Annual Report of the Company.

Vigil Mechanism

The Company has a Whistle Blower Policy approved by the Board and the same is made available on the Company's website.

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.

Quality Initiatives and Safety

Quality Management System in all the Production Divisions and Research & Design Centers of the Company has been successfully transitioned to the latest version of International Aerospace Standard AS9100D. Overhaul Division was certified for AS9110C on "Requirements for Aviation Maintenance Organization". Additionally, all Production Divisions and Research & Design Centers are approved by the Directorate General of Aeronautical Quality Assurance (DGAQA) as per their latest document ''Approval of Firm and its Quality Management System" (AFQMS), Issue-II dated June 2018. Production Divisions catering to Civil Customers are approved by the Director General of Civil Aviation (DGCA) as a Production/ Maintenance Organization, while Production Divisions that are exporting products and services were also certified to the National Aerospace Defence Contractors' Accreditation Program (NADCAP) with approvals from OEMs such as Airbus, Boeing, Turbomeca, and Rolls Royce. HAL Laboratories is accredited to IS17025 by the National Accreditation Board for Testing and Calibration Laboratories (NABL).

The Research & Design Centers of the Company continue to hold the Design Organization Approval from the Centre for Military Airworthiness & Certification (CEMILAC) and Recognition of in-house R&D from the Department of Scientific & Industrial Research (DSIR), Ministry of Science & Technology, Government of India. The R&D Centre engaged in the 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. Twenty six Quality Circle teams of 135 members, participated in the National Convention of Quality Circles (NCQC-2018) held at Gwalior in December, 2018.

Standardisation of QMS has been achieved in many areas through three additional Corporate Quality Assurance Guidelines. Of these, two guidelines are protected by the registration of copyright with the Registrar of Copyrights, New Delhi.

Five Inspection Agencies have been approved by the Company as Third Party Inspection Bodies to carry out inspections on behalf of the Company at the premises of the sub-contractors of Production Divisions and R&D Centres.

A Corporate Quality Digital Desk has been established for real time data management and monitoring of Quality related information and issues of all the divisions. The performance of all Divisions is being mapped and monitored on the basis of Quality Performance Indicators derived from Quality Rating Manual released by the DGAQA.

To enhance the knowledge level of Officers in Aircraft Accident Investigation, the IAF was approached to increase vacancies in the Aerospace Safety & Accident Investigation (AS&AI) course. Consequently, the course can now accommodate six Officers from the earlier two. The Company has conducted a Flight Safety and Accident Investigation capsule on 5th December, 2018 as part of the Post Graduate Diploma in Aviation Management course.

Acknowledgement

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

Your Directors acknowledge with a 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 cooperation extended and services provided by the Comptroller & Auditor General of India (C&AG), the Principal Director of Commercial Audit & Ex-officio Member, Audit Board, Statutory Auditors, Bankers, Collaborators, JV Partners and Suppliers.

Your Directors are also thankful to the shareholders for their faith and continued support in the endeavours of the Company.

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 the Board of Directors
Hindustan Aeronautics Limited

(R. Madhavan)
Chairman & Managing Director

Place : Bengaluru
Date : 27th July, 2019

Annexure- I 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 provision to Section 188
1	M/s. HALBIT Avionics Pvt. Ltd., Bangalore	Joint Venture	Technical support at customer base on single tender basis	1 year	Provisioning & awarding Contract at a total value of ₹ 42.48 Lakhs for Onsite Technical Support for HAWK Training Aids at AFS Kalaikunda and INS Dega	As items were supplied & installed by OEM - M/s. HALBIT, technical support to be provided/availed by them only.	30th June 2018	-	-
2	M/s. Naini Aerospace Limited, Allahabad,	Subsidiary	Fabrication of ALH Looms, Manufacturing & Assembly of Sub-Assembly Bottom Structure and Transmission & Engine Deck and Mfg & Assy. of ALH Coupling Jig Work on Nomination basis	1 year	Fabrication of ALH Looms (5 Sets), Manufacturing & Assembly of Sub-Assembly (5 sets), Bottom Structure and Transmission & Engine Deck and Mfg & Assy. Of 6 sets of ALH Coupling Jig Work at a total value of ₹ 6.90 Crs for 41 ALH Program.	Development of Subsidiary as a source for fabrication/supply of looms, Jigs & Assemblies on Nomination basis as per DPR/Business plan approved by Board	13th August 2018	-	-
3	M/s. Naini Aerospace Limited, Allahabad	Subsidiary	Fabrication of ALH Looms on Nomination basis	1 year	Placement of purchase orders for fabrication of 3 types ALH Looms (5 sets each) at a total value of ₹ 0.48 Crs. for 41 ALH Program	Development of Subsidiary as a source for fabrication/supply of looms on Nomination basis as per DPR/Business plan approved by Board	8th January .2019	-	-
4	M/s. Naini Aerospace Limited, Allahabad	Subsidiary	Fabrication of LCA Looms on single developed source basis	2 year	Placement of purchase orders at a total value of ₹ 7.18 Crs. for manufacture and supply of 10 sets of Looms (344 types) for LCA Project	Development of Subsidiary as a source for fabrication/supply of looms on single developed source basis	18th March 2019	-	-

2. Details of material contracts or arrangements or transactions 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	Date(s) of approval by the Board, if any	Amount paid as advances, if any:	Remarks
	----------	----------	----------	Nil	----------	----------	----------	

For and on behalf of Board of Directors
Hindustan Aeronautics Limited

(R. Madhavan)
Chairman & Managing Director

Date : 27th July, 2019
Place: Bengaluru

Annexure- II to Board's Report

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

(a) HAL has established 12 (twelve) commercial Joint Venture Companies (JVCs) in collaboration with leading international aviation and Indian Organizations and 2 (two) subsidiary Companies. Besides, the Company also formed 2 (two) Section-8 (non-profit) Companies.

During the year under review, the total turnover reported by the JVCs is ₹ 449.32 Crore, as per details given below:

(Amount in ₹ Crore)

Sl. No.	Name of the JVCs	HAL share holding (%)	Turnover	Profit Before Tax
i	BAeHAL Software Ltd.	49	16.09	(2.13)
ii	Indo Russian Aviation Ltd.	48	90.20	20.98
iii	Safran HAL Aircraft Engines Pvt. Ltd.	50	106.88	11.76
iv	Samtel HAL Display System Ltd.	40	17.41	(2.31)
v	HAL-Edgewood Technologies Pvt. Ltd.	50	0.63	(0.21)
vi	HALBIT Avionics Pvt. Ltd.	50	4.05	(9.20)
vii	Infotech HAL Ltd.	50	9.09	1.29
viii	HATSOFF Helicopter Training Pvt. Ltd.	50	38.96	(7.74)
ix	TATA-HAL Technologies Ltd.	50	5.53	0.17
x	International Aerospace Manufacturing Pvt. Ltd.	50	155.45	1.48
xi	Multi-Role Transport Aircraft Ltd.**	50	0.00	(10.12)
xii	Aerospace & Aviation Sector Skill Council (AASSC) *	50	0.32	(0.56)
xiii	Helicopter Engines MRO Private Ltd.	50	0.68	(2.71)
xiv	Defence Innovation Organisation*	50	--	--
	Name of the Subsidiaries			
xv	Indo Russian Helicopters Limited**	50.5	--	(0.49)
xvi	Naini Aerospace Limited	100	4.03	(12.95)
	TOTAL		**449.32**	**(13.35)**

Note: Figures in brackets () indicate loss
* Section-8 (non-profit) Companies.
** Not commenced operation

(b) During the current financial year, 2 (two) JVCs viz. Indo Russian Aviation Ltd and International Aerospace Manufacturing Pvt Ltd. have together paid a dividend of ₹ 1.815 Crs. to HAL.

Sl. No.	Name of JVCs	₹ In Crs
1	Indo Russian Aviation Ltd	1.73
2	International Aerospace Manufacturing Pvt Ltd	0.085
	Total	**1.815**

For and on behalf of Board of Directors
Hindustan Aeronautics Limited

(R. Madhavan)
Chairman & Managing Director

Place : Bengaluru
Date : 27th July, 2019

Annexure-III to Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2018-19

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

Brief outline of Company's CSR Policy:

In conformity with the provisions laid down under Section 135 of the Companies Act, 2013 and the Rules there under notified by the Ministry of Corporate Affairs on CSR, the CSR & SD Committee of the Board had redrafted / modified the CSR Policy which was approved by the Board of Directors of the Company at its 380th Meeting held on 27/11/14, which is amended from time to time. A brief outline of the CSR Policy is as follows:

- The Budget allocation for the CSR Projects will be two (2) percent of the Average Net Profits of the Company made during the three immediately preceding Financial Years. Average Net Profits shall be calculated in accordance with the provisions of Section 198 of the Companies Act, 2013.
- Preference is given to the local area and areas around the Divisions / Complexes where it operates, for spending the amount earmarked for Corporate Social Responsibility Projects / Activities.
- Conducting a base line survey is not a mandatory provision; accordingly, the Divisions / Complexes may opt for other methods, including use of its own in-house expertise and resources for need assessment studies. In this regard, it is to be noted that the Gram Sabhas and Panchayati Raj institutions at the village level are important and reliable sources for assessing the social, economic & environmental needs in rural areas. Therefore, as far as possible, they should be consulted in planning CSR Projects / Activities.
- The Divisions will choose CSR Projects / Activities, in line with the themes specified in Schedule VII of the Companies Act, 2013.
- The Divisions may take up long gestation Projects for reaping the maximum benefits and impact towards the Social, Economic & Environment status in the locations identified under CSR Projects. For easy implementation, long-term CSR plans should be broken down into medium-term & short-term plans.
- While implementing CSR Projects, it is mandatory to comply with the Rules / Regulations / Laws of the State. However, expenditure on such compliance / statutory measures will not be covered under CSR's financial component and would be considered as mainstream business spend / expenditure.
- Contribution of any amount directly or indirectly to any Political Party shall not be considered as a valid CSR Activity.
- The Divisions / Complexes will not take up Projects / Activities required to be implemented by the Government and / or for which Central / State Government Schemes have been sanctioned, as it could result in unnecessary duplication.
- The CSR Policy along with the CSR Projects / Activities to be undertaken is being displayed on the Company's Website, as per the particulars specified in the Act.
- The CSR Projects / Activities that benefit only the employees of the Company and their families will not be considered as a valid CSR Project / Activity.
- The surplus arising out of the CSR Projects / Activities shall not form part of the Business Profits of the Company.

Overview of the CSR Projects or Programmes undertaken during 2018-19:

The Projects were implemented with a view to bring in wholistic development, improve the quality of life of the socially & economically backward groups and marginalized & weaker Sections of the Society.

The Company has been taking up CSR Projects / Activities in the vicinity of the Divisions based on identified needs and availability of funds. An overview of some of the CSR Projects implemented during 2018-19 is indicated below:

a) Organic Waste Management Plant (Conversion of Municipal Waste & Food Waste to Bio Gas) at Nasik in line with the Swachh Bharat Mission:

The Organic Waste in and around the villages of Ojhar was dumped in pits, which was a breeding ground for mosquitoes and other insects. The area with foul smell was causing health hazards to the people living in the nearby villages. In order to overcome the problem and also to facilitate cleaner environment, recycle garbage and save energy, the Company undertook the Project of Organic Waste Management Plant under its CSR initiative. The main objective of the Project was to maintain high standards of hygiene / sanitation, environmental sustainability by way of disposal of Organic Waste under Swachh Bharat Mission, in and around the areas of Ojhar village, Niphad Taluk of Nasik District. The plant was inaugurated in November, 2018. It is one of the biggest Organic Waste Management Plants in the Taluk as on date.

The Plant is having a capacity to convert 5 Tonnes of Organic Waste per day. The waste collected from the areas in and around Ojhar village is being brought to a centralized location and segregated into pre-cooking and post cooking waste. The said waste after processing in the plant produces Bio gas, which in turn generates electricity. The electricity generated is re-used to run the plant. The excess electricity generated is distributed through Grid for Street Lights. As on date, the said Project is running at its peak capacity.

Inauguration of the Plant by Shri V M Chamola, Director (HR) in the presence of Shri Bh V Seshagiri Rao, CEO(MC), Village Pradhan etc.

b) SAI-HAL Sports Training Centre - Koraput, Odisha State:

In its endeavour to identify and nurture tribal / local Rural Sports talent, the SAI-HAL Sports Training Centre is established at HAL, Koraput Division with technical support and posting of Coaches from the Sports Authority of India (SAI) [MoU with the Sports Authority of India (SAI) was signed during 2010, under its CSR initiatives]. Koraput Division had provided free training in Archery, Football & Athletics to 48 tribal students of undivided Kalahandi Balangir & Koraput (KBK) region, during 2018-19.

One of the Athletes, Shri Surendra Khora had bagged Gold Medal in 600 meter race in the 30th East Zone Athletic Championship held at Patna in September 2018. He had also bagged Gold Medal in 800 meter race in the "Under-16" age group category in the 66th State Athletic Meet held at Cuttack, Odisha during December, 2018.

The Division had successfully conducted the 7th State level Archery Prize Money Championship during the year. HAL, Koraput Division has also undertaken construction of a 400 meters, 8 lane athletic track at the Training Centre.

Shri V M Chamola, Director (HR) at the SAI-HAL Training Centre

State Level Archery Tournament

c) Installation of Water ATMs and Hand Pumps for Safe Drinking Water

In order to provide safe drinking water to the public who are coming to the City from nearby areas, Transport Aircraft Division (TAD), Kanpur of the Company had undertaken the Project of setting up of water ATMs at a cost of around ₹ 45 Lakhs in Public Places of Kanpur.

The Division has also installed 40 Hand Pumps at various nearby villages which not only benefitted the general public but also the poor and the needy.

Water ATMs installed in Kanpur

Hand Pumps installed in nearby villages of Kanpur

d) Healthcare:

HAL Koraput Division had been providing inpatient and outpatient Healthcare facilities to the inhabitants of adopted villages. Medical / Health camps were organized in the vicinity of most of the Divisions of HAL. Regular Ambulance visits to the villages is an ongoing activity in some of the Divisions.

Health Check-up Camps at Lucknow

e) Kumudavathi River Rejuvenation Programme (Development of 4 Mini Watersheds at Mahadevpura, Torehosapalya, Motaganahalli & Kavalpalya Taluk, Bengaluru Rural District), Karnataka:

During 2014-15, the International Association for Human Values (IAHV), a sister Organization of the Art of Living Foundation, a Non-profit NGO, Bengaluru had approached HAL to support in rejuvenating the dried up River Basin of Kumudavathi. They had prepared an Action Plan to rejuvenate the River by using satellite remote sensing data with integrated thematic map analysis. Keeping in view the benefit which would accrue to a large population of the society, the Company had decided to associate in the Project for revival of the dried up natural water resource, during 2014-15.

7 Mini Watersheds out of the total 18 were implemented from 2014-15 to 2017-18. 4 Mini Watersheds were constructed during 2018-19. The cost incurred towards the construction of 11 Mini Watersheds was ₹ 14.39 Crores. Remaining 7 Water sheds have been completed by other Organisations at a cost of ₹ 7.04 Crores. The Project was completed by March, 2019.

The outcome of this rejuvenation project has been the revival of defunct bore wells, increase in the ground water level and irrigation tanks. This has resulted in various agri-horticulture developments in the region and a significant increase in natural vegetation and biodiversity. The Project would benefit a population of around 73,000.

Tree Plantation

Water Pool

f) Construction of Toilets in Public Places / Schools under Swachh Bharat Mission:

In line with the Government Policy on Swachh Bharat Mission, the Company had taken up construction of Toilets in Government Schools in the vicinity of its Units. The Company had constructed around 460 Toilets during the year 2018-19. 333 Toilets, 224 Urinals & 218 Washbasins were constructed in Bangalore itself in the past 5 years, benefiting more than 11,000 Students in various Government Schools, at a cost of ₹ 6.32 crores.

SHE Toilets:

Avionics Division, Hyderabad of the Company in association with the Greater Hyderabad Municipal Corporation (GHMC) had taken up a unique initiative of construction of SHE Toilets which would also benefit the Self Help Groups (SHGs). Salient features of the Project are as given below:

- GHMC formed Women Self Help Groups and they would manage the facility;
- SHE Toilets are also having facility for differently abled women and also facility / room for baby feeding;
- SHE Toilets not only serves its basic purpose but also helps in employment and revenue generation for Self Help Group Members in terms of sale of products in the adjoining facility / stall.

Tata Nest Toilets:

The Tata Nest Toilets, a non-profit organisation is empanelled with Ministry of Urban Development, Government of India. Based on the request received from the Zonal Commissioner (CSR), Greater Hyderabad Municipal Corporation (GHMC), West Zone, Cyberabad, Avionics Division, Hyderabad had installed Tata Nest Toilets in two Government Schools at a cost of ₹ 5 lakhs, benefiting about 580 students, as part of Swachh Vidyalaya under Swachh Bharat Mission.

Inauguration of SHE Toilets at Hyderabad by Principal Secretary to Govt. of Telangana, Municipal Administration & Urban Development

g) Clean Cooking Solutions (Livelihood Enhancement Project) -

Avionics Division, Korwa of the Company, as part of its CSR Projects / Activities in Barauliya Village which is at a distance of 10 Kms from the Division, had formed a Self Help Group (SHG), viz., Jai Matadi Urja for introducing clean cooking solutions for livelihood enhancement. Under the project, agricultural waste is collected and shredded in a machine. The shredded pieces are recycled into fuel pellets with the help of a Fuel Pellet Making Machine. These bio-degradable fuel pellets are used in specially designed stoves for cooking which do not generate any smoke. The stove has a rechargeable battery to drive a fan which helps in combustion.

The Division has installed one Fuel Pellet Making Machine with a Shredder at a cost of ₹ 5.55 Lakhs. Around 400 stoves (each costing ₹ 1900/-) have been distributed to Below Poverty Line households, in coordination with the Village Pradhan.

The salient features of the Project are:-

- Recycling of agricultural waste, like dried leaves and branches;
- Generation of Smoke Free Fuel Pellets ;
- Smokeless Stoves have helped the health of the villagers;
- Generation of employment to the rural youth by way of selling the Fuel Pellets.

Making of Fuel Pellets

Beneficiaries with smokeless Stoves

h) HAL Football Academy, Bangalore:

HAL Sports Club Bangalore, a pioneer in promoting sports had produced national level Football players in the past who had kept the HAL flag flying high. HAL team had participated in the prestigious I-League also.

To bring back the past glory, HAL as part of Corporate Social Responsibility (CSR) had started a Football Academy at Bangalore to spot / identify and nurture young talent in Football through professional tie-ups. The Academy for 'Under-15' was inaugurated in February 2016 and 'Under-18' coaching had commenced from August 2016. Efforts are also underway to form a National Football Academy in collaboration with the Sports Authority of India & All India Football Federation.

The aim is to spot talent at a young age and develop players of exceptional calibre and prepare them for tough domestic and International tournaments. In addition to professional grooming, emphasis is also given on holistic Personality Development for the young players. Carefully selected players are being provided professional coaching.

Proper Infrastructure is one of the fundamental requirements in this regard. Keeping this in mind, HAL has developed two (2) FIFA standard football grounds, one with Artificial Turf and another with Natural Turf at Bangalore, which would help in development of individual skills. A third party agency is being finalised for running the Football Academy. The grounds can be used for training of other team(s), also. These grounds are also expected to be used by various top teams for training like I-League and Foreign teams when they visit Bangalore for tournaments or exhibition matches

The Academy is formed with aim to develop a pool of talent with the infrastructure developed by HAL. In the long run, the Academy would become a 'Centre of Excellence' in Football.

Players undergoing coaching and practicing

i) HAL CARES:

A Compendium of CSR Activities ''HAL CARES" was published during the year. 'HAL CARES' is derived from the Company's enduring values of Compassion, Assistance, Respect, Ethics & Sustainability. These values drive the CSR activities that benefit thousands of individuals in various parts of the Country. The Compendium is focussed on important issues that afflict the Society today, viz., Water Conservation, Cleanliness, Environment Protection, Healthcare etc. HAL is actively participating in the Sustainable Development of the Society by taking up projects aimed at rejuvenating the natural resources - Kumudavathi River Rejuvenation Project; environment protection - Installation of Solar Street Lights / Solar Power Projects (grid connected / off-grid) & Wind Power Projects. By focussing on sustainable projects, the Company is not only addressing the needs of today but also on securing a legacy for tomorrow. Change demands a call for action and this Compendium illustrates the significant steps that the Company has taken towards fulfilling commitment to the sustained growth of the nation.

The Compendium also brings out various CSR Projects taken up by the Company in spheres like Rural Infrastructure Development, Education, Skill Development, Healthcare, Sanitation & Toilets under Swachh Bharat Abhiyan, Sports Development etc.

2. COMPOSITION OF THE CSR & SD COMMITTEE AS ON 31st MARCH 2019 WAS AS UNDER:

- Smt. Dipali Khanna, Independent Director, Member & Chairperson;
- Shri V M Chamola, Director (HR), Member;
- Shri Sunil Kumar, Director (Operations), Member;
- Shri C B Ananthkrishnan, Director (Finance), Member;
- Shri G V Sesha Reddy, Company Secretary, Secretary;

3		**AVERAGE NET PROFIT OF THE COMPANY FOR THE LAST THREE FINANCIAL YEAR (2015-16, 2016-17 & 2017-18) :**	₹ 3371.00 Crs
4	(a)	**PRESCRIBED CSR EXPENDITURE (2% OF THE AMOUNT AS IN ITEM 3 ABOVE :**	₹ 67.42 Crs
	(b)	Revenue generated during 2017- 18 from the Wind Power Plant of 6.3 MW established at Davanagere, Karnataka utilizing CSR Funds, which was commissioned in 2015-16 under CSR :	₹ 9.32 Crs
	(c)	**Total Budget (a+b) :**	₹ 76.74 Crs
5		**DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR :**	₹ 72.46 Crs
		Total amount to be spent during the Financial Year :	₹ 76.74 Crs
		Amount unspent, if any :	₹ 4.28 Crs

Manner in which the amount was 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 YEARS OR ANY PART THEREOF, THE COMPANY SHALL PROVIDE THE REASONS FOR NOT SPENDING THE AMOUNT IN ITS BOARD'S REPORT

There was a shortfall in expenditure of ₹ 4.28 crores against the actual CSR Budget of ₹ 76.74 Crores. Reasons for the shortfall are given below:

a) Establishment of a Centralized Kitchen at Semiliguda, Koraput District, Odisha for feeding 25000 children in Govt. and Govt. aided Schools under the Mid-Day Meal programme at a Budgeted amount of ₹ 9.80 crores could not be commenced during the year due to delay in finalization of the MoU, sanction of land from State Govt., finalizing the Tripartite Agreement between State Govt. of Odisha, Akshaya Patra Foundation & HAL, delay in obtaining approvals etc. The project will commence during the year 2019-20.

b) Construction of Skill Development Centre cum Multipurpose Halls in Nasik and Dhule Districts of Maharashtra at a Budgeted amount of ₹ 7.00 Crores could not progress as per the schedule (commenced in the month of March 2019) due to delay in obtaining approvals / clearances from the concerned Authorities.

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 the CSR Policy is in compliance with the CSR Objectives and Policy of the Company.

(V. M. Chamola)
Director (HR)

(Dipali Khanna)
Chairperson, CSR & SD Committee

Appendix A

CSR ANNUAL REPORT 2018-19

₹ In Lakhs

Name of the Division/ Office	Sl. No.	CSR Project / Activity Identified	Sector in which the project is covered	Projects or Programmes 1) Local area or other 2)Specify the State and District where Projects or Programs were undertaken	Amount Outlay (Budget) Project or Programe-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)
Corporate Office	1	Establishment of HAL - IISc Skill Development Centre	II	IISc New Campus at Challakere, Chitradurga Dist, Karnataka	1970.00	1638.00	0.00	1638.00	IISc, Bangalore
	2	Sponsorship of 5 M.Tech Students of CTARA, IIT- Bombay	II	IIT Bombay	40.00	36.24	0.00	36.24	IIT-Bombay
	3	Expenditure incurred towards training of Apprentice Trainees over and above the minimun statutory limit of 2.5% upto 10% of the total strength of the establishment including the Contractual Staff.	II	Divisions of HAL	1100.00	1807.16	0.00	1807.16	Direct
	4	Administrative Expenses	_	Bangalore, Karnataka	51.29	0.00	51.29	51.29	Direct
		Sub Total			**3161.29**	**3481.40**	**51.29**	**3532.69**	
TTI, Bangalore	1	Centre of Excellence [Carry Forward Project of 2017-18 expenditure incurred in 2018-19]	II	TTI-Bangalore, Karnataka	195.62	195.62	0.00	195.62	Direct
		Sub Total			195.62	195.62	0.00	195.62	
FMD, Bangalore	1	21 Toilets under Swachh Vidyalaya for Govt. Schools in Chikkaballapura Dist.	I	Chikkaballapura District, Karnataka	110.00	51.99	0.00	51.99	Direct
	2	30 Toilets under Swachh Vidyalaya for Govt. Schools in Doddaballapura Dist.		Doddaballapura District, Karnataka					
	3	Development of Kumudavathi River Rejuvenation Project (on going Project) 4 Mini Watersheds . [The expenditure incurred in 2018-19 is inclusive of the Carry Forward Budget of 2017-18]	IV	Bangalore Rural District, Karnataka	400.00	257.16	0.00	257.16	International Association Human Values (IAHV) a Sister Organization of Art of Living
	4	Foot Ball Academy at Bangalore	VII	Bangalore Urban District, Karnataka	30.00	35.08	0.00	35.08	Direct
	5	Gallery in Football Ground [The expenditure incurred in 2018-19 is inclusive of the Carry Forward Budget of 2017-18]	VII	Bangalore Urban District, Karnataka	150.00	304.30	0.00	304.30	Direct
	6	Administrative Expenses	_	Bangalore, Karnataka	30.05	0.00	30.05	30.05	Direct
	7	Carry Forward Projects of 2017-18 (expenditure incurred in 2018-19)	_	Chikkaballapura District, Doddaballapura District, Bangalore Rural & Urban District, Karnataka	44.91	44.91	0.00	44.91	Direct
		Sub Total			**764.96**	**693.44**	**30.05**	**723.49**	

₹ In Lakhs

Name of the Division/ Office	Sl. No.	CSR Project / Activity Identified	Sector in which the project is covered	Projects or Programmes 1) Local area or other 2)Specify the State and District where Projects or Programs were undertaken	Amount Outlay (Budget) Project or Programe-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)
Barrackpore	1	Development of Orphanage Home / Old age Home	III	24 Parganas (North), West Bengal	3.50	3.50	0.00	3.50	Apnapan Orphanage / Old Age Home, Barrackpore
	2	Construction of low cost Household Toilets for BPL under Swachha Bharat Mission	X	24 Parganas (South), West Bengal	5.33	5.32	0.00	5.32	Gram Panchayat
	3	Rural Development - Development of Self Help groups (SHG) by constructing cottage with water facility & furniture for running Community Based Tourism for Livelihood	X	24 Parganas (South), West Bengal	15.42	8.04	0.00	8.04	Gram Panchayat
	4	Promoting special education for the differently abled Children	III	24 Parganas (North), West Bengal	0.50	0.50	0.00	0.50	Anandapuri Hindu Primary School, Barrackpore
	5	Providing Training on Community Based Tourism to SHG for running the Cottage for livelihood	III	24 Parganas (South), West Bengal	0.25	0.25	0.00	0.25	Gram Panchayat
	6	Carry Forward Projects of 2017-18 (expenditure incurred in 2018-19)	_	24 Parganas, West Bengal	11.83	11.83	0.00	11.83	Direct
		Sub Total			**36.83**	**29.44**	**0.00**	**29.44**	
Lucknow	1	Rural Development Projects (Roads / Multipurpose Shed, Water Supply etc. In villages)	X	Barabanki / Lucknow District, Uttar Pradesh	49.00	36.14	0.00	36.14	Direct
	2	Construction Work / Renovation Work at Schools	II & X	Barabanki / Lucknow District, Uttar Pradesh	169.00	119.41	0.00	119.41	Direct
	3	Medical Camps & Services	I	Barabanki / Lucknow District, Uttar Pradesh	20.00	18.50	0.00	18.50	Direct
	4	Skill Development Project	II	Barabanki / Lucknow District, Uttar Pradesh	52.00	44.01	0.00	44.01	Direct
	5	Administrative Expenses	_	Lucknow District, Uttar Pradesh	54.58	0.00	54.58	54.58	Direct
	6	Carry Forward Projects of 2017-18 (expenditure incurred in 2018-19)	_	Barabanki / Lucknow District, Uttar Pradesh	62.06	62.06	0.00	62.06	Direct
		Sub Total			**406.64**	**280.12**	**54.58**	**334.70**	_

₹ In Lakhs

Name of the Division/ Office	Sl. No.	CSR Project / Activity Identified	Sector in which the project is covered	Projects or Programmes 1) Local area or other 2)Specify the State and District where Projects or Programs were undertaken	Amount Outlay (Budget) Project or Programe-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)
Hyderabad	1	Construction of Class Rooms to GUPS	II	Kasargod District, Kerala	20.00	20.00	0.00	20.00	District Administration Kasaragod
	2	Indoor Stadium for training & promotion of Kabaddi & Badminton	VII	Kasargod District, Kerala	23.00	23.00	0.00	23.00	District Administration Kasaragod
	3	Public Toilets at Kanhangad	I	Kasaragod District, Kerala	7.00	7.00	0.00	7.00	District Administration Kasaragod
	4	Construction of Kitchen Block (88 Sq. mtrs) at ZPHS, Siddapur	II	RR District, Telangana	8.00	8.00	0.00	8.00	District Administration Ranga Reddy
	5	Construction of Toilets (75 Sq. mtrs) at ZPHS, Siddapur	I	RR District, Telangana	10.00	10.00	0.00	10.00	District Administration Ranga Reddy
	6	Construction of Stage (185 Sq. mtrs.) in ZPHS, Siddapur	II	RR District, Telangana	12.00	12.00	0.00	12.00	District Administration Ranga Reddy
	7	Construction of underground sump in ZPHS, Siddapur	II	RR District, Telangana	0.85	0.85	0.00	0.85	District Administration Ranga Reddy
	8	Construction of site works in ZPHS, Siddapur	II	RR District, Telangana	3.00	3.00	0.00	3.00	District Administration Ranga Reddy
	9	Construction of Bus Shelter at Devunibanda Thanda	X	RR District, Telangana	2.56	1.63	0.00	1.63	District Administration Ranga Reddy
	10	Construction of UPS School Dinning Hall cum Kitchen at Gantlavelly	II	RR District, Telangana	12.29	7.99	0.00	7.99	District Administration Ranga Reddy
	11	Construction of Compound wall to crematorium at Gantlavelly	X	RR District, Telangana	2.00	1.30	0.00	1.30	District Administration Ranga Reddy
	12	Construction of Compound wall to dumping yard at Gantlavelly	X	RR District, Telangana	4.00	2.60	0.00	2.60	District Administration Ranga Reddy
	13	Construction of Compound Wall to Anganwadi Building at Gantlavelly	X	RR District, Telangana	4.00	2.60	0.00	2.60	District Administration Ranga Reddy
	14	Construction of Compound wall to Primary School Building at Devunibanda Tanda	II	RR District, Telangana	5.60	3.64	0.00	3.64	District Administration Ranga Reddy

₹ In Lakhs

Name of the Division/ Office	Sl. No.	CSR Project / Activity Identified	Sector in which the project is covered	Projects or Programmes 1) Local area or other 2)Specify the State and District where Projects or Programs were undertaken	Amount Outlay (Budget) Project or Programe-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)
	15	Construction of Compound wall to veterinary building at Gantlavelly	X	RR District, Telangana	5.00	3.25	0.00	3.25	District Administration Ranga Reddy
	16	Construction of Community Hall at Gantlavelly	X	RR District, Telangana	15.00	9.75	0.00	9.75	District Administration Ranga Reddy
	17	Construction of School Toilet Blocks for Boys and Girls in Upper Primary School at Gantlavelly	I	RR District, Telangana	12.00	7.80	0.00	7.80	District Administration Ranga Reddy
	18	Sports kits / material to UPS at Gantlavelly	VII	RR District, Telangana	1.00	0.65	0.00	0.65	District Administration Ranga Reddy
	19	(60) Dual Desks in UPS Gantlavely and Devunibanda Tanda	II	RR District, Telangana	2.50	1.63	0.00	1.63	District Administration Ranga Reddy
	20	Digitalization of 7 Class Rooms at Gantlavelly	II	RR District, Telangana	2.00	1.30	0.00	1.30	District Administration Ranga Reddy
	21	Constructions of additional class rooms in ZPHS at Chinchalpet	II	Vikarabad District, Telangana	25.00	16.25	0.00	16.25	District Administration Ranga Reddy
	22	LCD Projectors (3 nos.) and S-type chairs (330) to EWRC Training Centre Skill Development	II	RR District, Telangana	10.00	10.00	0.00	10.00	District Administration Ranga Reddy
	23	Imparting Police Recruitment (Physical Fitness & Mental Ability) training to under privileged youth	II	RR District, Telangana	15.00	9.75	0.00	9.75	District Administration Ranga Reddy
	24	Organic Waste Composting Machine-Bio Mechanisation	I	Cyberabad, Hyderabad Telangana	24.76	24.76	0.00	24.76	Zonal Commissioner, GHMC
	25	SHE Toilets at West Zone, Cyberabad area of GHMC	I	Cyberabad, Hyderabad / Telangana	10.44	10.44	0.00	10.44	Zonal Commissioner, GHMC
	26	Tata Nest Toilets	I	West Zone Hyderabad / Telangana	5.00	5.00	0.00	5.00	Zonal Commissioner, GHMC
	27	Construction of 8 Nos. Class Rooms & Two Toilets in ZPHS Kothapet	II	Medchal District, Telangana	60.00	18.00	0.00	18.00	District Administration Medchal
		Two units Toilets in ZPHS Kothapet							
	28	Administrative Expences	_	Hyderabad, Telangana	16.41	0.00	16.41	16.41	Direct
		Sub Total			**318.41**	**222.19**	**16.41**	**238.60**	

₹ In Lakhs

Name of the Division/ Office	Sl. No.	CSR Project / Activity Identified	Sector in which the project is covered	Projects or Programmes 1) Local area or other 2)Specify the State and District where Projects or Programs were undertaken	Amount Outlay (Budget) Project or Programe-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)
Kanpur	1	Adoption of wild animals / birds of Kanpur Zoological Park	IV	Kanpur District, Uttar Pradesh	10.00	10.00	0.00	10.00	Kanpur Zoo
	2	Wholesome development (Toilets for Ladies & Gents, Community Centre, Renovation of School Building, Drinking Water, Roads, Medical Camps etc.) of villages nearby to HAL TAD Kanpur	X	Kanpur District, Uttar Pradesh	30.00	28.59	0.00	28.59	Direct
	3	Swachh Bharat Action Plan - Provisioning and Construction of Toilets in Govt. Schools, Public places and nearby Areas of HAL Kanpur	I	Kanpur District, Uttar Pradesh	50.00	37.27	0.00	37.27	Direct
	4	Procurement of Artificial Limbs & Tools for Differently Abled persons registered with V R C (Govt. of India) Kanpur through ALIMCO	II	V R C (Govt, of India) Kanpur & ALIMCO, Kanpur, Kanpur District Uttar Pradesh.	15.00	13.53	0.00	13.53	VRC Kanpur
	5	Skill Development: Imparting vocational training & distribution of tool kits to the needy people to help them become self reliant [Through Institute of Entrepreneurship Development (IED), Govt. of U.P.]	II	Kanpur District, Uttar Pradesh	20.00	19.81	0.00	19.81	IED, Lucknow
	6	Installation of Water ATMs at Public Places in Kanpur Nagar	I	Kanpur District, Uttar Pradesh	45.00	21.83	0.00	21.83	Direct
	7	Renovation Work at Public Library including provisioning of Books, Rack Facilities, etc.,	V	Kanpur District, Uttar Pradesh	15.00	13.27	0.00	13.27	Direct
	8	Renovation and other allied works (i.e., Solar Power Plant of 5 KW) at Govt. Orphanage for Girls	III	Kanpur District, Uttar Pradesh	20.00	18.42	0.00	18.42	Direct
	9	Restoration of historical site and beautification of "Sher Shah Suri" Pond adjacent to TAD-Kanpur	V	Kanpur District, Uttar Pradesh	10.00	11.63	0.00	11.63	Direct / Kanpur Nagar Nigam
	10	Development of Play Ground and Conduct of Sports in Rural Village near HAL Kanpur	VII	Kanpur District, Uttar Pradesh	10.00	13.22	0.00	13.22	Direct
	11	Administrative Expenses	_	Kanpur District, Uttar Pradesh	16.00	_	16.00	16.00	Direct
	12	Carry Forward Projects of 2017-18 (expenditure incurred in 2018-19)	_	Kanpur District, Uttar Pradesh	75.00	130.96	0.00	130.96	Direct
		Sub Total			**316.00**	**318.53**	**16.00**	**334.53**	

₹ In Lakhs

Name of the Division/ Office	Sl. No.	CSR Project / Activity Identified	Sector in which the project is covered	Projects or Programmes 1) Local area or other 2)Specify the State and District where Projects or Programs were undertaken	Amount Outlay (Budget) Project or Programe-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)
Korwa	1	Construction / Repairing / resurfacing of roads in nearby villages [The expenditure incurred in 2018-19 is inclusive of the Carry Forward Budget of 2017-18]	X	Amethi District, Uttar Pradesh	45.00	50.40	0.00	50.40	Direct
	2	Construction of Community Centre [The expenditure incurred in 2018-19 is inclusive of the Carry Forward Budget of 2017-18]	X	Amethi District, Uttar Pradesh	80.00	73.63	0.00	73.63	Direct
	3(a)	School renovation works - Civil works [The expenditure incurred in 2018-19 is inclusive of the Carry Forward Budget of 2017-18]	II	Amethi District, Uttar Pradesh	25.00	27.61	0.00	27.61	Direct
	3(b)	School Renovation - provision of school furniture, where renovation works undertaken in previous years	II	Amethi District, Uttar Pradesh	10.00	29.46	0.00	29.46	Direct
	4	Literacy, livelihood projects, safe drinking water, etc. through external agency [The expenditure incurred in 2018-19 is inclusive of the Carry Forward Budget of 2017-18]	I	Amethi District, Uttar Pradesh	40.00	20.94	0.00	20.94	Direct
	5	Construction of Rural Markets (Sabji & Non-veg) in the nearby villages	X	Amethi District, Uttar Pradesh	20.00	14.02	0.00	14.02	Direct
	6	Administrative Expenses	_	Amethi District, Uttar Pradesh	25.00	_	24.07	24.07	Direct
	7	Carry Forward Projects of 2017-18 (expenditure incurred in 2018-19)	_	Amethi District, Uttar Pradesh	40.45	40.45	0.00	40.45	Direct
		Sub Total			**285.45**	**256.51**	**24.07**	**280.58**	

₹ In Lakhs

Name of the Division/ Office	Sl. No.	CSR Project / Activity Identified	Sector in which the project is covered	Projects or Programmes 1) Local area or other 2)Specify the State and District where Projects or Programs were undertaken	Amount Outlay (Budget) Project or Programe-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)
Nasik	1	Repairs to Service Road from NH3 to Sakora Village	X	Nasik District, Maharashtra	112.00	47.23	0.00	47.23	Direct
	2	Construction of toilets near Fruit Market, Ojhar	X	Nasik District, Maharashtra	40.00	13.93	0.00	13.93	Direct
	3	Construction of ZP school Building at Kokangaon	X	Nasik District, Maharashtra	50.00	69.71	0.00	69.71	Direct
	4	Providing medical facilities to nearby tribal villages	I	Nasik District, Maharashtra	30.00	2.62	0.00	2.62	Direct
	5	Skill Development ITI, Kalwan	II	Nasik District, Maharashtra	78.00	21.18	0.00	21.18	Direct
	6	Provision of Infrastructure facility to ZP Schools	X	Nasik District, Maharashtra	10.00	7.63	0.00	7.63	Direct
	7	Provision of Computer, Projectors to ZP schools	II	Nasik District, Maharashtra	5.00	5.48	0.00	5.48	Direct
	8	Repairs of Check Dams in Nasik District	II	Nasik District, Maharashtra	25.00	15.08	0.00	15.08	Direct
	9	Construction of Skill Development Centre cum Multipurpose Hall in Dhuliya & Nasik District	II	Dhulia District, Maharashtra	500.00	252.00	0.00	252.00	Direct
	10	Construction of skill development centre cum multipurpose hall in Nasik	II	Nasik District, Maharashtra	200.00	103.00	0.00	103.00	Direct
	11	Administrative Expenses	_	Nasik District, Maharashtra	60.00	0.00	60.00	60.00	Direct
	12	Carry Forward Projects of 2017-18 (expenditure incurred in 2018-19)	_	Nasik District, Maharashtra	150.00	92.83	0.00	92.83	Direct
		Sub Total			**1260.00**	**630.69**	**60.00**	**690.69**	
Koraput	1	Imparting Education to poor children in and around Sunabeda, Koraput in Schools	II	Koraput District, Odisha	500.00	500.00	0.00	500.00	Direct
	2	SAI-HAL Sports Training Centre at Koraput	VII	Koraput District, Odisha	60.00	56.89	0.00	56.89	Direct
	3	Development of 400 Meters Athletics Track at SAI-HAL Sports Training Centre, Sunabeda	VII	Koraput District, Odisha	150.00	48.52	0.00	48.52	Direct
	4	Organizing village Sports tournaments and supply of Sports / Fitness equipment to adopted villages	VII	Koraput District, Odisha	10.00	6.52	0.00	6.52	Direct
	5	Providing Health care facilities to the inhabitants of Adopted Villages and health camps in the surrounding villages	I	Koraput District, Odisha	40.00	42.29	0.00	42.29	Direct

₹ In Lakhs

Name of the Division/ Office	Sl. No.	CSR Project / Activity Identified	Sector in which the project is covered	Projects or Programmes 1) Local area or other 2) Specify the State and District where Projects or Programs were undertaken	Amount Outlay (Budget) Project or Programe-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)
	6	Skill Development / Vocational Training through CIPET or any other Institutions	II	Koraput District, Odisha	45.00	42.19	0.00	42.19	CIPET Bhubaneswar & Balalsore
	7	Construction of Internal village CC Road with Drain in Dumuriput Village under Swachh Bharat Mission	I & X	Koraput District, Odisha	62.00	41.45	0.00	41.45	Direct
	8	Construction of internal village CC road with drain and cleaning of natural stream based pond & its development at Sanabadigaon village under Swachh Bharat Mssion	I & X	Koraput District, Odisha	52.00	39.16	0.00	39.16	Direct
	9	Rural Development Projects in the surrounding villages viz Construction of Community hall, School building, Dining Room, Toilets, development of play ground, open well etc	X	Koraput District, Odisha	62.00	25.46	0.00	25.46	Direct
	10	Plantation of 45000 Fruit bearing and ornamental saplings in the surrounding villages	IV	Koraput District, Odisha	10.00	7.82	0.00	7.82	Direct
	11	Promotion of tribal arts and culture of Koraput District by supporting District Administration, Koraput in organizing State Level Tribal Fair " PARAB".	V	Koraput District, Odisha	10.00	10.00	0.00	10.00	Direct
	12	Empowering women through promotion of Self Help Groups	III	Koraput District, Odisha	5.00	1.05	0.00	1.05	Direct
	13	Assistance to differently abled schools like MANAS, Orphanage school, Old age Home and administrative overheads	III	Koraput District, Odisha	7.00	2.23	0.00	2.23	Direct
	14	Administrative Expenses	_	Koraput District, Odisha	41.09	_	41.09	41.09	Direct
	15	Carry Forward Projects of 2017-18 (expenditure incurred in 2018-19)	_	Koraput District, Odisha	20.29	20.29	0.00	20.29	Direct
		Sub Total			**1074.38**	**843.87**	**41.09**	**884.96**	
		Grand Total			**7819.58**	**6951.81**	**293.49**	**7245.30**	_

Annexure- IV to Board's Report

FORM MR-3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED ON 31st MARCH, 2019

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
HINDUSTAN AERONAUTICS LIMITED
15/1, CUBBON ROAD, BANGALORE - 560001

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **HINDUSTAN AERONAUTICS LIMITED** (CIN:L35301KA1963GOI001622) (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

I have examined the books, minute books, forms and returns filed and other records maintained by the Company for the financial year ended, 31st March, 2019 made available to me.

Based on my 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, I hereby report that, in my opinion, the Company has, during the audit period covering the financial year ended 31st March, 2019, 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:

(i) The Companies Act, 2013 (the Act) and the Rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;- From the date the said Act and Rules are applicable to the Company.

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;- The Company has demated the entire shares and has complied with the provisions of the Act and Regulations.

(iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, wherever applicable.

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI) from the date the said Act and Regulations and Guidelines are applicable to the Company.

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Take overs) Regulations, 2011 - Nil

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

c) The Securities and Exchange Board of India (Share based Employee benefit) Regulations, 2014

d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

I have also reviewed the systems and mechanisms established by the Company for ensuring compliances under other applicable Acts, Laws, Rules, Regulations, Guidelines applicable to the Company and categorized under the following major heads/ groups:

1. Industrial (Development and Regulation) Act, 1951 as amended "I(D&R)ACT"
2. Foreign Trade (Development and Regulation) Act, 1992, Foreign Trade Policy (2015-2020) and Foreign Trade (Exemption from Application of Rules in Certain cases) Order 1993.
3. Defence Procurement Procedure, 2016
4. The Aircraft Act, 1934 and the Aircraft Rules, 1937
5. Arms Act,1959 and Arms Rules 1962
6. Explosives Act, 1884
7. Prevention of Corruption Act, 1988
8. Official Secrets Act, 1923
9. Intellectual Property Laws
10. The Legal Metrology Act, 2009
11. The Legal Metrology (Approval of Models)Rules, 2011
12. Trade Marks Act, 1999
13. The Patents Act, 1970
14. Indian Copyright Act, 1957 and Copyright Rules, 1957
15. The Design Act, 2000

16. Environmental Laws

    a) The Environment (Protection Act), 1986

    b) The Air (Prevention & Control of Pollution) Act, 1981

    c) The Water (Prevention & Control of Pollution) Act, 1974

    d) The Water (Prevention & Control of Pollution) Cess Act, 1977

    e) The Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016

    f) Manufacture, Storage and Import of Hazardous Chemical Rules, 1989

    g) The Noise Pollution (Regulation & Control) Rules, 2000

    h) Public Liability Insurance Act, 1991

    i) Other applicable statues imposed by Centre or the State Government from time to time.

17. Labour Laws, Rules and Regulations applicable to the employees of the Company, including Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

18. Indian Contracts Act, 1872.

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

I Report that during the period under review, the Company has complied with the provisions of the applicable Other Acts, Rules, Regulations, Guidelines and Secretarial Standards, etc. mentioned above.

I have not examined compliance by the Company with applicable financial laws, like direct and indirect tax laws and maintenance of financial records and books of accounts, since the same are subject to review by statutory financial audit, CAG Audit and Internal Audit.

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Women Directors.

The Company has constituted following Statutory Committees.

1) Audit Committee

2) CSR & Sustainable Development Committee

3) Stakeholders Relationship Committee

4) Nomination and Remuneration Committee

5) Risk Management Committee

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent in 7 days in advance, and 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.

The Minutes of Meetings of the Board and its Sub Committees and of Shareholders are maintained properly.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with other applicable laws, rules, regulations and guidelines.

S. Viswanathan
Practicing Company Secretary
ACS No: 5284
CP No: 5284

Place: Bengaluru
Date : 4th May, 2019

Encl: Annexure A

Annexure A

To
The Members
HINDUSTAN AERONAUTICS LIMITED

My report of even date is to be read along with this letter.

1) Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.

2) I have followed the audit practices and process to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.

3) I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4) Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.

5) The compliance of the Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedure on test basis.

6) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

S. Viswanathan
Practicing Company Secretary
ACS No: 5284
CP No: 5284

Place: Bengaluru
Date : 4th May, 2019

MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. INDUSTRY

Aerospace & Defence is a fast growing industry, globally and in India. Presently, the driving factors for the growth of the industry are a fast growing aviation industry, enhanced military expenditures by global powers, and programmes to counter emerging threats to space assets.

1.1 Global Scenario

1.1.1 The Aerospace Industry is a vast industry, and a conglomeration of various contributing industries including Civil Aircraft Manufacturing, Civil MRO, Military Aircraft Manufacturing, Military MRO, UAVs and Space Programs. All these contributing industries are on fast growth trajectories resulting in a robust growth of the industry, globally.

1.1.2 According to Deloitte's report for 2019 on 'Global Aerospace and Defence Industry Outlook' one of the significant factors contributing to the growth of this industry is the continuous surge in military expenditure by the global military powers in the last decade. According to the Stockholm International Peace Research Institute (SIPRI) Fact Sheet released in May 2018, on 'Trends in World Military Expenditure, 2017', the global military expenditure is estimated at $1,739 billion for 2017. This is a 1.1 per cent increase in global military expenditure from 2016 and forms 2.2 per cent of the Global GDP in 2017. The key drivers for the surge in global military expenditure are:

- Increase in military expenditure by the USA in recent years, which contributes to a whopping 35 per cent of the global military expenditure.
- Increased military expenditure by countries like India, China and Japan, due to rising geopolitical tensions.
- The threat of cyber war, in addition to traditional warfare on land, air and sea, has led to an increase in military expenditure.
- Space is now an important part of the Defence and warfare. Growing global tensions have posed a threat on satellites because of which it has become essential for countries to safeguard their space assets.

1.1.3 According to the International Air Transport Association (IATA) Industry Statistics Fact Sheet released in December, 2018, the global aviation industry is estimated to grow to $821 billion in 2018, with an expected growth of 7.7 per cent in 2019, at $885 billion. This has posed a pressure on commercial aircraft manufacturers to ramp up production. Also, due to the increasing price of aviation fuel ($66.7 per barrel in 2015 to $87.6 per barrel in 2018) the operating cost of commercial airlines has gone up, with the expenditure on aviation fuel contributing to 20-24 per cent of the cost. The demand for the next-generation, fuel-efficient aircraft continues to surge leading to an all-time high order book for commercial aircraft manufacturers. Current orders with global commercial aircraft manufacturers stand at 14,000 aircraft and is expected to increase to 38,000 over the next 20 years.

1.2 The Indian Scenario

1.2.1 The Indian Defence Aerospace Industry is on par with global developments, enjoying increased budget allocation for the military expenditure towards capital acquisition and modernization. Recent policy reforms in the Country have contributed to the development of the industry.

1.2.2 According to the SIPRI Fact Sheet, India was at number 5 in global military spending in 2017, with an estimated military expenditure of $63.9 billion. This equals 2.5 per cent of India's GDP and 3.7 per cent of the global military expenditure.

1.2.3 In the Budget 2019-20, ₹ 4,31,011 crore was allocated for Defence. Keeping aside Pensions and Miscellaneous expenditures, the fund allocation for defence expenditure stands at ₹ 3,05,296 crore, which is 9.31 per cent increase over the previous year. Budget allocation towards Capital and Revenue expenditure has been increased by 10 per cent and 8.95 per cent respectively, from the previous year. The increase in capital budget has translated to a higher budget allocation for the IAF, Army and Navy. The allocation for modernisation of the three forces under the Aircraft and Aero-engines category saw an increase of 3.17 per cent over the previous year, at ₹ 29,322 crore (BE).

1.2.4 Given the ongoing acquisition of new platforms by the Armed Forces, this marginal increase in capital expenditure allocation towards Aircraft and Aero-engines is expected to have a negative impact on the new acquisition and modernisation plan of the Armed Forces, and is expected to pose a challenge to manufacturing companies like HAL.

1.2.5 In the recent years, significant policy reforms have been brought out in our country to develop and strengthen the Aerospace Industry. The Foreign Direct Investment (FDI) policy has been revamped to attract the foreign investment in the industry. The Offset regulations have been amended, and a Strategic Partnership (SP) Model, DPP-2016, has been brought in, which enables Indian Private Companies to tie up with foreign OEMs to bid for the defence orders. The focus is also on SMEs and MSMEs for capability and capacity build up to develop robust tier-1/tier-2 ecosystem in our country to support the fast growing Aerospace Industry.

1.2.6 The increased pressure on the foreign OEMs to ramp up their production has resulted into OEMs looking towards India-China to extend their production facilities and vendor base. The OEMs have tied up with Indian companies to outsource their component level manufacturing in India. The subcontract items broadly includes machined parts and structural components. Some of the potential subcontract partners have formed Joint Ventures with foreign OEMs as Strategic Partners to build aircraft components, assemblies and even entire aircraft in India.

2. ORGANISATION STRUCTURE

2.1 Presently, the Company has 20 Production / Overhaul Divisions and 11 Research and Development (R&D) Centres co-located with the Production Divisions, across the country. All the Divisions and R&D Centres function under Complexes, as indicated below:

- Bangalore Complex: Production and ROH of Fixed Wing Aircraft and Aeroengines of Western and Indian origin, and satellite structure.
- MiG Complex: Production and ROH of Fixed Wing Aircraft and Aeroengines of Russian origin.
- Helicopter Complex: Production and ROH of Helicopters of Indian and Western origin.
- Accessories Complex: Production and ROH of Accessories and Avionics for both Fixed Wing and Rotary Wing Platforms of Indian, Russian and Western origin.
- Design Complex: Design and Development (D&D) of Fixed Wing and Rotary Wing Aircraft, Unmanned Aerial Vehicles (UAV), Aeroengines, Avionics and Accessories.

2.2 The first four Complexes/ business verticals are headed by Chief Executive Officers (CEOs) and managed as independent profit centres. The R&D centres of the Design Complex report to Director (Engineering and R&D) for integrated functioning for design support and development of future products of the Company.

3. SWOT Analysis

3.1 SWOT Analysis is a tool to assess internal strengths and weaknesses of the organisation as well as to identify potential opportunities and threats in its external environment. The SWOT analysis of the Company is as follows:

Strengths

- Leadership position in the Indian Aerospace and Defence Industry and in Southeast Asia;
- Long credible history of Research & Design, Manufacturing, Upgrade and Maintenance Repair and Overhaul (MRO) services;
- Established track record in offering Product Life Cycle support extending to periods beyond four decades even when OEMs stopped support;
- Skilled manpower to cater to Defence Aviation Technical requirements;
- Robust Aerospace design and production infrastructure;
- Close relationship between Management and Workmen Unions;
- Consistent financial performance.

Weaknesses

- The Company has little presence outside India in export market;
- The Company's cash flow mainly depends on the allocation of budget by the Ministry of Defence;
- Dependence on foreign companies/ countries for engines, avionics, critical raw materials, systems and spares;
- HAL's products and business are mainly concentrated in the Defence Sector with only a nominal presence in the Civil Sector;
- Long cycle time for product manufacturing due to lack of maturity in the Indian Aerospace and Defence Manufacturing Ecosystem supporting HAL;
- Compared to the Global OEMs, the Company is required to support a platform for 40–50 years or beyond 50 years which involves high obsolescence. Mitigation of these obsolescence issues are cost intensive which affect the profitability of the Company.

Opportunities

- Growing Civil Aviation Industry in India;
- Upcoming acquisitions of Aircraft and Aeroengine by Defence Forces;
- The trend of foreign OEMs partnering with Indian firms to outsource production in India creates opportunities for the Company to form joint ventures with foreign OEMs for technology transfer and skill development;
- Government's thrust on public-private partnerships;

- Government's efforts in increasing indigenous defence manufacturing;
- Growth potential through alliances or partnership for global market;
- Diversification of products and services.

Threats

- Defence customers moving away from single source to multiple sources, increasing competition within the industry;

4. Our strategies

4.1 We intend to pursue the following principal strategies to exploit our competitive strengths and grow our business:

- Expand our operations through partnerships and collaborations;
- Enhance customer satisfaction;
- Diversify further into civil aircraft for both manufacturing and servicing opportunities;
- Develop in-house capabilities to design and develop specialised products;
- Optimise operations to become a lead integrator of aircraft platforms;
- Enhance indigenisation to ensure higher indigenous content in our products;
- Enhance export contribution to the sales of the Company;
- Focus on becoming Industry 4.0-enabled Company.

5. Segment-wise or Product-wise Performance

5.1 The Ministry of Corporate Affairs vide Notification No 1/2/2014-CL-V dated 23rd February, 2018 has exempted Companies engaged in Defence Production to the extent of application of Ind AS 108 on "Operating Segment". Disclosure in this regard has been made at Clause No.37 of Note No. 49 to the Accounts.

6. Outlook

6.1 The SIPRI report places Indian defence spending in 2017, at $63.9 billion, one of the highest defence spends in the world. The surge in defence expenditure in India is a crucial factor in the development of the Aerospace Industry in the Country. The industry has the potential to generate jobs and revenues. In the commercial aviation sector, India is one of the fastest growing markets based on the number of passengers flying every year. India is expected to be the 3rd largest aviation market by the year 2025. The estimated demand for Indian civil aviation market is around 2,000 new commercial aircraft in the next two decades, which will be dominated by single-aisle aircraft.

6.2 The Aerospace Industry has always been capital-intensive with high technological requirements and long gestation periods. In addition, the industry has challenges in supply chain, and has to contend with costly raw material, unavailability of skilled labour, technological requirements and multiple suppliers. The Government is supporting the industry through the creation of Defence Industry Corridors and Special Economic Zones (SEZ). This will help micro, small and medium enterprises (MSMEs) that supply components and sub-assemblies to large manufacturers. The long gestation period and capital intensity often creates entry barriers for MSMEs in this sector. SEZ would make it easy for companies to have access to talent and create synergies on logistics.

6.3 Since the industry needs a skilled talent pool for this highly specialized industry, the initiation of the Government to create skill centres, educational institutions and universities that are tailor-made for the Aerospace Industry will significantly help in making India a preferred manufacturing destination.

7. Measures to tackle Challenges

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

Technology Development / Acquisition

7.1 The Company's continuous efforts in R&D paid off as it surpassed several significant milestones with Light Combat Helicopter (LCH), Light Utility Helicopter (LUH), Light Combat Aircraft (LCA), Basic Trainer Aircraft (HTT-40), 25 kN Hindustan Turbo Fan Engine (HTFE-25) and 1200kW Hindustan Turbo Shaft Engine (HTSE-1200). Further, the Company has plans to take up the development of Supersonic Omni Role Trainer Aircraft (SPORT) aircraft with 4+ generation or equivalent capabilities as lead in fighter trainer and upgrade of Su-30 MKI shortly.

7.2 The Company has always invited participation by academia with Industry – Academia partnerships. Over the years, the Company has established chairs at IITs and IISc to benefit from technological developments and their application in our R&D programs.

Strategic Partnerships or Collaborations

7.3 In the changing business environment, the Company is expected to enhance its products or service offerings. This will necessitate availability of various technologies, capabilities, support for product life cycle management and access to market. The Company is also required to match the pace of technological growth in a wide array

of technology domains for the Aerospace Industry. The growth driven through in-house efforts is insufficient necessitating alliances to gain access to new technologies and markets.

Customer Orientation

7.4 The Company is focused on improved customer service, and has undertaken various activities or initiatives:

- Operationalised Aircraft fleet at customer base, with necessary support provided by the Company;
- Support to customers during Operational exercises;
- Customer Service Workshops to enhance awareness of products and services;
- Operations of the MRO Hub at Mamun commenced for phase-I activities of ALH for Indian Army catering to Northern and Western sectors. The MRO Hub enhanced the level of on-site repairs and improved Fleet serviceability;
- Visits by senior executives of the Company to Customer sites and Customer Headquarters to dovetail product support;
- Online monitoring of Customer assets and spares supply to track the progress and delivery schedule. This will increase the availability of floats and spares with Customer, which in turn improves the fleet serviceability.

8. Risk and Concerns

8.1 The major risk and concerns to the Company are:

- Dependence heavily on Ministry of Defence (MoD) contracts, quantum of allocation of defence budget and timely allocation of budget;
- The MoD contracts are not always fully funded at inception and are subject to termination;
- Competition from domestic and foreign players;
- Dependence on OEMs for supply of various components / spare parts required for the manufacture and overhaul of Aircraft/ Helicopters;
- Increase in cost of various components / spare parts;
- Risk from foreign exchange.

9. Internal Financial Controls

9.1 The Company has set up proper and adequate Internal Financial Controls with respect to financial statements. The Systems Audit is carried out by an internal team of officials with a combined finance and technical background. This is in addition to the internal audit by the practicing firms of Chartered Accountants/ Cost Accountants. The manuals pertaining to various functions/activities such as Purchase, Outsourcing, Stores, Accounts, Systems Audit etc., have been updated and implemented. Any instance of material weakness in the operations, if observed, is followed up with necessary remedial measures and suitable disclosures have been made in the Note to Accounts.

9.2 The Statutory auditors are also required to issue the independent auditor's report vide Section 143(3)(i) of the Companies Act. The report issued thereupon has been attached along with the standalone and consolidated financial statements respectively.

10. Discussion and Analysis of financial performance with respect to operational performance:

(₹ in lakh)

Sl. No.	Particulars	Year Ended 31st March, 2019	Year Ended 31st March, 2018
1	Turnover	19,70,455	18,28,386
2	Revenue from Operations	19,89,412	18,62,378
3	Value of Production	18,53,770	17,55,315
4	Gross Margin	5,07,482	4,23,689
5	Profit Before Tax	3,62,764	3,23,985
6	Tax Expense	1,34,520	1,25,243
7	Profit After Tax	2,28,244	1,98,742
8	R&D Expenditure	1,46,440	1,61,186
9	Net Worth	10,84,852	9,48,565
10	Trade Receivable	14,02,941	6,75,079
11	Cash and Bank Balance	11,221	6,52,420
12	Borrowings	4,15,801	86,406
13	Book Value Per Share (₹)	324	284
14	Earnings Per Share (₹)	68.26	56.15*
15	Dividend Per Share (₹)	19.80	32.17
16	Debtors Turnover Ratio	1.90	3.40
17	Inventory Turnover Ratio	1.01	0.90
18	Interest Coverage Ratio	30	148
19	Current Ratio	1.39	1.42
20	Debt Equity Ratio	0.38:1	0.09:1
21	Operating Profit Margin (%)	17.10%	14.22%
22	Net Profit Margin (%)	11.58%	10.86%
23	Return on net worth %	21.03%	20.95%

Note: *Earnings per share is calculated based on the weighted average number of equity shares outstanding.

Reason for significant changes in ratios:

- Debtors Turnover Ratio has decreased because of delay in payment by Customers, due to budget constraints.
- Interest Coverage Ratio has decreased and Debt Equity Ratio has increased because the Company had to resort to borrowing to fund its working capital requirements, caused by budget constraints with customers.

11. HUMAN RESOURCE DEVELOPMENT

11.1 Assessment of HR function in line with the People Capability Maturity Model (PCMM)

The MoU Parameters of the Company with MoD were assessed for the year 2018-19. PCMM is a maturity framework that guides organisations in establishing and improving their workforce practices through five maturity levels. M/s QAI India Ltd., a certified transition partner, was engaged to carry out the assessment. The exercise mandated a Gap Analysis to assess the current level of workforce practices of the Company vis-a-vis practices defined under various levels of maturity in the PCMM.

11.2 HAL Management Academy (HMA)

i) The details of Management Development Programmes (MDPs) and Entry Level Programmes (ELPs) conducted during the year 2018-19 are given below:

Description	MDPs	ELPs	Total
No. of Programmes	105	2	107
No. of Participants	3,279	30	3,309
No. of Man Days	17,524	1,260	18,784

ii) A 3-month certification programme in Aerospace Management was designed in collaboration with IIM-Lucknow and the MoU signed on 1st May, 2018. The first batch was held at the HMA from 2nd July- 22nd September, 2018 attended by 29 Officers from the Company. This programme was extended to external Engineering Graduates and Professionals on 11th March, 2019, through an All India Advertisement, for the second batch.

iii) HMA designed and developed a 15-month executive programme leading to a Post Graduate Diploma in Aviation Management (PGDAM), open to both Executives of HAL and to non-HAL Executives. 'HAL Management Academy' and the 'Post Graduate Diploma Programme in Aviation Management' were approved by the AICTE on 10th April, 2018. After due selection process as per the AICTE Guidelines and HMA procedures, the first PGDAM programme commenced on 15th November, 2018, at HMA with 21 HAL Officers and 12 external Executives.

iv) As part of the continued efforts towards building Organizational capabilities, a Leadership Development Programme (LDP) for the fourth batch with 30 participants of Grade VI and above was completed in 2018-19. The Foundation Phase was conducted at HMA, with Institutional Phases at IIM Ahmedabad, an International Module at Institute Aeronautique Spatial (IAS), Toulouse, France, and Project Work at the respective Divisions.

v) HMA offered a new training on Reliability Engineering designed to prepare participants as Certified Reliability Engineers (CRE) from the American Society for Quality (ASQ), USA. Two batches of 73 Engineers were trained in Reliability Engineering in 2018.

vi) 96 (Ninety six) Officers trained in the Six Sigma Green Belt during the year 2018-19 while 87 Officers trained in the previous year, completed their Projects and were certified. Under the guidance of the HMA, 21 Six Sigma Green Belt Projects initiated in the previous year and 12 Projects in the current year were completed. Further, 3 Officers of the Koraput Division received Six Sigma Black Belt certifications. As a part of their Black Belt Certification, the Officers completed high impact Projects.

vii) An open programme on Project Management leading to International Project Management Association (IPMA) Level 'D' Certification was carried out at HMA. Eleven participants from various industries were trained between 23rd to 28th April, 2018 by the HMA faculty to enable them to undergo the Level D certification. Consequently, 10 participants cleared the examination and were certified. IPMA provides Global competence standards for individuals working in Project, Programme and Portfolio Management.

viii) A 'Board Orientation Program' for JV Directors was conducted for 17 participants, with sessions on "Management of JV Companies", "Roles, Responsibilities and Liabilities of Directors as per Companies Act 2013", "Corporate Governance' and "Financial Awareness and Responsibilities of Directors". A "Women on Board" programme was introduced to prepare senior women executives for leadership positions and was conducted for 24 participants.

11.3 Skill Development

i) A Skill Development Policy (SDP) for employees in the non-executive cadre was introduced in the Company in July 2016 with the objective to enhance the individual's skill, knowledge and understanding to achieve performance excellence. The process focused on eliminating waste in terms of Rework, Rejection & Pre-mature product failures, thereby enhancing productivity, quality & customer satisfaction and strengthening the competitiveness of the Company. This helps in creating a large base of quality conscious skilled workforce for the present and future projects.

ii) Process of Skill Development in the Company

Functional analysis was done across all Divisions of the Company in which 76 Job Roles for Direct Technical Employees and 34 Job Roles for Indirect Technical Employees were identified & developed. The current skill and the performance level of an employee is mapped, in terms of productivity & quality, against the well documented Functional standards for a particular job role. The comparison results into single or multiple skill gaps. The skill gaps are then prioritized based on their impact on the output of the employee in terms of deliverables such as productivity, rework, rejections, number of non-conformances, repeated snags, etc. The skill gap of the employee is bridged through various forms of training by domain specialists based on specially designed Training Curriculum and Content, which is a total package of learning activities designed to achieve the objectives of the training programs.

iii) Training Curricula

A Compendium of 53 training curricula for Direct Technical Job Roles and 34 training curricula for Indirect Technical Job Roles has been developed. A re-evaluation of skills and assessment is done after the training and coaching / mentoring so as to measure the improvement in skills. PDCA (Plan Do Check Act) is conducted and corrective actions are taken through training & coaching / mentoring for bridging the Skill gaps.

iv) Forms of Training under Skill Development

a) **Class-room Training:** The skill gap of the employee is bridged by conducting class-room training by domain specialists based on specifically designed Training Curriculum and Content;

b) **Shop-Floor Training:** The class-room training is followed by shop-floor training to demonstrate the work at shop floor;

c) **Coaching/Mentoring:** Further development of employees is taken care by 1st Line Supervisors who coach the employees on the identified skill gaps on a continuous basis;

d) **Training Within Industry (TWI):** TWI is a problem-solving tool used for stabilizing and standardizing work to reduce the variations and boost productivity. Under TWI, the skill of the Master Technician is transferred to other employees through concerned supervisors by capturing and recording important steps and key points. TWI projects are being carried out in order to address the skills which are very critical in Aircraft production.

v) A dedicated web portal for skill development called Kaushal Vikas Portal has been developed to enable skill mapping of employees, updation of classroom training, shop-floor training, Coaching/Mentoring, Training Within Industry (TWI) and Assessment.

12. MANPOWER

Total Employees as on 31st March, 2019	Officers	Workmen		Total Workmen
		Direct	Indirect	
28,345	8,508	12,620	7,217	19,837

13. ENVIRONMENT PROTECTION AND CONSERVATION

13.1 The Company has 20 Production Divisions, 11 co-located R&D Centres and 1 Facilities Management Division spread across the Country at different locations viz., Bengaluru, Nasik, Koraput, Hyderabad, Lucknow, Kanpur, Korwa, Barrackpore & Kasargod. Environment Protection & Management of the Divisions is governed under various Acts & Rules like Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, Solid Waste Management Rules, 2016, Air Prevention and Control of Pollution Act (1981), Environment (Protection) Act, 1986, Water (Prevention and Control of Pollution) Act, 1974 etc. All the Divisions are complying to the rules in their day-to-day operations.

i) Hazardous Waste

Hazardous waste like oil-soaked cotton waste, used oils / coolants, empty chemical barrels etc., is collected regularly and stored appropriately. They are segregated and disposed of through authorised agencies of the Pollution Control Board / respective State Governments, as per rules pertaining to waste management. Effluent Treatment Plants (ETPs) are being used for Industrial Effluents. The Company has independent Effluent Treatment Plants for treatment of chrome, acid / alkali and cyanide generated from the process shops. The treated effluent samples from ETPs are checked periodically in the laboratories. The treated effluents are discharged into respective STPs / CSTPs for necessary treatment. Treated water is used in horticulture.

ii) Solid Waste Management

The Divisions, Townships and Markets generate a variety of solid waste. Biodegradable waste comprising domestic and horticulture waste undergoes vermicomposting to produce manure. The Company has installed Solid Waste

Management units like Organic Waste Converters & Bio Gas Plants at select places. The sludge generated from the sewage treatment plant is being used as manure in horticulture. Non biodegradable waste like polythene are sent for recycling/sold to authorized agencies as per rules.

iii) Waste Water Management

Sewage Treatment Plants are being used to treat domestic waste water. The Company is equipped with these plants at all its locations for treatment of sewage generated from its townships and factories, as per the statutory requirements. The treated effluent samples from domestic sewage plants are periodically checked in laboratories. Thereafter, the treated water is utilised in horticulture within the Divisions and townships.

iv) Air Pollution

Air pollution control equipment are installed to stacks (chimneys) to control air pollutants as per statutory requirements. Periodic check-ups of the exhaust systems provided to various machines and electroplating shops are carried out, and defects, if any, are rectified immediately. Ambient air quality and stack of Test Houses, are periodically monitored by third party agencies. Periodic maintenance of boilers and DG sets are also carried out. Periodic checkup / monitoring for all the vehicles is carried out to maintain the desired air quality as stated in the Motor Vehicle Act. Tree plantation / afforestation is done every year towards reduction of air pollution.

The Division-wise details of saplings planted during 2018-19 and 2017-18 are as indicated below:

Sl. No.	Name of the Division / Complex	Total number of Saplings planted during	
		2018-19	2017-18
1	Bangalore	2,348	2,282
2	Koraput	18,581	50,540
3	Nashik	13,140	7,250
4	Korwa	1,500	1,125
5	Lucknow	9,680	1,420
6	Barrackpore	11,245	19,760
7	TAD, Kanpur	4,215	600
8	Hyderabad	7,000	7,000
Total		**67,709**	**86,545**

v) Rain Water Harvesting (RWH)

Your Company has initiated the implementation of RWH as per the latest guidelines, in the new buildings.

CORPORATE GOVERNANCE REPORT

1. A brief statement on your Company's Philosophy and Code of Governance

The Company's philosophy on Corporate Governance is based on 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.

Your Company has formulated and uploaded the following policies/codes on its website at www.hal-india.co.in in line with the Companies Act and SEBI Listing Regulations:

- Code of Business Conduct and Ethics for Board Members and Senior Management
- Insider Trading Policy
- Policy on Related Party Transactions
- Policy on determination of Materiality of Disclosures
- Policy for Preservation and Archival of Documents
- Training Policy for Directors
- Corporate Social Responsibility Policy
- Whistle Blower Policy
- Risk Management Policy
- Dividend Distribution Policy
- Policy on determining Material Subsidiary
- Policy on Business Responsibility Report
- HR Manuals
- Vigilance Manuals containing vigil mechanism

2. Board of Directors

The Board of Directors headed by the Executive Chairman and Managing Director (CMD) is the apex body which oversees the functioning of the Company. The Board provides long-term vision and strategic thinking in order to improve the quality of governance. It has constituted Sub-Committees to facilitate smooth and efficient flow of decision-making process.

As on 31st March, 2019, the Board of Directors of the Company comprised of five Whole time / Functional Directors including the Chairman and Managing Director, two Government Nominee Directors and Seven Non-Executive (Independent) Directors including one woman Independent Director.

Being a Government Company, the appointment of all Directors is 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 CMD. Directors are not *inter se* related to each other.

(a) Composition and category of Directors

As on 31st March, 2019 the composition of the Board of Directors of the Company was as under:

Whole-time / Functional Directors (Executive)

i. Shri R. Madhavan, Chairman and Managing Director
ii. Shri V.M. Chamola, Director (Human Resources)
iii. Shri Sunil Kumar, Director (Operations)
iv. Shri Arup Chatterjee, Director (Engineering and R&D)
v. Shri C.B. Ananthakrishnan, Director (Finance) and CFO

Government Nominee Directors (Non-Executive)

i. Shri Chandraker Bharti, Joint Secretary (Aero), DDP, MoD
ii. Dr. Tessy Thomas, DG (Aeronautical Systems), DRDO

Independent Directors (Non-Executive)

i. Ms. Dipali Khanna
ii. Dr. J. K. Bajaj
iii. Shri Siddharth
iv. Shri Neelakanta Iyer R.
v. Shri Anil Kumar
vi. Rear Admiral K C Sekhar, AVSM, VSM (Retd.)
vii Dr. S. Malla Reddy

(b) Meeting and attendance of Directors and their Committee

Sl. No.	Directors	Meeting held during respective tenure of Director	No. of Meetings attended	Attendance at the last AGM	No. of other directorship held	Name of listed entity in which directorship held & category	No. of Committee membership across all Companies #	
							As Chairman	As Member
Whole-time/ functional (Executive) Director								
1	Shri T. Suvarna Raju (ceased as Director w.e.f 31.08.2018)	5	5	NA	2 (Note iv)	-	-	-
2	Shri R. Madhavan (appointed w.e.f. 01.09.2018)	6	6	Yes	2	-	-	-
3	Shri V.M. Chamola	11	10	Yes	2	-	-	1
4	Shri D.K. Venkatesh (Ceased as Director w.e.f 31.05.2018)	1	1	NA	1	-	-	-
5	Shri Arup Chatterjee (appointed w.e.f 01.06.2018)	10	10	Yes	1	-	-	-
6	Shri C.V. Ramana Rao (Ceased as Director w.e.f 31.07.2018)	3	3	NA	1 (Note iv)	-	-	1
7	Shri C.B. Ananthakrishna (appointed w.e.f 01.08.2018)	8	8	Yes	1	-	-	1
8	Shri Sunil Kumar	11	11	Yes	-	-	-	-
Part-time Official (Non-Executive) Director								
9	Shri Chandraker Bharti (appointed w.e.f 15.05.2018)	11	10	No	-	-	-	1 (upto 16.10.2018)
10	Dr. C. P. Ramanarayanan (appointed w.e.f 01.05.2018 and ceased as Director w.e.f 19.06.2018)	1	1	No	-	-	-	-
11	Dr. Tessy Thomas (appointed w.e.f 02.07.2018)	9	7	No	-	-	-	-
Independent (Non-executive) Director								
12	Ms. Dipali Khanna	11	7	No	5	India Power Corporation Ltd., Independent Director Nitesh Estates Ltd., Independent Director	1	1
13	Dr. J. K. Bajaj	11	11	Yes	-	-	1	1
14	Shri Anil Kumar	11	9	Yes	-	-	-	1
15	Shri Neelakanta Iyer R.	11	11	Yes	-	-	-	1
16	Shri Siddharth	11	11	Yes	1	-	-	1
17	Dr. S. Malla Reddy (appointed w.e.f 24.07.2018)	9	8	Yes	-	-	-	-
18	Rear Adml. K.C. Shekar (Retd.) (appointed w.e.f 24.07.2018)	9	9	Yes	1	-	-	-

In accordance with Regulation 26 of the SEBI (LODR) Regulations, 2015, Membership / Chairpersonship of only Audit Committee and Stakeholders' Relationship Committee are considered.

Notes:

i) None of the Directors is a Member of more than 10 Committees or Chairman of more than 5 Committees, across all the Companies in which he is a director;

ii) None of the Directors serves as a Director in more than 8 listed companies and as Independent Director in more than 7 listed companies;

iii) As on 31st March, 2019, none of the Directors is holding any share in the Company;

iv) Details of the directorship on the board of other companies and committee position are on the date of cessation from the Board of the Company.

(c) Meeting of the Board of Directors

During the financial year ended on 31st March, 2019, 11 Board Meetings were held as mentioned below:

Sl. No.	Date of Board Meeting
1	30th May, 2018
2	30th June, 2018
3	30th July, 2018
4	13th August, 2018
5	30th August, 2018
6	16th October, 2018
7	9th November, 2018
8	7th & 8th January, 2019
9	11th February, 2019
10	21st February, 2019
11	18th March, 2019

(d) Web link where details of familiarisation programmes imparted to independent directors is disclosed

In order to familiarise the Independent Directors with their roles, rights, responsibilities, business model, nature of the industry in which the Company operates, etc., the Company has conducted various familiarisation programmes.

The details of the familiarisation program is disclosed in the website of the Company at http://hal-india.co.in/Common/Uploads/DMS/familiarization.pdf.

(e) Directors' Profile

A brief resume of the Directors appointed / re-appointed with their expertise in specific functional areas forms part of the Annual Report.

The core skills and competencies of the Directors were deliberated in the 427th Board Meeting held on 27th May, 2019. As a CPSE, the appointment of all its Directors is done by the Government of India (GoI) and the skills and expertise of those appointed are decided by the GoI based on the industry requirement.

3. Audit Committee

(a) Terms of reference: The terms of reference of the Audit Committee are as provided under the Companies Act (except to the extent of exemptions granted to the Government Companies) and SEBI (LODR) Regulations, 2015 (except to the extent of exemptions provided by SEBI to the Company) and other applicable guidelines to CPSEs.

(b) Composition

The composition of the Audit Committee as on 31st March, 2019 was as under:

i.	Ms. Dipali Khanna	Chairperson
ii.	Dr. J.K. Bajaj	Member
iii.	Shri Siddharth	Member
iv.	Shri Neelakanta Iyer R.	Member
v.	Shri Anil Kumar	Member

The composition of the Audit Committee is in line with Section 177 of the Companies Act, Regulation 18 of the SEBI (LODR) Regulations and the DPE Guidelines on Corporate Governance for CPSEs.

The Director (Finance) & CFO and Director (Operations) are the permanent invitees to the Committee.

The Company Secretary is the Secretary to the Committee.

(c) Meetings and Attendance

During the year, 8 (Eight) Audit Committee Meetings were held as follows:

1	30th May, 2018
2	29th June, 2018
3	13th August, 2018
4	16th October, 2018
5	9th November, 2018
6	8th January, 2019
7	11th February, 2019
8	18th March, 2019

Sl. No.	Name of Members	No. of Meetings held during the tenure	No. of Meetings attended
1	Shri Chandraker Bharti*	3	2
2	Ms. Dipali Khanna	8	7
3	Dr. J. K. Bajaj	8	8
4	Shri Anil Kumar	8	6
5	Shri Neelakanta Iyer R.	8	8
6	Shri Siddharth	8	8

*ceased to be member of the Audit Committee w.e.f. 16th October, 2018

4. Nomination & Remuneration Committee

(a) Terms of reference

The terms of reference of the Nomination and Remuneration Committee are as provided under the Companies Act (except to the extent of exemptions granted to the Government Companies) and SEBI (LODR) Regulations (except to the extent of exemptions provided by SEBI to the Company) and other applicable guidelines to CPSEs.

The appointment/remuneration and other matters in respect of Key Managerial Personnel (KMP) and Senior Management Personnel are governed by the HAL Recruitment Rules and Procedures and subject to the policies and directives that may be issued by the Board of Directors and/or CMD as the case may be from time to time. Pay scales of KMPs and Senior Management Personnel are governed by the DPE Guidelines and Presidential Directives received from the Ministry of Defence.

(b) Composition

The composition of the Nomination and Remuneration Committee as on 31st March, 2019 was as under:

i.	Ms. Dipali Khanna	Chairperson
ii.	Dr. J. K. Bajaj	Member
iii.	Shri Anil Kumar	Member

The Director (HR) and Director (Finance) & CFO are permanent invitees to the Committee.

The Company Secretary is the Secretary to the Committee.

(c) Meeting and attendance

During the year under review, three meetings of the Committee were held on 23rd April, 2018, 30th June, 2018 & 16th October, 2018.

Sl. No.	Name of Members	No. of Meetings held during the tenure	No. of Meetings attended
1	Ms Dipali Khanna	3	3
2	Dr. J K Bajaj	3	3
3	Shri Anil Kumar	3	3
4	Shri Chandraker Bharti*	2	1

*appointed as member of NRC committee w.e.f 30th May, 2018 and ceased as member of the NRC Committee w.e.f. 9th November, 2018

5. CSR & Sustainable Development Committee

The CSR & Sustainable Development Committee, headed by an Independent Director, oversees the implementation of CSR and Sustainable Development activities in the Company.

The Composition of the Committee as on 31st March, 2019 was as under:

i.	Ms. Dipali Khanna	Chairperson
ii.	Director (HR)	Member
iii.	Director (Operations)	Member
iv.	Director (Finance) & CFO	Member

All CEOs of the Complexes and General Manager (Finance) – Corporate Office are permanent invitees to the Committee.

The Company Secretary is the Secretary of the Committee

During the year, four meetings of the Committee were held on the dates listed below:

1	23rd April, 2018
2	30th June, 2018
3	15th February, 2019
4	21st March, 2019

6. Stakeholders Relationship Committee

Stakeholders Relationship Committee is headed by an Independent Director.

The composition of the Committee as on 31st March, 2019 was as under:

i.	Dr. J.K. Bajaj	Member
ii.	Director (HR)	Member
iii.	Director (Finance)	Member

The Company Secretary is the Secretary of the Committee.

During the year, two meetings of the Committee were held on 13th August, 2018 and 16th October, 2018.

(a) Terms of reference: The Committee was constituted primarily to look into various aspects of interest of the shareholders of the Company.

(b) Name and designation of Compliance Officer

Shri G.V. Sesha Reddy,

Company Secretary & Compliance Officer

Hindustan Aeronautics Limited

15/1, Cubbon Road, Bengaluru – 560 001. Karnataka

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

Email: cosec@hal-india.co.in

(c) Number of shareholders' complaints received upto 31st March, 2019: 681

(d) Number of shareholders' complaints resolved upto 31st March, 2019: 681

(e) Number of pending complaints as on 31st March, 2019: nil

7. Risk Management Committee

The Board of Directors of the Company constituted a Risk Management Committee consisting of the following members:

(i)	Director (HR)	-	Chairman
(ii)	Director (Engineering and R&D)	-	Member
(iii)	Director (Finance) & CFO	-	Member
(iv)	Director (Operations)	-	Member

All CEOs of the Complexes and AGM (JV, OS & RM), are permanent invitees to the Committee.

The Company Secretary is the Secretary of the Committee.

During the year, one meeting of the Committee was held on 1st August, 2018.

Terms of Reference: The Risk Management Committee shall annually review and approve the Risk Management Policy and associated frameworks, processes and practices of the Company.

The Committee shall review and reassess the adequacy of the Risk Management Policy annually and recommend any proposed changes to the Board for approval.

8. Other Committees of the Board

The Board has constituted various other non-statutory committees which inter-alia include HR Committee, Management Committee, Technology & Design Policy Committee, and Procurement Committee to take decisions on the matters delegated by the Board.

9. Remuneration of Directors

The terms and conditions of appointment and remuneration of Functional Directors are determined by the Government of India through its administrative Ministry, Ministry of Defence, Department of Defence Production. Part-time official Directors (Government Nominee Directors) do not draw any remuneration from the Company.

The Part-Time Non-Official Directors (Independent Directors) are paid a sitting fee of ₹ 20,000/- per meeting of the Board and its Committees, as approved by the Board within the ceiling fixed under the Companies Act and as per the guidelines issued by the Government of India.

The details of remuneration paid to Functional Directors during the financial year 2018-19 were as follows:

(Amt. in ₹)

Sl. No.	Name / Designation of Directors	Salary and Perquisites as per Section 17(1) & (2) of the Income Tax Act, 1961	Retirement & other benefits	Total
1	Shri T. Suvarna Raju, CMD (ceased as Director w.e.f 31.08.2018)	74,04,910	20,00,000	94,04,910
2	Shri R. Madhavan (appointed w.e.f.01.09.2018)	20,04,773	--	20,04,773
3	Shri V.M. Chamola, Director (HR)	64,59,971	--	64,59,971
4	Shri D.K. Venkatesh, Director (Engg. and R&D) (ceased as Director w.e.f 31.05.2018)	45,56,525	20,00,000	65,56,525
5	Shri Arup Chatterjee (appointed w.e.f 01.06.2018)	28,37,165	--	28,37,165
6	Shri C. V. Ramana Rao (ceased as Director w.e.f 31.07.2018)	52,08,620	20,00,000	72,08,620
7	Shri C.B. Ananthakrishnan (appointed w.e.f 01.08.2018)	22,84,540	--	22,84,540
8	Shri Sunil Kumar, Director (Operations)	44,35,590	--	44,35,590

During the year, Part-Time Non-Official Directors (Independent Directors) received sitting fees for attending the meetings of the Board and Committees as follows:

(Amt. ₹ in lakh)

Sl. No	Name of Independent Director	Board Meetings	Committee Meetings	Total sitting fees
1	Ms. Dipali Khanna	1.4	3.0	4.4
2	Dr J.K. Bajaj	2.2	3.6	5.8
3	Shri Anil Kumar	1.8	2.6	4.4
4	Shri Neelakanta Iyer R.	2.2	1.8	4.0
5	Shri Siddharth	2.2	1.6	3.8
6	Dr S. Malla Reddy	1.6	0.2	1.8
7	Rear Admiral (R) K.C. Sekhar, AVSM, VSM	1.8	0.2	2.0

10. Independent Directors' Meeting

During the year, one Meeting of Independent Directors was held on 15th October, 2018.

11. Confirmation on independence of the Independent Directors

Based on the declarations submitted by the Independent Directors, the Board hereby confirms that all Independent Directors fulfil the conditions specified in the Companies Act and SEBI (LODR) Regulations, and are independent of the management.

12. Code of Business Conduct and Ethics for Board Members and Senior Management (Code of Conduct)

The Company is committed to conducting its business in accordance with the highest standards of business ethics and complying with applicable laws, rules and regulations. A copy of the Code of Conduct is available on the Company's website www.hal-india.co.in/Investors. All members of the Board and Senior Management have confirmed their compliance with the Code of Conduct for the year under review. A declaration signed by the Chairman & Managing Director is appended to this report.

13. Insider Trading Policy

In pursuance of SEBI (Prohibition of Insider Trading) Regulations, 2015, the Board of Directors of the Company has approved the Insider Trading Policy for dealing in Securities of the Company by an insider.

The Policy is framed to ensure that the employees of the Company and their immediate family do not derive any benefit or assist others to derive any benefit from access to and possession of price sensitive information about the Company which is not in the public domain.

14. CEO/CFO Certification

In terms of Regulation 17(8) of SEBI (LODR) Regulations 2015, the Compliance certificate issued by the CEO and CFO on the financial statements and internal controls relating to financial reporting for the year 2018-19 was submitted to the Board at the meeting held on 27th May, 2019 and attached to this Report.

15. Shareholding Pattern as on 31st March, 2019

Sl. No.	Category	Number of shares held	% of total holding
1	President of India	30,08,55,180	89.97
2	Insurance Companies	2,46,81,276	7.38
3	Resident Individuals	38,90,481	1.16
4	Banks	23,67,506	0.71
5	Mutual Funds	10,39,028	0.31
6	Bodies Corporates	2,76,522	0.08
7	Clearing Members	22,386	0.01
8	H U F	1,56,781	0.05
9	Non-Resident Indians	82,378	0.02
10	Non-Resident Indian Non-Repatriable	40,354	0.01
11	Foreign Portfolio - Corp	9,66,714	0.29
12	Indian Financial Institutions	8,385	0.00
13	NBFC	353	0.00
14	Trusts	156	0.00
	Total	**33,43,87,500**	**100.00**

15.1 Top 10 Shareholders as on 31st March, 2019

Sl. No	Name	Number of shares held	% of total holding
1	President of India	30,08,55,180	89.97
2	Life Insurance Corporation of India	2,34,07,104	7.00
3	State Bank of India	15,65,267	0.47
4	ICICI Prudential Balanced Fund	10,35,712	0.31
5	The Wellington Trust Company, National Association Multiple Collective Investment Funds trust, Opportunistic Equity Portfolio	7,29,243	0.22
6	General Insurance Corporation of India	6,69,336	0.20
7	The New India Assurance Company Ltd	6,04,836	0.18
8	Union Bank of India	2,57,261	0.08
9	Canara Bank	2,44,896	0.07
10	The Wellington Trust Company, National Association Multiple Common Trust Funds Trust, Opportunistic Equity Portfolio	1,98,183	0.06

15.2 Distribution of Shareholding by Size as on 31st March, 2019

Category	Number of Shareholders	% of Shareholders	Total Number of Shares	% of Shareholding
1 - 5000	1,49,464	99.97	41,89,766	1.25
5001 - 10000	15	0.01	1,14,863	0.03
10001 - 20000	5	0.00	62,788	0.02
20001 - 30000	2	0.00	43,623	0.01
30001 - 40000	1	0.00	39,288	0.01
40001 - 50000	1	0.00	41,148	0.01
50001 - 100000	4	0.00	3,29,026	0.10
100001 and above	11	0.01	32,95,66,998	98.56
TOTAL	**1,49,503**	**100.00**	**33,43,87,500**	**100.00**

16. General Body Meetings

(a) Details of the last three Annual General Meetings are as follows:

Meeting No.	Financial Year	Venue	Date & Time
53rd	2015-16	Hindustan Aeronautics Limited 15/1, Cubbon Road, Bengaluru – 560001 Karnataka	30th July, 2016 at 1400 Hrs
54th	2016-17	Hindustan Aeronautics Limited 15/1, Cubbon Road, Bengaluru – 560001 Karnataka	29th July, 2017 at 1300 Hrs
55th	2017-18	HAL Management Academy (New Campus) Doddanekundi Main Road, Marathalli, Bengaluru -560037	28th September, 2018 at 1500 Hrs

(b) No special resolution was put up at the 53rd & 55th Annual General Meetings. However, at the 54th Annual General Meeting one special resolution was put up with respect to Alteration of the Articles of Association of the Company.

(c) No special resolution was passed last year through postal ballot and no special resolution is proposed to be conducted through postal ballot.

17. Means of Communication

(a) Quarterly/Annual Results: Following our listing, the Company regularly updates its audited financial results with the Stock Exchanges, in compliance with the Listing Regulations. These financial results are published in one leading English newspaper

having wide circulation across the Country and in one Kannada newspaper having wide circulation across the region. The results are also made available on the Company website.

(b) **News Release, Presentation etc.:** The official news releases, detailed presentations made to media, institutional investors, financial analysts etc. are displayed on the Company's website www.hal-india.co.in.

(c) **Website:** The Company's website www.hal-india.co.in contains a separate a dedicated section for Investors where information for shareholders is made available. The Annual Report, Shareholding Pattern and Corporate Governance Report. are also available on the website in a user-friendly manner.

(d) **Annual Report:** Annual Report containing Financial Statements, Auditors' Report, Board's Report, Management Discussion and Analysis Report (MDAR), Business Responsibility Report, Corporate Governance Report, including Information for the Shareholders and other important information is circulated to the members and others entitled thereto.

(e) **Green Initiative:** As part of its green initiative, the Company uses email to communicate the notice convening the Annual General Meeting and the Annual Report, to those shareholders who have registered their email id's with the DP's / R&T agents, and have not opted for a physical copy of the Annual Report.

18. Shareholders' Information

(a) Annual General Meeting

The Annual General Meeting for the year 2018-19 will be held on:

Date	18th September, 2019
Time	1600 HRS
Venue	Dr. V.M. Ghatge Convention Centre, Hindustan Aeronautics Limited, Old Airport Road, Marathalli Post, Bengaluru - 560 037.

(b) Financial Calendar

The financial calendar to approve quarterly/ annual audited financial results for the year 2019-20 is as under:

Approval of quarterly/ annual audited financial results	Tentative date of the Meeting of the Board
30th June, 2019	On or before 13th August, 2019
30th September, 2019	On or before 11th November, 2019
31st December, 2019	On or before 11th February, 2020
31st March, 2020	On or before 28th May, 2020

(c) Dividend Payment date

The interim dividend was paid on 10th April, 2019.

(d) Listing on Stock Exchanges

The equity shares of the Company are listed on the following stock exchanges:

Name and Address	Stock Code
BSE Ltd. P. J. Towers, Dalal Street, Fort Mumbai-400001	541154
National Stock Exchange of India Ltd. (NSE) Exchange Plaza,C-1, G Block, Bandra- Kurla Complex, Bandra (E), Mumbai-400051	HAL

The annual listing fees for the year 2018-19, as applicable, has been paid to the stock exchanges.

(e) Custody/ Issuer charges to Depositories

Your Company has paid custody/ issuer charges for the year 2018-19 to the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

(f) Registrar to an issue and share transfer agent

M/s Karvy Fintech Pvt. Ltd.
(formerly known as M/s Karvy Computershare Pvt Ltd)
"Karvy Selenium Tower B", Plot No.31 & 32,
Financial District, Nanakramguda,
Gachibowli, Telangana – 500032
Tel: 040- 6716 2222
Fax:040- 2343 1551
Email:einward.ris@karvy.com
Website:https://karisma.karvy.com

(g) Share transfer system

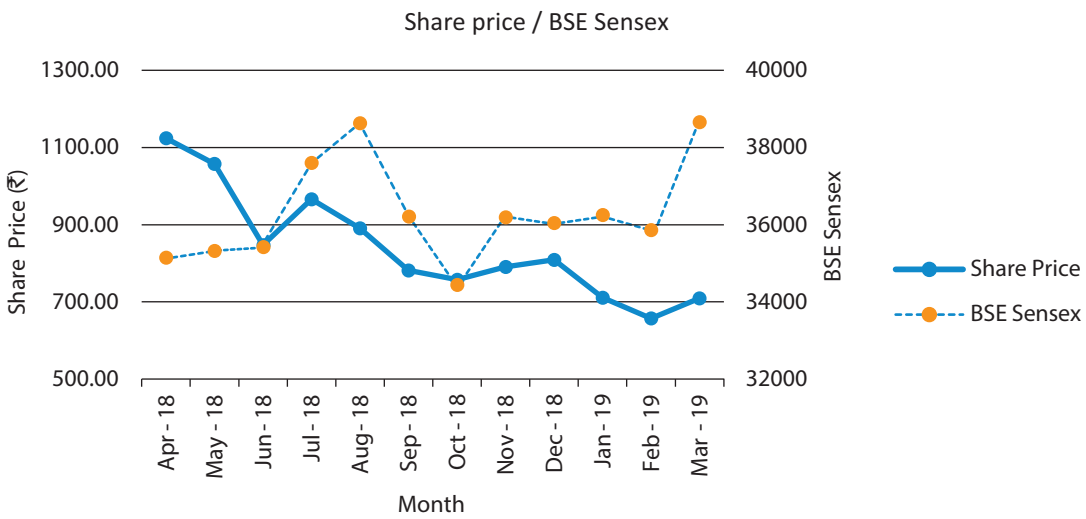
The shares of the Company are traded in dematerialised form. The Company has constituted a Share Transfer Committee comprising of Director (Finance) & CFO, Director (Operations) and Company Secretary for approving requests related to Dematerialization/ Rematerialization/ Transfer/ Transmission/ Splitting/ Consolidation/ Reissue of share certificates etc. received from shareholders from time to time.

(h) Dematerialisation of shares and liquidity

As on 31st March, 2019, all the equity shares of the Company except 65 equity shares are held in dematerialised form with NSDL and CDSL. The details are as under:

Sl. No.	Description	No. of shareholders	Shares	% of Equity
1	NSDL	90,159	33,29,75,849	99.58
2	CDSL	59,341	14,11,586	0.42
3.	Physical	3	65	0.00
	Total	**1,49,503**	**33,43,87,500**	**100.00**

(i) Performance in comparison to broad based indices



(j) Commodity price risk or foreign exchange risk and hedging activities

Relevant information in this regard is given in clause 33 of Note 49 to the Financial Statements provided in this Annual Report.

(k) Stock market information

Company's share price on BSE and NSE for each month during the year 2018-19 is as follows:

Month	BSE Limited		National Stock Exchange of India Ltd	
	High (₹ per share)	Low (₹ per share)	High (₹ per share)	Low (₹ per share)
April, 2018	1,162.85	1,085.10	1,164.00	1,080.10
May, 2018	1,134.00	1,000.00	1,131.95	1,005.05
June, 2018	1,058.00	829.70	1,027.55	840.10
July, 2018	974.90	770.15	976.90	770.05
August, 2018	1,014.00	887.95	1,013.00	885.00
September, 2018	967.95	780.00	968.15	777.00
October, 2018	835.00	740.00	827.70	740.00
November, 2018	944.80	751.25	948.00	752.00
December, 2018	821.00	740.00	825.30	743.00
January, 2019	828.00	709.10	828.00	709.00
February, 2019	742.00	603.25	747.95	610.05
March, 2019	775.00	657.00	777.00	655.00

(I) Registered / Corporate Office address and Plant Locations:

(i) Registered/ Corporate Office:

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

(ii) Production Divisions

Aircraft Division, Bengaluru, Karnataka	Airport Service Centre Bengaluru, Karnataka	Sukhoi Engine Division, Koraput, Odisha
LCA Tejas Division Bengaluru, Karnataka	Helicopter Division, Bengaluru, Karnataka	Transport Aircraft Division, Kanpur, Uttar Pradesh
Engine Division, Bengaluru, Karnataka	Helicopter MRO Division, Bengaluru, Karnataka	Accessories Division, Lucknow, Uttar Pradesh
Overhaul Division, Bengaluru, Karnataka	Aerospace Composites Division, Bengaluru, Karnataka	Avionics Division, Korwa, Uttar Pradesh
Aerospace Division, Bengaluru, Karnataka	Aircraft Manufacturing Division, Nashik, Maharashtra	Avionics Division, Hyderabad, Telangana Strategic Electronic Factory Branch Factory of Hyderabad Division, Kasargod, Kerala
Foundry and Forge Division, Bengaluru, Karnataka	Aircraft Overhaul Division, Nashik, Maharashtra	Barrackpore Division, Barrackpore, West Bengal
Industrial & Marine Gas Turbine Division, Bengaluru, Karnataka	Engine Division, Koraput, Odisha	

(iii) R & D Centres

Aircraft Research and Design Centre (ARDC), Bengaluru, Karnataka	Gas Turbine R&D Centre (GTRDC), Koraput, Odisha
Rotary Wing Research and Design Centre (RWR&DC), Bengaluru, Karnataka	Transport Aircraft R&D Centre, (TARDC) Kanpur, Uttar Pradesh
Aero Engine R&D Centre (AERDC), Bengaluru, Karnataka	Aerospace Systems & Equipment R&D Centre (ASERDC), Lucknow, Uttar Pradesh
Mission & Combat Systems R&D Centre (MCSRDC), Bengaluru, Karnataka	Strategic Electronics R&D Centre (SLRDC), Hyderabad, Telangana
Central Materials & Processes Laboratory & NDT Centre, Bengaluru, Karnataka	Aerospace Systems & Equipment R&D Centre (ASERDC), Korwa Uttar Pradesh
Aircraft Upgrade R&D Centre (AURDC), Nashik, Maharashtra	

19. Disclosure

(a) Material contracts/related party transactions

The Company has not entered into any material, financial or commercial transactions with the Directors or the Management or their relatives or the companies and firms, etc., in which they are either directly or through their relatives interested as Directors and/ or Partners except with certain JVCs and subsidiaries where the Directors of the Company are Nominee Directors. The Company has obtained declarations from all concerned in this regard, which were noted by the Board. A comprehensive policy on Related Party Transactions (RPT) has been approved by the Board in line with the SEBI (LODR) Regulations and Companies Act.

The details of transactions with related parties are disclosed in Clause 45A Note No. 49 of the Notes to the Financial Statements for the year ended 31st March, 2019. The Company has disclosed details of transactions with related parties as per the disclosure requirements of Ind AS-24 on Related Party disclosures. The policy on related party transactions of the Company may be accessed at https://hal-india.co.in/Common/Uploads/DMS/Policy_on_Related_Party_Transactions.pdf

(b) Details of non-compliances on matters related to capital markets, during the last three years

The Company has complied with applicable rules (except as otherwise stated in this report) and the requirement of regulatory authorities on capital market and no penalties or strictures were imposed on the Company during the last three years. All returns/ reports were filed within the stipulated time with stock exchanges/ other authorities.

Based on the Ministry of Defence, DDP vide letter No. 48013/1/2017-D (HAL-II) dated 31st March, 2018, the Company had paid 2nd Interim dividend without complying with the applicable SEBI (LODR) Regulations. However, an application was made to SEBI for exemption in this regard and in turn SEBI had granted exemption vide letter No. CFD/CMD/PR/OW/11002/2018 dated 9th April, 2018.

(c) Vigil Mechanism / Whistle-blower Policy

In terms of Regulation 22 of SEBI (LODR) Regulations, the Company has established a vigil mechanism 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 Company has provided ample opportunities to encourage the employees to become whistleblowers (employees who voluntarily and confidentially want to bring the unethical practices, actual or suspected fraudulent transactions in the organization to the notice of the competent authority for the greater interest of the organization and the Nation). It has also ensured a very robust mechanism within the same framework to protect whistleblowers from any kind of harm. It is hereby affirmed that no personnel has been denied access to the Audit Committee.

(d) Details of compliance with non-mandatory requirements

The Company has not adopted any discretionary requirements provided under Part-E of Schedule II of SEBI (LODR) Regulations.

(e) Policy for determining material subsidiaries

A policy for determining material subsidiaries has been formulated with the approval of the Board of Directors. The same has been hosted on the website of the Company and can be accessed at the following link: https://hal-india.co.in/Common/Uploads/DMS/Material_Subsidiary_Policy.pdf

As per the Policy, the Company does not have any material subsidiary.

(f) Credit Rating

During the year, M/s Credit Analysis & Research Limited have granted your Company a credit rating of CARE AAA; Stable/ CARE A1+ for long term and short Term Bank facilities amounting to ₹ 2,50,000 lakh.

M/s India Ratings & Research Private Ltd. has granted your Company a credit rating of "IND AAA/Stable" for Working Capital Fund based facilities of ₹ 45,000 lakh and IND A1+ for Working Capital Non Fund based facilities amounting to ₹ 2,05,000 lakh.

During April 2019, M/s India Ratings & Research Private Ltd. revised the rating to "IND AA+/Negative" for Working Capital fund based facilities of ₹ 45,000 lakh while the rating for the Non Fund based facilities remains unchanged at "IND A1+".

However, the Company has made an appeal to M/s. India Ratings & Research Private Ltd. for affirming the earlier rating as rated for fund based Working Capital Limits.

(g) None of Directors were debarred / disqualified from being appointed or continuing as Director of the Company during the year under review, and this has been certified by the Company Secretary in practice.

(h) Total fees of ₹ 24.70 Lakhs has been paid for all services rendered by M/s Maharaj N.R. Suresh & Co., Chartered Accountants, Statutory Auditors to the Company.

(i) Details of Shares held in Unclaimed Shares Demat Account

Particulars	No. of Shareholders	No. % of Equity Shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the Year	4	60
Number of shareholders who approached the Company for transfer of shares from suspense account during the year	4	60
Number of shareholders to whom shares were transferred from suspense account during the year	4	60
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the Year	0	0
That the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares	N.A.	

(j) Details of Unclaimed Dividend as on 31st March, 2019

The unclaimed / unpaid dividend, amounting to ₹ 5,31,324.75 for the year 2017-18 has been transferred to the Unclaimed Dividend Account of the Company.

(k) Reconciliation of Share Capital

The Reconciliation of Share Capital audit was carried out by the Secretarial Auditor of the Company every quarter. The report confirms that the total issued / paid up capital is in agreement with the total number of shares in physical and demat form.

Further, half yearly certificates on the compliance of share transfer formalities obtained from the Secretarial Auditor were also submitted to Stock Exchanges pursuant to Regulation 40(10) of the SEBI (LODR) Regulations.

(l) Accounting Standards

The Company is in compliance with all applicable Indian Accounting Standards (Ind AS).

Ministry of Corporate Affairs vide notification No 1/2/2014-CL-V dated 23rd February, 2018 has exempted those companies engaged in defence production to the extent of application of Ind AS 108 on "Operating Segment". Disclosure in this regard has been made at Clause No.37 of Note No. 49 to the Accounts.

(m) Audited Financial Statements of Subsidiaries

The Audited Financial Statements of subsidiaries has been uploaded on the website of the Company at http:// www.hal-india.co.in/investors/Subsidiary Companies.

(n) Training of Directors

The Company undertakes training / familiarisation programmes for its Directors.

(o) Right to Information

In order to address the provisions of the Right to Information Act, 2005 (RTI Act), First Appellate Authority, Central Public Information Officer and Assistant Public Information Officers responsible for providing information sought by stakeholders have been appointed. In compliance to Government directives, your Company has successfully introduced the online processing of applications under the RTI Act from September, 2014 onwards.

During the year, 2,106 Request for Information (RFI) applications were received under the RTI Act-2005, of which 1,791 have been responded to, as of 31st March, 2019.

Of the 242 1st Stage appeals received, 203 were disposed off, as on 31st March, 2019.

The Hon'ble Central Information Commission, New Delhi, issued two notices of hearings during the year 2018-19 and the same were attended through NIC video conferencing and they were disposed off by the Hon'ble CIC in favour of the Company.

(p) Redressal of Public Grievances

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

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

As per the directions of Government of India, 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.

(q) 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, Ex-Servicemen and Economically Weaker Sections (EWS) are complied with by the Company. 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 carry out their job effectively.

The representation of SCs/STs/OBCs in the Company as on 31st December, 2018 was as under:

Category of Employees	Group – A	Group – B	Group – C	Group – D	Total
Scheduled Caste	1,516	4	3,501	4	5,025
Scheduled Tribe	514	2	1,463	0	1,979
Other Backward Classes	2,039	11	5,284	6	7,340

The representation of Persons with Disabilities and Ex-Servicemen as on 31st December, 2018 was as under:

Category of Employees	Group – A	Group – B	Group – C	Group – D	Total
Persons with Disabilities	155	1	516	3	675
Ex-Servicemen	88	1	1,624	0	1,713

(r) 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 the business or incidental thereto, those spent towards the welfare of the employees/ex-employees, towards fulfilling the Corporate Social Responsibility of the Company, were debited in the Books of Accounts.

(s) 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 2018-19.

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

The CSR Budget for the Financial Year 2018-19 worked out to ₹ 6,742 lakh, based on the statutory 2% of average Net Profit of preceding three years. The Wind Power Project commissioned during 2015-16 by utilising CSR Funds had generated a revenue of ₹ 932 lakh and the same has been added back to the CSR Budget. Thus, the CSR Target for the year 2018-19 had become ₹ 7,674 lakh. During the year, the Company had spent ₹ 7,246 lakh against the said Budget of ₹ 7,674 lakh towards CSR & Sustainable Development.

(u) Integrity Pact

The Company 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 or 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.

For and on behalf of Board of Directors
Hindustan Aeronautics Limited

Place : Bengaluru
Date : 27th July, 2019

(R. Madhavan)
Chairman & Managing Director

Declaration of Compliance with the Code of Conduct

Pursuant to Regulation 26(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and DPE Guidelines on Corporate Governance for Central Public Enterprises, 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, 2019.

Place: Bengaluru
Date: 13th June, 2019

(R. Madhavan)
Chairman & Managing Director

Certificate on Corporate Governance

To,
The members of Hindustan Aeronautics Limited,
Bengaluru

We have examined the compliance of Corporate Governance by Hindustan Aeronautics Limited, as stipulated in Regulations 17 to 27 and Clauses (b) to (i) of Regulation 46(2) and Para C and D of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Department of Public Enterprises, for the financial year ended March, 31, 2019 .

The Compliance of Conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the review of procedures and implementation thereof adopted by the Company for ensuring compliance of the conditions of Corporate Governance as stipulated in the said Regulations.

On the basis of our findings from the examination of the records produced and explanations and information furnished to us, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Department of Public Enterprises, for the financial year ended March, 31, 2019.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

S. Viswanathan
Practising Company Secretary
C.P. No. 5284
ACS No. 5284

Place: Bengaluru
Date: 3rd May, 2019

CEO/CFO Certification Under Regulation 17(8) of the SEBI (LODR) Regulations, 2015 and DPE Guidelines 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 period ended 31st March 2019 and that 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 our 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 and we have disclosed to the auditors and the Management, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

4. We have indicated to the auditors and the Management:

   i. Any significant changes in internal control over financial reporting during the period;

   ii. Any significant changes in accounting policies during the period including implementation of Revenue Recognition standard (Ind AS 115).

   iii. Any instance of significant fraud, which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting including an incident of misappropriation of funds by an employee has been noticed by the management and referred to Vigilance Department for further investigation. During the Vigilance investigation an amount of ₹ 1,876 Lakhs has been provisionally assessed as fraudulent payments. The matter is under investigation by CBI.

(C B Ananthakrishnan)
Director (Finance) & CFO

(R. Madhavan)
Chairman and Managing Director

BUSINESS RESPONSIBILITY REPORT

Section A: General Information about the Company

1.	**Corporate Identity Number (CIN) of the Company**	:	L35301KA1963GOI001622
2.	**Name of the Company**	:	Hindustan Aeronautics Limited
3.	**Registered address**	:	15/1, Cubbon Road, Bengaluru - 560001
4.	**Website**	:	www.hal-india.co.in
5.	**E - mail ID**	:	cosec@hal-india.co.in
6.	**Financial Year reported**	:	2018-19
7.	**Sector(s) that the Company is engaged in (industrial activity code - wise)**	:	Aerospace & Defence

8. **List three key products/services that the Company manufactures / provides (as in balance sheet):**

   The three key products that the Company manufactures at present are:-

   i. Su-30 MKI Aircraft

   ii. LCA Tejas Aircraft

   iii. Dhruv ALH

9. **Total number of locations where business activity is undertaken by the Company :**

   i. Number of International Locations:-

   Overseas Offices: 2 i.e. London (UK) and Moscow (Russia)

   ii. Number of National Locations:-

   Manufacturing Locations: 9 i.e. [Bengaluru (Karnataka), Lucknow, Kanpur & Korwa (Uttar Pradesh), Nasik (Maharashtra), Hyderabad (Telangana), Koraput (Odisha), Barrackpore (West Bengal) and Kasaragod (Kerala)].

   Regional/Marketing/Liaison Offices: 4 i.e.(New Delhi, Mumbai, Visakhapatnam and Chennai)

10. **Markets served by the Company – Local/State/National/International :**

    National and International

Section B: Financial Details of the Company

1. **Paid up Capital :** ₹ 3,343,875,000

2. **Total Turnover :** ₹ 19,70,455 Lakhs

3. **Total Profit After Taxes :** ₹ 2,28,244 Lakhs

4. **Total Spending on Corporate Social Responsibility (CSR) (including amount set aside) as percentage of profit after tax (%):**

   2% of average Net Profits of the Company made during the three preceding financial years. The amount spent during 2018-19 was ₹ 7246 Lakhs. Details are at Appendix – A of Annexure- III to the Board's Report.

5. **List of activities in which expenditure in 4 above has been incurred:**

   Refer Appendix-A of Annexure-III to the Board's Report.

Section C: Other Details

1. Does the Company have any Subsidiary Company/Companies?

Yes.

i. Naini Aerospace Limited, Naini (UP)

ii. Indo-Russian Helicopters Limited, Bengaluru

2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).

No

3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%].

No

Section D: BR Information

1. Details of Director /Directors responsible for BR.

a) Details of the Director/Director responsible for implementation of the BR policy/policies:

DIN : 03595483

Name : Shri V. M. Chamola

Designation : Director (Human Resources)

b) Details of the BR head:

Sl No.	Particulars	Details
1	DIN(if applicable)	03595483
2	Name	Shri V. M. Chamola
3	Designation	Director (Human Resources)
4	Telephone number	080-22320315
5	e-mail id	dhr@hal-india.co.in

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

Sl. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	Do you have policy/policies for	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Policy formulated after extensive internal consultation covering all functional areas.								
3	Does the policy conform to any national/ international standards? If yes, specify?	Policy conforms to SEBI guidelines on "BR Reports" for listed entities and the Ministry of Corporate Affairs 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'.								
4	Has the policy been approved by the Board? If yes, has it been signed by MD/Owner/CEO/ appropriate Board Director?	All Policies / Manuals of the Company are implemented on due approval by the Board of Directors and as the case may be, the Competent Authority. Policy has been signed by Director (HR).								

Sl. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
5	Does the company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Director (HR)								
6	Indicate the link for the policy to be viewed online?	https://hal-india.co.in/Common/Uploads/DMS/Principles_and_Policy_on_Business_Responsibility.pdf								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes								
8	Does the company have in-house structure to implement the policy/ policies?	Yes								
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies?	Yes								
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	The implementation of obligations with regard to Corporate Governance as contained in Listing Regulations are brought out in the Corporate Governance Report and audited by the Auditors. Other policies are validated from time to time by the concerned authorities.								

2a. If answer to Sl. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options).

Sl. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	The company has not understood the Principles	Not Applicable as the Company has formulated policies based on all the nine Principles.								
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3	The company does not have financial or manpower resources available for the task									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year									
6	Any other reason (please specify)									

3. Governance related to BR

- **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year?**

  Various principles of BR performance are integral to the day-to-day operations of the Company and same are reviewed by Functional Directors as and when required.

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

  Yes. Company publishes BR Report and Sustainability Report as part of its Annual Report and posts the same on its website at www.hal-india.co.in/Investors.

Section E: Principle - wise performance

Principle 1

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/No. Does it extend to the Group/ Joint Ventures/Suppliers/Contractors/NGOs/ Others?

The policy covers the Company. In addition, the Company has adopted Integrity Pact with all vendors/ suppliers/ contractors/ service providers for all Orders/Contracts of value ₹ 500 lakhs and above. The pact essentially envisages an agreement between the prospective vendors/bidders and the Principal (HAL), committing the Persons/officials of both sides, not to resort to any corrupt practices in any aspect/stage of the contract. Only those vendors/bidders, who commit themselves to such a Pact with the Principal, would be considered competent to participate in the bidding process. Integrity Pact, in respect of a particular contract, would be operative from the stage of invitation of bids till the final completion of the contract. Any violation of the same would entail disqualification of the bidders and exclusion from future business dealings.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof.

Nil.

Principle 2

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities?

None

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

Not Applicable

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

The Company follow a procurement plan to cater the requirements for all the firm orders received, by entering into Long Term Business Agreements with the suppliers valid for 3-5 years. This ensures that the vendors have the visibility and firm orders for the period of 3-5 years and consequently company will secure timely delivery.

Company also has long term arrangements for ensuring timely movement of material from suppliers spread widely.

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

HAL has taken steps to procure goods and services from Micro and Small enterprises as per the policy of Government.

To improve capacity and capability of local and small vendors following benefits are provided to MSEs:

i) Issuance of tender sets free of cost, exemption from payment of Earnest Money Deposit (EMD) & purchase preference.

ii) Further, HAL provides assistance to MSEs in the following manner:

- Provides technical documents, drawings, process sheets, tool drawings for special tools, templates and provides available tooling, special / specific-to-type tools / gauges, raw material for aircraft components wherever required to MSEs.
- Training & technical inputs to the Vendors' personnel/technician/ engineers at HAL and/or at vendors' works by deputing HAL Engineers.

iii) HAL conducts vendor development programmes/ meets at various places to increase the no. of MSEs participation in HAL manufacturing programmes.

iv) Further, HAL has relaxed the terms & conditions (viz. payment, prior turnover, prior experience, etc.) to MSEs as per the directives received from GOI time to time.

HAL has on-boarded on Trade Receivables Discounting System (TReDS) platform which facilitate prompt en-cashing/ financing of trade receivables of MSEs from HAL. This system will take care of ensuring timely payment to vendor. All our vendors are being persuaded to on board on the TReDS platform to avail this facility.

5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof.

The Company is involved in manufacture of products like Aircraft, Helicopters, Engines for Aircrafts & Helicopters and other related accessories for use in strategic / national security applications. It would not be feasible for the Company to recycle the products as these products do not come back to the Company after selling.

A well-established system for disposal of waste generated in the Company is in place. Bio-medical waste Management is carried out as per the guidelines of the respective State Pollution Control Boards. Waste Oil produced during maintenance / overhauling of equipments, automobiles and machines are handed over to authorised oil re-processors.

Organic Waste generated in the Townships & Markets of Bangalore is being processed in the Organic Waste Converters (OWCs) and converted to Compost. The same is being used as manure in gardens, parks and landscape applications in the townships and divisions.

Bio-gas plants are established to process the Kitchen waste and canteen waste generated in the townships & Canteens of Bangalore. e-waste generated from the Company is being disposed of through authorized agencies, as per the rules.

Effluent Treatment Plants (ETPs) are being used for treating the Industrial Effluents. The treated effluents are discharged into respective Sewage Treatment Plants for necessary treatment. Thereafter the treated water is being utilized for Horticulture purpose in the Divisions and Townships.

Waste water generated during the manufacturing is treated and totally (100%) recycled water is being used for gardening.

Principle 3

1. Please indicate the Total number of employees:

28,345 (as on 31.3.2019)

2. Please indicate the Total number of employees hired on Contractual / temporary / casual basis:

Contract Labour : 11,189

Casual Labour : 294

3. Please indicate the Number of permanent women employees:

2,339

4. Please indicate the Number of permanent employees with disabilities:

636

5. Do you have an employee association that is recognized by management?

Yes, Workmen have recognized Trade Unions; and Officers have their own Associations.

6. What percentage of your permanent employees is members of this recognized employee association?

Almost 100%

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour & sexual harassment in the last financial year and pending as on the end of the financial year:

Sl. No.	Category	No. of complaints filed during the financial year	No. of complaints pending at the end of the financial year
1	Child labour/forced labour/ involuntary labour	Nil	Nil
2	Sexual harassment	3	1
3	Discriminatory employment	Nil	Nil

8. What percentage of your under-mentioned employees was given safety & skill up-gradation training in the last year?

Sl. No.	Category	% of Persons trained on Safety Aspects	% of Persons trained for skill upgradation
1	Permanent Employees	21%	47%
2	Permanent Women Employees	23%	25%
3	Tenure Based Workmen	29%	38%
4	Employees with Disability	15%	36%

Principle 4

1. Has the Company mapped its internal and external stakeholders?

Yes

2. Out of the above, has the Company identified the disadvantaged & marginalized stakeholders?

i) SC/ST employees

ii) Employees with Disabilities

iii) Women employees

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof.

i) Special Initiatives for SC / ST employees and their children:

The Company provides facilities for imparting additional tutorial / training classes to SC/ST candidates at the Technical Training Centers of the Divisions concerned. They are given special training in the subject / skill in which they may be lacking. SC/ST employees are provided with more opportunities for Institutional Training and for attending Seminars / Symposia / Conferences etc.

Children of HAL employees studying in HAL managed / aided Schools are awarded Scholarships based on merit. The Scholarships are meant for students studying in each standard of the Primary, Secondary and Higher Secondary classes in each school / college, in each medium of instruction, in each Division. Scholarships are awarded in the Categories of General, SC & ST (1 each in each standard).

ii) Special initiatives for Employees with disabilities:

The Company extends Special Allowance for Blind and Orthopedically disabled Workmen. Further, Blind, Deaf & Dumb and Orthopedically disabled Workmen claiming Conveyance Allowance are eligible for Transport Allowance at double the normal rates of Conveyance Allowance. Two-wheeler Advance for purchase of Tricycle is also provided to such Workmen.

Employees with Disabilities are reimbursed the cost of Artificial Appliances, at actuals, limited to the ceilings prescribed by the Company or as per the prevailing CGHS / CSMA Rates, whichever is lower. They are also extended financial assistance for purchase of Hearing Aids.

Facilities have been provided in factory premises like Ramps & Lifts to ease the movement of employees with Disabilities. They are given special permission to come to their work spot inside Factory premises in Motorized Transport. Further, grace Time of 15 Minutes relaxation in time - punching at the beginning and end of shift is given to them.

iii) Special Initiatives for Women employees :

The Company is a Corporate Life Member of the Forum of Women in Public Sector (WIPS) (under the ageis of SCOPE). Women Employees are sponsored to State / Regional level WIPS Seminars / Programmes conducted by WIPS. Women Employees are nominated for Training Programs such as Women Empowerment, Health Awareness etc.

Ladies Club / Family Welfare Associations are functioning in the Divisions. They take up various philanthropic / socio cultural activities.

Special Casual Leave of 14 days is extended to Women Employees for undergoing family planning operation.

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 the Govt. from time to time, necessary actions have been taken to prevent Sexual Harassment of Women at Workplace.

Principle 5

1. Does the policy of the company on human rights cover only the company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?

There is no separate Policy on Human Rights in the Company. However, all HR Policies are framed in the Company by adopting the Principles of Human Rights and applicable Laws. Hence, Human Rights are Fundamental Principles in all the HR Policies.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

Nil

Principle 6

1. Does the policy related to Principle 6 cover only the company or extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs / others.

It covers the Company only. In addition, the Company promotes Customer awareness in Environmental Management to minimize impact on Environment during usage of the Company's Products. The Company also persuades and encourages its Business Partners / Vendors / Contractors to move towards environmental friendly processes, right from design to disposal.

2. Does the company have strategies / initiatives to address global environmental issues such as climate change, global warming, etc? Y/N If yes, please give hyperlink for webpage etc.

Yes. The Company addresses issues such as climate change and global warming through energy conservation measures and energy substitution. There is a thrust to use renewable energy resources such as wind and solar for energy generation and captive consumption. The Company has a target of installing 50 MW capacity renewable energy power projects out of which around 31 MW is operational (14.7MW based on wind and balance based on solar).

https://hal-india.co.in/Sustainability/M__112

https://hal-india.co.in/HAL%20Aims%20for%20Se/ND__250

3. Does the company identify and assess potential environmental risks? Y/N

Yes. All the Divisions of the Company are ISO 14001 certified and identification of environmental risks is an ongoing process. Also, Company has a Risk Management Policy with a defined organizational structure for identifying and mitigating risks.

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof. Also, if Yes, whether any environmental compliance report is filed?

No

5. Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc? Y/N. If yes, please give hyperlink for web page etc.

Yes. The Company has a target of installing 50 MW capacity renewable energy power projects out of which around 31 MW is operational. The Company is working towards 100% replacement of conventional light fittings with LED light fittings in order to reduce the energy consumption. Around 60% replacement has been achieved during the year.

https://hal-india.co.in/Sustainability/M__112

https://hal-india.co.in/HAL%20Aims%20for%20Se/ND__250

6. Are the Emissions / Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Yes.

7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

NIL

Principle 7

1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with.

a. Federation of Indian Chambers of Commerce & Industry (FICCI);

b. Standing Conference of Public Enterprises (SCOPE);

c. Confederation of Indian Industry (CII); and

d. Associated Chambers of Commerce and Industry of India (ASSOCHAM);

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others).

Whenever Policy guidelines are issued, suggestions are being provided. In addition, seminars/workshops are also attended for facilitating our view on the Policies.

Principle 8

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

Yes. The Company has specified programmes / initiatives / projects in pursuit of the Policy related to Principle 8. The Programmes / Projects undertaken by the Company are in alignment with the themes indicated in Schedule-VII of the Companies Act, 2013. The details of the CSR Projects / Initiatives undertaken during 2018-19 are provided in Appendix - A of Annexure- III to the Board's Report.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?

CSR Projects / Activities of the Company are generally being undertaken through in house teams (Divisional CSR Implementation Committees).

However the Project, 'Kumudavathi River Rejuvenation' has been implemented in association with an NGO namely, International Association for Human Values (IAHV), which has expertise in the field. Similarly, HAL-IISc Skill Development Centre being established at Challakere, Chitradurga District is undertaken through IISc, Bangalore.

The CSR Projects of Avionics Division, Hyderabad are being executed through State Government Agencies / Municipal Corporation etc.

3. Have you done any impact assessment of your initiative?

The CSR programmes / projects are being undertaken in the vicinity of the Divisions / Complexes based on the local needs assessed in consultation with the concerned stakeholders like Village / Panchayat Head, District Authorities etc. It may be said that the need is put up by the ultimate beneficiaries. Regular interactions are being held with the stakeholders while implementing the Projects. IIT, Bombay Students pursuing M. Tech. (Technology & Development) course sponsored by the Company have conducted Impact Assessment Studies at select locations as part of their Academic Curriculum. These studies revealed that the results are positive. Further, the Company has received Appreciation Letters from the Stakeholders which is testimony for the positive impact of the Projects on the local people.

4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?

During the year 2018-19 an amount of ₹ 72.46 Crores has been spent on various CSR Projects / Activities. The details of CSR Projects implemented during the year are indicated in Appendix – A of Annexure III to the Board's Report.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain.

Yes. The projects are taken up in consultation with the stakeholders. The projects are identified with a view to improve the quality of life of the socially & economically backward groups and marginalized & weaker Sections of the Society. Constant / Regular consultations are made with the beneficiaries to ensure the intended purpose of the Project is served. Some of the Community Development initiatives of the Company are indicated in Annexure- III to the Board's Report under Corporate Social Responsibility (CSR).

Principle 9

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

Nil

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/NA/Remarks (additional information).

The final products (viz: aircraft and helicopter) produced by the organisation are primarily meant for Defence requirement. The final product are identified by an unique tail number.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof.

Nil

4. Did your company carry out any consumer survey/consumer satisfaction trends?

The product are primarily meant for defence requirement and periodic customer survey is carried out.

***

Independent Auditor's Report

To the members of

M/s Hindustan Aeronautics Limited

Report on the audit of Standalone Financial Statements

Opinion

We have audited the accompanying Standalone Financial Statements of **HINDUSTAN AERONAUTICS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2019 and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date and Notes to the Standalone Financial Statements, including a summary of the Significant Accounting Policies and other explanatory information (here in after referred to as "the standalone financial statements") in which are incorporated the returns of 38 Divisions of the Company audited by other Auditors.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the Profit (Including Other Comprehensive Income), the changes in Equity, and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the Standalone Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Standalone Financial Statements under the provisions of the Act and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Standalone Financial Statements.

Emphasis of Matter

Deferred Tax Assets on Provisions for warranty, Replacements Doubtful debts etc., amounting to Rs.114360 Lakhs as on March 31, 2019, (Rs.105871 Lakhs March 31 2018) and Rs 8489 Lakhs for the year ended 31st March 2019 and Rs.12175 Lakhs for the year ended March 31 2018 are not recognized as the temporary differences are not likely to reverse in the foreseeable future. The issue is being referred to the Expert Advisory Committee of the ICAI and based on the opinion the financial statement will be restated by company in accordance with Section 131 of the Companies Act 2013.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Financial Statements of the current period. These matters were addressed in the context of our audit of Standalone Financial Statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	Response to Key Audit Matters & Conclusion
Revenue recognition As described in Accounting Policies No 13 and 14, Note no 49 (1b)to the standalone financial statements, the company has adopted Ind AS 115, Revenue from Contracts with customers ('Ind AS 115') which is the new revenue accounting standard. The application and transition to this accounting standard is complex and is an area of focus in the audit.	Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows: • Evaluated the cumulative effect of adjustments as at 1 April 2018 for compliance with the new revenue standard: and • Evaluated the appropriateness of the disclosures provided under the new revenue standard and assessed the completeness and mathematical accuracy of the relevant disclosures.

Key Audit Matters	Response to Key Audit Matters & Conclusion
The revenue standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. This involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of identified performance obligation, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, the standard mandates robust disclosures in respect of revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date. The Company adopted Ind AS 115 and applied the available exemption provided therein, to not restate the comparative periods.	• Evaluated the design of internal controls relating to implementation of the new revenue accounting standard. • Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls. • Selected a sample of continuing and new contracts and performed the following procedures: • Read, analyzed and identified the distinct performance obligations in these contracts. • Compared these performance obligations with that of identified and recorded by the group. • Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable revenue. • Sample of revenues disaggregated by type and service offerings was tested with the performance obligations specified in the underlying contracts.
Uncertainty In Tax Treatments Pursuant to MCA notification dated 30.03.2019 amending the Accounting Standard Ind AS 12 – Income Tax the company reviewed the disputed income tax demand of Rs 221247 Lakhs, hitherto, disclosed under contingent liabilities. This involves significant management judgment to determine the possible outcome of the uncertain tax position, consequently having an impact on related accounting and disclosures in the standalone financial statements. Refer Note 49 Paragraphs 41A & 41B to the standalone financial statements.	Our audit procedures include the following substantive procedures: • Obtained understanding of key uncertain tax positions; and • We along with our internal tax experts - Read and analyzed select key correspondences including appeal papers and orders, external opinions and also held discussions with the Company's tax advocate appropriate senior management and evaluated management's underlying key assumptions in estimating the tax provisions; and Assessed management's estimate of the possible outcome of the disputed cases. Recalculated the accounting estimates and disclosures made in accordance with the Accounting Standards Ind As 12 and IndAS8
Impairment of Trade Receivables In respect of receivables from Government the company does not make any impairment provision based on past experience. The amount involved being significant balance and management judgement we consider this as a Key Audit Matter.	Our audit procedures include evaluation of provisions made for impairment in earlier years. We also made test checks of invoice wise collection details provided made in respect of in the two preceding financial years and we concluded the management assumption is reasonable.

Key Audit Matters	Response to Key Audit Matters & Conclusion
Recognition and Impairment of Intangible assets A significant degree of judgement is required to determine the Intangibles to be recognized and intangibles to be impaired. The company has substantial intangibles assets both under use and in progress. The recognition /impairment assessment involves technical and management. In respect of intangible Assets which are under development and whose life is infinite the same was reviewed by internal technical team as at the end of the reporting period and necessary impairment, if any, is recognized.	Our audit procedures involved the test check of verification of internal controls and incurrence of expenditure on intangible assets. We also reviewed the report of the Technical committee constituted to review the Intangibles Assets – development expenditure who have given a recommendation of the Intangible assets to be recognized and assets to be impaired in the Financial year. Based on the audit procedures as above we find the recognition and impairment provision have been made accordingly.
Provision for Wage Revision The provision for wage revision under negotiation for workmen is made on estimated basis. Refer Note 49 Paragraph 43F to the Standalone Financial Statements.	We have reviewed the basis of assumptions and the management estimates for calculating the provision based on the ongoing negotiations as well as the past revisions and found it to be reasonable.
Provision for Performance Related Pay The provision for performance related pay is made based on Department of Public enterprises guidelines (DPE) yet to be approved by Board of directors.	We have reviewed the circular issued by DPE and verified the computations to satisfy that the methodology as prescribed in the circular has been followed and the provision made is reasonable.
Deferred Tax Assets on Provisions Deferred Tax Assets on Provisions for warranty, Replacements Doubtful debts etc., amounting to Rs.114,360 Lakhs as on March 31, 2019, (Rs.105,871 Lakhs March 31 2018) and Rs 8,489 Lakhs for the year ended 31st March 2019 and Rs.12,175 Lakhs for the year ended March 31, 2018 are not recognized as the temporary differences are not likely to reverse in the foreseeable future. The issue is being referred to the Expert Advisory Committee of the ICAI and based on the opinion the financial statements will be restated by company in accordance with Section 131 of the Companies Act 2013.	We have verified the Deferred Tax Asset computations as the past recognition practice. As the matter is subject to interpretation, the matter is referred to Expert Advisory Committee of the ICAI. While the company is consistent in its application, the Deferred Tax asset is not likely to reverse in the foreseeable future, we consider this may have to be recognized as it is a temporary difference. The management has assured to refer the matter to Expert Advisory Committee of the ICAI and based on the opinion necessary effect will be given.

Management Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the Financial Position, Financial Performance (including Other Comprehensive Income), Changes in Equity and Cash Flows of the Company in accordance with Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments 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 the accounting records, relevant to the preparation and presentation of the Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate Internal Financial Controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Standalone Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Standalone Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in Internal Control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

We did not audit the Financial Statements/ financial information of 38 Divisions of the Company included in the standalone financial statements, of the company, whose financial statements / financial information reflect the total assets of Rs 45,65,085 lakhs as on 31st March,2019 and the total revenue of Rs.19,62,583 lakhs for the year ended on that date.

The standalone financial statements/ financial information 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 financial statements also takes into account the particulars and information made available to us and also the changes carried out at the Corporate level based on the observation of the Divisional auditors and the Comptroller and Auditor General of India who have reviewed the audited standalone financial statements of the Division under Section 143(6) of the Act. Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, 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.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books, and proper returns adequate for the purpose of our audit have been received from the divisions not visited by us.

   c) The reports on the accounts of the division 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.

   d) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account, and with the returns received from divisions not visited by us.

   e) In our opinion, the aforesaid Standalone Financial Statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   f) Ministry of Corporate Affairs vide notification no 1/2/2014-CL-V dated 23rd February 2018 has exempted the companies engaged in defence production to the extent of application of relevant Accounting Standard on Segment Reporting. In view of the above, no disclosure is made by the company as required Ind AS 108. Subject to the above, We state that, in our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act

   g) 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.

   h) 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 A".

   i) The provisions of Section 197 are not applicable to a government Company (in terms of MCA Notification NO.GSR 463 (E) dated 05th June 2015) as the managerial remuneration is paid as per the appointment letter from the Government of India.

   j) With respect to the other matters to be included in the Auditors' 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:

      i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements.

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

      iii. There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the company.

2. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

3. As required by Section 143(5) of the Act, we have given in **'Annexure-C'** a statement on the matters specified by the Comptroller and Auditor General of India for the Company.

For MAHARAJ N R SURESH AND CO.
Firm Regn. No. 001931S

N R Suresh
Membership No. 021661
Partner
Chartered Accountants

Place: Bengaluru
Date: May 27, 2019

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF 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").

We have audited the Internal Financial Controls over Financial Reporting of HINDUSTAN AERONAUTICS LIMITED("the Company") as of March 31, 2019 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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, 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 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.

Auditors' Responsibility

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 on Audit of Internal Financial Controls Over Financial Reporting (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 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.

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 Auditors' judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.

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

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:

(i) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(ii) 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

(iii) 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

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

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 March 31, 2019, 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 issued by ICAI.

For MAHARAJ N R SURESH AND CO.
Firm Regn. No. 001931S

N R Suresh
Membership No. 021661
Partner
Chartered Accountants

Place: Bengaluru
Date: May 27, 2019

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF HINDUSTAN AERONAUTICS LIMITED.

The Annexure referred to in Paragraph 2 under the heading 'Report on Other Legal and Regulatory Requirements' of our Report of even date:

(i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;

(b) These 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 nature of the assets.

(c) The title deeds of immovable properties are held in the name of the Company except as stated Annexure D as per Note 49 Clause 14.1,14.2,14.3,14.4 and 14.5

(ii) The Management has conducted physical verification of inventory at reasonable intervals and no material discrepancies were noticed.

(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.

(iv) In terms of Circular No. GSR 463(E) dated 05th June 2015 issued by Ministry of Corporate Affairs, Government of India, the Company being a Government Company engaged in Defence production is exempt from Section 185 and 186 of Companies Act 2013.

(v) The Company has not accepted any deposits from the public.

(vi) We have broadly reviewed the books of accounts relating to materials, labor 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) According to the information and explanations given to us in respect of Statutory dues:

(a) The Company is regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess,Goods and Service Tax and any other Statutory Dues to the appropriate authorities and there were no undisputed amounts payable which were in arrears as at 31st March 2019 for a period of more than six months from the date they became payable.

(b) Details of dues of Income Tax or Sales Tax or Service Tax or Duty of Customs or Duty of Excise or Value Added Tax, Cess and Goods and Service Tax have not been deposited as on 31st March 2019 on account of disputes are given below:

SALES TAX/VAT/CST *

Assessment Year	Amount (₹ In Lakhs)	Appeal by	Forum where dispute is pending
1986-87 To 2001-02	19,375	The Company	1st Appellate Authority
2004-15 & 2008-09	7,523	The Company	Additional Commissioner Appeal
2012-14 & 2015-16	1,84,351	The Company	Bombay High Court
2012-13	10,142	Asst. Commissioner LTU	CST TRIBUNAL
2011-12	8,367	Asst. Commissioner LTU	CST TRIBUNAL
2005-06	138	The Company	CCT. J&K
2004-05	936	The Company	Deputy Commissioner (Assessments)
2000-01	9	The Company	Dy. com. of Sales Tax Nasik
2014-18	50,032	The Company	HIGH COURT
2003-04, 2008-09 & 2010-15	30,333	The Company	High Court
2005-06 To 2011-12	5,42,444	The Company	IInd Appellate Authority Mumbai
2013-14	14	The Company	Ist Appellate Authority Nashik
2010-11	349	The Company	Joint Commissioner Sale Tax
2015-16	4,076	The Company	Jt. Commissioner(A), Commercial Tax, Kanpur
2002-05 & 1999	11,465	The Company	Maharashtra Sales Tax Tribunal, Mumbai
2004-05	270	The Company	Sr. Deputy Commissioner of Sales Tax Nasik
2002-03 & 2009-10	167	The Company	STAT
1996 To 2015	39,003	The Company	Tribunal
2005 To 2009	1,750	The Company	WB commercial Taxes Appellate and Revisional Board, Kolkata
Total	**9,10,742**		

Finance Act,1994 - Service Tax $

Assessment Year	Amount (₹ in Lakhs)	Appeal By	Forum where dispute is pending
2004-05 to 2008-09	425	The Company	Central Excise and service Tax Appellate Tribunal, New Delhi
2005-06 to 2009-10	385	The Company	CESTAT
2006-15	98	The Company	CESTAT
2010-14 & 2015-16	881	The Company	CESTAT
April 2009 to March 2013	450	The Company	CESTAT
2011-12 to 2014-15	12507	The Company	CESTAT Allahabad
2002 To 2011	1020	The Company	CESTAT Bangalore
Apr 2009 to March 2011	74	The Company	CESTAT Bangalore
Apr 2011 to June 2017	1483	The Company	CESTAT Bangalore
Apr 2011 to March 2014	639	The Company	CESTAT Bangalore
Jul 2007 to Jul 2008	1168	The Company	CESTAT Bangalore
Oct 2007 to March 2009	120	The Company	CESTAT Bangalore
Oct 2009 to March 2011	84	The Company	CESTAT Bangalore
2007-08 to 2011 -12	2647	The Company	CESTAT EZB, Kolkata
2012 To 2015	557	The Company	CESTAT EZB, Kolkata
2006-07 To 2017-18	54385	The Company	CESTAT, Mumbai
2010-11	57	The Company	Commissioner (Appeals)
Mar 2012 to March 2014	182	The Company	Commissioner of Appeals
2015-16	138	The Company	Commissioner of CGST & Central Excise and Customs, Bhubaneswar
Service Tax	5096	The Company	Pending with Tribunal
2007-08 & 2010-11	11235	The Company	Service Tax Department
2011-14 & 2017 & 18	4644	The Company	Service Tax Department
2006 To 2008	5292	Service Tax Dept	Supreme Court
2005-06 & 2009-10	343	The Company	Tribunal
TOTAL	**103910**		

Sl. No.	Assessment Year/ Period relating to	Amount (₹ in Lakhs)	Appeal By	Forum where dispute is pending
	CUSTOMS DUTY #			
1	2012-13	13,215	COMPANY	CCE (Appeals), Bangalore
2	2012-13	10,353	COMPANY	CESTAT Bangalore
	TOTAL	**23,569**		
Sl. No.	**Assessment Year/ Period relating to**	**Amount (₹ in Lakhs)**	**Appeal By**	**Forum where dispute is pending**
1	Income Tax **			
2	2005-06, 2006-07 and 2010-11*	25,527	Department and company	High Court
3	2007-08, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16*	1,79,533	The Company	Income Tax Appellate Tribunal
	TOTAL	**2,05,060**		

* Sales Tax paid against disputed tax ₹ 195.03 Lakhs

$ Service Tax paid against disputed tax ₹ 151.31 Lakhs

\# Customs Duty paid against disputed tax ₹ 3127.20 Lakhs

** Income Tax paid against disputed Tax ₹ 174,200 Lakhs

(viii) The Company has not defaulted in repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders.

(ix) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) during the year.

(x) A fraud involving misappropriation of funds by the Company official in collusion with six contractors has been noticed by the management and referred to Vigilance department for further investigations. The Vigilance department based on the investigations has lodged FIR with Central Bureau of Investigations (CBI) Bhubaneswar. An amount of Rs.1876 lakhs has been provisionally assessed as fraudulent payments made to contractors during the period from December 2013 to September 2018, and reported in the FIR with CBI. Adjustment of expenses relating to capital and other accounts includes the above mentioned amount. The matter is under investigation by CBI. As explained to us no fraud has been committed by the Company.

(xi) The provisions of Section 197 are not applicable to a Government Company (in terms of MCA Notification no. GSR 463(E) dated 05th June 2015) as the managerial remuneration is paid as per the appointment letter from Government of India.

(xii) The Company is not a Nidhi Company and hence complying with the provisions of the Nidhi Rules, 2014 does not arise.

(xiii) All transactions with the related parties are in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable and the details have been disclosed in the Financial Statements, etc., 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 under review.

(xv) The Company has not entered into any non-cash transactions with Directors or persons connected with him.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For MAHARAJ N R SURESH AND CO.
Firm Regn. No. 001931S

N R Suresh
Membership No. 021661
Partner
Chartered Accountants

Place: Bengaluru
Date: May 27, 2019

ANNEXURE – C TO THE INDEPENDENT AUDITOR'S REPORT

Directions indicating the areas to be examined by the Auditors during the course of audit of annual accounts of Hindustan Aeronautics Limited for the year 2018-19 issued by the Comptroller & Auditor General of India under Section 143(5) of the Companies Act, 2013.

Sl. No.	Areas Examined	Observation/Finding
1.	Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes. The Company has ERP System in place and the accounting entries are generated in the System as and when transaction are made. The ERP system is not linked to Internet and the modules in the ERP system are not interlinked. In view of the same some Journal Entries are required to be made to account for certain adjustment / correction derived basically from the System and then fed in to the system through required accounting process with a maker and Checker concept to ensure the integrity of the System.
2	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated.	Not applicable
3	Whether funds received/receivable for specific schemes from Central/State agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.	The Company has received a sum of ₹ 13229 lakhs from Ministry of Defence (MOD), Government of India (GOI), towards investments by the Company in M/s Multirole Transport Aircraft Ltd (MTAL). Out of the above, the Company has till date invested a sum of ₹ 11347 lakhs (PY ₹ 11347 lakhs). The balance of ₹ 1882 lakhs (PY ₹ 1882 lakhs) is shown other Current liabilities. Interest @ 6.85 % has been provided on the unutilized portion under other financial liabilities.

For MAHARAJ N R SURESH AND CO.
Firm Regn. No. 001931S

N R Suresh
Membership No. 021661
Partner
Chartered Accountants

Place: Bengaluru
Date: May 27, 2019

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Confidential
By Speed Post

सं./No. Reports/2019-20/HAL(18-19)/145

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

दिनांक/ DATE. 25-06-2019

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 standalone accounts of Hindustan Aeronautics Limited, Bangalore for the year ended 31 March 2019.

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,

(Arun Kumar VM)
Deputy Director (Reports)

Encl: As above.

भारतीय लेखापरीक्षा तथा लेखा विभाग
INDIAN AUDIT & ACCOUNTS DEPARTMENT
प्रथम तल, बसव भवन, श्री बसवेश्वर रोड, बेंगलूर – 560 001.
1st Floor, Basava Bhavan, Sri Basavesware Road, Bangalore - 560 001.

द.भा./Phone : 2226 7646 / 2226 1168

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 2019.

The preparation of financial statements (Standalone Financial Statement) of **Hindustan Aeronautics Limited, Bangalore** for the year ended 31 March 2019 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 27 May 2019.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **Hindustan Aeronautics Limited, Bangalore** for the year ended 31 March 2019 under section 143(6)(a) of the Act. 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 supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

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

25/06/2019

(Santosh Kumar, IA&AS)
Pr. Director of Commercial Audit
& Ex-Officio Member, Audit Board, Bangalore.

Bangalore
Date: 25 June 2019.

Balance Sheet

As at March 31, 2019

(₹ in Lakhs)

S.No.	Particulars	Note No.	31st March 2019	31st March 2018	1st April 2017
	ASSETS				
(1)	**A. Non-current assets**				
	(a)-i Property, Plant and Equipment	1			
	Gross Block	1A	**869158**	783914	693077
	Less: Accumulated Depreciation	1B	**255133**	174231	114825
	Net Block		**614025**	609683	578252
	ii Property, Plant and Equipment-Customer Funded	1			
	Gross Block	1D	**25154**	13385	5854
	Less: Accumulated Depreciation	1E	**2783**	1065	322
	Net Block		**22371**	12320	5532
	(b) Capital work-in-progress	2	**77733**	61692	62112
	(c) Investment Property	3			
	Gross Block	3A	**4**	4	4
	Less: Accumulated Depreciation	3B	**-**	-	-
	Net Block		**4**	4	4
	(d) Goodwill	4			
	(e) Other Intangible assets	5			
	Gross Block	5A	**239008**	213479	193434
	Less: Accumulated Amortization	5B	**92429**	72513	38052
	Less: Impairment	5C	**29480**	6366	4214
	Net Block		**117099**	134600	151168
	(f) Intangible Assets under Development	6			
	Gross Block	6A	**81781**	84090	76828
	Less: Accumulated Amortization	6B	**-**	-	-
	Less: Impairment	6C	**1795**	-	-
	Net Block		**79986**	84090	76828
	(g) Financial Assets				
	(i) Investments in Subsidiaries and Joint Ventures	7	**15292**	13566	19139
	(ii) Investments-Others	7A	**74887**	85371	78935
	(iii) Trade Receivables	8	**9044**	-	-
	(iv) Contract Assets	8A	**-**	-	-
	(v) Loans	9	**6424**	5595	5889
	(vi) Others	10	**34843**	35800	36713
	(h) Deferred tax Assets (net)	11	**-**	-	-
	(i) Other Non-Current Assets	12	**42216**	22201	22534
	Sub Total - A		**1093924**	**1064922**	**1037106**
(2)	**B. Current assets**				
	(a) Inventories	13	**1976451**	1937518	2134039
	(b) Financial Assets				
	(i) Investments	14	**-**	-	-
	(ii) Trade receivables	15	**1393897**	675079	399536
	(iii) Contract Assets	15A	**302005**	99076	22480
	(iv) Cash and Cash Equivalents	16	**1150**	9154	277143
	(v) Bank Balances other than (iv) above	17	**10071**	643266	834541
	(vi) Loans	18	**4490**	6340	9840
	(vii) Other Financial Assets	19	**118490**	217013	257172
	(c) Current Tax Assets (Net)	20	**-**	-	11493
	(d) Other Current Assets	21	**142090**	113705	69031
	Sub Total - B		**3948644**	**3701151**	**4015275**
	Total Assets (A+B)		**5042568**	**4766073**	**5052381**

Balance Sheet

As at March 31, 2019

(₹ in Lakhs)

S.No.	Particulars	Note No.	31st March 2019	31st March 2018	1st April 2017
	EQUITY AND LIABILITIES				
(1)	**A. Equity**				
	(a) Equity Share capital	22	**33439**	33439	36150
	(b) Other Equity	23	**1051413**	915126	971039
	Sub Total - A		**1084852**	**948565**	**1007189**
	LIABILITIES				
(1)	**B. Non-current liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	24	**10000**	10000	-
	(ii) Trade payables	25			
	A) total outstanding dues of micro enterprises and small Enterprises		**-**	-	-
	B) total outstanding dues of creditors other than micro enterprises and Small Enterprises		**273**	282	19255
	Sub Total- Trade payables		**273**	**282**	**19255**
	(iii) Other Financial Liabilities	26	**38632**	39621	37157
	(b) Provisions	27	**151611**	213838	231729
	(c) Deferred Tax Liabilities (Net)	28	**72024**	97758	95992
	(d) Other Non-Current Liabilities	29	**841652**	846215	984723
	Sub Total - B		**1114192**	**1207714**	**1368856**
(2)	**C. Current Liabilities**				
	(a) Financial liabilities				
	(i) Borrowings	30	**405801**	76406	95000
	(ii) Trade payables	31			
	A) total outstanding dues of micro enterprises and small Enterprises		**1513**	814	342
	B) total outstanding dues of creditors other than micro enterprises and Small Enterprises		**261393**	165746	157092
	Sub Total- Trade payables		**262906**	166560	157434
	(iii) Other financial liabilities	32	**177559**	147932	111955
	(b) Other Current Liabilities	33	**1430411**	1802720	1906140
	(c) Provisions	34	**449357**	345167	287813
	(d) Current Tax Liabilities (Net)	35	**117490**	71009	117994
	Sub Total - C		**2843524**	**2609794**	**2676336**
	Total Equity and Liabilities - (A+B+C)		**5042568**	**4766073**	**5052381**

Note '1' to '49' and Accounting Policies attached form part of the Accounts

As per our Report attached

For and on behalf of the Board of Directors

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

Statement of Profit and Loss

for the year ended March 31, 2019

(₹ in Lakhs)

S. No.	Particulars	Note No.	31st March 2019	31st March 2018
	REVENUE			
I	Revenue from Operations	36	**1989412**	1862378
II	Other Income	37	**37611**	76121
III	**Total Income (I+II)**		**2027023**	**1938499**
IV	**EXPENSES**			
	Cost of Materials Consumed	38	**735668**	782904
	Purchases of Stock-in-Trade	38A	**30749**	21730
	Excise Duty		**-**	10453
	Changes in Inventories of Finished Goods, Stock-in-Trade, Work-in-Progress and Scrap	39	**116740**	72877
	Employee Benefits Expense	40	**429517**	429899
	Finance Costs	41	**16960**	2855
	Depreciation , Amortization Expense	42	**102849**	94697
	Impairment Loss	42A	**24909**	2152
	Other Expenses	43	**161572**	137496
	Direct Input to WIP / Expenses Capitalised	44	**30258**	52303
	Provisions	45	**130001**	110481
	Total Gross Expenses		**1779223**	1717847
	Less: Expenses relating to Capital and Other Accounts	46	**114964**	103333
	Total expenses (IV)		**1664259**	**1614514**
V	Profit/(Loss) before Exceptional items and Tax (III-IV)		**362764**	323985
VI	Exceptional Items			
VII	Profit/(loss) before tax (V-VI)		**362764**	323985
VIII	Tax expense:			
	(1) Current Tax		**158629**	123477
	(2) Earlier Tax		**982**	-
	(3) Deferred Tax		**-25091**	1766
IX	Profit (Loss) for the period from Continuing Operations (VII-VIII)		**228244**	198742
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)		**228244**	**198742**
XIV	**Other Comprehensive Income**			
	A (i) Items that will not be reclassified to profit or loss	47	**-8962**	-23085
	(ii) Income tax relating to items that will not be reclassified to Profit or Loss		**3132**	7983

Statement of Profit and Loss

for the year ended March 31, 2019

(₹ in Lakhs)

S. No.	Particulars	Note No.	31st March 2019	31st March 2018
	B (i) Items that will be reclassified to profit or loss	48	**9**	17
	(ii) Income tax relating to items that will be reclassified to Profit or Loss		**-3**	-6
			-5824	**-15091**
XV	**Total Comprehensive Income for the period (XIII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)**		**222420**	183651
XVI	Earnings per Equity Share (for Continuing Operations):			
	(1) Basic		**68.26**	56.15
	(2) Diluted		**68.26**	56.15
XVII	Earnings per Equity Share (for Discontinued Operations):			
	(1) Basic			
	(2) Diluted			
XVIII	Earnings per Equity Share (for Continuing & Discontinued Operations):			
	(1) Basic		**68.26**	56.15
	(2) Diluted		**68.26**	56.15

Note '1' to '49' and Accounting Policies attached form part of the Accounts

As per our Report attached

For and on behalf of the Board of Directors

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

Standalone - Statement of Changes in Equity

for the year ended March 31, 2019

A. Equity Share Capital

(₹ in Lakhs)

Balance as at April 1, 2017	Changes in Equity Share Capital during 2017-18	Balance as at 31st March 2018	Balance as at April 1, 2018	Changes in Equity Share Capital during 2018-19	Balance as at 31st March 2019
36150	-2711	33439	33439	-	**33439**

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 operations	
Balance as at April 1, 2017	**49566**	**12050**	**914647**	**-**	**-5223**	**-1**	**971039**
Current Year Transfer	16723	2711					**19434**
Profit for the year				198742			**198742**
Written Back in Current Year	-948						**-948**
Surplus Transferred from Statement of Profit and Loss			49819				**49819**
Transfer from Research & Development Reserve			948				**948**
Transfer to Research & Development Reserve				-16723			**-16723**
Withdrawn towards Buy Back of Shares			-110075				**-110075**
Interim Dividend including tax							**-**
Final Dividend including tax				-129489			**-129489**
Transfer to Capital Redemption Reserve				-2711			**-2711**
Transfer from General Reserves				-			**-**
Transfer to General Reserves				-49819			**-49819**
Items that will be reclassified to profit or loss						17	**17**
Income tax relating to items that will be reclassified to profit or loss						-6	**-6**
Items that will not be reclassified to profit or loss					-23085		**-23085**
Income tax relating to items that will not be reclassified to profit or loss					7983		**7983**
Balance as at March 31, 2018	**65341**	**14761**	**855339**	**-**	**-20325**	**10**	**915126**
Balance as at April 1, 2018*	**65341**	**14761**	**849024**	**-**	**-20325**	**10**	**908811**
Current Year Transfer	21488	-					**21488**
Profit for the year				228244			**228244**
Written Back in Current Year	-809						**-809**

Standalone - Statement of Changes in Equity

for the year ended March 31, 2019

(₹ 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 operations	
Surplus Transferred from Statement of Profit and Loss			126938				**126938**
Transfer from Research & Development Reserve			809				**809**
Transfer to Research & Development Reserve				-21488			**-21488**
Withdrawn towards Buy Back of Shares							**-**
Interim Dividend including tax				-79818			**-79818**
Final Dividend including tax							**-**
Transfer to Capital Redemption Reserve							**-**
Transfer to General Reserves				-126938			**-126938**
Items that will be reclassified to profit or loss						9	**9**
Income tax relating to items that will be reclassified to profit or loss						-3	**-3**
Items that will not be reclassified to profit or loss					-8962		**-8962**
Income tax relating to items that will not be reclassified to profit or loss					3132		**3132**
Balance as at March 31, 2019	**86020**	**14761**	**976771**	**-**	**-26155**	**16**	**1051413**

* Refer Clause 1B of Note-49 for reconciliation between Other Equity as on 31.03.2018 & 01.04.2018

For and on behalf of the Board of Directors

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

Standalone Statement of Cash Flow

for the year ended March 31, 2019

(₹ in Lakhs)

Sl. No.	Particulars	Year ended 31st March 2019		Year ended 31st March 2018	
I.	**Cash flow from Operating activities:**				
	Profit before tax		**362764**		**323985**
	Adjustments for:				
	(Profit)/Loss on Sale of Property, Plant & Equipment	**-58**		-50	
	Finance cost paid	**16960**		2855	
	Dividend Received	**-182**		-125	
	Net (Gain)/Loss on Fair Value Adjustment	**37**		40	
	Depreciation and amortization expense	**127758**		96849	
	Provision for Diminution in Value of Investments	**275**		6293	
	Provision for Doubtful Debts	**719**		4125	
	Provision for Doubtful Claims	**2153**		15973	
	Provision for Replacement and Other charges	**51323**		25029	
	Provision for Warranty	**22186**		8634	
	Provision for Raw Materials and Components, Stores and Spare parts and Construction Materials	**9638**		12829	
	Provision for Liquidated Damages	**43707**		37598	
	Sub-total		**274516**		**210050**
	Operating Profit Before Working Capital Changes		**637280**		**534035**
	Adjustments for Changes in Operating Assets and Liabilities				
	Trade Receivables	**-931923**		-356264	
	Loans, Financial Assets and Other Assets	**-12249**		-18939	
	Inventories	**19367**		183692	
	Trade Payables	**96337**		-9847	
	Financial Liabilities, Provisions and Other Liabilities	**-444771**		-255053	
	Sub-total		**-1273239**		**-456410**
	Cash generated from Operations		**-635959**		**77625**
	Direct Taxes Paid		**-110001**		-150992
	Net Cash from / (used in) Operating Activities (a)		**-745960**		**-73367**
II.	**Cash flow from Investing activities**				
	Purchase of Property, Plant & Equipment[3]	**-106532**		-97678	
	Sale of Property, Plant & Equipment	**159**		138	
	Purchase of Intangible Assets	**-30157**		-27307	
	Purchase of Investment in Joint Ventures	**-1**		-215	
	Purchase of Investment in Subsidiary	**-2000**		-505	
	Sale of other non current Investments	**10484**		-6436	
	Proceeds from maturity of short term deposits	**633195**		191275	
	Dividend Received from Joint Ventures	**182**		125	
	Net Cash from / (used in) Investing Activities (b)		**505330**		**59397**

Standalone Statement of Cash Flow

for the year ended March 31, 2019

(₹ in Lakhs)

Sl. No.	Particulars	Year ended 31st March 2019		Year ended 31st March 2018	
III.	**Cash flow from Financing Activities**				
	Buy Back of Shares	**-**		-112786	
	Loan from Banks	**329395**		-8594	
	Finance cost paid	**-16960**		-2855	
	Lease Liability			-311	
	Dividend Paid (Interim/ Final Dividend inclusive of Tax)	**-79818**		-129489	
	Net Cash Flow form / (used in) Financing Activities (c)		**232617**		**-254035**
	Abstract:				
I.	Net Cash Flow from Operating Activities (a)		**-745960**		-73367
II.	Net Cash Flow from Investing Activities (b)		**505330**		59397
III.	Net Cash Flow from Financing Activities (c)		**232617**		-254035
IV.	Exchange differences in translating financial statements of foreign operations		**9**		17
	Net increase in Cash and Cash Equivalents during the year		**-8004**		**-267989**
	Cash and Cash Equivalents at the beginning of the year[2]		**9154**		277143
	Closing Cash and Cash Equivalents at the end of the year[2]		**1150**		9154
	Net increase in Cash and Cash Equivalents during the year		**-8004**		**-267989**

Notes:

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard 7 on Cash Flow Statements
2. Cash & Cash equivalent include Short Term Deposits with Bank
3. Purchase of Fixed Assets are stated inclusive of capital work-in-progress between the beginning and end of the period
4. Previous year figures are rearranged or regrouped wherever necessary
5. Cash and Cash Equivalents are available fully for use

As per our Report attached

For and on behalf of the Board of Directors

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

Significant Accounting Policies

1. BASIS OF ACCOUNTING

The 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 is recognized in the period in which the estimates are revised.

3. PROPERTY PLANT & EQUIPMENT (PPE)

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 the intended use by 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) The assets created after 01.04.2016 has been capitalized in respect of Customer Funded Asset.

g) Goods and Service tax (GST) charged by vendors on Property plant and Equipment (PPE) other than civil works are not capitalized, but considered for Input GST credit.

h) Depreciation is calculated on straight line basis over estimated useful life as prescribed in Schedule II of the Companies Act, 2013.

i) Plant and Equipment individually costing ₹ 50,000 and below are fully depreciated in the year of purchase.

j) Where part of an item of Property, Plant and Equipment with a cost significant in relation to the cost and have different useful lives, they are treated as separate components and depreciated over their estimated useful lives.

k) 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.

l) CSR Assets are fully depreciated in the year of capitalization.

m) The cost and the related accumulated depreciation are 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.

n) 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.

Significant Accounting Policies

4. INVESTMENT PROPERTY

a) A property is considered as investment property only if the same is held for capital appreciation and /or earning rentals. Properties held by the Company (directly or indirectly) which are used in the production of supply of goods or services for administrative purposes are not considered as Investment Property.

b) 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.

5. INTANGIBLE ASSETS

a) Intangible Assets controlled and from which future economic benefits are expected to flow and having an useful life 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 production on technical estimate and to the extent not amortized are carried forward.

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 three years, 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.

6. LEASE ACCOUNTING

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Title may or may not eventually be transferred.

Finance Lease:

a) At commencement, assets and liabilities in the balance sheet are recognized at lower of fair value and the present value of the minimum lease payments, each determined at inception of lease.

b) Minimum lease payments shall be apportioned between finance charge and the outstanding liability.

c) Leased assets are depreciated over the useful life of the leased assets.

d) Contingent rentals are recognized as expenses in the period in which they are incurred.

e) Impairment on the leased assets are reviewed annually and when there is an indication of impairment, the asset is impaired.

Operating Lease:

a) Lease other than finance leases are operating leases.

b) Upfront lease payments, if any, made under operating leases are recognized in the statement of profit and loss over the terms of the lease.

c) Rent and maintenance charges paid for assets/ liabilities taken on operating leases are charged to revenue in the period in which they arise.

Significant Accounting Policies

7. NON CURRENT INVESTMENTS

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 Investments.

c) Cost of Investment includes acquisition charges such as brokerage, fees and duties.

d) The Company reviews the book value of the investment on a yearly basis and provides for diminution in the value of the investment based on the net worth of the investee company.

e) Impairment in the value of investment is made only if in the opinion of management when there is a permanent fall in value of investment.

8. IMPAIRMENT OF ASSETS

As at 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 AND OTHER PAYABLES

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

12. 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.

Significant Accounting Policies

13. REVENUE RECOGNITION

13.1. Manufacturing of Aircraft/ Helicopter/Spares/Repair Contracts

a) Revenue is recognized at a point in time when there is a transfer of significant risks and rewards of ownership and on satisfaction of performance obligation on the basis of:

i. Acceptance by the buyer's Inspector, by way of Signaling Out Certificate (SOC), in the case of Aircrafts/ Helicopters,

ii. Acceptance by the Buyer's inspection agency/SOC or as agreed to by the Buyer, in the case of Repair & Overhaul of Aircraft/Helicopter/Engine, Rotables, Site repairs, Cat 'B' repair servicing etc.,

iii. For other deliverables likes Spares, Revenue is recognized based on the Acceptance by the buyer's inspection agency or as agreed to by the buyer.

b) Revenue on Warranty is being recognized proportionately to the extent of warranty falling within the reporting period.

c) Revenue is recognized based on the prices agreed with Customers. Where the prices are yet to be agreed/ determined, the revenue is recognised at the most likely amount based on past experience. Differential revenue, if any, is recognised on receipt of Government sanction.

13.2. Development Contracts

a) Revenue is recognized over a period of time on incurrence of expenditure identifiable to work orders:

i. where milestones have been defined, on achievement of milestone under the output method.

ii. where milestones have not been defined, on incurrence of expenditure under the input method

b) Where the customer's sanction for revision is pending, the expenditure incurred is retained in work-in-progress/ intangible asset. Subsequent revenue is recognized on receipt of revised financial sanction from the customer.

13.3. Significant Financing Component

a) For the majority of the contracts, advance payments are received, prior to commencement of work and milestone payments are paid in accordance with the terms of the contract.

b) Payments received from customers in advance are not considered to be a significant financing component because they are used to meet working capital demands that can be higher in the early stages of the contract.

13.4. Contract Modification

A contract modification exists when the change in scope is agreed but the corresponding change in price is not determined. In such circumstances, revenue is recognized, based on the Company's assessment of the estimated change in the transaction price arising from the modification.

13.5. Receivables

a) Receivables represent the Company's unconditional right to consideration under the contract. The right to consideration is considered unconditional, if only passage of time is required before payment of that consideration is due.

b) Debts from the Government departments are generally treated as fully recoverable, based on past experience, and hence the Company does not recognize 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.

Significant Accounting Policies

13.6. Contract Assets

Contract Assets represents the Company's right to receive the consideration in exchange for the Goods or Services that the Company has transferred to the Customer, when that right is conditioned on something other than passage of time.

14. Transition to Ind AS 115

Effective April 1, 2018, the Company has applied Ind AS 115 on Revenue recognition. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Company has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognized at the date of initial application (i.e. April 1, 2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information continues to be reported under Ind AS 18 and Ind AS 11.

15. EMPLOYEE BENEFITS

a) Gratuity and Provident Fund are Defined Benefit Plans and the 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 respective trust. The Company's liability is limited to the extent of contribution made to these trust.

16. FOREIGN CURRENCY TRANSACTION

Assets and Liabilities in foreign currency are re-instated at the rate prevalent at the Balance Sheet date. The Income / Expenditure on account of such transaction is charged to Statement of the 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.

Significant Accounting Policies

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.

20. The functional currency of the Company is Indian Rupee.

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

Place: Bengaluru
Date: 27.05.2019

Notes

to the Financial Statements for the year ended March 31, 2019

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 31st March 2019

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2018	Additions	Reclassification / Adjustment	Disposals	Gross Block as at 31st March 2019
Cost					
Fixed Assets [1]					
Land					
- Leasehold	1235	-	-	-	1235
- Freehold*	1787	-134	-	-	1653
Buildings	97055	9053	-52	-	106056
Plant and Equipment**	168911	25248	-1	237	193921
Furniture and Fixtures	7051	861	-	45	7867
Vehicles	5543	489	-	109	5923
Office Equipment	9028	1566	1	23	10572
Assets Used for CSR Activities	4525	-	-	-	4525
Others					-
Roads and Drains	4412	895	-	-	5307
Water Supply	2920	255	52	-	3227
Rail Road Sidings	-	-	-	-	-
Runways	1776	-	-	-	1776
Aircraft/Helicopters	19754	4739	6937	-	31430
Sub Total	**323997**	**42972**	**6937**	**414**	**373492**
Special Tools	459917	35749	-	-	495666
Total	**783914**	**78721**	**6937**	**414**	**869158**

Notes

to the Financial Statements for the year ended March 31, 2019

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

(₹ in Lakhs)

Particulars	Provision as at 1st April 2018	Additions	Reclassi-fication / Adjust-ment	Disposals/ Reversals	Provisions as at 31st March 2019	Net Block as at 31st March 2019	Net Block as at 31st March 2018
Depreciation [2]							
Land							
- Leasehold*	36	19	-	-	**55**	1180	1199
- Freehold	-	-	-	-	**-**	1653	1787
Buildings	10455	3889	-52	-	**14292**	91764	86600
Plant and Equipment	51418	18880	-1	225	**70072**	123849	117493
Furniture and Fixtures	4414	1234	3	34	**5617**	2250	2637
Vehicles	1896	728	-3	31	**2590**	3333	3647
Office Equipment	6046	1790	1	23	**7814**	2758	2982
Assets Used for CSR Activities	4525	-	-	-	**4525**	-	-
Others					**-**	-	-
Roads and Drains	2103	567	-	-	**2670**	2637	2309
Water Supply	822	350	52	-	**1224**	2003	2098
Rail Road Sidings	-	-	-	-	**-**	-	-
Runways	757	224	-	-	**981**	795	1019
Aircraft/Helicopters	2440	2758	-	-	**5198**	26232	17314
Sub Total	**84912**	**30439**	**-**	**313**	**115038**	**258454**	**239085**
Special Tools	89319	50776	-	-	**140095**	355571	370598
Total	**174231**	**81215**	**-**	**313**	**255133**	**614025**	**609683**

Above Includes:	31st March 19
Gross Value of Assets with M/s. Midhani	**751**
Cumulative Depreciation in respect of Assets with M/s. Midhani	**613**
	138

	31st March 19
1. Gross Value of Assets retired from Active Use	**3357**
2. Less : Cumulative Depreciated Value of Assets retired from Active Use.	**3344**
WDV of Assets Retired from Active Use.	**13**

Refer Note No. 49 Clause 14

* Negative in Additions represents refund of Land Coversion Charges
** Additions includes ₹ 104 lakh finance cost has been capitalised

Notes

to the Financial Statements for the year ended March 31, 2019

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 31st March 2018

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2017	Additions	Reclassi-fication / Adjustment	Disposals	Transfer to (-) from (+) Div	Gross Block as at 31st March 2018
Cost						
Fixed Assets [1]						
Land						
- Leasehold	790	445	-	-	-	1235
- Freehold	1787	-	-	-	-	1787
Buildings	71654	25164	-	-	237	97055
Plant and Equipment	138174	30823	-44	42	-	168911
Furniture and Fixtures	6032	1043	5	29	-	7051
Vehicles	4878	748	-5	78	-	5543
Office Equipment	7465	1543	44	24	-	9028
Assets Used for CSR Activities	4522	3	-	-	-	4525
Others						
Roads and Drains	3187	1225	-	-	-	4412
Water Supply	2270	652	-	2	-	2920
Rail Road Sidings	-	-	-	-	-	-
Runways	1011	765	-	-	-	1776
Aircraft/Helicopters	14212	5542	-	-	-	19754
Sub Total	**255982**	**67953**	**-**	**175**	**237**	**323997**
Special Tools	437095	22822	-	-	-	459917
Total	**693077**	**90775**	**-**	**175**	**237**	**783914**

Notes

to the Financial Statements for the year ended March 31, 2019

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

(₹ in Lakhs)

Particulars	Provision as at 1st April 2017	Additions	Reclassi-fication / Adjust-ment	Transfer to (-) from (+) Div	Disposals/ Reversals	Provisions as at 31st March 2018	Net Block as at 31st March 2018	Net Block as at 31st March 2017
Depreciation [2]								
Land								
- Leasehold	20	16	-	-	-	36	1199	770
- Freehold	-	-	-	-	-	-	1787	1787
Buildings	7057	3395	-	3	-	10455	86600	64597
Plant and Equipment	33492	17980	-32	-	22	51418	117493	104682
Furniture and Fixtures	2958	1463	7	-	14	4414	2637	3074
Vehicles	1208	727	-8	-	31	1896	3647	3670
Office Equipment	4155	1877	33	-	19	6046	2982	3310
Assets Used for CSR Activities	4522	3	-	-	-	4525	-	-
Others						-	-	-
Roads and Drains	1637	466	-	-	-	2103	2309	1550
Water Supply	433	390	-	-	1	822	2098	1837
Rail Road Sidings	-	-	-	-	-	-	-	-
Runways	526	231	-	-	-	757	1019	485
Aircraft/Helicopters	1514	926	-	-	-	2440	17314	12698
Sub Total	**57522**	**27474**	**-**	**3**	**87**	**84912**	**239085**	**198460**
Special Tools	57303	32016	-	-	-	89319	370598	379792
Total	**114825**	**59490**	**-**	**3**	**87**	**174231**	**609683**	**578252**

Above Includes:	31st March 18
Gross Value of Assets with M/s. Midhani	**751**
Cumulative Depreciation in respect of Assets with M/s. Midhani	**498**
	253

	31st March 18
1. Gross Value of Assets retired from Active Use	**3774**
2. Less : Cumulative Depreciated Value of Assets retired from Active Use.	**3760**
WDV of Assets Retired from Active Use.	**14**

Refer Note No. 49 Clause 14

Notes

to the Financial Statements for the year ended March 31, 2019

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

Following table represents the changes in Plant, Property & Equipment for the year ended 31st March 2019

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2018	Additions	Gross Block as at 31st March 2019
Cost			
Fixed Assets			
Buildings	5462	4623	**10085**
Plant and Equipment	7541	6685	**14226**
Furniture and Fixtures	149	214	**363**
Vehicles	120	42	**162**
Office Equipment	76	121	**197**
Others			
Roads and Drains	-	84	**84**
Water Supply	37	-	**37**
Total	**13385**	**11769**	**25154**

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

(₹ in Lakhs)

Particulars	Provision as at 1st April 2018	Additions	Disposals/ Reversals	Provisions as at 31st March 2019	Net Block as at 31st March 2019	Net Block as at 31st March 2018
Depreciation						
Buildings	143	245	-	**388**	**9697**	5319
Plant and Equipment	716	1229	-	**1945**	**12281**	6825
Furniture and Fixtures	132	129	-	**261**	**102**	17
Vehicles	35	18	-	**53**	**109**	85
Office Equipment	34	91	-	**125**	**72**	42
Others				**-**	**-**	-
Roads and Drains	-	2	-	**2**	**82**	-
Water Supply	5	4	-	**9**	**28**	32
Total	**1065**	**1718**	**-**	**2783**	**22371**	**12320**

Refer Note No. 49 Clause 8

Notes

to the Financial Statements for the year ended March 31, 2019

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

Following table represents the changes in Plant, Property & Equipment for the year ended 31st March 2018

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2017	Additions	Transfer to (-) from (+) Div	Gross Block as at 31st March 2018
Cost				
Fixed Assets				
Buildings	1704	3995	**-237**	**5462**
Plant and Equipment	3908	3633	**-**	**7541**
Furniture and Fixtures	97	52	**-**	**149**
Vehicles	71	49	**-**	**120**
Office Equipment	37	39	**-**	**76**
Others				**-**
Water Supply	37	-	**-**	**37**
Total	**5854**	**7768**	**-237**	**13385**

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

(₹ in Lakhs)

Particulars	Provision as at 1st April 2017	Additions	Transfer to (-) from (+) Div	Disposals/ Reversals	Provisions as at 31st March 2018	Net Block as at 31st March 2018	Net Block as at 31st March 2017
Depreciation							
Buildings	30	116	-3	-	143	5319	1674
Plant and Equipment	169	547	-	-	716	6825	3739
Furniture and Fixtures	90	42	-	-	132	17	7
Vehicles	17	18	-	-	35	85	54
Office Equipment	15	19	-	-	34	42	22
Others					-	-	-
Water Supply	1	4	-	-	5	32	36
Total	**322**	**746**	**-3**	**-**	**1065**	**12320**	**5532**

Refer Note No. 49 Clause 8

Notes

to the Financial Statements for the year ended March 31, 2019

Note 2 - Capital Work in Progress

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Buildings	**41820**	32175
Plant and Equipment	**23476**	15034
Furniture and Fixtures	**23**	-
Roads and Drains	**5**	81
Water Supply	**50**	-
Plant and Equipment under Inspection and in Transit	**7363**	12356
Special Tools	**4996**	2046
Total	**77733**	61692

Note -3- Investment Property

Following table represents the changes in Investment Property for the year ended 31st March 2019

Note 3A - Gross Block - Investment Property

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2018	Gross Block as at 31st March 2019
Fixed Assets		
Buildings	4	**4**
Total	**4**	**4**

Note 3B - Accumulated Depreciation - Investment Property

(₹ in Lakhs)

Particulars	Provision as at 1st April 2018	Disposals/ Reversals	Provisions as at 31st March 2019	Net Block as at 31st March 2019	Net Block as at 31st March 2018
Depreciation					
Buildings	-	-	**-**	**4**	4
Total	**-**	**-**	**-**	**4**	**4**

Refer Note No. 49 Clause 51

Note 3 - Investment Property

Following table represents the changes in Investment Property for the year ended 31st March 2018

Note 3A - Gross Block - Investment Property

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2017	Gross Block as at 31st March 2018
Fixed Assets		
Buildings	4	4
Total	**4**	**4**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 3B - Accumulated Depreciation - Investment Property

(₹ in Lakhs)

Particulars	Provision as at 1st April 2017	Disposals/ Reversals	Provisions as at 31st March 2018	Net Block as at 31st March 2018	Net Block as at 31st March 2017
Depreciation					
Buildings	-	-	-	4	4
Total	**-**	**-**	**-**	**4**	**4**

Refer Note No. 49 Clause 51

Note 5 - Other Intangible assets

Following table represents the changes in Other Intangible Assets for the year ended As At 31st March 2019

Note 5A - Gross Block - Other Intangible Assets

(₹ in Lakhs)

Particulars	As at 1st April 2018	Additions	Adjustment/ Disposals	As at 31st March 2019
Licence Fees	135691	368	-	**136059**
Computer Software	4969	872	-	**5841**
Documentation	37329	350	-	**37679**
Development Expenditure	35490	2130	21809	**59429**
Total	**213479**	**3720**	**21809**	**239008**

Note 5B - Accumulated Amortization - Other Intangible assets

(₹ in Lakhs)

Particulars	As at 1st April 2018	Amortisation	Adjustment/ Reversals	As at 31st March 2019
Licence Fees	35572	12126	-	**47,698**
Computer Software	3510	1211	-	**4,721**
Documentation	9063	2667	-	**11,730**
Development Expenditure	24368	3912	-	**28,280**
Total	**72513**	**19916**	**-**	**92,429**

Note 5C - Impairment Loss - Other Intangible assets

(₹ in Lakhs)

Particulars	As at 1st April 2018	Impairment Loss	Adjustment/ Reversals	As at 31st March 2019
Development Expenditure	6366	23114	-	**29,480**
Total	**6366**	**23114**	**-**	**29,480**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 5 - Other Intangible assets

Following table represents the changes in Other Intangible Assets for the year ended As At 31st March 2018

Note 5A - Gross Block - Other Intangible Assets

(₹ in Lakhs)

Particulars	As at 1st April 2017	Additions	Adjustment/ Disposals	As at 31st March 2018
Licence Fees	135174	517	-	135,691
Computer Software	4540	429	-	4,969
Documentation	33282	4047	-	37,329
Development Expenditure	20438	15052	-	35,490
Total	**193434**	**20045**	**-**	**213,479**

Note 5B - Accumulated Amortization - Other Intangible assets

(₹ in Lakhs)

Particulars	As at 1st April 2017	Amortisation	Adjustment/ Reversals	As at 31st March 2018
Licence Fees	25982	9590	-	35,572
Computer Software	2146	1364	-	3,510
Documentation	3506	5557	-	9,063
Development Expenditure	6418	17950	-	24,368
Total	**38052**	**34461**	**-**	**72,513**

Note 5C - Impairment Loss -Other Intangible assets

(₹ in Lakhs)

Particulars	As at 1st April 2017	Impairment Loss	Adjustment/ Reversals	As at 31st March 2018
Development Expenditure	4214	2152	-	6,366
Total	**4214**	**2152**	**-**	**6,366**

Note 6 - Intangible Assets under Development

Following table represents the changes in Intangible Assets under Development for the year ended 31st March 2019

Note 6A - Gross Carrying cost - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2018	Additions	Adjustment/ Disposals	As at 31st March 2019
Development Expenditure	84090	26437	-28746	**81781**
Total	**84090**	**26437**	**-28746**	**81781**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 6B - Accumulated Amortization - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2018	Amortisation	Adjustment/ Reversals	As at 31st March 2019
Development Expenditure	-	-	-	-
Total	**-**	**-**	**-**	**-**

Note 6C - Impairment Loss - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2018	Impairment Loss	Adjustment/ Reversals	As at 31st March 2019
Development Expenditure	-	1795	-	**1795**
Total	**-**	**1795**	**-**	**1795**

Note 6 - Intangible Assets under Development

Following table represents the changes in Intangible Assets under Development for the year ended 31st March 2018

Note 6A - Gross Carrying cost - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2017	Additions	Adjustment/ Disposals	As at 31st March 2018
Development Expenditure	76828	33420	-26158	84090
Total	76828	33420	-26158	84090

Note 6B - Accumulated Amortization - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2017	Amortisation	Adjustment/ Reversals	As at 31st March 2018
Development Expenditure	-	-	-	-
Total	**-**	**-**	**-**	**-**

Note 6C - Impairment Loss - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2017	Impairment Loss	Adjustment/ Reversals	As at 31st March 2018
Development Expenditure	-	-	-	-
Total	**-**	**-**	**-**	**-**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 7 - Investments - Subsidiaries & Joint Ventures

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
INVESTMENTS AT COST LESS PROVISION (UN-QUOTED)		
Investment in Equity Instruments		
1) In Subsidiaries		
M/s. Naini Aerospace Limited - 5,00,00,000 (3,00,00,000 P.Y.) Shares of ₹ 10 FV each fully paid	**5000**	3000
Indo Russian Helicopters Limited (IRHL) 5,05,000 (5,05,000 P.Y.) Shares of ₹ 100 FV each fully paid	**505**	505
Total In Equity of Subsidiaries (1)	**5505**	**3505**
2) 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
Less Provision for Impairment in value of Investment	**-**	-
Net -M/s BAe-HAL Software Ltd	**294**	**294**
B) M/s Safran HAL Aircraft Engines Private Ltd -11,40,000 (11,40,000 P.Y.) Shares of ₹ 100 F.V. each fully paid	**1140**	1140
Less Provision for Impairment in value of Investment	**-**	-
Net - M/s Safran HAL Aircraft Engines Private Ltd	**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
Less Provision for Impairment in value of Investment	**-**	-
Net - M/s Indo Russian Aviation Ltd.	**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
Less Provision for Impairment in value of Investment	**383**	383
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
Less Provision for Impairment in value of Investment	**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 ₹ 100 FV each fully paid	**160**	160
Less Provision for Impairment in value of Investment	**160**	160
Net - M/s SAMTEL HAL Display Systems Ltd	**-**	-
G) M/s INFOTECH HAL Ltd - 20,00,000 (20,00,000 P.Y.) Shares of ₹ 10 FV each fully paid	**200**	200
Less Provision for Impairment in value of Investment	**166**	166
Net- M/s. INFOTECH HAL Ltd.	**34**	**34**

Notes

to the Financial Statements for the year ended March 31, 2019

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
H) M/s HATSOFF Helicopter Training Pvt Ltd -3,84,04,205 (3,84,04,205 P.Y.) Shares of ₹ 10 FV each fully paid	**3840**	3840
Less Provision for Impairment in value of Investment	**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
Less Provision for Impairment in value of Investment	**507**	495
Net- M/s. TATA HAL Technologies Ltd.	**-**	**12**
J) M/s International Aerospace Manufacturing Pvt Ltd - 42,50,000 (42,50,000 - P.Y.) Shares of ₹ 100 FV each fully paid	**4250**	4250
Less Provision for Impairment in value of Investment	**855**	855
Net-M/s International Aerospace Manufacturing Pvt. Ltd.	**3395**	**3395**
K) M/s. Multirole Transport Aircraft Ltd. - 113,46,564 (113,46,564 P.Y.) Shares of ₹ 100 FV each fully paid	**11347**	11347
Less Provision for Impairment in value of Investment	**6678**	6678
Net-M/s. Multirole Transport Aircraft Ltd.	**4669**	**4669**
L) M/s. Aerospace & Aviation Sector Skill Council(AASSC) - 125 (125 P.Y.) Shares of ₹ 10000 FV each fully paid	**13**	13
Less Provision for Impairment in value of Investment	**-**	-
Net-M/s. Aerospace & Aviation Sector Skill Council	**13**	**13**
M) M/s.Helicopter Engines MRO Pvt Ltd - 4,09,988 (4,09,988 P.Y.) Shares of ₹ 100 FV each fully paid	**410**	410
Less Provision for Impairment in value of Investment	**263**	-
Net-M/s. Helicopter Engines MRO Pvt Ltd	**147**	**410**
N) Defence Innovation Organisation - 50 (P.Y. NIL) Shares of ₹ 1000 FV each fully paid	**1**	-
Less Provision for Impairment in value of Investment	**-**	-
M/s Defence Innovation Organisation	**1**	**-**
Total In Equity of Joint Ventures (2)	**9787**	**10061**
TOTAL (1+2)	**15292**	**13566**

Disclosure

(i)	Aggregate amount of Quoted Investment and Market Value.	**-**	-
(ii)	Aggregate amount of Unquoted Investments. (net)	**15292**	13566
(iii)	Aggregate amount of impairment in value of investments	**13152**	12877

Notes

to the Financial Statements for the year ended March 31, 2019

Note 7A - Financial Asset- Investments-Others

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A) Investments in Structured Entities (UNQUOTED)		
B) Other Investments (UNQUOTED)		
M/s LIC of India (For Funding Vacation Leave)	**74887**	85371
Total In Other Investments (B)	**74887**	85371
TOTAL (A)+(B)	**74887**	**85371**

Disclosure		
(i) Aggregate amount of Quoted Investment and Market Value.	**-**	-
(ii) Aggregate amount of Unquoted Investments. (net)	**74887**	85371
(iii) Aggregate amount of impairment in value of investments	**-**	-

Note 8 - Financial Asset - Trade Receivables

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Trade Receivables		
Unsecured Considered Good	**9044**	-
Credit Impaired	**1401**	1302
	10445	1302
Less: Allowance for Doubtful Debts	**1401**	1302
TOTAL	**9044**	**-**

Note 8A - Financial Asset - Contract Assets

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Contract Assets	**-**	-
TOTAL	**-**	**-**

Note 9 - Financial Asset - Loans

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Secured Considered Good		
Sub-total (A)	**-**	**-**
B. Unsecured Considered Good		
a) Security Deposit		
- Govt Departments for Customs Duty and for Supplies	**1600**	578
- Public Utility Concerns	**3079**	3089
- Others	**422**	478
b) Others		
Employee Advances	**1323**	1450
Sub-total (B)	**6424**	**5595**
TOTAL (A+B)	**6424**	**5595**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 10 - Financial Asset-Others

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A) Claims Receivable		
Credit Impaired	**22722**	23096
Less: Provision for Doubtful Claims	**22722**	23096
Sub Total -A	**-**	**-**
B) Balances with Bank		
Short Term Deposits - Exceeding 12 Months*	**1**	-
Sub Total -B	**1**	**-**
C) Others		
Deferred Debts	**34842**	35800
Sub Total -C	**34842**	**35800**
TOTAL (A +B +C)	**34843**	**35800**

*Fully Earmarked for Committed Liabilities of more than 12 months

Note 11 - Deferred Tax Assets (net)

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
TOTAL	**-**	-

Note 12 - Other Non- Current assets

(₹ in Lakhs)

Particulars	As at 1st March 2019	As at 31st March 2018
A) Advances		
Capital Advances	**20085**	5751
Advance Other than Capital Advances:		
Advances against Goods and Services	**468**	398
Other Loans and Advances	**446**	457
Sub Total Advances	**20999**	**6606**
B) Others		
Balances with Revenue Authorities under dispute		
- Income tax	**14637**	10295
- Others	**6580**	5300
TOTAL (A+B)	**42216**	**22201**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 13 - Inventories

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Inventories (Lower of Cost and Net Realisable Value)#		
(i) Raw Materials and Components	**1037173**	952976
Less: Provision for Redundancy	**72465**	70426
	964708	**882550**
(ii) Work-in-Progress	**901525**	952309
(iii) Finished Goods	**-**	-
(iv) Stock-in-Trade	**3319**	1282
(v) Stores and Spares Parts	**36534**	33701
Less: Provision for Redundancy	**3217**	3527
	33317	**30174**
(vi) Loose Tools and Equipment	**10474**	10415
Less: Provision for Redundancy	**1620**	1828
	8854	**8587**
(vii) Construction Materials	**82**	104
Less: Provision for Redundancy	**15**	22
	67	82
(viii) Disposable Scrap	**541**	596
(ix) Goods under Inspection and in Transit		
- Raw material and Components	**40558**	40528
- Stores and Spare Parts	**1656**	1534
- Loose Tools and Equipment	**244**	113
	42458	**42175**
(x) Inventory - Warranty	**22599**	21274
Less: Provision for Redundancy	**937**	1511
	21662	**19763**
TOTAL	**1976451**	**1937518**
(#) includes those issued to Sub-Contractors for Job Works	**37483**	45724

Note 14 - Financial Asset- Investments

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
INVESTMENTS AT COST LESS PROVISION (UN-QUOTED)		
TOTAL	**-**	-

Disclosure

(i) Aggregate amount of Quoted Investment and Market Value	**-**	-
(ii) Aggregate amount of Unquoted Investments (Net)	**-**	-
(iii) Aggregate amount of impairment in value of investments	**-**	-

Notes

to the Financial Statements for the year ended March 31, 2019

Note 15 - Financial Asset - Trade Receivables

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Trade Receivables		
Unsecured Considered Good	**1393897**	675079
Credit Impaired	**15331**	16820
	1409228	**691899**
Less: Allowance for Doubtful Debts	**15331**	16820
TOTAL	**1393897**	**675079**

Note 15A - Financial Asset-Contract Assets

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Contract Assets		
Unbilled Revenue	**302005**	99076
TOTAL	**302005**	**99076**

Note 16 - Financial Asset- Cash & Cash Equivalents

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A) Balances with Bank		
- Current Account	**1118**	9148
B) Cash on Hand	**6**	6
C) Cheques, Drafts on Hand	**6**	-
Sub Total (A+B+C)	**1130**	**9154**
D) Other Bank Balances		
Others		
- Short Term Deposits *	**20**	-
Sub Total-D	**20**	-
TOTAL (A)+(B)+(C)+(D)	**1150**	9154
*Balance with Banks to the extent held as Margin Money or Security against Borrowings, Guarantees, Other Commitments	**-**	-

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

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Bank Deposit*	**3426**	643266
Earmarked balances with banks-Unpaid Dividend	**6645**	-
TOTAL	**10071**	643266
*Balance with Banks to the extent held as Margin Money or Security against Borrowings, Guarantees, Other Commitments	**-**	67000

Notes

to the Financial Statements for the year ended March 31, 2019

Note 18 - Financial Asset- Loans

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Secured, Considered Good		
Security Deposit		
Others		
Employee Advances	**255**	286
Sub-total (A)	**255**	286
B. Unsecured, Considered Good		
i) Security Deposits		
Govt Departments for Customs Duty and for Supplies	**4**	5
Public Utility Concerns	**41**	38
Others	**2902**	2734
ii) Others		
Employee Advances	**1288**	3277
Sub-total (B)	**4235**	**6054**
TOTAL (A +B)	**4490**	**6340**

Note 19 - Other Financial Assets

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Claims Receivable		
Unsecured Considered Good	**101809**	178896
Credit Impaired	**8440**	6735
	110249	**185631**
Less: Provision for Doubtful Claims	**8440**	6735
Sub-total	**101809**	**178896**
Interest Accrued and Due on Investment with LIC of India	**7400**	6955
Interest Accrued and not Due	**152**	22952
Current Maturities of Deferred Debt	**9129**	8210
TOTAL	**118490**	**217013**

Note 20 - Current Tax Assets (Net)

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
TOTAL	**-**	**-**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 21 - Other Current Assets

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Advances against Goods and Services	**100406**	89117
Other Loans and Advances	**534**	274
Advances to Related Parties	**123**	219
Others		
Prepaid Expenses	**2063**	1562
Balances with revenue Authorities		
- Others	**577**	14
Balance with GST Electronic Ledger	**38383**	22516
Revenue Stamps	**1**	-
Balances in Franking Machine	**3**	3
TOTAL	**142090**	**113705**

EQUITY

Note 22 - Equity Share Capital

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Authorised Capital 60,00,00,000 Equity Shares of ₹ 10 each	**60000**	60000
Issued, Subscribed and Fully Paid up 33,43,87,500 (33,43,87,500 PY) Equity Shares of ₹ 10 each fully paid-up	**33439**	33439
Par Value per Share (₹)	**10**	10
Reconciliation of the Number of Shares Outstanding at the beginning and at the end of the Reporting period		
Opening Equity Shares (Nos.)	**334387500**	361500000
Add: Additions during the Year (Nos.)		
Less: Shares Bought Back (Nos.)*		27112500
Closing Equity Shares (Nos.)	**334387500**	334387500
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	**300855180**	300855180
% of Shareholding of President of India and Nominees	**89.97%**	89.97%
Life Insurance Corporation of India	**23407104**	23407104
% of Shareholding of Life Insurance Corporation of India	**7.00%**	7.00%

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.

*Note 49 of Clause 48

Notes

to the Financial Statements for the year ended March 31, 2019

Note 23 - Other Equity

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Other Reserves		
A. Research & Development Reserve		
Opening Balance	**65341**	49566
Add: Current Year Transfer	**21488**	16723
Less: Transfer to General Reserve on utilisation	**809**	948
Closing Balance (A)	**86020**	**65341**
B. Capital Redemption Reserve		
Opening Balance	**14761**	12050
Add: Current Year Transfer	**-**	2711
Closing Balance (B)	**14761**	**14761**
C. General Reserve As per last Balance Sheet*	**849024**	914647
(+/-) Surplus Transferred from Statement of Profit and Loss	**126938**	49819
Add: Transfer from R&D Reserve	**809**	948
Less: Withdrawn towards Buy Back of Shares# Reserve ₹ 89439 Lakhs Tax on Buy Back ₹ 20636 Lakhs Net Amount ₹ 110075 Lakhs	**-**	110075
Closing Balance (C)	**976771**	**855339**
Surplus in Statement of Profit and Loss		
Add: Net Profit / (Net Loss) for the Current Year (i)	**228244**	198742
Less: Appropriations / Allocations		
Transfer to Research & Development Reserve	**21488**	16723
Interim Dividend CY ₹ 66209 Lakhs+ Tax ₹ 13609 Lakhs (Dividend including Tax for the year ended 31st March 2018: Dividend ₹ 107587 Lakhs+ Tax ₹ 21902 Lakhs)	**79818**	129489
Transfer to Capital Redemption Reserve	**-**	2711
Total (ii)	**101306**	**148923**
Transfer To General Reserves (i)-(ii)	**126938**	**49819**
D. Other Components of Equity		
Fair Value through Other Comprehensive Income (FVOCI) ($)		
Opening Balance	**-20315**	-5224
Add:- Additions made during the year	**-5824**	-15091
Less:- Deletions made during the year	**-**	-
Closing Balance (D)	**-26139**	**-20315**
TOTAL (A+B+C+D)	**1051413**	**915126**

* Refer Clause 1B of Note-49 for reconciliation between Other Equity as on 31.03.2018 & 01.04.2018

($) - Breakup is given separately in Clause 46 of Note 49

Note 49 of Clause 48

Notes

to the Financial Statements for the year ended March 31, 2019

Note 24 - Borrowings

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Secured Long Term Borrowings:		
a) Term Loans		
(i) From Banks*	**10000**	**10000**
Sub-total (A)	**10000**	**10000**
B. Unsecured Long Term Borrowings:		
Sub-total (B)	**-**	**-**
TOTAL (A + B)	**10000**	**10000**

*Ref Note No. 49 Clause 35A

Note 25 - Trade Payables

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Trade Payables*		
A) total outstanding dues of micro enterprises and small Enterprises	**-**	-
B) total outstanding dues of creditors other than micro enterprises and Small Enterprises	**273**	282
TOTAL	**273**	**282**
Disclosures		
* Includes dues to related parties	**-**	-
*Ref Note No.49 Clause 19		

Note 26 - Other financial liabilities

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Dues to Employees	**19**	19
Deposits	**15**	12
Other Liabilities	**3377**	3398
Deferred liabilities	**35221**	36192
TOTAL	**38632**	**39621**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 27 - Provisions

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Provisions for Employee Benefits		
Gratuity	**18700**	52720
Earned Leave	**50734**	48588
Sub-total (A)	**69434**	**101308**
B. Others		
Replacement and Other Charges	**14775**	12276
Liquidated Damages	**67402**	75541
Onerous Contract	**-**	24713
Sub-total (B)	**82177**	**112530**
TOTAL (A + B)	**151611**	**213838**

Note 28 - Deferred tax liabilities (Net)

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
The tax effect of significant temporary differences that resulted in deferred tax liabilities:		
As per last Balance Sheet	**97115**	95992
Add / Less: Current Year's Provisions	**-25091**	1766
TOTAL	**72024**	**97758**

Note 29 - Other Non current Liabilities

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Advances from Customers (Contract Liability)		
Outstanding Advances from Customers		
Defence	**274000**	329076
Sub Total (A)	**274000**	**329076**
B. Milestone Receipt (Contract Liability)		
Defence	**562766**	504398
Others	**4886**	12741
Sub Total (B)	**567652**	**517139**
TOTAL (A+B)	**841652**	**846215**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 30 - Borrowings

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Secured :		
Loans Repayable on Demand		
(i) From Banks*	**405801**	76406
Working Capital Loan - Cash Credit*		
Sub-total (A)	**405801**	**76406**
B. Unsecured :		
Sub-total (B)	**-**	**-**
TOTAL (A + B)	**405801**	**76406**

*Ref Note No.49 Clause 35B

*Working Capital loan is secured by first charge on Current Assets (All kinds of Stocks and Receivables of the company both present and future)

Note 31 - Trade Payables

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Trade Payables*		
A) total outstanding dues of micro enterprises and small Enterprises	**1513**	814
B) total outstanding dues of creditors other than micro enterprises and small enterprises	**261393**	165746
TOTAL	**262906**	**166560**
* Includes dues to related parties	**8272**	6775
*Ref Note No.49 Clause 19		

Note 32 - Other Financial Liabilities

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Liability for Outstanding Expenses	**47242**	25798
Deposits	**10599**	6086
Royalty	**4761**	4426
Dues to Employees	**51772**	47141
Others Liabilities*	**41989**	56451
Current Maturities of Deferred Liabilities	**4046**	4046
Due to Capital Creditors	**10505**	3984
Unpaid Dividend Account	**6645**	-
TOTAL	**177559**	**147932**
* Includes dues to related parties	**653**	170

Notes

to the Financial Statements for the year ended March 31, 2019

Note 33 - Other Current Liabilities

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A) Advances from Customers (Contract Liability)		
Outstanding Advances from Customers		
Defence	**385941**	450036
Others	**4417**	7430
Sub Total (A)	**390358**	**457466**
B) Milestone Receipt (Contract Liability)		
Defence	**921695**	1241386
Others	**76140**	64885
Sub Total (B)	**997835**	**1306271**
Advances from Customers (A + B)	**1388193**	**1763737**
C) Other Payables		
Taxes (Other than Taxes on Income)	**6686**	12763
GST Payable	**25341**	17377
Others	**10191**	8843
TOTAL (A+B+C)	**1430411**	**1802720**

Note 34 - Provisions

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Provisions for Employee Benefits		
Earned Leave	**36997**	36783
Others	**50210**	24800
Sub-total (A)	**87207**	**61583**
B. Others		
Replacement and Other Charges	**129880**	89301
Warranty	**56463**	43056
Liquidated Damages	**122903**	85610
Onerous Contract	**52904**	65617
Sub-total (B)	**362150**	**283584**
TOTAL (A + B)	**449357**	**345167**

Note 35 - Current tax liabilities (Net)

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Current tax liability (Net)	**117490**	71009
TOTAL	**117490**	**71009**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 36 - Revenue from Operations

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
A. Sale of Products		
(i) Inland Sales		
Finished Goods	**842743**	934936
Spares	**181311**	127927
Development	**68294**	65640
Miscellaneous	**41066**	64672
Total Inland Sales of Products	**1133414**	**1193175**
(ii) Export Sales		
Finished Goods	**32546**	15846
Spares	**6307**	14511
Development	**1212**	-
Total Export Sales of Products	**40065**	**30357**
Total Sale of Products (A)	**1173479**	**1223532**
B. Sale of Services		
(i) Inland Sale of Services		
Repair & Overhaul	**794289**	612558
Other Services	**2248**	1704
Total Inland Sales of Services	**796537**	**614262**
(ii) Export Sale of Services		
Repair & Overhaul	**318**	1001
Other Services	**121**	44
Total Export Sales of Services	**439**	**1045**
Total Sales of Services (B)	**796976**	**615307**
Total Sales (A+B)	**1970455**	**1838839**
C. Other Operating Revenues		
(i) Disposal of Scrap and Surplus / Unserviceable Stores	**906**	910
(ii) Provisions no Longer Required	**13266**	20141
(iii) Others	**4785**	2488
Total Operating Revenues (C)	**18957**	**23539**
Revenue from Operations (A+B+C)	**1989412**	**1862378**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 37 - Other Income

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Interest Income on Financial Assets carried at amortised cost		
- Short term Deposits / Loans/ Others	**25861**	63894
- Sundry Advances - Employees	**102**	112
- Other Deposits	**161**	170
Less Interest Liability to Customer	**-**	-
Sub-total	**26124**	**64176**
Dividend Income		
Dividend income from Long term Investments	**182**	125
Other Non-Operating Income		
Profit on Sale of Assets (Net)	**58**	50
Miscellaneous	**7871**	8318
Gain on Fair Value Adjustment	**3376**	3452
TOTAL	**37611**	**76121**

Note 38 - Cost of materials consumed

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Consumption of Raw Material, Components, Stores and Spare Parts		
Opening Stock	**1008055**	1123089
Add: Purchases	**835497**	674912
Add: Subcontracting, Fabrication and Machining Charges.	**36282**	33222
Less: Closing stock	**1096388**	1008055
	783446	**823168**
Less: Transfer to		
Special Tools and Equipment	**34925**	21306
Capital Works	**234**	-
Development Expenditure	**221**	246
Expense Accounts and Others	**12398**	18712
	47778	40264
TOTAL	**735668**	**782904**

Note 38A - Purchase of Stock-in-Trade

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Purchase of Stock-in-Trade	**30749**	21730

Notes

to the Financial Statements for the year ended March 31, 2019

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

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-progress		
Opening Balance		
(i) Finished Goods	**-**	-
(ii) Work-in-progress	**1020247**	1024358
(iii) Stock in Trade	**1282**	2304
	1021529	**1026662**
Closing Balance		
(i) Finished Goods	**-**	-
(ii) Work-in-progress	**901525**	952309
(iii) Stock in Trade	**3319**	1282
	904844	**953591**
Accretion / (Decretion) - A	**-116685**	**-73071**
Change in Disposables Scrap		
Opening Balance	**596**	402
Closing Balance	**541**	596
Accretion / (Decretion) - B	**-55**	194
TOTAL (A+B)	**-116740**	**-72877**

Note 40 - Employee benefits expense

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Salaries and Wages	**358604**	335881
Contribution to Provident and Other Funds		
- Contribution to Provident Fund/ Others	**45723**	45348
- Contribution to Gratuity	**9737**	32258
Staff Welfare Expenses (Net)	**14961**	15310
Rent for Hiring Accommodation for Officers / Staff	**492**	1102
TOTAL	**429517**	**429899**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 41 - Finance costs

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Finance Cost		
Interest Expense		
- Cash Credit	**8969**	412
Finance Cost - Borrowing costs- Other	**129**	208
Interest on Financial Liability carried at Amortised Cost	**845**	3
Interest on Income Tax	**7017**	2232
TOTAL	**16960**	**2855**

Note 42 - Depreciation and Amortization expense

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
A. DEPRECIATION ON PPE	**32157**	28220
B. AMORTISATION		
Intangible assets- Development Expenditure	**3912**	17950
Other Intangible assets		
- Licence Fees	**12126**	9590
- Computer Software	**1211**	1364
- Documentation	**2667**	5557
Special Tools	**50776**	32016
Sub Total (B)	**70692**	**66477**
Total (A+B)	**102849**	**94697**

Note 42A - Impairment Loss

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Impairment Loss on Intangible Asset	**24909**	2152
TOTAL	**24909**	**2152**

Note 43 - Other expenses

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Shop Supplies	**11956**	11402
Power and Fuel	**18200**	17570
Water Charges	**5056**	5327
Rent for Office Premises etc.	**244**	240
Travelling (includes Foreign Travel)	**6746**	7213
Training (includes Foreign Training)	**658**	710

Notes

to the Financial Statements for the year ended March 31, 2019

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Repairs:		
Buildings	**8146**	8640
Plant, Machinery and Equipment	**14813**	13124
Others	**4967**	5457
Expenses on Tools and Equipment	**5277**	5563
Insurance	**2675**	1965
Rates and Taxes	**2831**	3158
Postage and Telephones	**949**	1084
Printing and Stationery	**997**	1268
Publicity	**16240**	1193
Advertisement	**1725**	1265
Bank Charges	**789**	606
Loss on Foreign Currency Transaction and Translation	**802**	4080
Legal Expenses	**284**	638
Auditors' Remuneration:		
For Audit Fee	**38**	38
For Taxation matters	**7**	7
For Other Services-Interim Audit & Other Certification fees	**68**	66
Selling Agents Commission	**27**	16
Donations	**2**	4
Handling Charges	**370**	337
Write Off:		
Stores	**595**	237
Shortages / Rejections	**935**	-
Freight and Insurance	**1644**	1534
JWG share of Profit	**188**	182
Corporate Social Responsibility#	**7246**	7726
Interest on Micro, Small and Medium Enterprises	**-**	1
Loss on Fair Value Adjustment	**3413**	3492
Miscellaneous Operating Expenses (@)	**43684**	33353
TOTAL	**161572**	**137496**
(@) includes Director's Sitting Fees	**30**	18

(#) Does not include CSR assets for the current period is ₹ Nil (For the year 2017-18 ₹ 3 lakhs) capitalised under Note 1A. Total CSR expenditure for current period is ₹ 7246 Lakhs (For the year 2017-18 ₹ 7729 lakhs) Ref Note-49 Clause 22

Notes

to the Financial Statements for the year ended March 31, 2019

Note 44 - Direct Input to Work in Progress/ Expenses Capitalised

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
A) DIRECT INPUT TO WIP		
Project related Travel	**935**	738
Project related Training	**133**	8
Project related other Expenditure	**1426**	2157
Travel outstation jobs	**1**	43
Royalty	**1103**	1048
Foreign Technician Fee	**1113**	546
Ground Risk Insurance	**1485**	1696
Design and Development	**20080**	39523
Sundry Direct Charges - Others	**2392**	1551
Sub-Total (A)	**28668**	**47310**
B) EXPENSES CAPITALISED TO INTANGIBLE ASSET		
Licence Fees	**368**	517
Computer software	**872**	429
Documentation	**350**	4047
Sub-Total (B)	**1590**	**4993**
TOTAL (A + B)	**30258**	**52303**

Note 45 - Provisions

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Replacement and Other Charges	**51323**	25029
Warranty	**22186**	8634
Raw Materials and Components, Stores and Spare parts and Construction Materials	**9638**	12829
Liquidated Damages	**43707**	37598
Doubtful Debts	**719**	4125
Doubtful Claims	**2153**	15973
Investments	**275**	6293
TOTAL	**130001**	**110481**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 46 - Expenses relating to Capital and Other Accounts

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Expenses allocated to:		
Other Intangible assets	**1590**	4993
Special Tools	**824**	1515
Capital Works	**104**	737
Development Expenditure	**28346**	22068
Others	**84100**	74020
TOTAL	**114964**	**103333**

Other Comprehensive Income

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

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
(A) Changes in revaluation surplus	**-**	-
(B) Remeasurements of the defined benefit plans	**-8962**	-23085
(C) Equity Instruments through Other Comprehensive Income	**-**	-
TOTAL	**-8962**	**-23085**

Note 48 - Items that will be reclassified to profit or loss

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
(i) Exchange differences in translating the financial statements of a foreign operation;	**9**	17
(ii) Debt Instruments through Other Comprehensive Income;	**-**	-
TOTAL	**9**	**17**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
1(a)	**Company Overview:** Hindustan Aeronautics Limited ("HAL") herein after referred to as, "the Company" is a limited Company incorporated in India. It is presently a Government Company within the meaning of Section 2(45) of the Companies Act, 2013 as the President of India acting through the Ministry of Defence (MoD) holds 89.97% equity shares of the Company. The Company is engaged in the design, development, manufacture, repair, overhaul, upgrade and servicing of a wide range of products including, aircraft, helicopters, aero-engines, avionics, accessories and aerospace structures. The Company's operations are organised into five complexes, namely the Bangalore Complex, MiG Complex, Helicopter Complex, Accessories Complex, and Design Complex, which together include 20 production divisions and 11 research and design centres ("R&D Centres") and 8 support offices located across India. The Company relies on Indigenous research as well as enter into technology transfer and licence agreements to manufacture its products. In addition, the Company have entered into 14 joint ventures and 2 subsidiaries to grow our operations.
1b	These Standalone Financial Statements of the Company for the period ended 31st March 2019 have been prepared in accordance with Ind AS 115 (Revenue from Contracts with Customers) which has been notified by the Ministry of Corporate Affairs (MCA) vide notification dated 28th March 2018. For the purposes of transition to Ind AS 115, the Company has followed the cummulative effect method, with April 1, 2018 as the transition date. The transition to Ind AS 115 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 in relation to Ind AS 115 have been applied in preparing the Standalone Financial Statements for the period ended 31st March 2019 and the comparative information has not been restated since adjustments have been made in accordance with the cummulative effect method effecting the opening reserves as on April 1, 2018. An explanation of how the transition has affected the Company's Balance Sheet and the Statement of Profit and Loss, is set out in Clause 1(i) and (ii) hereinbelow. Wherever necessary, practical expedients have been used in the first-time adoption of Ind AS 115 and have been set out in Clause 1(iii).

RECONCILIATION OF OTHER EQUITY FROM PREVIOUS AUDITED ACCOUNTS IS STATED AS UNDER:

1(b)(i)

Particulars	01.04.2017	31.03.2018	01.04.2018
Equity as per Original Accounts	1253663	1203338	1203338
(i) IND AS 115 ADJUSTMENTS			
Reversal of Sales of Services (Overhaul contracts)			-58290
Reversal of Work-in-Progress relating to Sales of Services (Overhaul contracts)			58290
Reversal of sales relating to Design and Development contracts			-3661
Reversal of cost in relation to the Design and Development contracts			3569
Recognition of revenue in relation to Light Combat Aircraft - (due to modification of contract)			2844
Provision for liquidated damages in relation to Light Combat Aircraft (due to modification of contract)			-5104
Reversal of claims receivable and Recognition of sales with respect to PRP and Wage Revision			-4606
Effect of deferred tax with respect to adjustments made hereinabove			642

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	01.04.2017	31.03.2018	01.04.2018
	(ii) RESTATEMENT			
	Provision for Liquidated Damages (Clause 41C)	-29947	-36014	-36014
	Provision for Income tax for the Assessment year 2005-06 to 2007-08 and Assessment Year 2010-11 to 2015-16 (Clause 41A & B)	-212247	-212247	-212247
	Interest on Income Tax demand (clause 41A & B)	-4280	-6512	-6512
	Equity as per re-stated Accounts	**1007189**	**948565**	**942249**

1(b)(i) **Reconciliation of Net profit for the Year ended 31st March 2018**

Particulars	31st March 2018
Profit after tax as per Previously Audited financial statement (A)	207041
RESTATEMENT ADJUSTEMENTS:	
Provision for Liquidated Damages(refer Clause 41 C)	-6067
Interest on Income Tax demand (refer Clause 41C)	-2232
TOTAL ADJUSTEMNTS (B)	**-8299**
Profit as per tax as per Restated Accounts	**198742**
Other Comprehensive Income	-15091
Total Comprehensive Income	**183651**

Reconciliation of Balance Sheet as at 01st April, 2017

	Particulars	31.03.2017	Restatement/ Re-grouping	01.04 2017
	Non-current assets:			
	1) (i) Property Plant & Equipment	578,252		578,252
	(ii) Property, Plant and Equipment-Customer Funded	5,532		5,532
	2) Capital work-in-progress	62,112		62,112
	3) Investment Property	4		4
	4) Goodwill	-		-
1(b)(ii)	5) Other Intangible assets	151,168		151,168
	6) Intangible assets under development	76,828		76,828
	7) Financial Assets			-
	(i) Investments in Joint Venture and Subsidiaries	19,139		19,139
	(ii) Investments Others	78,935		78,935
	(iii) Trade receivables	-		-
	(iv) Contract Assets	-		-
	(v) Loans	5,889		5,889
	(vi) Others	36,713		36,713
	8) Deferred tax assets (net)	-		-
	9) Other non-current assets	121,067	98,533	22,534

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	31.03.2017	Restatement/ Re-grouping	01.04 2017
	Current assets:			
	1) Inventories	2,134,039		2,134,039
	2) Financial Assets			
	(i) Investments	-		-
	(ii) Trade receivables	422,016	(22,480)	399,536
	(iii) Contract Assets	-	22,480	22,480
	(iv) Cash and cash equivalents	277,143		277,143
	(v) Bank balances other than (iv) above	834,541		834,541
	(vi) Loans	9,840		9,840
	(vii) Other Financial Assets	257,172		257,172
	3) Current Tax Assets (Net)	11,493		11,493
	4) Other currents assets	69,031		69,031
	Total	**5,150,914**	**98,533**	**5,052,381**
	EQUITY AND LIABILITIES:			
	EQUITY:			
	1) Equity Share capital	36,150		36,150
	2) Other Equity	1,217,513	(246,474)	971,039
	LIABILITIES:			
1(b)(ii)	Non-current liabilities:			
	1) Financial Liabilities			
	(i) Borrowings	-		-
	(ii) Trade payables	19,255		19,255
	(iii) Contract Liability	-		-
	(iv) Other financial liabilities	37,157		37,157
	2) Provisions	201,782	29,947	231,729
	3) Deferred tax liabilities (Net)	95,992		95,992
	4) Other non-current liabilities	984,723		984,723
	Current Liabilities:			
	1) Financial liabilities			
	(i) Borrowings	95,000		95,000
	(ii) Trade payables	157,434		157,434
	(iii) Contract Liability	-		-
	(iv) Other financial liabilities	111,955		111,955
	2) Other current liabilities	1,906,140		1,906,140
	3) Provisions	287,813		287,813
	4) Current Tax Liabilities (Net)	-	117,994	117,994
	Total	**5,150,914**	**(98,533)**	**5,052,381**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars

Practical expedients used in applying Ind AS 115 - Revenue from contracts with customers

As per Para C5 / C7 of Ind AS 115 - the Company is not required to restate contracts that were completed before the initial date of transition. The Company has therefore restated only those contracts which have commenced but have not been completed as at the date of initial transition (i.e. 01st April 2018).

Notes to (i)

(a) Recognition of Overhaul Sales at a point in time:

As per the Ind AS 18 revenue was recognised on the basis of Percentage of Completion method (POC). However, as per the Ind AS 115, the Company recognises revenue at a point-in-time based on the acceptance of Aircraft / Helicopters (i.e. completed contracts method). This has resulted in reversal of revenue on the date of initial transition by ₹ 58290 lakhs and an increase in Work-in-Progress by a similar amount and the same has been adjusted to the opening reserves on the date of initial transition.

(b) Contract Modification (LCA) :

As per Ind AS 115 a contract modification exists when there is a change in scope or price. If the parties to a contract have agreed a change in the scope of the contract but have not yet determined the corresponding change in price, an entity shall estimate the change to the transaction price arising from such modification. Therefore, the Company in accordance with Ind AS 115 has recognized ₹ 2844 lakhs(Net) as revenue, based on the Company's assessment of the estimated change in the transaction price arising from such modification as on the date of initial transition (i.e. 01st April 2018). Further, the Company has provided additional Liquidated Damages of ₹ 5104 lakhs as a result of estimated change in the Contract price.

(c) Wage Revision :

1(b)(iii) As per the then accounting policy of the Company, the wages incurred that is receivable from the customer was transferred from total cost to claims receivable and revenue was recognised only when the claim for wage revision was agreed upon. As per Ind AS 115, where a portion of the price may vary, the entity shall estimate variable consideration at the most likely amount, which is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognised will not occur. Therefore as per Ind AS 115, the Company recognises revenue only when claim against the wage revision is agreed by the customer. This has resulted in reversal of claims receivable of ₹ 16385 lakhs as on the date of initial transition (i.e. 01st April, 2018) and the same was adjusted to the reserves on the date of initial transition. An amount of ₹ 11779 lakhs has been recognised as sales towards PRP and Wage Revision.

(d) Development Contracts :

The Company as per the Ind AS 18, Revenue for Development and Design contracts was recognised where milestones were defined was setup on the basis of cost incurred or milestone achieved whichever is lower. However, Ind AS 115 requires the Company to set-up sales based on the measure of progress achieved which specifies two methods with regard to measurement i.e., Input method and Output method. As the contracts have defined milestones the Company has recognized sales on achievement of milestones under the Output method.

(e) Deferred Tax effect on new temporary differences recognized under Ind AS 115 :

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. In addition, the various transitional adjustments lead to temporary differences. Accordingly the deferred tax adjustment are recognized in correlation to the underlying transaction in the retained earnings. On the date of transition (i.e. 01.04.2018), the net impact on deferred tax liabilities is ₹ 642 lakhs.

iv) Impact of Ind AS 115 in the Statement of Profit and Loss Account for the period ending 31st March 2019

Increase in Revenue from Operations	64517
Increase in Profit for the Period	1337

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars

Disaggregation of Revenue as per Ind AS 115

1(c)

2018-19	Sale of Goods			
	Finished Goods	Spares	Development	Miscellaneous
Timing of revenue recognition	Point in time	Point in time	Point in time	Point in time
Revenue by Geography				
INDIA	842743	181311	68294	41066
REST OF THE WORLD	32546	6307	1212	-
TOTAL	**875289**	**187618**	**69506**	**41066**

2018-19	Sale of Services	
	Repairs & Overhaul	Others
Timing of revenue recognition	Point in time	Point in time
Revenue by Geography		
INDIA	794289	2248
REST OF THE WORLD	318	121
TOTAL	**794607**	**2369**

Standards issued but not effective :

Ind AS 116 (Leases): On March 30, 2019, the Ministry of Corporate Affairs (MCA) notified new Ind AS on leases, Ind AS 116. Ind AS 116 set out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lossors provide relevant information in such a way that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. The effective date of Ind AS 116 is April 1, 2019.

However, application of this standard from 1.4.2019 is not likely to have any significance impact.

(d) **Uncertainty over Income Tax Treatments:**

On March 30, 2019, Ministry of Corporate Affairs has notified Appendix C to Ind AS 12 - Uncertainty over Income Tax Treatments. This is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12.

According to the appendix, the Company needs to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the Company has used or plans to use in its income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates.

The company has adopted the same as on 31.03.2019 on a voluntary basis (refer clause 41A & 41B)

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	31st March 2019	31st March 2018
2 a)	**Claims / Demands against the Company not acknowledged as Debts (Gross):**		
	(i) Sales Tax / Entry Tax **	**910740**	834845
	(ii) Income Tax	**-**	-
	(iii) Municipal Tax	**5774**	6653
	(iv) Service Tax **	**105281**	52070
	(v) Customs Duty **	**23569**	23569
	(vi) Others	**13013**	13184
	Total	**1058377**	**930321**
	** 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, GST, Customs Duty etc. In case, the customer do not submit an exemption certificate, taxes would be levied and the same would be re-imbursed by the customer.		
	** The Sales Tax /VAT/Entry Tax disputes on sales to the Indian Armed Forces in the State of Karnataka and Odisha have been resolved between officials of Department of Defence Production (DDP), Ministry of Defence (MoD), the Company and representatives of Indian Air Force (IAF) and Indian Army with Commercial Tax Department and Finance Department of Government of Karnataka and Odisha		
b)	Guarantees excluding financial guarantees	300.00	-
3	**Commitments**		
	Estimated amount of contracts remaining to be executed and not provided for:		
	on Capital Account	**141782**	93173
	Total	**141782**	**93173**
	In view of the nature of business, being long term contracts there may be other commitments for purchase of material etc., which has been considered as normal business process, hence not been disclosed.		
4	**Outstanding Letters of Credit and Guarantees :**		
	(i) Letters of Credit	**63539**	102476
	The total Fund based limits ₹ 400000 lakhs (PY ₹ 45000 lakhs) and Non-Fund based limits ₹ 205000 lakhs (PY ₹ 205000 lakhs) sanctioned by consortium of bankers is interchangeable between the consortium of banks and also between Fund based and Non-Fund based limits. The said limits are secured by hypothecation of inventories and receivables.	**-**	-
	(ii) Indemnity Bonds given by the Company for performance	**591282**	668496
	(iii) Performance Guarantee	**749**	203
5	**Value of Imports calculated on CIF basis :**		
	(i) Raw Materials	**362940**	304746
	(ii) Components and Spare parts	**384740**	307691
	(iii) Capital Goods	**15050**	15794
	(iv) Special Tools	**20250**	10141
	Total	**782980**	**638372**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	31st March 2019	31st March 2018
6	**Raw Materials, Spare Parts and Components consumed :**		
	(i) Imported (including Customs Duty)	**651308**	674356
	(In % to total)	**83.13**	81.92
	(ii) Indigenous	**132139**	148812
	(In % to total)	**16.87**	18.08
	Total (Gross)	**783446**	**823168**
	,	**100**	100
7	**Expenditure in Foreign currency on account of :**		
	(i) Royalty	**697**	407
	(ii) License Fee	**213**	502
	(iii) Documentation	**205**	181
	(iv) Professional, Consultancy and Foreign Technician Fees	**3945**	11717
	(v) Foreign Travel	**343**	418
	(vi) Liason Office Abroad	**473**	346
	(vii) Others	**1451**	1043
	Total	**7327**	**14614**
7A	**Earnings in Foreign Exchange :**		
	(i) FOB value of exports made by the Company	**40065**	30357
	(ii) Services	**439**	1045
	Total	**40504**	**31402**
8	Property, Plant and Equipment does not include assets given by the customer for use of their jobs by the company prior to 1st April 2016. Post 1st April 2016, assets funded by the customers, is accounted in the books as "Customer Funded Assets".	**117713**	117713
9	Profit on Sale of Assets	**93**	77
	Loss on Sale of Assets	**35**	27
	Net (Note 37 - Other Income)	**58**	**50**
10	Goods and Service Tax (GST) has been implementd with effect from 1st july 2017. Since , Excise Duty was included in Revenue from Operations (Note 36) , to ensure comparability, revenue excluding excise duty on applicable products are given below:		
	Revenue from Operations(Gross)	**1989412**	1862378
	Less: Excise Duty	**-**	10453
	Revenue from operations (Net)	**1989412**	**1851925**
11	The Company has received a sum of ₹ 13229 lakhs from Ministry of Defence (MoD), Government of India (GOI) towards investment by the Company in Multirole Transport Aircraft Limited (MTAL). Out of the above, the Company has till date invested a sum of ₹ 11347 lakhs (PY ₹ 11347 lakhs). The balance of ₹ 1882 lakhs (PY ₹ 1882 lakhs) is shown Other Current liabilities. Interest @ 6.85% has been provided on the unutilised portion under other financial liabilities.	**3165**	3036

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	31st March 2019	31st March 2018
12	**The aggregate amount of Research and Development Expenditure recognised as expenses during the period is as below:**		
	Research and Development Expenditure		
	Expenditure in R&D included in :		
	Raw Material Consumption	**16185**	20533
	Direct Expenses	**22321**	42146
	Salaries and Wages	**66611**	67491
	Other Expenses	**7478**	8860
	Depreciation & Amortisation	**6828**	19106
	Impairment	**24909**	2152
	Provisions	**2108**	898
	Total R & D Expenditure	**146440**	**161186**
13	**R&D Corpus** Board has approved the creation of R&D Corpus (excluding customer funded R&D) with an annual contribution of 10% of Operating Profit After Tax (PAT). The details of utilisation of the said R&D Reserve is disclosed at Note 23 of the Accounts.		
14	Total Land held (in acres). (Refer Note -1A)	**11814.47**	11814.47

		Division	Assets	Acres	Amount
14.1	Instruments of transfer in respect of land and building have not been executed, even though possession by the Company	Lucknow / Nasik	Land	**304.49**	286
		(Previous Year)	Land	**(304.98)**	(286)
		Kanpur	Building	**-**	-
		(Previous Year)	Building	**-**	-
14.2	Land handed over / earmarked to the Government / other agencies pending execution of instruments of transfer	FMD / Hyderabad	Land	**160.05**	56
		(Previous Year)	Land	**(141.98)**	(56)
14.3	Land given on lease to the Government / other agencies	FMD / Nasik / Koraput / Hyderabad / Lucknow / Korwa / Kanpur	Land	**1071.49**	67
		(Previous Year)	Land	**(1,079.01)**	(67)

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
14.4	The Company's Barrackpore Unit is in possession of 22.51 acres (Previous year 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 ₹ 33 Lakhs (Previous year ₹ 32.50 Lakhs) has been made. The transfer of the land is being pursued with Defence Estate Officer, Kolkata. The above does not include 7.115 acres of land received from the Army in exchange of 5 acres of land at Bangalore which was received free of cost from the State Government before 31st March 1969. Since the value of 5 acres land was NIL, the value of 7.115 acres land received in exchange of 5 acres land is also taken as NIL. Land under Property Plant and Equipment includes land taken on lease for establishing a unit at Kasargod at a cost of ₹ 708 lakhs (200 acres). This cost is amortised over the lease period of 90 years. The Lease charges for the year amounting to ₹ 8.00 Lakhs has been considered under depreciation for the year. However 4.171 Acers of land shortage due to surrender of certain tracts of land against local disputes by KINFRA. However issue taken up with KINFRA for compensation of shortfall in the land. Decision awaited from KINFRA. Land under Property Plant and Equipment includes land (0.27 acres) 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.
14.5	a) Facilities Management Division (FMD) is holding 2105.831 acres (PY 2105.831 acres) of land, out of which free hold land of 2099.831 acres is located in Bangalore and Leasehold Land of 6 acres is located at Harapanahalli, Davanagere (PY Freehold land of 2099.831 acres located in Bangalore and Leasehold Land of 6 acres located in Harapanahalli, Davanagere), of which 17.737 acres (PY, 13.637 acres) is under litigation / encroachment by third parties and 10.152 Acres (PY, 10.152 Acres) is under dispute with BEML Limited. b) Titles to land are not in the name of the Company in respect of 34 survey numbers, totalling to 78.30 acres at FMD Division, However, Records of Tenancy Certificate is available. c) An amount of ₹ 2672 Lakhs (PY ₹ 2314 Lakhs) towards Lease cum Rental charges with various parties has not been considered in the books of accounts of FMD, pending dispute settlement. d) Land at Nasik Division includes 0.052 acres of land encroached by 9 persons. e) Further, about 50.21 acres of the land belonging to the Company's Koraput Division is encroached upon by the nearby villagers for cultivation. f) Land at Corporate office includes 711.22 sq.mt of land has been acquired for the Metro Rail Project by M/s. Bangalore Metro Rail Corporation Limited (BMRCL). The order of compensation awarded for ₹ 549 Lakhs by M/s. Karnataka Industrial Area Development Board (KIADB) is contested by Company in the City Civil Court at Bangalore. Meanwhile, a Joint Committee comprising the Company & BMRCL Officials was formed to arrive at an out of court settlement. The Joint Committee has finalized the recommendations for out of court settlement and the same has been accepted by the Company. However, on completion of the Metro project, the land utilized is restricted to 272.94 sq.mt. Accordingly, further necessary actions are being taken by the BMRCL/ KIADB in the matter. As the matter is subjudice, no adjustment has been made in the Books.
14.6	Land under 14.1 does not include 374.73 acres of the land was aquired by State Govt. of UP and possession was handed over to HAL by District Land Acquisition Officer. The factory area 54.30 acres was transferred during 1973 from Indian Air Force to HAL. As per the legal position, both the parties are Government bodies. According to Government Grants Act, 15 of 1895, Section-2 Governments Grants are exempted from the operation of the transfer of property Act. Thus, there is no need of execution of the sale deed / transfer deed. A transfer of the title of land, thus, required no registration. The transfer of land by State of UP and IAF to HAL need not require any registration as this transfer is exempted by the Goverenment Grants Act. Land under 14.3 does not include, the ownership of 27 acres of land on which labour colony has been built by Labour Commissioner, Kanpur belongs to the Company as per Revenue records.

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	31st March 2019	31st March 2018
15	Sales of the current year includes deliveries for which amendment to firm task is awaited from the customer.	**2497**	6315
16	In respect of the materials received under bulk contracts with the Russian Federation where the suppliers do not Indicate itemized prices, the value of materials issued is assessed on technical estimates to exhibit a fair value of the closing work-in-progress and inventory of these materials is subject to adjustment at the end of the project.		
17	The Total inventory does not include materials belonging to customers but held by the Company on their behalf	**79319**	76687
18A	**DIVIDEND POLICY:** As per extant memorandum F.No. PP/14(0005)/2016 dated June 20, 2016, of the Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Government of India (GOI) ("DoE") read with the memorandum F. No. 5/2/2016-Policy dated 27th May, 2016 of the Department of Investment & Public Asset Management, Ministry of Finance, GoI, all central public sector enterprises are required to pay a minimum annual dividend of 30% of Profit After Tax (PAT) or 5% of the net-worth, whichever is higher, subject to the maximum dividend permitted under the extant legal provisions and the conditions mentioned in the aforesaid memorandum. However, the declaration and payment of dividends on our Equity Shares will be recommended by our Board and approved by our shareholders, at their discretion, subject to the provisions of the Articles , the Companies Act, 2013. Further, the dividends, if any, will depend on a number of factors, including but not limited to our earnings, guidelines issued by the DoE, capital requirements and overall financial position of our Company. In addition, our ability to pay dividends may be impacted by a number of factors, including the results of operations, financial condition, contractual restrictions, restrictive covenants under the loan or financing arrangements the Company may enter into.		
18B(i)	Dividend paid to Resident shareholders - President of India and nominees (including Interim Dividend)	**59569**	104820
	Dividend Distribution Tax on the above (including Dividend Distribution Tax on Interim Dividend)	**12244**	21338
18B(ii)	Dividend paid to Resident shareholders - Other than President of India and nominees (including Interim Dividend)	**6616**	2759
	Dividend Distribution Tax on the above (including Dividend Distribution Tax on Interim Dividend)	**1360**	562
18C	The Company has at 31st March 2019, 1498 Shareholders (PY 1427 shareholders) who are Non-Resident Indians. The Dividend Paid to the Non-Resident shareholders has been paid in Indian Rupees to their respective Non-Resident Ordinary Rupee Accounts.	**-**	-
	Dividend paid to Non-Resident shareholders (including Interim Dividend)	**24**	8
	Dividend Distribution Tax (including Dividend Distribution Tax on Interim Dividend)	**5**	2
18D	**Final Dividend:**		
	(a) The amount of dividend proposed to be distributed to Equity share holders	**-**	-
	(b) The corresponding amount of dividend distribution tax for the amount of proposed dividend	**-**	-

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	31st March 2019	31st March 2018
19	**Information under Micro, Small and Medium Enterprises**		
	1. The Principal and the Interest due thereon as at 31st Mar, 2019		
	a) Principal	**1512**	809
	b) Interest	**1**	5
	2. The amounts paid by the Company beyond the appointed day for the period ending 31st Mar, 2019	**-**	-
	a) Principal	**-**	-
	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.	**-**	-
	4. The interest accrued and remaining unpaid as at the year ending 31st Mar, 2019	**1**	1
	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.	**-**	1
	The information has been given in respect of such suppliers on the basis of information available with the Company based on information received from such suppliers.		
20	HAL has initiated criminal proceedings against the accused in 2011-12 and during 2012-13, two civil suits have been filed for recovery of fradulently drawn amounts against the accused , his accomplices and institutions namely, the State Bank Of India (SBI) for ₹ 289 Lakhs and Shri Krishna Souharda credit Co-operative Limited for ₹ 102.07 Lakhs. Both the civil cases and criminal case are under progress in the court. Properties of the accused amounting to ₹ 138.3 Lakhs have also been attached by the court. An amount of ₹ 243 lakhs has been received from SBI on 25.04.19 and the balance amount of ₹ 148 lakhs has been provided in the Financials of 2018-19. Though, the provision has been made in the books of accounts, efforts will be made for recovery of the balance amount.		
21	A fraud involving misappropriation of funds by Company official in collusion with six contractors has been noticed by the management and referred to Vigilance department for further investigations. The Vigilance department based on the investigations has lodged FIR with Central Bureau of Investigation (CBI), Bhubaneshwar. An amount of 1876 lakhs has been provisionally assessed as fraudulent payments made to contractors during the period from December 2013 to September 2018, and reported in the FIR with CBI. Adjustment of expenses relating to capital and other accounts includes the above mentioned amount. The matter is under investigation by CBI.		

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	31st March 2019	31st March 2018
	Corporate Social Responsibility		
	(a) Gross amount required to be spent by the Company on CSR activities as per Companies Act, 2013	**6742**	6641

2018-19	In Cash	Yet to be paid in Cash	Total
(b) Amount spent during the year on CSR activities			
(i) Construction / Acquisition of any Assets	1,387	599	1,986
(ii) On purposes other than (i) above	5,020	240	5,260
Total	**6,407**	**839**	**7,246**

2017-18	In Cash	Yet to be paid in Cash	Total
(b) Amount spent during the year on CSR activities			
(i) Construction / Acquisition of any Assets	1,316	496	1,812
(ii) On purposes other than (i) above	5,485	432	5,917
Total	**6,801**	**928**	**7,729**

22 The Company had established Wind Power Plant at Davanagere District, Karnataka as a CSR project in 2015-16. An amount of ₹ 932 lakhs surplus, was generated through savings in energy charges from the Wind Power Plant for FY 2017-18. The surplus has been utilised for other CSR projects/ activities during FY 2018-19 over and above the 2% budget allocation as per the Companies Act, 2013. The Company has spent an amount of ₹ 7246 lakhs on CSR activities during the year 2018-19 under the following heads.

Particulars	(₹ in Lakhs)
Drinking Water	316
Education	1653
Environment Sustainability	189
Facilities for Senior Citizens	17
Healthcare	141
Livelihood Generation	32
Rural Development	662
Sanitation	264
Sports Development	362
Skill Development	2996
Others	615
Total	**7246**

In the year 2018-19, an amount of ₹ 867 lakhs surplus, was generated through savings in energy charges from the Wind Power Plant. The surplus will be utilised for other CSR projects/ activities during 2019-20 over and above the 2% budget allocation as per the Companies Act, 2013.

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars		
23	Operating Cycle	The Company is having the Multiple Business Activities. Operating Cycle is determined by Divisions based on Individual business activity.	
24	The Company's IJT Division is primarily engaged in the production of Intermediate Jet Trainers (IJT) Aircraft. The supply contract with IAF is under execution. In view of the fact that concurrent production is happening alongwith improvement in the Design & Development to meet the customers requirement, the same resulted in non-absorption of fixed overheads. This in turn has resulted in losses for the division. However, considering the value of advancement / progress made in the products under development. In the opinion of the Company, the division will be a cash generating unit once the supply of produced Aircrafts commences.		
24A	Claims Receivable includes ₹ Nil lakhs(PY ₹ 42399 lakhs) being a claim made by the Company in terms of Contract for supply of 20 LCA (IOC) (vide No AIR/HQ/S96056/6/4/ASR dated. 31st March, 2006) with IAF (customer) for revision in the Contract Price as per article 3.5 of the said contract Pursuant to the provisions in the contract, Change Order 3 to the contract was submitted to the customer on 10th April 2018 for a value of ₹ 536217 lakhs which is under consideration.		
24B	**Seasonality of business :** The Company experience cyclicality in respect of recognition of revenue from operations, which is attributable to the delivery of a majority of our products happening in the second half of the year. The Company recognise sales upon acceptance of the product by customers and issuance of a signalling out certificate by them. The sales are dependent on the certification process which needs to be completed before the customers can take deliveries. The certification process typically takes place in the third and fourth quarter due to favourable weather conditions for flight tests during this period. This leads to bunching up of sales during the third and fourth quarter of each financial year and consequently, the revenue varies significantly between the first and second half of the year.		
25	Aircraft have been accepted and signalled out by customers' inspector with fitment of Cat-B items taken on Loan, in cases of non availability of Cat-A item. As the aircraft is flight worthy and the customers have accepted the same, the sales are accounted, consistently, on the basis of Signalling Out Certificate (SOC). As a principle, Loan items fitted on the aircraft are excluded in value for recognising Sales. Sales in respect of such Cat-A items are recognized on supply of Cat-A items, within the contract period.		
26	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), Government of India (GOI). Against the invoice amount, an amount of ₹ 9450 lakhs has been received upto March 2019 from the Ministry of External Affairs.		
26A		**31st March 2019**	31st March 2018
	Sales include the element of differential sales arising out of finalisation of fixed price quotation prices applicable for the period 2016-17 and 2017-18 and approved by Ministry of Defence and communicated by the customer vide letter ref no: Air HQ/95357/61/PPRC/Fin P dated 25 August 2018.		
	Repair & Overhaul	**75464**	-
	Spares	**-510**	-
	Total	**74954**	**-**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
27	Balance shown under Trade Receivables, Trade Payable, Claims Receivable, Advance against Goods and Services, Capital Advances, deposits and stock / materials lying with sub-contractors / fabricators are subject to confirmation, reconciliation & consequential adjustments, if any. Since the Company is a Government entity under the control of Ministry of Defence (MoD), around 98% of the Company's turnover, around 99% of Trade receivables and Contract Assets, around 97% of Claims receivables and around 99% of the customer advances is with respect to Government and Government related entities. The bills are raised on the customers by the divisions located at various places and reconciliation is carried out on an ongoing basis. However, management does not expect to have any material financial impact of such pending confirmation / reconciliation.
28	In the opinion of the Board, the Company do 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.
29	Sales, based on Accounting Policy of the Company, 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 customers, 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 set up) is as under:

Year	Sales (Net of Excise Duty) (₹ in lakhs)	Value of the Helicopters to be ferried out				Date of approval of Accounts
		Su 30	ALH	Total	% of Sales	
2016-17	1760379	-	-	-	-	29.06.2017
2017-18	1828386	-	48771	48771	3%	30.05.2018
2018-19	1970455	138118	81,548	219,666	11%	27.05.2019

The expenditure involved in the work carried out post SOC date is absorbed against the provision for replacement 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.

29A	The PSLV contract contains a clause that the acceptance of hardware takes in two places. The preliminary acceptance will be based on the inspection and quality reports and test carried out at the contractor's premises and will be for the purpose of movement of hardware. Final acceptance will be at the site based on the final inspection / functional checks to be carried out on receipt at site.
30A	₹ nil lakhs (PY ₹ 47258 Lakhs) under miscellaneous sales represent Gratuity claims due to increase in gratuity limit from ₹ 10 lakhs to ₹ 20 lakhs.
30B	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 Core Engine 2, Run completed and development activities of TD Full Engine run and Design Configuration review are under progress. An amount of ₹ 11389 Lakhs as of 31.3.2019 (PY ₹ 9373.01 Lakhs as of 31.3.2018) has been accounted under Intangible Assets under Development. It is assessed that, further development activities involve development of flight worthy engine for certification on a particular platform would require at least another 5 years or so. Keeping this in view and also that there is no visibility of any progress of any commitment / orders for the Product, the Intangible Asset review Committee has recommend for impairment of total expenditure incurred on this project. Accordingly, ₹ 11389 Lakhs has been impaired as on 31.03.2019.

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
30C	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 290 Aircraft (70 Aircraft for IAF and 220 Aircraft for other customers) has been projected by the Company. The Company continues to fund the HTT Design and Development program. Hence the expenditure of ₹ 6580 lakhs (PY ₹ 11104 lakhs) has been treated as Development Expenditure and accounted under Intangible Assets under Development.
30D	Special Tools includes ₹ 1328 Lakhs (PY 1715 lakhs) towards COMPASS Project at Bharat Electronics Limited (BEL), on behalf of MRO Division against which Company derives future economic benefits for repair of electro optical pods.
31	One Upgraded Mirage 2000 Aircraft crashed during customer acceptance flight at HAL Airport, Bangalore on 1st February 2019. HAL has taken an insurance policy for ₹ 3412.00 lakhs for HAL efforts and material used in repair / overhaul, and preferred the claim with the Insurance company for ₹ 2775 lakhs. The claim is under process.

32

Financial instruments by category

(a) The carrying value and fair value of financial instruments by each category as at 31st Mar,2019 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	90179			90179	90179
(ii) Loans	10914			10914	10914
(iii) Other financial assets	153333			153333	153333
(iv) Trade receivables	1402941			1402941	1402941
(v) Cash and Cash equivalents	1150			1150	1150
(vi) Bank Balances other than (v)	10071			10071	10071
(vii) Contract Assets	302005			302005	302005
Liabilities:					
(i) Borrowings	415801			415801	415801
(ii) Trade payables	263179			263179	263179
(iii) Other financial liabilities	216191			216191	216191

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
32	(b) The carrying value and fair value of financial instruments by each category as at 31st March, 2018 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	98937			98937	98937
(ii) Loans	11935			11935	11935
(iii) Other financial assets	252813			252813	252813
(iv) Trade receivables	675079			675079	675079
(v) Cash and Cash equivalents	9154			9154	9154
(vi) Bank Balances other than (v)	643266			643266	643266
(vii) Contract Assets	99076			99076	99076
Liabilities:	-				
(i) Borrowings	86406			86406	86406
(ii) Trade payables	166842			166842	166842
(iii) Other financial liabilities	187553			187553	187553

(c) Interest income/(expenses), gains/(losses) recognised on financial assets and liabilities:

Particulars	31st Mar 2019	31st Mar 2018
(a) Financial assets at amortised cost		
- Interest income from bank deposits	**20504**	63894
- Interest income from other financial assets	**263**	282
- Gain/(Loss) on amortisation of financial assets	**3376**	3452
(b) Financial liabilities at amortised cost		
- Gain/(Loss) on amortisation of financial liabilities	**(3,413)**	(3,492)

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
33	**Financial Risk Management** The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments. The Company based on its business operation evaluated the following risks: **a) Foreign currency risk:** Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The Company's exposure to the risk of changes in exchange rates relates primarily to the Company's imports for which the payment has to be done in currencies other than the functional currency of the Company. The fluctuation in exchange rates in respect to the Indian rupee may have very restricted impact on company as any fluctuations in foreign exchange are in general reimbursed by the customers of the Company in terms of the contractual obligations which the Company has with its customers. **b) Credit Risk** Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the Company. Credit risk arises principally from trade receivables, loans & advances, advances given to suppliers (for procurement of goods, services and capital goods, cash & cash equivalents and deposits with banks and financial institutions). The Company for the Financial Year (FY) derived 94% (Previous Year (PY) 96% of its total sales from sales to the Indian Defence Services. The Company expects to continue to derive most of its sales from the Indian Defence Services under the contracts of the Ministry of Defence (MoD), Government of India (GoI) –the Company's principal shareholder and administrative ministry.

Ageing Analysis of the Trade Receivables

Ageing	Not Due	0-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	120-180 days past due	more than 180 days past due	Total
Net carrying amount as on 31.3.2018	4901	290130	40298	45418	39059	39123	216151	675079
Net carrying amount as on 31.03.2019		426355	62545	78760	96340	90764	648178	1402941

c) Provision for expected credit losses:

As the Company's debtors are predominantly the Government of India (Indian Defence Services, Ministry of External Affairs), Central Public Sector Undertakings where the counter-parties have sufficient capacity to meet the obligations and where the risk of default is NIL/negligible. Accordingly, no loss allowance for impairment has been recognized. Further, management believes that the unimpaired amounts that are due collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk. Hence, no impairment loss has been recognized during the reporting periods in respect of trade receivables.

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
33	**d) Liquidity risk:** Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. The Company's standard contract terms provide that, the Company receives advance payments from customers pursuant to the applicable contracts, including the GoI and the Indian Defence Services at the time of signing of any contract and milestone payments on achievement of physical milestones. These payments are utilized to meet the Company's working capital needs (for the Company required to maintain a high level of working capital because the Company's activities are characterized by long product development periods and production cycles). A majority of the Company's research, design and development costs are funded by the Indian Defence services. Services and supply of spares are governed by the Fixed Price Quotation (FPQ) policy for fixation of the prices wherein the prices are fixed for the base year with escalation parameters for a pricing period of 5-7 years. The process of fixation of prices and approvals takes a minimum period of two years after the expiry of previous pricing period. In the interim, the approved prices of the previous pricing period are continued and payments are accordingly realised and on finalisation of the revised prices, the differential prices are paid to the Company. Further, certain costs not forming part of selling price are reimbursed by customer on incurrence of expenditure. The reimbursement is based on verification and issuance of audit certificate by the payees. There are delays in the above process due to unanticipated variations/adjustments in the scope and schedule of the Company's obligations due to subsequent modifications by the customers and delays in receipt of approvals from the customer. Further, payments to the Company by the Indian Defence Services are reliant on the continuing availability of budgetary appropriations by Government of India and any disruptions to the availability of such appropriations could adversely affect the Company's cashflows.
	e) Market risk: The Ministry of Defence (MoD) and the Government of India (GoI) have continued efforts to reform Defence related policies such as the Defence Procurement Procedure 2016 ("DPP 2016") to promote private participation, a level playing field and the domestic Defence manufacturing Industry and eco-system. While the MoD has given the highest priority to Indigenously Designed, Developed and Manufactured ("IDDM") products for capital procurement, the Company faces competition to be selected as the Indian production agency for such contracts. These policies have raised the level of market competition in the areas in which the Company operates.
	f) Risk Mitigation Process: As a step of institutionalizing the risk management in the Company, an elaborate framework has been developed and the Company's top management has overall responsibility for the establishment and oversight of the Company's risk management framework. An important purpose of the framework is to have a structured and comprehensive risk management system across the company which ensures that the risks are being properly identified and effectively managed. The Company has a risk management policy to manage & mitigate these risks. The risk management process includes risk identification, risk assessment, risk evaluation, risk mitigation and regular review and monitoring of risks. The Company's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars

Capital Management:

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the parent . The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

34 The Company monitors capital by using debt equity ratio, which is borrowings divided by Equity.

Particulars	31st March 2019	31st March 2018
Debt	**415801**	86406
Equity	**1084852**	948565
No of times	**0.38:1**	0.09:1

No changes were made in the objectives, policies or processes for managing capital during the periods ended 31st Mar 2019 and 31st Mar 2018.

35A

Borrowing Term Loan (Note - 24)	
Name of the lender	State Bank of India
Facilities	Term loan of ₹ 100000 lakhs may be availed as Rupee facility or capex LC subject to maximum of ₹ 40000 lakhs.
Purpose	The proceeds of the Term Loan will be utilized specifically for building capacity for executing order of 162 LCH. The expenses will include, Civil works, Plant and Machinery and Deferred Revenue Expenditure.
Security	Primary: First charge on the Project assets present and future excluding Civil works and intangible. Collateral: Second charge on the Current Assets (stock and receivables)
Interest Rate	Interest at the rate of 0.10% above 1 year MCLR which is presently 7.95% p.a. calculated on daily products at monthly rests. The Bank shall at any time and from time to time be entitled to vary the margin based on the Credit Risk Assessment of the borrower at its discretion and MCLR will be reset on an annual basis on the anniversary of reset. The interest will be serviced by the Company during the moratorium.
Disbursement	The term loan of ₹ 100000 lakhs will be disbursed in tranches beginning from the fourth quarter of Financial Year 2017-18 to first quarter of Financial Year 2024-25.
Repayment	The repayment will be in quarterly installments amounting to ₹ 6250 lakhs after moratorium of 4 years i.e. Repayment will be from the Fourth Quarter of the Financial Year 2021-22 to Third quarter of the Financial Year 2025-26

35B

Borrowing Cash Credit (Note 30)	
Details of lender	A Consortium of 7 banks
Limit	₹ 400000 lakhs as Cash Credit
Purpose	Working Capital Requirements
Security	Paripassu first charge on stocks and receivables of the Company with other consortium banks
Interest Rate	Interest at the rate of 0.25% over MCLR which is presently 8.55% p.a. present effective rate being 8.80% p.a. at monthly rests. SBI vide letter dated 29th Mar 2019, has revised the applicable rate of interest at 0.10% above the MCLR, and the effective rate of interest will be 8.65% p.a.

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars

UN-HEDGED FOREIGN CURRENCY EXPOSURE

RECEIVABLES	31st March 2019		31st March 2018	
	Foreign Currency	Amount in INR (in lakhs)	Foreign Currency	Amount in INR (in lakhs)
GBP	**423503**	**379**	823592	748
EURO	**64838**	**49**	130511	104
USD	**23092211**	**15881**	20585264	13330
RBL	**66163**	**1**	126915	1
PAYABLES				
GBP	**34723783**	**31794**	35291633	32701
EURO	**32897596**	**25884**	29494903	23944
USD	**143327141**	**99798**	49518298	32485
CHF	**834206**	**588**	971026	670
NOK	**2835485**	**230**		
JPY	**151160154**	**957**		

36

37 The Ministry of Corporate Affairs vide notification no 1/2/2014-CL-V dated 23rd February 2018 has exempted the Government companies engaged in defence production to the extent of application of Ind AS 108 on "Operating Segment".

38 As per Ind AS-109 relating to Accounting for Investments, amount being Dividend received from Joint Venture companies, which is recognised when right to receive Dividend is established.

39

Disclosure with regard to Joint Working Groups

The Company has entered into a Joint Working Agreement 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 :	31st March 2019	31st March 2018
AIJWG	**188**	182
HALCON	**69**	63
Total	**257**	**245**

Disclosure with regard to Joint Working Group

Name of the Joint Working Group	AIJWG		HALCON	
	31st March 2019	31st March 2018	31st March 2019	31st March 2018
Country of Operation	**India**	India	**India**	India
Share of Company / Ownership Interest	**50.00%**	50.00%	**50.00%**	50.00%
Principal Activities	**Flight Handling**	Flight Handling	**Cargo Handling**	Cargo Handling
Liabilities - Company's Share	**1747**	1559	**496**	527
Non-Current Assets - Company's share	**1**	2	**200**	216
Current Assets - Company's share	**1746**	1557	**296**	311
Income - Company's Share	**247**	216	**234**	191
Expenditure - Company's Share	**60**	34	**165**	128
Profit / (Loss) Company's Share	**188**	182	**69**	63
Contingent Liability	**-**	-	**-**	-

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
	Break-up of Deferred Tax Liabilities and Assets are given below:

(a) For the period ended 31st March 2019

Particulars	Opening balance as on 01st April, 2018	Additions /(reversals) in Income statement	Additions /(reversals) recognized in Equity	Closing balance as on 31st Mar, 2019
Deferred Tax Liability				
Tangible Assets	17775	3750		21525
Intangible Assets	64459	-4572		59887
Special Tools and Equipment	128257	-4006		124251
Others	5291	-4064		1227
TOTAL	**215782**	**-8892**		**206890**
Deferred Tax Asset				
Accrued Leave Salary	29545	1112		30657
Provision for Liquidated Damages, Onerous Contract & Wage Revision	83152	19380		102532
Statutory Payments	36	-2		34
Others	5933	-4291		1642
TOTAL	**118666**	**16199**		**134865**
Net Deferred Tax Liability	**97116**	**-25091**		**72025**

40A

(b) For the period ended 31st March 2018

Particulars	Balance as on 01.04.2017	Additions/ (reversals) in Income statement	Additions/ (reversals) recognized in Equity	Closing balance as on 31st Mar, 2018
Deferred Tax Liability				
Tangible Assets	14481	3294		17775
Intangible Assets	65850	-1391		64459
Special Tools and Equipment	131438	-3181		128257
TOTAL	**211769**	**-1278**		**210491**
Deferred Tax Asset				
Accrued Leave Salary	28184	1361		29545
Provision for Liquidated Damages, Onerous Contract & Wage Revision	87563	-4411		83152
Statutory Payments	30	6		36
TOTAL	**115777**	**-3044**		**112733**
Net Deferred Tax Liability	**95992**	**1766**		**97758**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	31st March 2019	31st March 2018
	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	**353811**	300917
	Enacted tax rates	**34.944%**	34.608%
	Expected tax expense/(benefit)	**123636**	104141
	Effect of :		
	Deductible expense for tax purpose:		
	-Expenditure on Scientific Research u/s. 35	**-7558**	-11611
	-Deduction towards addition to Plant and Machinery (Sec 32AC(1A) &(1B))		
	Other Deductible Expenditure	**6222**	
	-Provisions for Warranty, Replacement, Doubtful Debts, Claims & Materials etc. (Net)	**4874**	
40B	**Non-deductible expenses for tax purposes:**		
	-Provisions for Warranty, Replacement, Doubtful Debts, Claims & Materials etc. (Net)		10054
	-Sustainable Development and Corporate Social Responsibility	**2532**	2674
	-Impairment of long term investments	**96**	2178
	-Other Non Deductible Expenses	**593**	4841
	-Earlier Year Tax	**982**	4975
	Taxation impact on IndAS Adjustment	**13**	14
	Tax Expense	**131390**	117266
	Amount of Income Tax relating to each component of OCI:		
	Remeasurement of Defined Benefit Plans	**-3132**	-7983
	Exchange Differences in translating the financials statements of a foreign Operations	**3**	6

	The income tax department has, for the assessment years 2005-06 to 2015-16, disallowed the company's claim towards Research & Development expenditure resulting in a tax demand including interest ₹ 225776 lakhs. While the issue is contested in appeal by the Company and the department is pending before appellete forums the department has collected ₹ 189541 lakhs by adjustment of later year refunds and collections. Hitherto, the demand was disclosed as contingent liability while the payments was disclosed as payments under protest.
41A	MCA by notification dated 30.03.2019 have amended Ind AS 12 by introducing Appendix C-Uncertainity over Tax Treatments, which is effective 1st April 2019. Pursuant to the amendment, the Company undertook a review of the issue with the tax advocate representing the matter before appellete authorities. Based on the deliberations, the demand being high and not stayed and the litigations is likely to prolong to the highest level. As a prudent measure the demand is recognised in the Financial Statements, without prejudice to the continuation of the appellete remedies. The effect of the recognition is by re-statement of the prior period financial statements in accordance with Ind AS 12 - Income Tax and Ind AS - 8.
41B	Pursuant to early adoption of Appendix C – Uncertainty over Tax Treatments, which is mandatory from 01.04.2019, Income Tax liability relating to Assessment Year 2005-06 to Assessment Year 2007-08 and Assessment Year 2010-11 to Assessment Year 2015-16, ₹ 212247 lakhs and consequent interest thereon upto 31.03.2017, ₹ 4280 lakhs is recognized in Equity as on 1.4.2017 and interest for 2017-18 ₹ 2232 lakhs is recognized in Financial Year 2017-18 and restated. The amounts adjusted /paid aggregates to ₹ 173922 lakhs is adjusted against the liabilities.

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
41C	Liquidated damages for delay in execution ₹ 29947 lakhs and ₹ 6067 lakhs upto 31.03.2017 and during FY 2017-18 respectively, now discovered have been recognized and adjusted in equity as on 01.04.2017 and statement of Profit and Loss 2017-18 restated respectively.
41D	Deferred Tax Assets on Provisions for warranty, Replacements, Doubtful debts etc., amounting to ₹ 114360 lakhs as on March 31, 2019, (₹ 105871 lakhs March 31 2018) and ₹ 8489 lakhs for the year ended 31st March 2019 and ₹ 12175 lakhs for the year ended March 31 2018 are not recognized as the temporary differences, since are not likely to reverse in the foreseeable future. The issue is being referred to the Expert Advisory Committee of the ICAI and based on the opinion, the financial statement will be restated by company in accordance with Section 131 of the Companies Act 2013.
42A	**Disclosure relating to Ind AS- 17 (Leases)**
1	The Company has accounted for leasehold lands of 7.41 acres as finance lease from Goa Industrial Development Corporation by way transfer of lease hold rights from Goa Auto Accessories Limited(GAAL) for the period 16th November 2017 to 21st July 2077.

2	**Finance Lease for Goa land:** The net carrying amount of asset at the end of the reporting period.	435	442

3 — The below are the minimum future lease payments:

Particulars	Within 1 year	1-5 Years	After 5 Years	Total
31st March 2019				
Minimum Lease Payments	5	30	841	876
Future Finance Charge	-	(6)	(729)	(735)
Present Value of Minimum Lease Payments	5	24	112	141
31st March 2018				
Lease Payment	5	29	847	881
Finance Charge	-	(6)	(738)	(744)
Present Value of Minimum Lease Payments	5	23	109	137

		31st March 2019	31st March 2018
4	Contingent rents recognised as an expense in the period	**-**	-
5	The total of future minimum sublease payments expected to be received under non-cancellable sub-leases at the end of the reporting period	**-**	-
42B	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	**492**	1102
	Note 43	**244**	240

43 — Provision for Gratuity and Earned Leave has been made based on Actuarial Valuation. The date of Actuarial valuation is of 31st Mar, 2019

Employee Benefits:

The Company has adopted the Accounting Standard (Ind AS)-19 on Employee Benefits. Consequently, the liability thereon is accounted on the basis of actuarial valuation, and is being recognised as short-term benefits / long term benefits.

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars

Gratuity:

The Company has a Gratuity Scheme for its employees, which is a funded plan. Every year the Company funds to the Gratuity Trust to the extent of shortfall of the assets over the fund obligations, which is determined through actuarial valuation. As per the Gratuity Scheme, Gratuity is payable to an employee on the cessation of his employment after he has rendered continuous service for not less than 5 (five) years in the Company. For every completed year of service or part thereof in excess of six months, the Company shall pay Gratuity to an employee at the rate of 15 (fifteen) days' emoluments based on the emoluments last drawn with a ceiling of ₹ 20 (twenty) Lakhs.

The following tables summarise the components of net benefit expense recognised in the Statement of Profit and Loss and the funded status and amounts recognised in the Balance Sheet for the plan as furnished in the Disclosure Report provided by the Actuary:

Gratuity:

Analysis of Defined Benefit Obligation:

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:

	Period Ended 31st Mar 2019	Period Ended 31st Mar 2018
DBO in respect of non vested employees	**596**	880
DBO in respect of vested employees	**158329**	143604
Total defined benefit obligation	**158925**	144484

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

43A

	Period Ended 31st Mar 2019	Period Ended 31st Mar 2018
Defined benefit obligation without effect of projected salary growth	**96370**	87101
Plus effect of salary growth	**62555**	57383
Defined benefit obligation with projected salary growth	**158925**	144484

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.

	Period Ended 31st March 2019	
	Discount Rate	**Salary Escalation Rate**
Impact of increase in 50 bps on DBO	**-4.67%**	**2.35%**
Impact of decrease in 50 bps on DBO	**5.08%**	**-2.57%**

	Period Ended 31st March 2018	
	Discount Rate	Salary Escalation Rate
Impact of increase in 50 bps on DBO	-4.47%	2.76%
Impact of decrease in 50 bps on DBO	4.86%	-2.82%

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars		
	These sensitivities have been calculated to show the movement in defined benefit obligation 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 analysis.		
	Projected Plan Cash Flow		
	Maturity Profile	**31st Mar 2019**	31st Mar 2018
	Expected benefits for year 1	**23,042**	21,108
	Expected benefits for year 2	**15,793**	14,568
	Expected benefits for year 3	**16,527**	14,920
	Expected benefits for year 4	**14,632**	15,585
	Expected benefits for year 5	**11,218**	13,755
	Expected benefits for year 6	**9,135**	10,555
	Expected benefits for year 7	**6,801**	8,546
	Expected benefits for year 8	**6,440**	6,272
	Expected benefits for year 9	**6,806**	5,868
	Expected benefits for year 10 and above	**318,604**	287,924
	Total	**428,998**	**399,101**
43A	The weighted average duration to the payment of these cash flows is	**9.74 Years**	9.32 Years

Particulars	31st March 2019	31st March 2018
Amount recognised in Balance Sheet:		
Present value of funded defined benefit obligation	**158925**	144484
Fair value of plan assets	**140224**	91765
Net funded obligation	**18701**	52719
Net defined benefit liability / (asset) recognized in balance sheet	**18701**	52719
Net defined benefit liability / (asset) is bifurcated as follows:		
Non Current	**18701**	52719
Amount recognised in Statement of Profit & Loss:		
Current Service Cost	**5,615**	3,170
Past Service Cost		29,022
Administration expenses		
Interest on net defined benefit liability / (asset)	**4,123**	65
(Gains) / losses on settlement		
Total expense charged to Statement of Profit and Loss	**9,738**	**32,257**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars		
	Amount recognised in Other Comprehensive Income:		
		31st Mar 2019	31st Mar 2018
	Opening amount recognized in OCI outside Profit and Loss account	**30,979**	7,894
	Remeasurements during the period due to		
	Changes in financial assumptions	**4,528**	12,430
	Changes in demographic assumptions	**-89**	-2,578
	Experience adjustments	**7,774**	14,323
	Actual return on plan assets less interest on plan assets	**-3,250**	-1,090
	Closing amount recognized in OCI outside Statement of Profit and Loss	**39,942**	**30,979**
	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:		
	Opening net defined benefit liability / (asset)	**52719**	2339
	Expense charged to profit & loss account	**9738**	32257
	Amount recognized outside profit & loss account	**8963**	23085
	Employer contributions	**-52719**	-4962
43A	Impact of liability assumed or (settled)*		
	Closing net defined benefit liability / (asset)	**18701**	**52719**

Particulars	31st March 2019	31st March 2018
MOVEMENT IN BENEFIT OBLIGATIONS:		
Opening of defined benefit obligation	**144484**	91543
Current service cost	**5615**	3170
Past service cost		29023
Interest on defined benefit obligation	**10781**	6513
Remeasurements due to:		
Actuarial loss / (gain) arising from change in financial assumptions	**4528**	12430
Actuarial loss / (gain) arising from change in demographic assumptions	**-89**	-2578
Actuarial loss / (gain) arising on account of experience changes	**7774**	14323
Benefits paid	**-14168**	-9940
Liabilities assumed / (settled)*		
Liabilities extinguished on settlements		
Closing of defined benefit obligation	**158925**	**144484**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	31st March 2019	31st March 2018
	MOVEMENT IN PLAN ASSETS:		
	A reconciliation of the plan assets during the inter-valuation period is given below:		
	Opening fair value of plan assets	**91765**	89204
	Employer contributions	**52719**	4962
	Interest on plan assets	**6658**	6448
	Administration expenses		
	Remeasurements due to:		
	Actual return on plan assets less interest on plan assets	**3251**	1090
	Benefits paid	**-14168**	-9940
	Assets acquired / (settled)*		
	Assets distributed on settlements		
	Closing fair value of plan assets	**140225**	**91764**

* On account of business combination or inter group transfer

DISAGGREGATION OF PLAN ASSETS:

Clause No.		Period Ended 31st March 2019		
		Quoted Value	**Non Quoted Value**	**Total**
	Property			
43A	Government debt instruments		1786	1786
	Other debt instruments			
	Entity's own equity instruments			
	Insurer managed funds		138353	138353
	Others		86	86
			140225	**140225**

		Period Ended 31st March 2018		
		Quoted Value	Non Quoted Value	Total
	Property			
	Government debt instruments		2913	2913
	Other debt instruments			
	Entity's own equity instruments			
	Insurer managed funds		88704	88704
	Others		148	148
			91765	**91765**

Principal Assumptions :	**31st March 2019**	31st March 2018
Discounting Rate (p.a.)	**7.75%**	8.05%
Salary escalation rate (p.a.)	**8.00%**	8.00%

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	31st March 2019	31st March 2018
43B	**Earned Leave**		
	The Actuarial Liability of Earned Leave of the employees of the Company as at March 31st	**87731**	85371
	Discounting Rate	**7.75**	8.05
	Salary escalation rate	**8.00**	8.00
	Retirement Age	**60 Years**	60 Years
43C	**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	**23858**	23186
43D	**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	**11270**	11241
	Contribution to Medical	**10597**	10921

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars								
	The following table summarizes the disclosure report provided by the Actuary as on 31st March 2019 (Ind AS 19)								
	EMPLOYEES' PROVIDENT FUND TRUST *	**HAL(BC)**	**NASIK**	**KORAPUT**	**HYDERABAD**	**LUCKNOW**	**KORWA**	**KANPUR**	**HQ**
	Summary of Data:								
	Accumalated Value of the PF as at Valuation Date	195581	91569	78066	30147	60668	31205	28726	9646
	Value of Surplus/(Deficit) Account as at Valuation Date	2655	911	1152	781	161	129	410	72
	Avg. Remaining Tenure of the Investment	6.55 Years	5.88 Years	7.19 Years	5.54 Years	7 years	4.55 Years	7 Years	6.27 Years
	Amount to be Recognized in Balance Sheet:								
	Present Value of Obligation as at the end of the period	195581	91569	78066	30147	60668	31205	28726	9646
	Fair Value of Plan Assets at the end of the year	195581	91569	78066	30147	60668	31205	28726	9646
	Net Liability								
	Asset Information :								
	Government of India Securities	130991	71835	31968	14073	49845	25196	25115	8338
43E	High Quality Corporate Bonds/ Other Debt Instruments	52935	9295	17511	9057	2600	1585	1548	375
	Special Deposit Scheme								
	Equity Shares of Listed Companies	3918		3019	732	802	859	1273	408
	Investment with Insurer								
	Dues to HAL								
	Others	7737	10439	25568	6285	7421	3565	790	525
	Total	**195,581**	**91,569**	**78,066**	**30,147**	**60,668**	**31,205**	**28,726**	**9,646**
	Summary of Principal Acturial Assumptions:								
	Disccount Rate (p.a)	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
	Future Derived Return on Assets (p.a)	9.79%	9.50%	8.53%	9.64%	9.09%	9.50%	9.50%	9.20%
	Discount Rate for the Remaining Term to Maturity of the Investment (p.a)	7.35%	7.20%	7.50%	7.15%	7.50%	7.05%	7.50%	7.30%
	Average Historic Yield on the Investment (p.a)	9.39%	8.95%	8.28%	9.04%	8.84%	8.80%	9.25%	8.75%
	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.

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars								
	The following table summarizes the disclosure report provided by the Actuary as on 31st March 2018 (Ind AS 19)								
	EMPLOYEES' PROVIDENT FUND TRUST *	**HAL(BC)**	**NASIK**	**KORAPUT**	**HYDERABAD**	**LUCKNOW**	**KORWA**	**KANPUR**	**HQ**
	Summary of Data:								
	Accumalated Value of the PF as at Valuation Date	173668	82295	69306	29350	61244	30175	26013	8630
	Value of Surplus/(Deficit) Account as at Valuation Date	2580	903	981	778	45	52	124	84
	Avg. Remaining Tenure of the Investment	7.01 Years	6.12 Years	7.75 Years	5.98 Years	5.25 years	5.4 Years	8 Years	6.41 Years
	Amount to be Recognized in Balance Sheet:								
	Present Value of Obligation as at the end of the period	173668	82295	69306	29350	61244	30175	26013	8630
	Fair Value of Plan Assets at the end of the year	173668	82295	69306	29350	61244	30175	26013	8630
	Net Liability								
	Asset Information :								
	Property								
43E	Government of India Securities	112488	61135	26845	12401	50462	24825	22499	7545
	High Quality Corporate Bonds/ Other Debt Instruments	53136	9295	18472	10757	94		1548	375
	Special Deposit Scheme								
	Equity Shares of Listed Companies			2269	737	605	2344	880	338
	Investment with Insurer								
	Dues to HAL								
	Others	8044	11865	21719	5455	10083	3006	1085	372
	Total	**173668**	**82295**	**69305**	**29350**	**61244**	**30175**	**26012**	**8630**
	Summary of Principal Acturial Assumptions:								
	Disccount Rate (p.a)	8.05%	8.05%	8.05%	8.05%	8.05%	8.05%	8.05%	8.05%
	Future Derived Return on Assets (p.a)	9.76%	9.46%	8.56%	9.70%	9.34%	9.62%	9.60%	9.30%
	Discount Rate for the Remaining Term to Maturity of the Investment (p.a)	7.68%	7.65%	7.75%	7.65%	7.55%	7.55%	7.80%	7.65%
	Average Historic Yield on the Investment (p.a)	9.39%	9.06%	8.26%	9.30%	8.84%	9.12%	9.35%	8.90%
	Guaranteed Rate of Return(p.a)	8.55%	8.55%	8.55%	8.55%	8.55%	8.55%	8.55%	8.55%

* 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.

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars		
43F	As per the recommendations of the 3rd Pay Revision Committee(PRC) constituted by the Central Government, revision of Pay Scales of Officers was done during the year. Revision of Pay Scales of Workmen of the Company is also due with effect from 1st January 2017. While most of the dues in respect of Officers have been settled, the same for Workmen is under finalization		
43G	DPE, vide OM No. W-02/0028/2017-DPE (WC)-GL-XIV/17 dated 03rd August 2017 has notified certain changes in the Perormance Related Pay (PRP) Scheme,effective from the Financial year 2017-18, as part of Salary Revision of Executives with effect from 01st January 2017. Accordingly, the existing PRP Scheme has been modified in line with the provisions of the DPE OM dated 03rd August 2017. The revised PRP Scheme is to be implemented from the Financial Year 2017-18 and onwards. The revised scheme is to be approved by the Nomination & Remuneration Committee. However, Provision for PRP has been made as per DPE Guidelines.		
43H	**Pension:** 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 with effect from 1st January, 2007 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 16th July, 2014 in respect of Executives retired etc., from 1st January, 2007. A Defined Contribution Pension Scheme in respect of Workmen retired after 1st January, 2012 was notified on 2nd June, 2015 which was agreed as a part of the Workmen's Wage Revision effective from 1st January, 2012. 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. The Scheme is managed by a duly constituted Trust.		
43I	**Post Superannuation Group Health Insurance Schemes:** In line with the Guidelines issued by the Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Government 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 1st January, 2007 and (b) Executives retired on or after 1st January, 2007 were introduced with effect from 1st February, 2014. A Post Superannuation Group Health Insurance Scheme in respect of Workmen of the Company retired, etc. after 1st January, 2007 has been introduced in the Company with effect from 1st February, 2015 which was agreed as a part of the Workmen's Wage Revision effective from 1st January, 2012. Benefits under the Schemes may vary from year to year, as contribution to the Corpus of the Schemes is dependent on Profits generated, Affordability & Sustainability by the Company. The Schemes are managed by a duly constituted Trust.		
		31st March 2019	31st March 2018
44	As per Ind AS-21 relating to accounting for the effects of changes in the Foreign Exchange rates.		
(a)	Exchange rate variation recognised in Statement of Profit and Loss towards Capital Assets.	**39**	160
(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 (ERV) considered for the period ended 31st Mar 2019 is ₹ 3392 Lakhs (for the period 31st Mar 2018 is ₹ 4314 Lakhs). The Assets and Liabilities relating to deferred credit transaction are reinstated 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).		

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars																
45A	DISCLOSURE RELATING TO Ind AS-24 ON RELATED PARTY DISCLOSURES																
(a)	The name of the transacting related party	M/s. Indo Russian Aviation Limited	M/s. BAe HAL Software Limited	M/s. Safran HAL Aircraft Engines Private Ltd	M/s. SAMTEL HAL Display Systems Limited	M/s. HAL-Edge-wood Tech-nologies Private Limited	M/s. HALBIT Avionics Private Limited	M/s. Infotech HAL Limited	M/s. HATSOFF Helicopter Training Private Ltd.	M/s. Tata HAL Tech-nologies Ltd.	M/s. Inter-national Aerospace Manufac-turing Pvt. Ltd.	M/s. Multirole Transport Aircraft Ltd.	M/s Aerospace & Aviation Sector Skill Council	M/s Helicopter MRO Engines Pvt. Ltd	M/s Defence Innova-tion Organi-sation	M/s Nainee Aerospace Ltd	M/s Indo Russian Helicopters Pvt Ltd
	Country of incorporation	India	India	India	India	India	India	India	India	India	India	India	India	India	India	India	India
	Proportion of Ownnership Interest	48%	49%	50%	40%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	100%	50.50%
(b)	Description of the relationship between the parties	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Subsidiary	Subsidiary
(c)	Description of the nature of the transactions	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services	Purchase and sale of goods and services
(d)	Volume of the transactions either as an amount or as an appropriate proportion on Purchase of Goods and Services and other expenses	8701	442	-	1713	74	42	159	11	367	-	-	-	12	-	475	-
	2017-18	(8,996)	(729)	-	(1,085)	(15)	-	(386)	(2)	(97)	-	-	-	(101)	-	(75)	-
	Volume of the transactions either as an amount or as an appropriate proportion on Sale of Goods and Services	-	-	-	-	-	-	-	469	-	1053	-	-	-	-	135	-
	2017-18	-	-	-	-	-	-	-	(10)	-	(638)	(354)	-	-	-	-	-
(e)	Amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date on Purchase of Goods and Services and other expenses	6386	289	-	-	74	1338	-	11	312	-	-	-	111	-	403	-
	2017-18	(3,810)	(393)	-	(155)	-	(2,367)	(20)	-	(25)	-	-	-	(101)	-	(75)	-
	Amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date on Sale of Goods and Services and other expenses	6	179	-	-	437	132	-	421	-	842	9	-	3	-	532	-
	2017-18	(6)	(42)	-	-	(400)	(48)	-	(355)	-	(745)	(2)	-	-	-	(157)	(27)

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars																
45A	DISCLOSURE RELATING TO Ind AS-24 ON RELATED PARTY DISCLOSURES																
	The name of the transacting related party	M/s. Indo Russian Aviation Limited	M/s. BAe HAL Software Limited	M/s. Safran HAL Aircraft Engines Private Ltd	M/s. SAMTEL HAL Display Systems Limited	M/s. HAL-Edge-wood Tech-nologies Private Limited	M/s. HALBIT Avionics Private Limited	M/s. Infotech HAL Limited	M/s. HATSOFF Helicopter Training Private Ltd.	M/s. Tata HAL Tech-nologies Ltd.	M/s. Inter-national Aerospace Manufac-turing Pvt. Ltd.	M/s. Multirole Transport Aircraft Ltd.	M/s Aerospace & Aviation Sector Skill Council	M/s Helicopter MRO Engines Pvt. Ltd	M/s Defence Innova-tion Organi-sation	M/s Nainee Aerospace Ltd	M/s Indo Russian Helicopters Pvt Ltd
	Country of incorporation	India	India	India	India	India	India	India	India	India	India	India	India	India	India	India	India
	Proportion of Ownnership Interest	48%	49%	50%	40%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	100%	50.50%
(f)	Rent, Water and Electricity Expenses	3	166	-	1	36	54	-	62	-	196	22	-	-	-	-	-
	2017-18	(4)	(285)	-	(1)	(37)	(55)	-	(62)	-	(182)	(25)	-	-	-	-	-
(g)	Advances Outstanding on Purchases of Goods and Services as on 31st March 2019	-	-	1	122	64	14	-	-	-	-	-	-	-	-	-	-
	2017-18	-	(27.00)	(1)	(191.00)	(64.00)	(14.00)	-	-	-	-	-	-	-	-	-	-
	Advances Outstanding on Sale of Goods and Services as on 31st March 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2017-18	-	-	-	-	-	-	-	(448.00)	-	-	-	-	-	-	-	-
(h)	Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2017-18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	Dividend on Investments	173	-	-	-	-	-	-	-	-	9	-	-	-	-	-	-
	2017-18	(94)	-	(23.00)	-	-	-	-	-	-	(9)	-	-	-	-	-	-
(j)	Loans Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2017-18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(k)	Re-imbursement Salaries including KMP Salaries	69	-	-	-	-	-	-	-	-	61	9	-	29	-	-	-
	2017-18	(70)	-	-	-	-	(6)	-	-	-	(3)	-	-	-	-	(79)	-
(l)	Re-imbursement of Expenses	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2017-18	(1.00)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(m)	Share Application Money	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2017-18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars																
45A	DISCLOSURE RELATING TO Ind AS-24 ON RELATED PARTY DISCLOSURES																
	The name of the transacting related party	M/s. Indo Russian Aviation Limited	M/s. BAe HAL Software Limited	M/s. Safran HAL Aircraft Engines Private Ltd	M/s. SAMTEL HAL Display Systems Limited	M/s. HAL-Edge-wood Tech-nologies Private Limited	M/s. HALBIT Avionics Private Limited	M/s. Infotech HAL Limited	M/s. HATSOFF Helicopter Training Private Ltd.	M/s. Tata HAL Tech-nologies Ltd.	M/s. Inter-national Aerospace Manufac-turing Pvt. Ltd.	M/s. Multirole Transport Aircraft Ltd.	M/s Aerospace & Aviation Sector Skill Council	M/s Helicopter MRO Engines Pvt. Ltd	M/s Defence Innova-tion Organi-sation	M/s Nainee Aerospace Ltd	M/s Indo Russian Helicopters Pvt Ltd
(n)	Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	-
	2017-18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The differences in the amount disclosed by the Company and JV's are due to reconciliation items.

* Does not include disputed amount of ₹ 1195 lakhs (PY ₹ 1226 lakhs), as the same is shown under clause 2(a) in respect of M/s HALBIT Avionics Private Ltd.

** Does not include ₹ 111 lakhs (PY ₹ 112 lakhs) in respect of M/s Samtel HAL Display Systems Limited due to reconciliation items.

Figures in brackets relate to Previous Year

Transaction with the related parties are made on normal commercial terms and at market rates.

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

Shri T. Suvarna Raju - Chairman & Managing Director upto 31.08.2018

Shri R Madhavan, Chairman & Managing Director with effect from 01.09.2018

Shri V.M. Chamola - Director (HR)

Shri S. Subrahmanyam - Director (Operations) upto 30.04.2017.

Shri D.K. Venkatesh - Director - Engineering and R&D upto 31.05.2018

Shri Arup Chatterji, Director - Engineering and R&D with effect from 01.06.2018.

Shri C.V. Ramana Rao - Director(Finance) & CFO upto 31.07.2018

Shri C.B. Anantha Krishnan - Director(Finance) & CFO with effect from 01.08.2018.

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

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
45B	The Board in its 406th meeting held on 22nd September 2017, accorded in principle approval for voluntary winding up / closure of the three Joint Ventures i.e. M/s. HAL-Edgewood Technologies Private Limited, M/s. Tata HAL Technologies Ltd and M/s. Multirole Transport Aircraft Ltd. enabling the Company to take further action in the matter. Further, the Board authorized the Company to seek approval of Ministry of Defence (MoD), for short closure of the Contracts associated with the M/s Multirole Transport Aircraft (MTA) project and request MoD, to initiate necessary action for closure of IGA, as it is a prerequisite for winding up of the MTA - Joint Venture Company.
45C	**Defence Innovation Organisation ("DIO"):** A Section 8 Company has been formed (Under Companies Act 2013) in the name of "Defence Innovation Organisation" with M/s BEL with an authorised Capital of ₹ 100 lakhs (Paid up capital as on 30-06-2018 is ₹ 1 Lakh (HAL 50% Share and BEL 50% Share). The registered office of DIO is situated at Centre for Learning and Development, Bharat Electronics Limited, Jalhalli, Bengaluru – 560013, Karnataka, India. DIO was incorporated to implement the scheme of defence innovation fund initiative by creation of an ecosystem to foster innovation and technology development in defence. HAL Board in its 417th meeting held on 30th of July 2018 had accorded approval for release of ₹ 5000 lakhs to DIO towards intitial corpus fund in form of Grant in Aid in a staggered manner. Accordingly ₹ 500 lakhs has been released to DIO in the month of August 2018. The balance amount is recognised in financials.
45D	Defence Production IT Division has been created as one of the Division of HAL to implement IT related initiatives in DDP including OFB and DPSUs.

45E

Key Management Personnel in the Company	31st Mar, 2019			31st Mar, 2018		
Particulars	Salary	Company Contribution to PF / Gratuity	Total	Salary	Company Contribution to PF / Gratuity	Total
1. Shri T. Suvarna Raju, Chairman & Managing Director	**24**	**2**	**26**	57	5	62
2. Shri R. Madhavan, Chairman & Managing Director	**30**	**3**	**32**			-
3. Shri V.M. Chamola, Director (HR)	**56**	**5**	**60**	54	5	59
4. Shri C. V. Ramana Rao, Director (Finance) & CFO	**17**	**1**	**19**	51	4	56
5. Shri C. B. Anantha Krishnan, Director (Finance) & CFO	**30**	**3**	**33**			-
6. Shri S. Subrahmanyam, Director (Operations)			**-**	3	-	4
7. Shri Sunil Kumar, Director (Operations)	**46**	**4**	**50**	28	2	30
8. Shri D.K. Venkatesh, Director - Engineering	**8**	**1**	**8**	46	4	50
9. Shri Arup Chatterji	**36**	**3**	**39**			-
10. Shri G.V. Sesha Reddy (Company Secretary)	**28**	**3**	**30**	26	3	29

Shri T. Suvarna Raju, Chairman & Managing Director ceased to be the chairman consequent upon superannuation on 31st August 2018.

Shri R. Madhavan was appointed as Chairman & Managing Director with effect from 1st September 2018

Shri C.V. Ramana Rao ceased to be Director (Finance) and CFO consequent upon supperannuation on 31st July 2018

Shri C.B. Anantha Krishnan was appointed as Director (Finance and CFO) with effect from 1st August 2018

Shri Subrahmanyan, Director (Operations) ceased tobe Director (Operations) of the company consequent upon supperannuation on 30th April 2017.

Shri Sunil Kumar was appointed as Director (Operations) with effect from 16th October 2017

Shri D K Venkatesh, Director - Engineering, ceased to be Director- Engineering consequent upon superannuation on 31st May 2018.

Shri Arup Chatterji was appointed as Director (Engineering) with effect from 1st June 2018.

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	
45F	**PART TIME NON-OFFICIAL DIRECTORS**	Sitting Fees$
	1. Smt Dipali Khanna, Independent Director	4
	2. Dr J. K. Bajaj, Independent Director	6
	3. Shri Anil Kumar*, Independent Director	4
	4. Shri Neelakanta Iyer R*, Independent Director	4
	5. Shri Siddharth*, Independent Director	4
	6. Rear Admiral K.C. Sekhar Avsm, VSM	2
	7. Dr. S. Malla Reddy	2
		26
	$ Does not include GST payable by the Company on reverse charge basis	

Clause No.			
45G	Apart from transactions reported above, the Company has transactions with other Government related entities, which includes but not limited to the following:		
	Name of Government:	Government of India	
	Nature of Transactions:	Sale of Products and Services	
	These transactions are conducted in the ordinary course of the Company's business		

The disaggregation of changes to OCI is shown below:

During the year ended 31st Mar 2019

Particulars	Opening balance as on 01.04.2018	Additions	Reversals	Closing balance as on 31.3.2019
Gains and losses arising from the financial statements of a foreign operations	9	6		15
Re-measurement gains (losses) on defined benefit plans (Gratuity)	-20324	-5830		-26154
Total	**-20315**	**-5824**	**-**	**-26139**

During the year ended 31st Mar 2018

Particulars	Opening balance as on 01.04.2017	Additions	Reversals	Closing balance as on 31.3.2018
Gains and losses arising from the financial statements of a foreign operations	-2	11		9
Re-measurement gains (losses) on defined benefit plans (Gratuity)	-5223	-15101		-20324
Total	**-5225**	**-15090**	**-**	**-20315**

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars				
47	As per Ind AS-33 relating to Earnings per Share (Basic and Diluted)-				
	Profit Before Tax			362764	323985
	Provision for Taxation			134520	125243
	Net Profit After Tax			228244	198742
	Weighted Average Number of Equity Shares of Face Value of ₹10/- each fully paid up			334387500	353923356
	Earnings per Share (in Rupees) - Basic and Diluted			68.26	56.15
48	**Buyback of Shares:** In accordance with the approval of Board of Directors at its 408th meeting held on 28th November, 2017 and approval of shareholders , the Company has bought back 2,71,12,500 fully paid equity shares of ₹10/- each equivalent to 7.5% of the paid -up share capital and Free Reserves of the Company, for an aggregate amount of ₹ 92150 lakhs (excluding tax of ₹ 20636 lakhs) at ₹ 339.88 per equity share from the President of India. The consideration amount for back buy of shares was paid to the Government of India on 19th December, 2017 and the shares so bought back were extinguished on 22nd December, 2017.				
49	As required by Ind AS 36, an assessment of impairment of assets was carried out and based on such assessment, the Company has accounted impairment losses due to decrease in value in use in respect of Intangible Assets is recognised in 'impairment expense' in the Statement of Profit and Loss.	**31st March 2019**	31st March 2018		
		24,909	2,152		
49A	Restatement of Prior Period Errors: Liquidated damages for delay in execution ₹ 29947 lakhs and ₹ 6067 lakhs upto 31.03.2017 and for the FY 2017-18 respectively, now discovered have been recognized and adjusted in equity as on 01.04.2017 and Statement of Profit and Loss 2017-18 restated respectively.				

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars

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:

Nature of Provision	Opening Balance	Provision made during the year	Utilisation during the year	Reversal during the year	Closing Balance
Provision for Warranty Charges	43056	22186	6838	1941	56463
(Previous Year)	(53,890)	(8,634)	(8,678)	(10,790)	(43,056)
Provision for Replacement and Other Charges	101577	51323	8075	171	144655
(Previous Year)	(88,693)	(25,029)	(11,953)	(192)	(101,577)
Provision for Redundancy in Raw Material and Components, Stores and Spares, Construction Material and Loose Tools	77314	9638	137	8561	78254
(Previous Year)	(70,079)	(12,829)	(45)	(5,549)	(77,314)
Provision for Doubtful Debts	18122	719	-	2108	16733
(Previous Year)	(14,253)	(4,125)	(1)	(255)	(18,122)
Provision for Claims	29831	2153	250	572	31162
(Previous Year)	(13,878)	(15,972)	(5)	(14)	(29,831)
Provision for Liquidated Damages	166255	43707	19658	-	190304
(Previous Year)	(158,449)	(37,597)	(31,874)	(3,020)	(161,151)
50A Impairment of Investments	12877	275	-	-	13152
(Previous Year)	(6,584)	(6,293)	-	-	(12,877)
Provision for Onerous contract	90330	-	-	37426	52904
(Previous Year)	(110,469)	-	(1)	(20,138)	(90,330)

* Figures in brackets relate to previous year.

Nature of Provision	31st March 2019			31st March 2018		
	Long Term Provision	Short Term Provision	Total Provision	Long Term Provision	Short Term Provision	Total Provision
Provision for Warranty Charges	**-**	**56,463**	**56,463**	-	43,056	43,056
Provision for Replacement and Other Charges	**14,775**	**129,880**	**144,655**	12,276	89,301	101,577
Provision for Redundancy in Raw Material and Components, Stores and Spares, Construction Material and Loose Tools	**-**	**78,254**	**78,254**	-	77,314	77,314
Provision for Doubtful Debts	**1,401**	**15,331**	**16,732**	1,302	16,820	18,122
Provision for Claims	**22,722**	**8,440**	**31,162**	23,096	6,735	29,831
Provision for Liquidated Damages	**67,402**	**122,903**	**190,305**	75,541	85,610	161,151
Impairment of Investments	**13,152**	**-**	**13,152**	12,877	-	12,877
Provision for Onerous contract	**-**	**52,904**	**52,904**	24,713	65,617	90,330

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
50B	**Sensitivity of estimates on provisions:**
	The assumptions made for provisions relating to current period are consistent with those in the earlier years. The assumptions and estimates used for recognition of such provisions are qualitative in nature and their likelihood could alter in next financial year. It is impracticable for the Company to compute the possible effect of assumptions and estimates made in recognizing these provisions.
	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 is being assessed on a case to case basis in respect of dues outstanding for a significant period of time. Debts from the Government departments are generally treated as fully recoverable and hence the Company does not recognize credit risk of such financial assets.
	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.

Clause No.	**Information regarding income and expenditure of Investment property As per Ind AS 40 - Investment property:**	**31st March 2019**	31st March 2018
51	Rental income derived from investment properties	**536**	646
	Direct operating expenses (including repairs and maintenance) generating rental income	**-**	1
	Direct operating expenses (including repairs and maintenance) that did not generate rental income	**-**	-
	Profit arising from investment properties before depreciation and Indirect expenses	**536**	645
	Less – Depreciation	**-**	-
	Profit arising from investment properties before Indirect expenses	**536**	645
	Fair value of investment property		
	As at 31st March 2019 , the fair value of the properties is ₹ 3631 lakhs as valued by an Independent valuer		

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars
52	Advances from Customers of ₹ 664358 Lakhs and Milestone receipts of ₹ 1565487 Lakhs disclosed in Note Nos. 29 and 33 as Non-Current and Other Current Liabilities (in terms of Schedule III to the Companies Act, 2013) represent gross amounts received. These amounts have been utilised for procurement of Special Purpose Tooling, Incurrence of DRE, Inventory Holding, Advances to Vendors etc. as detailed below:

Particulars	31st March 2019		31st March 2018	
	Note 29	Note 33	Note 29	Note 33
	Non - Current	Current	Non - Current	Current
Outstanding Advances from Customer				
- Defence	274000	385941	329076	450036
- Others	-	4417	-	7430
	274000	390358	329076	457466
Less: Utilisation of Advances		-	-	-
- Inventory	226641	318150	249779	258231
- Advances against Goods & Services	-	3486	-	7399
- Deferred Revenue Expenditure	-	7543	-	70844
- Special Tools & Equipment	9219	7307	17980	11770
- Trade Receivables	-	579	-	-
- Claims Receivables	16	1022	-	1794
	235876	338087	267759	350038
Net Outstanding Advances (A)	38124	52271	61317	107428
Outstanding Milestone Receipt				
- Defence	562766	921695	504398	1241386
- Others	4886	76140	12741	64885
	567652	997835	517139	1306271
Less: Utilisation of Milestone Receipts				
- Inventory	187799	495010	208227	606052
- Advances against Goods & Services	14632	65250	9553	34535
- Deferred Revenue Expenditure	26697	12987	24795	28998
- Special Tools & Equipment	56765	67004	85346	123465
- Trade Receivables	-	47225	4047	11327
- Claims Receivables	2300	3428	-	40895
	288193	690904	331968	845272
Net Outstanding Milestone Receipts (B)	279459	306931	185171	460999
Total (A+B)	317583	359202	246488	568427

Notes

to the Financial Statements for the year ended March 31, 2019

Note 49 - Notes to Accounts

(₹ in Lakhs)

Clause No.	Particulars	31st March 2019	31st March 2018
52	Summary		
	(A) Gross Advances from Defence Customers		
	Initial Advances from Defence Customers	**659941**	779112
	Milestone Advances from Defence Customers	**1484461**	1745784
	Gross Advances from Defence Customers (A)	**2144402**	2524896
	Advances from Others (B)	**85443**	85056
	Total (A+B)	**2229845**	**2609952**
	Less Advances / Milestone utilisation (C)	**1553060**	1795037
	Outstanding Advances / Milestone Receipts (A+B-C)	**676785**	814915
	Defence Customers	**613728**	737374
	Others	**63057**	77541
	Total	**676785**	**814915**
53	The financial statements were approved for issue by the Board of Directors at their meeting held on 27th May 2019.		
	These financial statements are presented in Indian rupees (rounded off to lakhs). 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 and on behalf of the Board of Directors

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

Independent Auditor's Report

To,

The Members of M/s Hindustan Aeronautics Limited

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying Consolidated Financial Statements of **Hindustan Aeronautics Limited** (hereinafter referred to as "the Holding Company") and its Subsidiaries (the Holding Company and its Subsidiaries together referred to as 'the Group') and its Joint ventures listed in Annexure, which comprise the Consolidated Balance Sheet as at March 31, 2019 and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year ended on that date and Notes to the Consolidated Financial Statements, including a summary of the Significant Accounting Policies and other explanatory information hereinafter referred to as the Consolidated Financial Statements.

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 financial statements of the Joint Ventures referred to below in the other matters paragraph, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the Consolidated state of affairs of the Group and its Joint Ventures as at March 31, 2019, the Consolidated Profit (Including Other Comprehensive Income), the Consolidated statement of changes in Equity, and its Consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group and its Joint ventures in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

i) Deferred Tax Assets on Provisions for warranty, Replacements Doubtful debts etc. amounting to ₹ 114,360 Lakhs as on March 31, 2019, (₹ 105,871 Lakhs March 31 2018) and ₹ 8489 Lakhs for the year ended 31st March 2019 and ₹ 12175 Lakhs for the year ended March 31 2018 are not recognized as the temporary differences are not likely to reverse in the foreseeable future. The issue is being referred to the Expert Advisory Committee of the ICAI and based on the opinion the financial statement will be restated by company in accordance with Section 131 of the Companies Act 2013.

ii) We draw attention to Note 49 - paragraphs No 5 (i),5 (ii)(b),(c),(d),(e), 5(iii) (a) and paragraph 8.7 of Consolidated Financial statements which are reproduced below:

5 Notes Specific to Joint Ventures

(i) In respect of HATSOFF Helicopter Training Private Limited

Going Concern

"The Company has made a net loss of ₹ 776.75 Lakhs during the period ended 31st March 2019 (Previous Year, net profit ₹ 917.80 lakhs) and, as of that date, the Company's current liabilities exceeded its current assets by ₹ 8981.68 Lakhs (previous year ₹ 7820.14 Lakhs). 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 net worth of the Company as at 31st March 2019 is negative by ₹ 3241.96 Lakhs (Previous Year: negative by ₹ 2465.21 Lakhs) However, these financial statements have been prepared on a going concern basis, notwithstanding the above factors in view of the following:

1) Board has affirmed that company has the ability to meet all the obligation.

2) The company along with the shareholders are presently pursuing several options with the company's bankers, viz, ICICI Bank.

3) The Company has paid ECB loan interest up to 05th March 2019 and continues to service interest commitments regularly. Besides interest payment, ECB principal of ₹ 1499.20 Lakhs (US$ 2,300,000) in April 2018 has been repaid against ECB overdue installments.

4) The ECB Loan is classified as Non-Performing Asset by the lending bank in view of non-payment of installments due. The bankers has not recalled the loan, hence the same is classified under Long Term Borrowings.

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

(b) The amortisation of Intangible treatment is done in accordance with Unit of Production Method. In the opinion of the Management that, the Company is confident of receiving Purchase order form its Customer for further series upgrade for 154 OSAMC units on delivery of existing order of 11 prototype OSAMC units to its Customer and the intention of development of OSAMC units is to manufacture and deliver the series upgrade 154 OSAMC units to Customers.

(c) The Company has developed OSMAC units by conducting the research and development based on the order received from the Customer. The conception and development of the OSMAC units took additional time and costs than originally anticipated at the time of acceptance of the order from Customer thereby materially affecting the operational results and cash flows of the Company. The Company has continuously implemented the measures in improving operational efficiencies and cost control measures to improve the Companies operating results and cash flows.

(d) The Company has accumulated losses of ₹ 1064.38 lakhs as at 31st March 2019 and its Net worth as at that date is negative ₹ 464.38 lakhs. Company is of the views that expenditure incurred towards research and development phase is towards creation of assets (Mission Computer), which should be evaluated independently. The Bank which has provided the cash credit and overdraft facility has recalled the debt from the Company. The Company owes money to the vendors and are outstanding for longer period than stated in the purchase orders/agreements. Although these conditions may cast significant doubt on the Company's ability to continue as a going concern, it has detailed plans for speed up the assembling operations and discharge the financial commitments.

(e) The Company continues to explore various options to raise finance in order to meet its financial obligations. Based on the detailed evaluation of the current situation and plans formulated, the Company is confident of raising adequate finance, rescheduling debt and receiving continued support from the Customer. Accordingly the Companies financial statement have been prepared on a going concern basis whereby the realisation of assets and discharge of liabilities are expected to occur in the normal course of business and that no adjustments are required to the carrying value of assets and liabilities.

However, the impact of the above is not material considering the total revenues/assets of the Group as well as the Parent.

iii) In respect of HALBIT Avionics Private Ltd

"(a) The Company has a Net liability position (₹ 1141.49 lakhs for the year ended 31st March 2019 and ₹ 228.77 lakhs for the year ended 31st March 2018); Net current liability position (₹ 1165.46 lakhs for the year ended 31st March 2019 and ₹ 259.70 lakhs for the period ended 31st March 2018); 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. The Company, based on its estimated future growth as per the business plans and projected cash flow, 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.

8.7 The Board in its 406th meeting held on 22nd September 2017, accorded in principle approval for voluntary winding up / closure of the three Joint Ventures i.e. M/s. HAL-Edgewood Technologies Private Limited, M/s. Tata HAL Technologies Ltd and M/s. Multirole Transport Aircraft Ltd. enabling the Company to take further action in the matter.

Further, the Board authorized the Company to seek approval of Ministry of Defence (MoD), for short closure of the Contracts associated with the M/s Multirole Transport Aircraft (MTA) project and request MoD, to initiate necessary action for closure of IGA, as it is a prerequisite for winding up of the MTA - Joint Venture Company.

Our opinion is not modified with respect to the above referred matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of Consolidated Financial Statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	Response to Key Audit Matters & Conclusion
Revenue recognition As described in Significant Accounting Policies 13 & 14 and Note no 49 –paragraph 7.1 to the Consolidated financial statements, the company has adopted Ind AS 115, Revenue from Contracts with customers ('Ind AS 115') which is the new revenue accounting standard. The application and transition to this accounting standard is complex and is an area of focus in the audit. The revenue standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. This involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of identified performance obligation, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, the standard mandates robust disclosures in respect of revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date. The Company adopted Ind AS 115 and applied the available exemption provided therein, to not restate the comparative periods.	Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows: • Evaluated the cumulative effect of adjustments as at 1 April 2018 for compliance with the new revenue standard: and • Evaluated the appropriateness of the disclosures provided under the new revenue standard and assessed the completeness and mathematical accuracy of the relevant disclosures. • Evaluated the design of internal controls relating to implementation of the new revenue accounting standard. • Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls. • Selected a sample of continuing and new contracts and performed the following procedures: • Read, analyzed and identified the distinct performance obligations in these contracts. • Compared these performance obligations with that of identified and recorded by the group. • Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable revenue. • Sample of revenues disaggregated by type and service offerings was tested with the performance obligations specified in the underlying contracts.

Key Audit Matters	Response to Key Audit Matters & Conclusion
Uncertainty In Tax Treatments Pursuant to MCA notification dated 30.03.2019 amending the Accounting Standard Ind AS 12 – Income Tax the company reviewed the disputed income tax demand of ₹ 212,247 Lakhs, hitherto disclosed under contingent liabilities. This involves significant management judgment to determine the possible outcome of the uncertain tax position, consequently having an impact on related accounting and disclosures in the standalone financial statements. Refer Note 49 Paragraph 7.3 to the standalone financial statements.	Our audit procedures include the following substantive procedures: • Obtained understanding of key uncertain tax positions; and • We along with our internal tax experts - Read and analyzed select key correspondences including appeal papers and orders, external opinions and also held discussions with the Company's tax advocate appropriate senior management and evaluated management's underlying key assumptions in estimating the tax provisions; and Assessed management's estimate of the possible outcome of the disputed cases. Recalculated the accounting estimates and disclosures made in accordance with the Accounting Standards Ind As 12 and Ind AS8
Impairment of Trade Receivables In respect of receivables from Government the company does not make any impairment provision based on past experience. The amount involved being significant balance and management judgement we consider this as a Key Audit Matter.	Our audit procedures include evaluation of provisions made for impairment in earlier years. We also made test checks of invoice wise collection details provided made in respect of in the two preceding financial years and we concluded the management assumption is reasonable.
Recognition and Impairment of Intangible assets A significant degree of judgement is required to determine the Intangibles to be recognized and intangibles to be impaired. The company has substantial intangibles assets both under use and in progress. The recognition /impairment assessment involves technical and management. In respect of intangible Assets which are under development and whose life is infinite the same was reviewed by internal technical team as at the end of the reporting period and necessary impairment, if any, is recognized.	Our audit procedures involved the test check of verification of internal controls and incurrence of expenditure on intangible assets. We also reviewed the report of the Technical committee constituted to review the Intangibles Assets – development expenditure who have given a recommendation of the Intangible assets to be recognized and assets to be impaired in the Financial year. Based on the audit procedures as above we find the recognition and impairment provision have been made accordingly.
Provision for Wage Revision The provision for wage revision under negotiation for workmen is made on estimated basis. Refer Note 49 Paragraph 7.5 to the Standalone Financial Statements.	We have reviewed the basis of assumptions and the management estimates for calculating the provision based on the ongoing negotiations as well as the past revisions and found it to be reasonable.
Provision for Performance Related Pay The provision for performance related pay is made based on Department of Public enterprises guidelines (DPE) yet to be approved by Board of directors.	We have reviewed the circular issued by DPE and verified the computations to satisfy that the methodology as prescribed in the circular has been followed and the provision made is reasonable.

Key Audit Matters	Response to Key Audit Matters & Conclusion
Deferred Tax Assets on Provisions Deferred Tax Assets on Provisions for warranty, Replacements Doubtful debts etc., amounting to ₹ 114,360 Lakhs as on March 31, 2019, (₹ 105,871 Lakhs March 31 2018) and ₹ 8,489 Lakhs for the year ended 31st March 2019 and ₹ 12,175 Lakhs for the year ended March 31 2018 are not recognized as the temporary differences are not likely to reverse in the foreseeable future. The issue is being referred to the Expert Advisory Committee of the ICAI and based on the opinion, the financial statement will be restated by company in accordance with Section 131 of the Companies Act 2013.	We have verified the Deferred Tax Asset computations as the past recognition practice. As the matter is subject to interpretation, the matter is referred to Expert Advisory Committee of the ICAI. While the company is consistent in its application, the Deferred Tax asset is not likely to reverse in the foreseeable future, we consider this may have to be recognized as it is a temporary difference. The management has assured to refer the matter to Expert Advisory Committee of the ICAI and based on the opinion necessary effect will be given.

Management Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Consolidated Financial Statements that give a true and fair view of the Consolidated Financial Position, Consolidated Financial Performance (including Other Comprehensive Income), Consolidated Changes in Equity and Consolidated Cash Flows of the Group, including its Joint Ventures, in accordance with Ind AS and other accounting principles generally accepted in India.

The respective Board of Directors of the Companies included in the Group and of its Joint Ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and its Joint Ventures and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments 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 the accounting records, relevant to the preparation and presentation of the Consolidated 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 financial statements by the director of the holding company as aforesaid.

In preparing the Consolidated Financial Statements, management of the Group and its Joint Ventures is responsible for assessing their ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and its Joint Ventures or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the company included in the group and of its Joint ventures are responsible for overseeing the financial reporting process of its Group and of its Joint ventures.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

◊ Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

◊ Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act 2013, we are also responsible for expressing our opinion on whether the Group and its Joint Ventures have adequate Internal Financial Controls system in place and the operating effectiveness of such controls.

◊ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

◊ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Group's and its Joint Ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and it's Joint Ventures to cease to continue as a going concern.

◊ Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

◊ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its Joint Ventures to express an opinion on the Consolidated Financial statements. We are responsible for the direction, supervision and performance of the audit of the Financial Statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the Joint Ventures included in the Consolidated Financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audit carried out by them.

We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the Consolidated Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Consolidated Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in Internal Control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

(a) Financial statements / financial information of M/s Naini Aerospace Limited & Indo Russian Helicopters Limited, Subsidiaries whose financial statements / financial information reflect total assets of ₹ 5,702 Lakhs as at March 31, 2019, total revenues of

₹ 585 Lakhs and net cash outflows amounting to ₹ 45 Lakhs for the year ended on that date, as considered in the Consolidated Financial Statements, have been audited by other Auditors.

(b) The Consolidated Financial Statements include the Company's share of Net Profit of ₹ 75 Lakhs for the year ended March 31, 2019 as considered in the Consolidated Financial Statements, in respect of its Joint Ventures given in Annexure A The Financial Statements of this Joint Ventures have been audited by other Auditors whose Reports have been furnished to us by the Management. Our opinion on the Consolidated Financial Statements, in so far as it relates to the amount and disclosures included in respect of this Joint Ventures s and our Report in terms of sub-section 3 of Section 143 of the Act, in so far as it relates to the aforesaid Subsidiaries and joint ventures is based solely on the Reports of the other Auditors.

(c) The comparative financial information of the Group and its Joint Ventures for the year ended 31st March, 2018 included in these consolidated financial statements, are based on the previously issued Consolidated financial statements audited by other auditor for the year ended 31st March, 2018 dated 30 May, 2018.

Our opinion on the Consolidated Financial Statements above, 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.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, 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 Financial Statements.

   b) In our opinion, proper books of account as required by law have been kept by the Group & it's Joint Ventures so far as it appears from our examination of those books and reports of the other auditors.

   c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements.

   d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   e) Ministry of Corporate Affairs vide notification no 1/2/2014-CL-V dated 23rd February 2018 has exempted the companies engaged in defence production to the extent of application of relevant Accounting Standard on Segment Reporting. In view of the above, no disclosure is made by the company as required Ind AS 108. Subject to the above, We state that, in our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act

   f) 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.

   g) With respect to the adequacy of the Internal Financial Controls Over Financial Reporting of the Group and its Joint Ventures, and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the Auditors report of Holding Company, Subsidiary companies and Joint Ventures incorporated in India. Our report expresses unmodified opinion on the adequacy and operating effectiveness of the Internal Financial Control Over Financial Reporting of the Holding Company / Subsidiaries, Joint Ventures incorporated in India for reasons stated therein.

   h) With respect to the other matters to be included in the Auditors' 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:

i. The Group and its Joint Ventures have disclosed the impact of pending litigations on its financial position in its Consolidated Financial Statements.

ii. Provision has been made in the consolidated financial statements, as required under law / Ind AS for material foreseeable losses, on long-term contracts as on March 31,2019; The Group and its Joint Ventures did 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 there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Subsidiary Companies and Joint Ventures incorporated in India during the year March 2019.

For MAHARAJ N R SURESH AND CO.
Firm Regn. No. 001931S

N R Suresh
Membership No. 021661
Partner
Chartered Accountants

Place: Bengaluru
Date: May 27, 2019

ANNEXURE "A" TO THEINDEPENDENT AUDITOR'S REPORT OF EVEN DATEON THE CONSOLIDATED FINANCIAL STATEMENTS OF HINDUSTAN AERONAUTICS LIMITED.

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act").

In conjunction with our audit of the Consolidated Financial Statements of the Company as of and for the year ended March 31, 2019, we have audited the Internal Financial Controls Over Financial Reporting of HINDUSTAN AERONAUTICS LIMITED ('the Holding Company') and its Subsidiary Companies and Joint Ventures, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company and its Subsidiary Companies and 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 Holding Company considering the essential components of Internal Control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting 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 respective 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 ('the Act').

Auditors' Responsibility

Our responsibility is to express an opinion on the Group Company's and Joint Ventures Internal Financial Controls Over Financial Reporting based on our audit.

We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and prescribed under section 143(10) of the Act, to the extent applicable to an audit of Internal Financial Controls, both applicable to an audit of Internal Financial Controls and, both issued by 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.

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 Auditors' judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.

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 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 of the Group and its Joint Ventures.

Meaning of Internal Financial Controls Over Financial Reporting

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:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(ii) 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

(iii) 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

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

In our opinion and to the best of our information and according to the explanations given to us , the Holding Company, its Subsidiary Companies and its Joint Ventures incorporated in India 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 March 31, 2019, 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 issued by ICAI.

Other Matters

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 in so far as it relates to the Subsidiaries and Joint Ventures which are companies incorporated in India, is based on the corresponding Reports of the Auditors of such companies incorporated in India.

For MAHARAJ N R SURESH AND CO.
Firm Regn. No. 001931S

N R Suresh
Membership No. 021661
Partner
Chartered Accountants

Place: Bengaluru
Date: May 27, 2019

सं./No. Reports/2019-20/HAL(18-19)/151

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

दिनांक/ DATE. 25-06-2019

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Confidential
By Speed Post

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 consolidated accounts of Hindustan Aeronautics Limited, Bangalore for the year ended 31 March 2019.

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,

(Arun Kumar VM)
Deputy Director (Reports)

Encl: As above.

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

दू.भा./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 2019.

The preparation of consolidated financial statements of **Hindustan Aeronautics Limited, Bangalore** for the year ended 31 March 2019 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/ 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 27 May 2019.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of **Hindustan Aeronautics Limited, Bangalore** for the year ended 31 March 2019 under section 143(6) (a) read with section 129(4) of the Act. We conducted a supplementary audit of the financial statements of Hindustan Aeronautics Limited, Bangalore, one of its Joint Venture, viz., Defence Innovation Organisation, Bangalore and one of the two Subsidiaries, viz., Indo Russian Helicopters Limited, Bangalore but did not conduct supplementary audit of the financial statements of thirteen Joint Venture Companies and the other Subsidiary of Hindustan Aeronautics Limited (as per *Annexure*) for the year ended on that date. **Further, section 139(5) and 143(6) (a) of the Act are not applicable to these Joint Venture Companies being private entities, for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly Comptroller and Auditor General of India 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 supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

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

25/06/2019

(Santosh Kumar, IA&AS)
Pr. Director of Commercial Audit
& Ex-Officio Member, Audit Board, Bangalore.

Bangalore
Dated: 25 June 2019

ANNEXURE

List of Joint Venture Companies and the other Subsidiary of Hindustan Aeronautics Limited for which supplementary audit of the Financial Statements not conducted by this office

I. Joint Venture Companies

01. BAe-HAL Software Limited
02. Snecma HAL Aerospace Private Limited
03. Indo Russian Aviation Limited
04. HALBIT Avionics Private Limited
05. HAL Edgewood Technologies Private Limited
06. SAMTEL HAL Display System Limited
07. INFOTECH HAL Limited
08. HATSOFF Helicopter Training Private Limited
09. TATA HAL Technologies Limited
10. International Aerospace Manufacturing Private Limited
11. Multirole Transport Aircraft Limited
12. Aerospace and Aviation Sector Skill Council
13. Helicopter Engine MRO Private Limited

II. Subsidiary Company

01. Naini Aerospace Limited (Non-review)

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Confidential
By Speed Post

सं./No. Reports/2019-20/NAINI(18-19)/149

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

दिनांक/ DATE. 25-06-2019

To

The Chairman,
Naini Aerospace Limited
Regd. Office : 15/1, Cubbon Road
Bangalore – 560 001

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 Naini Aerospace Limited, Prayagraj for the year ended 31 March 2019.

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,

(Arun Kumar VM)
Deputy Director (Reports)

Encl: As above.

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

दू.भा./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, PRAYAGRAJ FOR THE YEAR ENDED 31 MARCH 2019

The preparation of financial statements of **Naini Aerospace Limited, Prayagraj** for the year ended 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 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 the 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 27.04.2019.

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, Prayagraj** for the year ended 31 March 2019 under section 143(6)(a) of the Act.

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

25/06/2019

(Santosh Kumar, IA & AS)
Pr. Director of Commercial Audit
and Ex-Officio Member, Audit Board, Bangalore

Place: Bengaluru
Date: 25 June 2019.

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Confidential
By Speed Post

सं./No. Reports/2019-20/IRHL(18-19)/147

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

दिनांक/ DATE. 25-06-2019

To
The Chairman,
Indo-Russian Helicopters Limited
HAL Corporate Office
Cubbon Road,
Bengaluru – 560 001

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 Indo-Russian Helicopters Limited, Bengaluru for the year ended 31 March 2019.

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,

(Arun Kumar VM)
Deputy Director (Reports)

Encl: As above.

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

दू.भा./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 INDO-RUSSIAN HELICOPTERS LIMITED, BENGALURU FOR THE YEAR ENDED 31 MARCH 2019.

The preparation of financial statements of **Indo-Russian Helicopters Limited, Bengaluru** for the year ended 31 March 2019 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 30 April 2019.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **Indo-Russian Helicopters Limited, Bengaluru** for the year ended 31 March 2019 under section 143(6)(a) of the Act. 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 supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

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

25/06/2019

(Santosh Kumar, IA&AS)
Pr. Director of Commercial Audit
& Ex-Officio Member, Audit Board, Bangalore.

Bangalore
Date: 25 June 2019.

Consolidated Balance Sheet

As at March 31, 2019

(₹ in Lakhs)

S.No.	Particulars	Note No.	As at 31st March 2019	As at 31st March 2018	As at 1st April 2017
	ASSETS				
(1)	**A. Non-current assets**				
	(a)-i Property, Plant and Equipment	1			
	Gross Block	1A	**869760**	783948	693084
	Less: Accumulated Depreciation	1B	**255231**	174250	114832
	Net Block		**614529**	609698	578252
	ii Property, Plant and Equipment-Customer Funded	1			
	Gross Block	1D	**25154**	13385	5854
	Less: Accumulated Depreciation	1E	**2783**	1065	322
	Net Block		**22371**	12320	5532
	(b) Capital work-in-progress	2	**78043**	62082	62112
	(c) Investment Property	3			
	Gross Block	3A	**4**	4	4
	Less: Accumulated Depreciation	3B	**-**	-	-
	Net Block		**4**	4	4
	(d) Goodwill	4			
	(e) Other Intangible assets	5			
	Gross Block	5A	**239009**	213479	193434
	Less: Accumulated Amortization	5B	**92429**	72513	38052
	Less: Impairment	5C	**29480**	6366	4214
	Net Block		**117100**	134600	151168
	(f) Intangible Assets under Development	6			
	Gross Block	6A	**81781**	84090	76828
	Less: Accumulated Amortization	6B	**-**	-	-
	Less: Impairment	6C	**1795**	-	-
	Net Block		**79986**	84090	76828
	(g) Investments accounted for using the Equity method	7	**15244**	15640	20464
	(h) Financial Assets				
	(i) Investments-Others	7A	**75720**	85371	78935
	(ii) Trade Receivables	8	**9044**	-	-
	(iii) Contract Assets	8A	**-**	-	-
	(iv) Loans	9	**6424**	5595	5889
	(v) Others	10	**35543**	35800	36713
	(i) Deferred tax Assets (net)	11	**-**	-	-
	(j) Other Non-Current Assets	12	**42216**	22201	22534
	Sub Total - A		**1096224**	**1067401**	**1038431**
(2)	**B. Current assets**				
	(a) Inventories	13	**1974400**	1935759	2132135
	(b) Financial Assets				
	(i) Investments	14	**-**	-	-
	(ii) Trade receivables	15	**1393794**	675154	399536
	(iii) Contract Assets	15A	**302005**	99076	22480
	(iv) Cash and Cash Equivalents	16	**2778**	11286	280365
	(v) Bank Balances other than (iv) above	17	**11271**	643266	834541
	(vi) Loans	18	**4503**	6360	9849
	(vii) Other Financial Assets	19	**118084**	216882	258136
	(c) Current Tax Assets (Net)	20	**-**	-	11493
	(d) Other Current Assets	21	**142178**	113763	69033
	Sub Total - B		**3949013**	**3701546**	**4017568**
	Total Assets (A+B)		**5045237**	**4768947**	**5055999**

Consolidated Balance Sheet

As at March 31, 2019

(₹ in Lakhs)

S.No.	Particulars	Note No.	As at 31st March 2019	As at 31st March 2018	As at 1st April 2017
	EQUITY AND LIABILITIES				
(1)	**A. Equity**				
	(a) Equity Share capital	22	**33439**	33439	36150
	(b) Other Equity	23	**1052132**	917686	973287
	Equity attributable to owners of the parent		**1085571**	**951125**	**1009437**
	Non-controlling interest		**448**	-22	-
	Sub Total - A		**1086019**	**951103**	**1009437**
	LIABILITIES				
(1)	**B. Non-current liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	24	**10000**	10000	-
	(ii) Trade payables	25			
	A) total outstanding dues of micro enterprises and small Enterprises		**-**	-	-
	B) total outstanding dues of creditors other than micro enterprises and Small Enterprises		**273**	282	19255
	Sub Total- Trade payables		**273**	**282**	**19255**
	(iii) Other Financial Liabilities	26	**38632**	39621	37156
	(b) Provisions	27	**153146**	214255	232921
	(c) Deferred Tax Liabilities (Net)	28	**72024**	97758	95993
	(d) Other Non-Current Liabilities	29	**841652**	846215	984723
	Sub Total - B		**1115727**	**1208131**	**1370048**
(2)	**C. Current Liabilities**				
	(a) Financial liabilities				
	(i) Borrowings	30	**405801**	76406	95000
	(ii) Trade payables	31			
	A) total outstanding dues of micro enterprises and small Enterprises		**1513**	814	342
	B) total outstanding dues of creditors other than micro enterprises and Small Enterprises		**261036**	165746	157092
	Sub Total- Trade payables		**262549**	166560	157434
	(iii) Other financial liabilities	32	**177853**	147828	112070
	(b) Other Current Liabilities	33	**1430413**	1802722	1906139
	(c) Provisions	34	**449385**	345188	287877
	(d) Current Tax Liabilities (Net)	35	**117490**	71009	117994
	Sub Total - C		**2843491**	**2609713**	**2676514**
	Total Equity and Liabilities - (A+B+C)		**5045237**	**4768947**	**5055999**

Note '1' to '49' and Accounting Policies attached form part of the Accounts

As per our Report attached

For and on behalf of the Board of Directors

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

Consolidated Statement of Profit and Loss

for the year ended March 31, 2019

(₹ in Lakhs)

S. No.	Particulars	Note No.	For the year ended 31st March 2019	For the year ended 31st March 2018
	REVENUE			
I	Revenue from Operations	36	**1989388**	1862427
II	Other Income	37	**37611**	76183
III	**Total Income (I+II)**		**2026999**	**1938610**
IV	**EXPENSES**			
	Cost of Materials Consumed	38	**735543**	782772
	Purchases of Stock-in-Trade	38A	**30749**	21730
	Excise Duty		**-**	10453
	Changes in Inventories of Finished Goods, Stock-in-Trade, Work-in-Progress and Scrap	39	**116754**	72864
	Employee Benefits Expense	40	**431103**	431068
	Finance Costs	41	**16960**	2855
	Depreciation, Amortization Expense	42	**102928**	94709
	Impairment Loss	42A	**24909**	2152
	Other Expenses	43	**161830**	137675
	Direct Input to WIP / Expenses Capitalised	44	**30264**	52303
	Provisions	45	**130001**	110481
	Total Gross Expenses		**1781041**	1719062
	Less: Expenses relating to Capital and Other Accounts	46	**114964**	103333
	Total expenses (IV)		**1666077**	**1615729**
V	Profit/(Loss) before Exceptional items and Tax (III-IV)		**360922**	322881
VI	Share of Profit/(Loss) of Joint Ventures accounted using Equity Metod		**75**	1387
VII	Exceptional Items			
VIII	**Profit/(loss) before tax (V+VI)**		**360997**	324268
IX	Tax expense:			
	(1) Current Tax		**158629**	123477
	(2) Earlier Tax		**982**	-
	(3) Deferred Tax		**-25091**	1766
X	Profit (Loss) for the period from Continuing Operations (VIII-IX)		**226477**	199025
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)		**226477**	**199025**
XV	**Other Comprehensive Income**			
	A (i) Items that will not be reclassified to profit or loss	47	**-9069**	-23085
	(ii) Share of Other Comprehensive Income of JV's accounted using Equity Method		**3**	4
	(iii) Income tax relating to items that will not be reclassified to Profit or Loss		**3132**	7984

Consolidated Statement of Profit and Loss

for the year ended March 31, 2019

(₹ in Lakhs)

S. No.	Particulars	Note No.	For the year ended 31st March 2019	For the year ended 31st March 2018
	B (i) Items that will be reclassified to profit or loss	48	**9**	17
	(ii) Share of Other Comprehensive Income of JV's accounted using Equity Method		**6**	1
	(iii) Income tax relating to items that will be reclassified to Profit or Loss		**-3**	-6
			-5922	**-15085**
XVI	**Total Comprehensive Income for the period (XIV+XV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)**		**220555**	183940
	Profit/(Loss) for the period			
	Attributable to:			
	Owners of the parent		**226502**	199047
	Non Controlling interest		**-25**	-22
	Other Comprehensive Income for the period			
	Attributable to:			
	Owners of the parent		**-5922**	-15085
	Non Controlling interest			
	Total Comprehensive Income for the period			
	Attributable to:			
	Owners of the parent		**220580**	183962
	Non Controlling interest		**-25**	-22
XVII	Earnings per Equity Share (for Continuing Operations):			
	(1) Basic		**67.73**	56.23
	(2) Diluted		**67.73**	56.23
XVIII	Earnings per Equity Share (for Discontinued Operations):			
	(1) Basic			
	(2) Diluted			
XIX	Earnings per Equity Share (for Continuing & Discontinued Operations):			
	(1) Basic		**67.73**	56.23
	(2) Diluted		**67.73**	56.23

Note '1' to '49' and Accounting Policies attached form part of the Accounts

As per our Report attached

For and on behalf of the Board of Directors

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

Consolidated - Statement of Changes in Equity

for the year ended March 31, 2019

A. Equity Share Capital

(₹ in Lakhs)

Balance as at April 1, 2017	Changes in Equity Share Capital during 2017-18	Balance as at 31st March 2018	Balance as at April 1, 2018	Changes in Equity Share Capital during 2018-19	Balance as at 31st March 2019
36150	-2711	33439	33439	-	**33439**

B. Other Equity

(₹ in Lakhs)

Particulars	Reserves and Surplus				Other Components of equity		Non controlling interest	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 peration		
Balance as at April 1, 2017	**49566**	**12050**	**916882**	**-**	**-5220**	**9**	**-**	**973287**
Current Year Transfer	16723	2711						**19434**
Profit for the year				199048			-22.00	**199026**
Written Back in Current Year	-948							**-948**
Surplus Transferred from Statement of Profit and Loss			50125					**50125**
Transfer from Research & Development Reserve			948					**948**
Transfer to Research & Development Reserve				-16723				**-16723**
Withdrawn towards Buy Back of Shares			-110075					**-110075**
Interim Dividend including tax								**-**
Final Dividend including tax				-129489				**-129489**
Transfer to Capital Redemption Reserve				-2711				**-2711**
Transfer from General Reserves				-				**-**
Transfer to General Reserves				-50125				**-50125**
Items that will be reclassified to profit or loss						18		**18**
Income tax relating to items that will be reclassified to profit or loss						-6		**-6**
Items that will not be reclassified to profit or loss					-23081			**-23081**
Income tax relating to items that will not be reclassified to profit or loss					7984			**7984**
Balance as at March 31, 2018	**65341**	**14761**	**857880**	**-**	**-20317**	**21**	**-22**	**917664**
Balance as at April 1, 2018*	**65341**	**14761**	**851564**	**-**	**-20317**	**21**	**-22**	**911348**
Current Year Transfer	21488	-						**21488**
Profit for the year				226502			-25.00	**226477**
Share capital issued							495.00	**495**

Consolidated - Statement of Changes in Equity

for the year ended March 31, 2019

(₹ in Lakhs)

Particulars	Reserves and Surplus				Other Components of equity		Non controlling interest	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 peration		
Written Back in Current Year	-809							**-809**
Surplus Transferred from Statement of Profit and Loss			125196					**125196**
Transfer from Research & Development Reserve			809					**809**
Transfer to Research & Development Reserve				-21488				**-21488**
Interim Dividend including tax				-79818				**-79818**
Transfer to General Reserves				-125196				**-125196**
Items that will be reclassified to profit or loss						15		**15**
Income tax relating to items that will be reclassified to profit or loss						-3		**-3**
Items that will not be reclassified to profit or loss					-9066			**-9066**
Income tax relating to items that will be reclassified to profit or loss					3132			**3132**
Balance as at March 31, 2019	**86020**	**14761**	**977569**	**-**	**-26251**	**33**	**448**	**1052580**

* Refer Clause 1B of Note-49 for reconciliation between Other Equity as on 31.03.2018 & 01.04.2018

For and on behalf of the Board of Directors

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

Consolidated Statement of Cash Flow

for the year ended March 31, 2019

(₹ in Lakhs)

Sl. No.	Particulars	Year ended 31st March 2019		Year ended 31st March 2018	
I.	**Cash flow from Operating activities:**				
	Profit before tax		**360997**		**324268**
	Adjustments for:				
	(Profit)/Loss on Sale of Property, Plant & Equipment	**-58**		-50	
	Finance cost paid	**16960**		2855	
	Share of Profit or Loss of Joint Venture	**-60**		-1590	
	Net (Gain)/Loss on Fair Value Adjustment	**37**		40	
	Depreciation and amortization expense	**127837**		96861	
	Provision for Diminution in Value of Investments	**275**		6293	
	Provision for Doubtful Debts	**719**		4125	
	Provision for Doubtful Claims	**2153**		15973	
	Provision for Replacement and Other charges	**51323**		25029	
	Provision for Warranty	**22186**		8634	
	Provision for Raw Materials and Components, Stores and Spare parts and Construction Materials	**9638**		12829	
	Provision for Liquidated Damages	**43707**		37598	
	Sub-total		**274717**		**208597**
	Operating Profit Before Working Capital Changes		**635714**		**532865**
	Adjustments for Changes in Operating Assets and Liabilities				
	Trade Receivables	**-931746**		-356339	
	Loans, Financial Assets and Other Assets	**-12192**		-17910	
	Inventories	**19659**		183547	
	Trade Payables	**95980**		-9847	
	Financial Liabilities, Provisions and Other Liabilities	**-443355**		-256085	
	Sub-total		**-1271655**		**-456634**
	Cash generated from Operations		**-635941**		**76231**
	Direct Taxes Paid		**-110001**		-150991
	Net Cash from / (used in) Operating Activities (a)		**-745942**		**-74760**
II.	**Cash flow from Investing activities**				
	Purchase of Property, Plant & Equipment [3]	**-107020**		-98095	
	Sale of Property, Plant & Equipment	**159**		138	
	Purchase of Intangible Assets	**-30158**		-27307	
	Purchase of Investment in Joint Ventures	**-1**			
	Sale of other non current Investments	**9651**		-6436	
	Proceeds from maturity of short term deposits	**631995**		191275	
	Dividend Received from Joint Ventures	**182**		125	
	Net Cash from / (used in) Investing Activities (b)		**504808**		**59700**

Consolidated Statement of Cash Flow

for the year ended March 31, 2019

(₹ in Lakhs)

Sl. No.	Particulars	Year ended 31st March 2019		Year ended 31st March 2018	
III.	**Cash flow from Financing Activities**				
	Buy Back of Shares	**-**		-112786	
	Loan from Banks	**329395**		-8594	
	Finance cost paid	**-16960**		-2855	
	Lease Liability			-311	
	Dividend Paid (Interim/ Final Dividend inclusive of Tax)	**-79818**		-129489	
	Net Cash Flow from / (used in) Financing Activities (c)		**232617**		**-254035**
	Abstract:				
I.	Net Cash Flow from Operating Activities (a)		**-745942**		-74760
II.	Net Cash Flow from Investing Activities (b)		**504808**		59700
III.	Net Cash Flow from Financing Activities (c)		**232617**		-254035
IV	Exchange differences in translating financial statements of foreign operations		**9**		17
	Net increase in Cash and Cash Equivalents during the period		**-8508**		**-269079**
	Cash and Cash Equivalents at the beginning of the period		**11286**		280365
	Claosing Cash and Cash Equivalents at the end of the period		**2778**		11286
	Net increase in Cash and Cash Equivalents during the period		**-8508**		**-269079**

Notes:

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard 7 on Cash Flow Statements.
2. Cash & Cash equivalent include Short Term Deposits with Bank.
3. Purchase of Fixed Assets are stated inclusive of capital work-in-progress between the beginning and end of the period.
4. Previous year figures are rearranged or regrouped wherever necessary.
5. Cash and Cash Equivalents are available fully for use.

As per our Report attached

For and on behalf of the Board of Directors

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

Significant Accounting Policies

1. BASIS OF ACCOUNTING

The 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 is recognized in the period in which the estimates are revised.

3. PROPERTY PLANT & EQUIPMENT(PPE)

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 the intended use by 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) The assets created after 01.04.2016 has been capitalized in respect of Customer Funded Asset.

g) Goods and Service tax (GST) charged by vendors on Property plant and Equipment (PPE) other than civil works are not capitalized, but considered for Input GST credit.

h) Depreciation is calculated on straight line basis over estimated useful life as prescribed in Schedule II of the Companies Act 2013.

i) Plant and Equipment individually costing ₹ 50,000 and below are fully depreciated in the year of purchase.

j) Where part of an item of Property, Plant and Equipment with a cost significant in relation to the cost and have different useful lives, they are treated as separate components and depreciated over their estimated useful lives.

k) 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.

l) CSR Assets are fully depreciated in the year of capitalization.

m) The cost and the related accumulated depreciation are 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.

n) 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.

Significant Accounting Policies

4. INVESTMENT PROPERTY

a) A property is considered as investment property only if the same is held for capital appreciation and /or earning rentals. Properties held by the Company (directly or indirectly) which are used in the production of supply of goods or services for administrative purposes are not considered as Investment Property.

b) 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.

5. INTANGIBLE ASSETS

a) Intangible Assets controlled and from which future economic benefits are expected to flow and having an useful life 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 production on technical estimate and to the extent not amortized are carried forward.

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 three years, 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.

6. LEASE ACCOUNTING

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Title may or may not eventually be transferred.

Finance Lease:

a) At commencement, assets and liabilities in the balance sheet are recognized at lower of fair value and the present value of the minimum lease payments, each determined at inception of lease.

b) Minimum lease payments shall be apportioned between finance charge and the outstanding liability.

c) Leased assets are depreciated over the useful life of the leased assets.

d) Contingent rentals are recognized as expenses in the period in which they are incurred.

e) Impairment on the leased assets are reviewed annually and when there is an indication of impairment, the asset is impaired.

Operating Lease:

a) Lease other than finance leases are operating leases.

b) Upfront lease payments, if any, made under operating leases are recognized in the statement of profit and loss over the terms of the lease.

c) Rent and maintenance charges paid for assets/ liabilities taken on operating leases are charged to revenue in the period in which they arise.

Significant Accounting Policies

7. NON CURRENT INVESTMENTS

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 Investments.

c) Cost of Investment includes acquisition charges such as brokerage, fees and duties.

d) The Company reviews the book value of the investment on a yearly basis and provides for diminution in the value of the investment based on the net worth of the investee company.

e) Impairment in the value of investment is made only if in the opinion of management when there is a permanent fall in value of investment.

8. IMPAIRMENT OF ASSETS

As at 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 AND OTHER PAYABLES

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

12. 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.

Significant Accounting Policies

13. REVENUE RECOGNITION

13.1. Manufacturing of Aircraft/ Helicopter/Spares/Repair Contracts

a) Revenue is recognized at a point in time when there is a transfer of significant risks and rewards of ownership and on satisfaction of performance obligation on the basis of:

i. Acceptance by the buyer's Inspector, by way of Signaling Out Certificate (SOC), in the case of Aircrafts/ Helicopters,

ii. Acceptance by the Buyer's inspection agency/SOC or as agreed to by the Buyer, in the case of Repair & Overhaul of Aircraft/Helicopter/Engine, Rotables, Site repairs, Cat 'B' repair servicing etc.,

iii. For other deliverables liks Spares, Revenue is recognized based on the Acceptance by the buyer's inspection agency or as agreed to by the buyer.

b) Revenue on Warranty is being recognized proportionately to the extent of warranty falling within the reporting period.

c) Revenue is recognized based on the prices agreed with Customers. Where the prices are yet to be agreed/ determined, the revenue is recognised at the most likely amount based on past experience. Differential revenue, if any, is recognised on receipt of Government sanction.

13.2. Development Contracts

a) Revenue is recognized over a period of time on incurrence of expenditure identifiable to work orders:

i. where milestones have been defined, on achievement of milestone under the output method.

ii. where milestones have not been defined, on incurrence of expenditure under the input method

b) Where the customer's sanction for revision is pending, the expenditure incurred is retained in work-in-progress/ intangible asset. Subsequent revenue is recognized on receipt of revised financial sanction from the customer.

13.3. Significant Financing Component

a) For the majority of the contracts, advance payments are received, prior to commencement of work and milestone payments are paid in accordance with the terms of the contract.

b) Payments received from customers in advance are not considered to be a significant financing component because they are used to meet working capital demands that can be higher in the early stages of the contract.

13.4. Contract Modification

A contract modification exists when the change in scope is agreed but the corresponding change in price is not determined. In such circumstances, revenue is recognized, based on the Company's assessment of the estimated change in the transaction price arising from the modification.

13.5. Receivables

a) Receivables represent the Company's unconditional right to consideration under the contract. The right to consideration is considered unconditional, if only passage of time is required before payment of that consideration is due.

b) Debts from the Government departments are generally treated as fully recoverable, based on past experience, and hence the Company does not recognize 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.

Significant Accounting Policies

13.6. Contract Assets

Contract Assets represents the Company's right to receive the consideration in exchange for the Goods or Services that the Company has transferred to the Customer, when that right is conditioned on something other than passage of time.

14. Transition to Ind AS 115

Effective April 1, 2018, the Company has applied Ind AS 115 on Revenue recognition. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Company has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognized at the date of initial application (i.e. April 1, 2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information continues to be reported under Ind AS 18 and Ind AS 11.

15. EMPLOYEE BENEFITS

a) Gratuity and Provident Fund are Defined Benefit Plans and the 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 respective trust. The Company's liability is limited to the extent of contribution made to these trust.

16. FOREIGN CURRENCY TRANSACTION

Assets and Liabilities in foreign currency are re-instated at the rate prevalent at the Balance Sheet date. The Income / Expenditure on account of such transaction is charged to Statement of the 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.

Significant Accounting Policies

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.

20. The functional currency of the Company is Indian Rupee.

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

Place: Bengaluru
Date: 27.05.2019

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

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 31st March 2019

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2018	Additions	Reclassification /Adjustment	Disposals	Gross Block as at 31st March 2019
Cost					
Fixed Assets [1]					
Land					
- Leasehold	1238	31	-	-	1269
- Freehold*	1787	-134	-	-	1653
Buildings	97055	9135	-52	-	106138
Plant and Equipment**	168911	25508	-1	237	194181
Furniture and Fixtures	7062	875	-	45	7892
Vehicles	5551	489	-	109	5931
Office Equipment	9040	1634	1	23	10652
Assets Used for CSR Activities	4525	-	-	-	4525
Others					
Roads and Drains	4412	895	-	-	5307
Water Supply	2920	261	52	-	3233
Rail Road Sidings	-	-	-	-	-
Runways	1776	-	-	-	1776
Aircraft/Helicopters	19754	4739	6937	-	31430
Sub Total	**324031**	**43433**	**6937**	**414**	**373987**
Special Tools	459917	35856	-	-	495773
Total	**783948**	**79289**	**6937**	**414**	**869760**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

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

(₹ in Lakhs)

Particulars	Provision as at 1st April 2018	Additions	Reclassification / Adjustment	Disposals/ Reversals	Provisions as at 31st March 2019	Net Block as at 31st March 2019	Net Block as at 31st March 2018
Depreciation [2]							
Land							
- Leasehold*	36	19	-	-	**55**	1214	1202
- Freehold	-	-	-	-	**0**	1653	1787
Buildings	10455	3891	-52	-	**14294**	91844	86600
Plant and Equipment	51418	18902	-1	225	**70094**	124087	117493
Furniture and Fixtures	4421	1243	3	34	**5633**	2259	2641
Vehicles	1896	729	-3	31	**2591**	3340	3655
Office Equipment	6058	1830	1	23	**7866**	2786	2982
Assets Used for CSR Activities	4525	-	-	-	**4525**	-	-
Others				-	**-**	-	-
Roads and Drains	2103	567	-	-	**2670**	2637	2309
Water Supply	822	350	52	-	**1224**	2009	2098
Rail Road Sidings	-	-	-	-	**-**	-	-
Runways	757	224	-	-	**981**	795	1019
Aircraft/Helicopters	2440	2758	-	-	**5198**	26232	17314
Sub Total	**84931**	**30513**	**-**	**313**	**115131**	**258856**	**239100**
Special Tools	89319	50781	-	-	**140100**	355673	370598
Total	**174250**	**81294**	**-**	**313**	**255231**	**614529**	**609698**

Above Includes:	31st March 19
Gross Value of Assets with M/s. Midhani	**751**
Cumulative Depreciation in respect of Assets with M/s. Midhani	**613**
	138

	31st March 19
1. Gross Value of Assets retired from Active Use	**3357**
2. Less : Cumulative Depreciated Value of Assets retired from Active Use.	**3344**
WDV of Assets Retired from Active Use.	**13**

* Negative in Additions represents refund of Land Coversion Charges
** Additions includes ₹104 lakh finance cost has been capitalised

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

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 31st March 2018

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2017	Additions	Reclassification /Adjustment	Disposals	Transfer to (-) from (+) Div	Gross Block as at 31st March 2018
Cost						
Fixed Assets [1]						
Land						
- Leasehold	790	448	-	-	-	1238
- Freehold	1787	-	-	-	-	1787
Buildings	71654	25164	-	-	237	97055
Plant and Equipment	138174	30823	-44	42	-	168911
Furniture and Fixtures	6032	1054	5	29	-	7062
Vehicles	4878	756	-5	78	-	5551
Office Equipment	7472	1548	44	24	-	9040
Assets Used for CSR Activities	4522	3	-	-	-	4525
Others						
Roads and Drains	3187	1225	-	-	-	4412
Water Supply	2270	652	-	2	-	2920
Rail Road Sidings	-	-	-	-	-	-
Runways	1011	765	-	-	-	1776
Aircraft/Helicopters	14212	5542	-	-	-	19754
Sub Total	**255989**	**67980**	**-**	**175**	**237**	**324031**
Special Tools	437095	22822	-	-	-	459917
Total	**693084**	**90802**	**-**	**175**	**237**	**783948**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

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

(₹ in Lakhs)

Particulars	Provision as at 1st April 2017	Additions	Reclassi-fication / Adjust-ment	Transfer to (-) from (+) Div	Disposals/ Reversals	Provisions as at 31st March 2018	Net Block as at 31st March 2018	Net Block as at 31st March 2017
Depreciation [2]								
Land								
- Leasehold	20	16	-	-	-	36	1202	770
- Freehold	-	-	-	-	-	-	1787	1787
Buildings	7057	3395	-	3	-	10455	86600	64597
Plant and Equipment	33492	17980	-32	-	22	51418	117493	104682
Furniture and Fixtures	2958	1470	7	-	14	4421	2641	3074
Vehicles	1208	727	-8	-	31	1896	3655	3670
Office Equipment	4162	1882	33	-	19	6058	2982	3310
Assets Used for CSR Activities	4522	3	-	-	-	4525	-	-
Others						-	-	-
Roads and Drains	1637	466	-	-	-	2103	2309	1550
Water Supply	433	390	-	-	1	822	2098	1837
Rail Road Sidings	-	-	-	-	-	-	-	-
Runways	526	231	-	-	-	757	1019	485
Aircraft/Helicopters	1514	926	-	-	-	2440	17314	12698
Sub Total	**57529**	**27486**	**-**	**3**	**87**	**84931**	**239100**	**198460**
Special Tools	57303	32016	-	-	-	89319	370598	379792
Total	**114832**	**59502**	**-**	**3**	**87**	**174250**	**609698**	**578252**

Above Includes:	31st March 18
Gross Value of Assets with M/s. Midhani	**751**
Cumulative Depreciation in respect of Assets with M/s. Midhani	**498**
	253

	31st March 18
1. Gross Value of Assets retired from Active Use	**3774**
2. Less : Cumulative Depreciated Value of Assets retired from Active Use.	**3760**
WDV of Assets Retired from Active Use.	**14**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

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

Following table represents the changes in Plant, Property & Equipment for the year ended 31st March 2019

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2018	Additions	Gross Block as at 31st March 2019
Cost			
Fixed Assets			
Buildings	5462	4623	**10085**
Plant and Equipment	7541	6685	**14226**
Furniture and Fixtures	149	214	**363**
Vehicles	120	42	**162**
Office Equipment	76	121	**197**
Others			
Roads and Drains	-	84	**84**
Water Supply	37	-	**37**
Total	**13385**	**11769**	**25154**

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

(₹ in Lakhs)

Particulars	Provision as at 1st April 2018	Additions	Disposals/ Reversals	Provisions as at 31st March 2019	Net Block as at 31st March 2019	Net Block as at 31st March 2018
Depreciation						
Buildings	143	245	-	**388**	**9697**	5319
Plant and Equipment	716	1229	-	**1945**	**12281**	6825
Furniture and Fixtures	132	129	-	**261**	**102**	17
Vehicles	35	18	-	**53**	**109**	85
Office Equipment	34	91	-	**125**	**72**	42
Others				**-**	**-**	-
Roads and Drains	-	2	-	**2**	**82**	-
Water Supply	5	4	-	**9**	**28**	32
Total	**1065**	**1718**	**-**	**2783**	**22371**	**12320**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

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

Following table represents the changes in Plant, Property & Equipment for the year ended 31st March 2018

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2017	Additions	Transfer to (-) from (+) Div	Gross Block as at 31st March 2018
Cost				
Fixed Assets				
Buildings	1704	3995	-237	**5462**
Plant and Equipment	3908	3633	-	**7541**
Furniture and Fixtures	97	52	-	**149**
Vehicles	71	49	-	**120**
Office Equipment	37	39	-	**76**
Others				**-**
Water Supply	37	-	-	**37**
Total	**5854**	**7768**	**-237**	**13385**

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

(₹ in Lakhs)

Particulars	Provision as at 1st April 2017	Additions	Transfer to (-) from (+) Div	Disposals/ Reversals	Provisions as at 31st March 2018	Net Block as at 31st March 2018	Net Block as at 31st March 2017
Depreciation							
Buildings	30	116	-3	-	143	5319	1674
Plant and Equipment	169	547	-	-	716	6825	3739
Furniture and Fixtures	90	42	-	-	132	17	7
Vehicles	17	18	-	-	35	85	54
Office Equipment	15	19	-	-	34	42	22
Others					-	-	-
Water Supply	1	4	-	-	5	32	36
Total	**322**	**746**	**-3**	**-**	**1065**	**12320**	**5532**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 2 - Capital Work in Progress

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Buildings	**42088**	32353
Plant and Equipment	**23476**	15243
Furniture and Fixtures	**23**	-
Roads and Drains	**47**	81
Office Equipment	**-**	3
Water Supply	**50**	-
Plant and Equipment under Inspection and in Transit	**7363**	12356
Special Tools	**4996**	2046
Total	**78043**	62082

Note -3- Investment Property

Following table represents the changes in Investment Property for the year ended 31st March 2019

Note 3A - Gross Block - Investment Property

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2018	Gross Block as at 31st March 2019
Fixed Assets		
Buildings	4	**4**
Total	**4**	**4**

Note 3B - Accumulated Depreciation - Investment Property

(₹ in Lakhs)

Particulars	Provision as at 1st April 2018	Disposals/ Reversals	Provisions as at 31st March 2019	Net Block as at 31st March 2019	Net Block as at 31st March 2018
Depreciation					
Buildings	-	-	**-**	**4**	4
Total	**-**	**-**	**-**	**4**	**4**

Note 3 - Investment Property

Following table represents the changes in Investment Property for the year ended 31st March 2018

Note 3A - Gross Block - Investment Property

(₹ in Lakhs)

Particulars	Gross block as at 1st April 2017	Gross Block as at 31st March 2018
Fixed Assets		
Buildings	4	4
Total	**4**	**4**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 3B - Accumulated Depreciation - Investment Property

(₹ in Lakhs)

Particulars	Provision as at 1st April 2017	Disposals/ Reversals	Provisions as at 31st March 2018	Net Block as at 31st March 2018	Net Block as at 31st March 2017
Depreciation					
Buildings	-	-	-	4	4
Total	**-**	**-**	**-**	**4**	**4**

Note 5 - Other Intangible assets

Following table represents the changes in Other Intangible Assets for the year ended As At 31st March 2019

Note 5A - Gross Block - Other Intangible Assets

(₹ in Lakhs)

Particulars	As at 1st April 2018	Additions	Adjustment/ Disposals	As at 31st March 2019
Licence Fees	135691	368	-	**136059**
Computer Software	4969	873	-	**5842**
Documentation	37329	350	-	**37679**
Development Expenditure	35490	2130	21809	**59429**
Total	**213479**	**3721**	**21809**	**239009**

Note 5B - Accumulated Amortization - Other Intangible assets

(₹ in Lakhs)

Particulars	As at 1st April 2018	Amortisation	Adjustment/ Reversals	As at 31st March 2019
Licence Fees	35572	12126	-	**47698**
Computer Software	3510	1211	-	**4721**
Documentation	9063	2667	-	**11730**
Development Expenditure	24368	3912	-	**28280**
Total	**72513**	**19916**	**-**	**92429**

Note 5C - Impairment Loss - Other Intangible assets

(₹ in Lakhs)

Particulars	As at 1st April 2018	Impairment Loss	Adjustment/ Reversals	As at 31st March 2019
Development Expenditure	6366	23114	-	**29480**
Total	**6366**	**23114**	**-**	**29480**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 5 - Other Intangible assets

Following table represents the changes in Other Intangible Assets for the year ended As At 31st March 2018

Note 5A - Gross Block - Other Intangible Assets

(₹ in Lakhs)

Particulars	As at 1st April 2017	Additions	Adjustment/ Disposals	As at 31st March 2018
Licence Fees	135174	517	-	135691
Computer Software	4540	429	-	4969
Documentation	33282	4047	-	37329
Development Expenditure	20438	15052	-	35490
Total	**193434**	**20045**	**-**	**213479**

Note 5B - Accumulated Amortization - Other Intangible assets

(₹ in Lakhs)

Particulars	As at 1st April 2017	Amortisation	Adjustment/ Reversals	As at 31st March 2018
Licence Fees	25982	9590	-	35572
Computer Software	2146	1364	-	3510
Documentation	3506	5557	-	9063
Development Expenditure	6418	17950	-	24368
Total	**38052**	**34461**	**-**	**72513**

Note 5C - Impairment Loss -Other Intangible assets

(₹ in Lakhs)

Particulars	As at 1st April 2017	Impairment Loss	Adjustment/ Reversals	As at 31st March 2018
Development Expenditure	4214	2152	-	6366
Total	**4214**	**2152**	**-**	**6366**

Note 6 - Intangible Assets under Development

Following table represents the changes in Intangible Assets under Development for the year ended 31st March 2019

Note 6A - Gross Carrying cost - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2018	Additions	Adjustment	As at 31st March 2019
Development Expenditure	84090	26437	-28746	**81781**
Total	**84090**	**26437**	**-28746**	**81781**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 6B - Accumulated Amortization - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2018	Amortisation	Adjustment/ Reversals	As at 31st March 2019
Development Expenditure	-	-	-	-
Total	-	-	-	-

Note 6C - Impairment Loss - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2018	Impairment Loss	Adjustment/ Reversals	As at 31st March 2019
Development Expenditure	-	1795	-	**1795**
Total	-	1795	-	**1795**

Note 6 - Intangible Assets under Development

Following table represents the changes in Intangible Assets under Development for the year ended 31st March 2018

Note 6A - Gross Carrying cost - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2017	Additions	Adjustment/ Disposals	As at 31st March 2018
Development Expenditure	76828	33420	-26158	84090
Total	76828	33420	-26158	84090

Note 6B - Accumulated Amortization - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2017	Amortisation	Adjustment/ Reversals	As at 31st March 2018
Development Expenditure	-	-	-	-
Total	-	-	-	-

Note 6C - Impairment Loss - Intangible assets under Development

(₹ in Lakhs)

Particulars	As at 1st April 2017	Impairment Loss	Adjustment/ Reversals	As at 31st March 2018
Development Expenditure	-	-	-	-
Total	-	-	-	-

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 7 - Investments - Joint Ventures

(₹ in Lakhs)

	Particulars	As at 31st March 2019	As at 31st March 2018
	INVESTMENTS AT COST LESS PROVISION (UN-QUOTED)		
	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
	+/- Interest in Joint Venture	**239**	270
	Net -M/s BAe-HAL Software Ltd	**533**	564
B)	M/s Safran HAL Aircraft Engines Private Ltd -11,40,000 (11,40,000-P.Y) Shares of ₹100 F.V. each fully paid	**1140**	1140
	+/- Interest in Joint Venture	**2123**	1713
	Net - M/s Safran HAL Aircraft Engines Private Ltd	**3263**	**2853**
C)	M/s Indo Russian Aviation Ltd - 9,36,525 (9,36,525-P.Y) shares of ₹ 10 FV each fully paid	**94**	94
	+/- Interest in Joint Venture	4168	3963
	Net - M/s Indo Russian Aviation Ltd.	**4262**	**4057**
D)	M/s HALBIT Avionics Pvt Ltd -3,82,500(3,82,500-P.Y) Shares of ₹ 100 FV each fully paid	**383**	383
	Less Provision for Impairment in value of Investment	**383**	383
	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
	Less Provision for Impairment in value of Investment	**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 ₹ 100 FV each fully paid	**160**	160
	Less Provision for Impairment in value of Investment	**160**	160
	Net - M/s SAMTEL HAL Display Systems Ltd	**-**	-
G)	M/s INFOTECH HAL Ltd - 20,00,000 (20,00,000-P.Y) Shares of ₹ 10 FV each fully paid	**200**	200
	+/- Interest in Joint Venture	**61**	12
	Less Provision for Impairment in value of Investment	**166**	166
	Net- M/s. INFOTECH HAL Ltd.	**95**	**46**
H)	M/s HATSOFF Helicopter Training Pvt Ltd -3,84,04,205 (3,84,04,205 P.Y) Shares of ₹ 10 FV each fully paid	**3840**	3840
	Less Provision for Impairment in value of Investment	**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
	+/- Interest in Joint Venture	**-**	**-12**
	Less Provision for Impairment in value of Investment	**507**	495
	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 ₹ 100 FV each fully paid	**4250**	4250
	+/- Interest in Joint Venture	**182**	414
	Less Provision for Impairment in value of Investment	**855**	855
	Net-M/s International Aerospace Manufacturing Pvt Ltd	**3577**	**3809**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
K) M/s. Multirole Transport Aircraft Ltd. - 113,46,564 (113,46,564 P.Y.) Shares of ₹ 100 FV each fully paid	**11347**	11347
+/- Interest in Joint Venture	**-1188**	-653
Less Provision for Impairment in value of Investment	**6678**	6678
Net-M/s. Multirole Transport Aircraft Ltd.	**3481**	**4016**
L) M/s. Aerospace & Aviation Sector Skill Council (AASSC) - 125 (125 P.Y.) Shares of ₹ 10000 FV each fully paid	**13**	13
Net-M/s. Aerospace & Aviation Sector Skill Council	**13**	**13**
M) M/s. Helicopter Engines MRO Pvt Ltd - 4,09,988 (4,09,988 P.Y.) Shares of ₹ 100 FV each fully paid	**410**	410
+/- Interest in Joint Venture	**-128**	-128
Less Provision for Impairment in value of Investment	**263**	-
Net-M/s. Helicopter Engines MRO Pvt Ltd	**19**	**282**
Defence Innovation Organisation - 50 (P.Y. NIL) Shares of ₹ 1000 FV each fully paid	**1**	-
M/s Defence Innovation Organisation	**1**	**-**
Total In Equity of Joint Ventures	**15244**	**15640**
TOTAL	**15244**	**15640**

Disclosure

(i)	Aggregate amount of Quoted Investment and Market Value.	**-**	-
(ii)	Aggregate amount of Unquoted Investments. (net)	**15244**	15640
(iii)	Aggregate amount of impairment in value of investments	**13152**	12877

Note 7A - Financial Asset- Investments-Others

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A) Investments in Structured Entities (UNQUOTED)		
a) HAE Co-operative Society of 25 (25P.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)	**75720**	85371
Total In Other Investments (B)	**75720**	85371
TOTAL (A)+(B)	**75720**	**85371**

Disclosure

(i)	Aggregate amount of Quoted Investment and Market Value.	**-**	-
(ii)	Aggregate amount of Unquoted Investments. (net)	**75720**	85371
(iii)	Aggregate amount of impairment in value of investments	**-**	-

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 8 - Financial Asset - Trade Receivables

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Trade Receivables		
Secured Considered Good	-	-
Unsecured Considered Good	9044	-
Significant Increase in Credit Risk	-	-
Credit Impaired	1401	1302
	10445	1302
Less: Allowance for Doubtful Debts	1401	1302
TOTAL	9044	-

Note 8A - Financial Asset - Contract Assets

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Contract Assets	-	-
TOTAL	-	-

Note 9 - Financial Asset - Loans

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Secured Considered Good		
a) Security Deposit	-	-
b) Others	-	-
Sub-total (A)	-	-
B. Unsecured Considered Good		
a) Security Deposit		
- Govt Departments for Customs Duty and for Supplies	1600	578
- Public Utility Concerns	3079	3089
- Others	422	478
b) Others		
Employee Advances	1323	1450
Sub-total (B)	6424	5595
C. Significant Increase in credit risk		
Sub-total (C)		
D. Credit Impaired		
Sub-total (D)		
TOTAL (A +B +C+D)	6424	5595

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 10 - Financial Asset-Others

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A) Claims Receivable		
Credit Impaired	**22722**	23096
Sub Total	**22722**	23096
Less: Provision for Doubtful Claims	**22722**	23096
Sub Total -A	**-**	-
B) Balances with Bank	**-**	-
Short Term Deposits - Exceeding 12 Months*	**701**	-
Sub Total -B	**701**	**-**
C) Others		
Deferred Debts	**34842**	35800
Sub Total -C	**34842**	**35800**
TOTAL (A +B +C)	**35543**	**35800**
*Fully Earmarked for Committed Liabilities of more than 12 months	**-**	-

Note 11 - Deferred Tax Assets (net)

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
The tax effect of significant temporary differences that resulted in deferred tax assets:	**-**	-
TOTAL	**-**	-

Note 12 - Other Non- Current assets

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A) Advances		
Capital Advances	**20085**	5751
Advance Other than Capital Advances:		
Advances against Goods and Services	**468**	398
Advances against Special Tools	**-**	-
Other Loans and Advances	**446**	457
Sub Total Advances	**20999**	**6606**
B) Others		
Balances with Revenue Authorities under dispute		
- Income tax	**14637**	10295
- Others	**6580**	5300
C) Prepaid Expenses	**-**	-
TOTAL (A+B+C)	**42216**	**22201**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 13 - Inventories

(₹ in Lakhs)

Particulars		As at 31st March 2019	As at 31st March 2018
Inventories (Lower of Cost and Net Realisable Value)#			
(i)	Raw Materials and Components	**1035137**	951218
	Less: Provision for Redundancy	**72465**	70426
		962672	**880792**
(ii)	Work-in-Progress	**901510**	952308
(iii)	Finished Goods	**-**	-
(iv)	Stock-in-Trade	**3319**	1282
(v)	Stores and Spares Parts	**36534**	33701
	Less: Provision for Redundancy	**3217**	3527
		33317	**30174**
(vi)	Loose Tools and Equipment	**10474**	10415
	Less: Provision for Redundancy	**1620**	1828
		8854	**8587**
(vii)	Construction Materials	**82**	104
	Less: Provision for Redundancy	**15**	22
		67	82
(viii)	Disposable Scrap	**541**	596
(ix)	Goods under Inspection and in Transit		
	- Raw material and Components	**40558**	40528
	- Stores and Spare Parts	**1656**	1534
	- Loose Tools and Equipment	**244**	113
		42458	**42175**
(x)	Inventory - Warranty	**22599**	21274
	Less: Provision for Redundancy	**937**	1511
		21662	**19763**
TOTAL		**1974400**	**1935759**
(#) includes those issued to Sub-Contractors for Job Works		**37483**	45724

Note 14 - Financial Asset- Investments

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
INVESTMENTS AT COST LESS PROVISION (UN-QUOTED)		
TOTAL	**-**	-

Disclosure

(i)	Aggregate amount of Quoted Investment and Market Value	**-**	-
(ii)	Aggregate amount of Unquoted Investments	**-**	-
(iii)	Aggregate amount of impairment in value of investments	**-**	-

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 15 - Financial Asset - Trade Receivables

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Trade Receivables		
Unsecured Considered Good	**1393794**	675154
Credit Impaired	**15331**	16820
	1409125	**691974**
Less: Allowance for Doubtful Debts	**15331**	16820
TOTAL	**1393794**	**675154**

Note 15A - Financial Asset-Contract Assets

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Contract Assets		
Unbilled Revenue	**302005**	99076
TOTAL	**302005**	**99076**

Note 16 - Financial Asset- Cash & Cash Equivalents

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A) Balances with Bank		
- Current Account	**1196**	9373
- Short Term Deposits	**194**	8
B) Cash on Hand	**6**	6
C) Cheques, Drafts on Hand	**6**	-
Sub Total (A+B+C)	**1402**	**9387**
D) Other Bank Balances		
Margin Money	**-**	594
Others		
- Short Term Deposits *	**1376**	1305
Sub Total-D	**1376**	**1899**
TOTAL (A)+(B)+(C)+(D)	**2778**	**11286**
*Balance with Banks to the extent held as Margin Money or Security against Borrowings, Guarantees, Other Commitments	**-**	-

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

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Bank Deposit*	**4626**	643266
Earmarked balances with banks-Unpaid Dividend	**6645**	-
TOTAL	**11271**	643266
*Balance with Banks to the extent held as Margin Money or Security against Borrowings, Guarantees, Other Commitments	**-**	67000

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 18 - Financial Asset- Loans

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Secured, Considered Good		
Security Deposit		
Others		
Employee Advances	**255**	286
Sub-total (A)	**255**	286
B. Unsecured, Considered Good		
i) Security Deposits		
Govt Departments for Customs Duty and for Supplies	**4**	5
Public Utility Concerns	**47**	57
Others	**2903**	2735
ii) Others		
Employee Advances	**1294**	3277
Sub-total (B)	**4248**	**6074**
TOTAL (A +B)	**4503**	**6360**

Note 19 - Other Financial Assets

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Claims Receivable		
Unsecured Considered Good	**101392**	178724
Credit Impaired	**8440**	6735
	109832	**185459**
Less: Provision for Doubtful Claims	**8440**	6735
Sub-total	**101392**	**178724**
Interest Accrued and Due on Investment with LIC of India	**7411**	6996
Interest Accrued and not Due	**152**	22952
Current Maturities of Deferred Debt	**9129**	8210
TOTAL	**118084**	**216882**

Note 20 - Current Tax Assets (Net)

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Current Tax (Net)	-	-
TOTAL	-	-

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 21 - Other Current Assets

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Advances against Goods and Services	**100406**	89117
Other Loans and Advances	**536**	292
Advances to Related Parties	**123**	219
Others		
Prepaid Expenses	**2089**	1566
Balances with revenue Authorities		
- Income tax	**38**	18
- Others	**577**	14
Balance with GST Electronic Ledger	**38405**	22534
Revenue Stamps	**1**	-
Balances in Franking Machine	**3**	3
TOTAL	**142178**	**113763**

EQUITY

Note 22 - Equity Share Capital

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Authorised Capital 60,00,00,000 Equity Shares of ₹ 10 each	**60000**	60000
Issued, Subscribed and Fully Paid up 33,43,87,500 (33,43,87,500 PY) Equity Shares of ₹ 10 each fully paid-up	**33439**	33439
Subscribed and not Fully Paid up	**-**	-
Par Value per Share (₹)	**10**	10
Reconciliation of the Number of Shares Outstanding at the beginning and at the end of the Reporting period		
Opening Equity Shares (Nos.)	**334387500**	361500000
Add: Additions during the Year (Nos.)	**-**	-
Less: Shares Bought Back (Nos.)*	**-**	27112500
Closing Equity Shares (Nos.)	**334387500**	334387500
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	**300855180**	300855180
% of Shareholding of President of India and Nominees	**89.97%**	89.97%
Life Insurance Corporation of India	**23407104**	23407104
% of Shareholding of Life Insurance Corporation of India	**7.00%**	7.00%

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.

*Clause 8.9 of Note 49

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 23 - Other Equity

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Other Reserves		
A. Research & Development Reserve		
Opening Balance	**65341**	49566
Add: Current Year Transfer	**21488**	16723
Less: Transfer to General Reserve on utilisation	**809**	948
Closing Balance (A)	**86020**	**65341**
B. Capital Redemption Reserve		
Opening Balance	**14761**	12050
Add: Current Year Transfer	**-**	2711
Closing Balance (B)	**14761**	**14761**
C. General Reserve As per last Balance Sheet	**851564**	916882
(+/-) Surplus Transferred from Statement of Profit and Loss	**125196**	50125
Add: Transfer from R&D Reserve	**809**	948
Less: Withdrawn towards Buy Back of Shares	**-**	110075
Closing Balance (C)	**977569**	**857880**
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)	**226502**	199048
Transfer to Research & Development Reserve	**21488**	16723
Interim Dividend CY ₹ 66209 Lakhs+ Tax ₹ 13609 Lakhs (Dividend including Tax for the year ended 31st March 2018: Dividend ₹ 107587 Lakhs + Tax ₹ 21902 Lakhs)	**79818**	129489
Transfer to Capital Redemption Reserve	**-**	2711
Total (iii)	**101306**	**148923**
Transfer To General Reserves (i)-(iii)	**125196**	**50125**
D. Other Components of Equity		
Fair Value through Other Comprehensive Income (FVOCI)		
Opening Balance	**-20296**	-5211
Add:- Additions made during the year	**-5922**	-15085
Closing Balance (D)	**-26218**	**-20296**
Total attributable to Owners of the Company	**1052132**	**917686**
E. Attributable to Non-controlling interest		
Opening balance	**-22**	
Profit for the year	**-25**	**-22**
Share Capital issued	**495**	
Closing balance (E)	**448**	**-22**
TOTAL (A+B+C+D+E)	**1052580**	**917664**

*Refer Clause 7.1 of note-49 for Reconciliation between Other Equity as on 31.03.2018 & 01.04.2018.

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 24 - Borrowings

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Secured Long Term Borrowings:		
a) Term Loans		
(i) From Banks*	**10000**	10000
Sub-total (A)	**10000**	10000
B. Unsecured Long Term Borrowings:		
Sub-total (B)	**-**	-
TOTAL (A + B)	**10000**	10000

*Ref Note No. 49 Clause 8.3

Note 25 - Trade Payables

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Trade Payables		
A) total outstanding dues of micro enterprises and small Enterprises	**-**	-
B) total outstanding dues of creditors other than micro enterprises and Small Enterprises	**273**	282
TOTAL	**273**	**282**

Note 26 - Other financial liabilities

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Dues to Employees	**19**	19
Deposits	**15**	12
Other Liabilities	**3377**	3398
Deferred liabilities	**35221**	36192
TOTAL	**38632**	**39621**

Note 27 - Provisions

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Provisions for Employee Benefits		
Gratuity	**19710**	52720
Earned Leave	**51259**	49005
Sub-total (A)	**70969**	**101725**
B. Others		
Replacement and Other Charges	**14775**	12276
Liquidated Damages	**67402**	75541
Onerous Contract	**-**	24713
Sub-total (B)	**82177**	**112530**
TOTAL (A + B)	**153146**	**214255**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 28 - Deferred tax liabilities (Net)

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
The tax effect of significant temporary differences that resulted in deferred tax liabilities:		
As per last Balance Sheet	**97115**	95992
Add / Less: Current Year's Provisions	**-25091**	1766
Reclassification to Deferred Tax Assets	**-**	-
TOTAL	**72024**	**97758**

Note 29 - Other Non current Liabilities

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Advances from Customers (Contract Liability)		
Outstanding Advances from Customers		
Defence	**274000**	329076
Sub Total (A)	**274000**	**329076**
B. Milestone Receipt (Contract Liability)		
Defence	**562766**	504398
Others	**4886**	12741
Sub Total (B)	**567652**	**517139**
TOTAL (A+B)	**841652**	**846215**

Note 30 - Borrowings

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Secured :		
Loans Repayable on Demand		
(i) From Banks*	**405801**	76406
Working Capital Loan - Cash Credit*		
Sub-total (A)	**405801**	**76406**
B. Unsecured :		
Sub-total (B)	**-**	**-**
TOTAL (A + B)	**405801**	**76406**

*Ref Note No. 49 Clause 8.4

*Working Capital loan is secured by first charge on Current Assets (All kinds of Stocks and Receivables of the company both present and future)

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 31 - Trade Payables

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Trade Payables		
A) total outstanding dues of micro enterprises and small Enterprises	**1513**	814
B) total outstanding dues of creditors other than micro enterprises and small enterprises	**261036**	165746
TOTAL	**262549**	**166560**

Note 32 - Other Financial Liabilities

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Liability for Outstanding Expenses	**47416**	25978
Deposits	**10599**	6086
Royalty	**4761**	4426
Dues to Employees	**51865**	47213
Others Liabilities	**41984**	56075
Current Maturities of Deferred Liabilities	**4046**	4046
Due to Capital Creditors	**10537**	4004
Unpaid Dividend Account	**6645**	-
TOTAL	**177853**	**147828**

Note 33 - Other Current Liabilities

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A) Advances from Customers (Contract Liability)		
Outstanding Advances from Customers		
Defence	**385941**	450036
Others	**4417**	7430
Sub Total (A)	**390358**	**457466**
B) Milestone Receipt (Contract Liability)		
Defence	**921695**	1241386
Others	**76140**	64885
Sub Total (B)	**997835**	**1306271**
Advances from Customers (A + B)	**1388193**	**1763737**
C) Other Payables		
Taxes (Other than Taxes on Income)	**6688**	12765
GST Payable	**25341**	17377
Others	**10191**	8843
TOTAL (A+B+C)	**1430413**	**1802722**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 34 - Provisions

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
A. Provisions for Employee Benefits		
Gratuity	-	-
Earned Leave	**37025**	36804
Others	**50210**	24800
Sub-total (A)	**87235**	**61604**
B. Others		
Replacement and Other Charges	**129880**	89301
Warranty	**56463**	43056
Liquidated Damages	**122903**	85610
Excise Duty	-	-
Onerous Contract	**52904**	65617
Sub-total (B)	**362150**	**283584**
TOTAL (A + B)	**449385**	**345188**

Note 35 - Current tax liabilities (Net)

(₹ in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Current tax liability (Net)	**117490**	71009
TOTAL	**117490**	**71009**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 36 - Revenue from Operations

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
A. Sale of Products		
(i) Inland Sales		
Finished Goods	**842719**	934921
Spares	**181311**	127927
Development	**68294**	65640
Miscellaneous	**41066**	64672
Total Inland Sales of Products	**1133390**	**1193160**
(ii) Export Sales		
Finished Goods	**32546**	15846
Spares	**6307**	14511
Development	**1212**	-
Total Export Sales of Products	**40065**	**30357**
Total Sale of Products (A)	**1173455**	**1223517**
B. Sale of Services		
(i) Inland Sale of Services		
Repair & Overhaul	**794289**	612558
Other Services	**2248**	1768
Total Inland Sales of Services	**796537**	**614326**
(ii) Export Sale of Services		
Repair & Overhaul	**318**	1001
Other Services	**121**	44
Total Export Sales of Services	**439**	**1045**
Total Sales of Services (B)	**796976**	**615371**
Total Sales (A+B)	**1970431**	**1838888**
C. Other Operating Revenues		
(i) Disposal of Scrap and Surplus / Unserviceable Stores	**906**	910
(ii) Provisions no Longer Required	**13266**	20141
(iii) Others	**4785**	2488
Total Operating Revenues (C)	**18957**	**23539**
Revenue from Operations (A+B+C)	**1989388**	**1862427**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 37 - Other Income

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Interest Income on Financial Assets carried at amortised cost		
- Short term Deposits / Loans/ Others	**26009**	64076
- Sundry Advances - Employees	**102**	112
- Other Deposits	**191**	170
Sub-total	**26302**	**64358**
Other Non-Operating Income		
Gain on Foreign Currency Transaction and Translation	**-**	-
Profit on Sale of Assets (Net)	**58**	50
Miscellaneous	**7875**	8323
Gain on Fair Value Adjustment	**3376**	3452
TOTAL	**37611**	**76183**

Note 38 - Cost of materials consumed

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Consumption of Raw Material, Components, Stores and Spare Parts		
Opening Stock	**1006297**	1121199
Add: Purchases	**835259**	674912
Add: Subcontracting, Fabrication and Machining Charges.	**36117**	33222
Less: Closing stock	**1094352**	1006297
	783321	**823036**
Less: Transfer to		
Special Tools and Equipment	**34925**	21306
Capital Works	**234**	-
Development Expenditure	**221**	246
Expense Accounts and Others	**12398**	18712
	47778	40264
TOTAL	**735543**	**782772**

Note 38A - Purchase of Stock-in-Trade

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Purchase of Stock-in-Trade	**30749**	21730

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

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

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-progress		
Opening Balance		
(i) Finished Goods	**-**	-
(ii) Work-in-progress	**1020246**	1024344
(iii) Stock in Trade	**1282**	2304
	1021528	**1026648**
Closing Balance		
(i) Finished Goods	**-**	-
(ii) Work-in-progress	**901510**	952308
(iii) Stock in Trade	**3319**	1282
	904829	**953590**
Accretion / (Decretion) - A	**-116699**	**-73058**
Change in Disposables Scrap		
Opening Balance	**596**	402
Closing Balance	**541**	596
Accretion / (Decretion) - B	**-55**	194
TOTAL (A+B)	**-116754**	**-72864**

Note 40 - Employee benefits expense

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Salaries and Wages	**359820**	336844
Contribution to Provident and Other Funds		
- Contribution to Provident Fund/ Others	**45824**	45440
- Contribution to Gratuity	**9895**	32282
- Others	**15**	11
Staff Welfare Expenses (Net)	**15057**	15389
Rent for Hiring Accommodation for Officers / Staff	**492**	1102
TOTAL	**431103**	**431068**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 41 - Finance costs

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Finance Cost		
Interest Expense		
- Cash Credit	**8969**	412
Finance Cost - Borrowing costs- Other	**129**	208
Interest on Financial Liability carried at Amortised Cost	**845**	3
Net Gain/Loss on Foreign Currency Translations and Transactions on Borrowings	**-**	-
Interest on Income Tax	**7017**	2232
TOTAL	**16960**	**2855**

Note 42 - Depreciation and Amortization expense

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
A. DEPRECIATION ON PPE	**32231**	28232
B. AMORTISATION		
Intangible assets- Development Expenditure	**3912**	17950
Other Intangible assets		
- Licence Fees	**12126**	9590
- Computer Software	**1211**	1364
- Documentation	**2667**	5557
- Others	**-**	-
Special Tools	**50781**	32016
Sub Total (B)	**70697**	**66477**
Total (A+B)	**102928**	**94709**

Note 42A - Impairment Loss

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Impairment Loss on Intangible Asset	**24909**	2152
TOTAL	**24909**	**2152**

Note 43 - Other expenses

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Shop Supplies	**11956**	11402
Power and Fuel	**18223**	17578
Water Charges	**5087**	5327
Rent for Office Premises etc.	**251**	245
Travelling (includes Foreign Travel)	**6784**	7226
Training (includes Foreign Training)	**658**	722

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Repairs:		
Buildings	**8146**	8640
Plant, Machinery and Equipment	**14813**	13124
Others	**4967**	5464
Expenses on Tools and Equipment	**5277**	5563
Insurance	**2675**	1965
Rates and Taxes	**2838**	3192
Postage and Telephones	**951**	1085
Printing and Stationery	**1000**	1271
Publicity	**16240**	1193
Advertisement	**1725**	1272
Bank Charges	**800**	606
Loss on Foreign Currency Transaction and Translation	**802**	4080
Legal Expenses	**298**	641
Auditors' Remuneration:		
For Audit Fee	**39**	38
For Taxation matters	**7**	7
For Other Services-Interim Audit & Other Certification fees	**69**	66
For Reimbursement of expenses	**-**	-
Selling Agents Commission	**27**	16
Donations	**2**	4
Handling Charges	**370**	337
Write Off:		
Stores	**595**	237
Shortages / Rejections	**935**	-
Freight and Insurance	**1644**	1534
JWG share of Profit	**188**	182
Corporate Social Responsibility#	**7246**	7726
Interest on Micro, Small and Medium Enterprises	**-**	1
Loss on Fair Value Adjustment	**3413**	3492
Miscellaneous Operating Expenses (@)	**43804**	33439
TOTAL	**161830**	**137675**
(@) includes Director's Sitting Fees	**30**	18

(#) Does not include CSR assets for the current period is ₹ Nil (For the year 2017-18 ₹ 3 lakhs) capitalised under Note 1A . Total CSR expenditure for current period is ₹ 7246 Lakhs (For the year 2017-18 ₹ 7729 lakhs)

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 44 - Direct Input to Work in Progress/ Expenses Capitalised

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
A) DIRECT INPUT TO WIP		
Project related Travel	**941**	738
Project related Training	**133**	8
Project related other Expenditure	**1426**	2157
Travel outstation jobs	**1**	43
Royalty	**1103**	1048
Foreign Technician Fee	**1113**	546
Ground Risk Insurance	**1485**	1696
Design and Development	**20080**	39523
Sundry Direct Charges - Others	**2392**	1551
Sub-Total (A)	**28674**	**47310**
B) EXPENSES CAPITALISED TO INTANGIBLE ASSET		
Licence Fees	**368**	517
Computer software	**872**	429
Documentation	**350**	4047
Sub-Total (B)	**1590**	**4993**
TOTAL (A + B)	**30264**	**52303**

Note 45 - Provisions

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Replacement and Other Charges	**51323**	25029
Warranty	**22186**	8634
Raw Materials and Components, Stores and Spare parts and Construction Materials	**9638**	12829
Liquidated Damages	**43707**	37598
Doubtful Debts	**719**	4125
Doubtful Claims	**2153**	15973
Investments	**275**	6293
TOTAL	**130001**	**110481**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 46 - Expenses relating to Capital and Other Accounts

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Expenses allocated to:		
Other Intangible assets	**1590**	4993
Special Tools	**824**	1515
Capital Works	**104**	737
Development Expenditure	**28346**	22068
Others	**84100**	74020
TOTAL	**114964**	**103333**

Other Comprehensive Income

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

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
(A) Changes in revaluation surplus	**-**	-
(B) Remeasurements of the defined benefit plans	**-9069**	-23085
(C) Equity Instruments through Other Comprehensive Income	**-**	-
TOTAL	**-9069**	**-23085**

Note 48 - Items that will be reclassified to profit or loss

(₹ in Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Exchange differences in translating the financial statements of a foreign operation	**9**	17
TOTAL	**9**	**17**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

1. In Compliance with Ind AS 112 - Disclosure of Interest in Other Entities, the required information is as follows:-

a) Information about subsidiaries

The consolidated financial statements of the Group includes subsidiaries listed in the table below:

Name of the Subsidiary*	Nature of Business	Equity Interest (in %)	
		31st March 2019	31st March 2018
Naini Aerospace Limited	Manufacture of Looms for Helicopter and Aircrafts and support for second line manufacture of Helicopter at TAD, Kanpur.	**100%**	100%
Indo-Russian Helicopters Limited	Production, maintenance, operation, repairs modernize and upgrade the Ka-226 T Helicopters. The company will also do marketing for third countries export and provide technical support for these Helicopters.	**50.5%**	50.5%

* All Subsidiaries have been incorporated in India and the principal place of business is in India.

Proportion of equity interest held by non-controlling interests:

Name of the Subsidiary	31st March 2019	31st March 2018
Indo-Russian Helicopters Limited	**49.5%**	49.5%

Indo-Russian Helicopters Limited was incorporated on 02.05.2017. The Subsidiary has not commenced its normal activity due to non finalisation of the Contract negotiations with the Customer.

b) Summarised financial information of Subsidiary

The summarised financial information of the subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised Balance Sheet: ₹ in Lakhs

Particulars	Naini Aerospace Limited		Indo-Russian Helicopters Limited	
	31st March 2019	31st March 2018	**31st March 2019**	31st March 2018
Current assets	**3152**	2256	**202**	982
Current liabilities	**901**	481	**-**	28
Net Current assets	**2251**	1775	**202**	955
Non-current assets	**1645**	405	**703**	-
Non-current liabilities	**1535**	417	**-**	-
Net Non-current assets	**110**	-12	**703**	-
Net assets	**2361**	**1763**	**905**	**955**
Accumulated Non-Controlling Interests	**-**	**-**	**448**	**-22**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

Summarised Statement of Profit & Loss: ₹ in Lakhs

Particulars	Naini Aerospace Limited		Indo-Russian Helicopters Limited	
	As at 31st March 2019	As at 31st March 2018	**As at 31st March 2019**	As at 31st March 2018
Revenue	**555**	251	**30**	
Profit for the year	**-1295**	-1063	**-50**	-45
Other Comprehensive Income	**-107**			
Total Comprehensive Income	**-1402**	**-1063**	**-50**	**-45**
Profit/(Loss) allocated to Non-Controlling Interests			**-25**	**-22**
Dividends paid to Non-Controlling Interests				

Summarised Cash Flow: ₹ in Lakhs

Particulars	Naini Aerospace Limited		Indo-Russian Helicopters Limited	
	As at 31st March 2019	As at 31st March 2018	**As at 31st March 2019**	As at 31st March 2018
Cash flow from operating activities	**-77**	-755	**65**	-18
Cash flow from investing activities	**-1970**	-59	**27**	
Cash flow from financing activities	**2000**			100
Net increase/(decrease) in cash and cash equivalents	**-47**	**-814**	**92**	**82**

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.

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

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.

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

3. In Compliance with Ind AS 112 - Disclosure of Interest in Other Entities, the required information is as follows:-

a) Details of interest in Joint Venture is as under:

Name of the Joint Ventures*	Nature of Business	Proportion of Ownership Interest (in %)	
		31st March 2019	31st March 2018
International Aerospace Manufacturing Private Limited (IAMPL)	Manufacturing of compressed rings, turbine blades.	**50%**	50%
BAeHAL Software Limited (BAeHAL)	Develop, Improve, Market, Sell, Lease or Loaning of Computer Softwares	**49%**	49%
Safran HAL Aircraft Engines Private Limited (Formerly known as Snecma HAL Aerospace Private Limited)	Produce Engine Parts & Components	**50%**	50%
SAMTEL HAL Display Systems Limited (SAMTEL)	Design, Develop & Manufacture of various types of display systems for airborne, military & Ground Applications.	**40%**	40%
Infotech HAL Limited (INFOTECH)	Engineering Services work in aero engines field, Technical Publications, Works from OEM.	**50%**	50%
HAL-Edgewood Technologies Private Limited (HAL-EDGEWOOD)	Hi-tech aerospace & Defence Product Design, Development, manufacturing & Technology Transfer.	**50%**	50%
HALBIT Avionics Private Limited (HALBIT)	Design, Develop, Market & Support (Operations & Maintenance) Products. *Provide support and maintenance services	**50%**	50%
Indo-Russian Aviation Limited (IRAL)	Overhaul & Repair of Aircraft, Engines	**48%**	48%
HATSOFF Helicopter Training Private Limited (HATSOFF)	Military & Civil Helicopter Pilot Training Services, Marketing about Training Services	**50%**	50%
TATA HAL Technologies Limited (TATA-HAL)	Provide Engineering & Design Solutions Leveraging the strength of parties.	**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%
Aerospace and Aviation Sectors Skill Council (AASSC)	Research and aggregate skill requirements of the aviation and aerospace industry	**50%**	50%
Helicopter Engines MRO Pvt Ltd	To provide support, maintenance, repair and overhaul of Helicopter engines	**50%**	50%
Defence Innovation Organisation	Implement the scheme of defence innovation fund initiative by creation of an ecosystem to foster innovation and technology development in defence.	**50%**	50%

* All Joint Ventures have been incorporated in India and the principal place of business is in India.

Note 49 - Consolidated Notes to Financial Statements

b) Summarised Financial information in respect of each of Group's Joint Ventures is set out below:

The summarised financial information below represents amount shown in the Joint Venture's financial statements prepared in accordance with Ind AS adjusted by the Group for equity accounting purpose.

Summarised Balance Sheet ₹ in lakhs

Particulars	BAe-HAL Software Ltd		Safran HAL Aircraft Engines Private Ltd		SAMTEL HAL Display Systems Ltd		HAL Edgewood Technologies Pvt Ltd*	
	31st March 2019	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018
Current assets								
- Cash & Cash equivalents	**115**	222	**1269**	318	**1**	3	**-**	14
- Other assets	**1531**	1819	**5949**	6566	**571**	1168	**327**	230
Total current assets	**1646**	**2041**	**7218**	**6884**	**572**	**1171**	**327**	**244**
Total non-current assets	**326**	**277**	**2382**	**1487**	**81**	**105**	**756**	**753**
Current liabilities								
- Financial liabilities (excluding trade payables)	**-**	-	**90**	69	**380**	430	**28**	15
- Other liabilities	**766**	1064	**1950**	1637	**813**	1165	**1068**	1017
Total current liabilities	**766**	**1064**	**2039**	**1706**	**1193**	**1595**	**1096**	**1032**
Non-Current liabilities								
- Financial liabilities (excluding trade payables)	**-**	-	**843**	809	**-**	-	**447**	404
- Other liabilities	**118**	103	**194**	151	**67**	57	**4**	4
Total non-current liabilities	**118**	**103**	**1037**	**960**	**67**	**57**	**451**	**408**
Net assets	**1088**	**1151**	**6524**	**5705**	**-607**	**-376**	**-464**	**-443**
* Share application money pending allotment							**128**	128

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

Summarised Balance Sheet

₹ in Lakhs

Particulars	TATA HAL Technologies Ltd		International Aerospace Manufacturing Pvt Ltd		Multirole Transport Aircraft Ltd.		Aerospace & Aviation Sector Skill Council (AASSC)		Helicopter Engines MRO Pvt Ltd		Defence Innovation Organisation	
	31st March 2019	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018
Current assets												
- Cash & Cash equivalents	**36**	71	**368**	87	**87**	63	**6**	12	**56**	375	**1**	-
- Other assets	**377**	171	**10971**	11938	**10386**	10185	**208**	240	**175**	137	**3524**	-
Total current assets	**413**	**242**	**11339**	**12025**	**10473**	**10248**	**214**	**252**	**231**	**512**	**3525**	**-**
Total non-current assets	**88**	**89**	**9305**	**10008**	**9874**	**11168**	**8**	**8**	**121**	**103**		**3**
Current liabilities												
- Financial liabilities (excluding trade payables)	**296**	197	**7773**	8029	**-**	-	**-**	-	**-**	-	**-**	-
- Other liabilities	**119**	73	**3464**	4853	**21**	20	**197**	235	**56**	50	**-**	-
Total current liabilities	**415**	**270**	**11237**	**12882**	**21**	**20**	**197**	**235**	**56**	**50**	**-**	**-**
Non-Current liabilities												
- Financial liabilities (excluding trade payables)	**-**	-	**350**	350	**10**	9	**-**	-	**-**	-	**-**	-
- Other liabilities	**28**	37	**144**	63	**-**	-	**-**	-	**2**	1	**-**	3
Total non-current liabilities	**28**	**37**	**494**	**413**	**10**	**9**	**-**	**-**	**2**	**1**	**-**	**3**
Net assets	**58**	**24**	**8913**	**8738**	**20316**	**21387**	**25**	**25**	**294**	**564**	**3525**	**-**

Note 49 - Consolidated Notes to Financial Statements

Summarised Balance Sheet

₹ in lakhs

Particulars	HALBIT Avionics Pvt Ltd		Indo Russian Aviation Ltd		INFOTECH HAL Ltd		HATSOFF Helicopter Training Pvt Ltd	
	31st March 2019	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018
Current assets								
- Cash & Cash equivalents	**552**	36	**10451**	10002	**19**	7	**1796**	2762
- Other assets	**3193**	4361	**6988**	4528	**2016**	1407	**2016**	1398
Total current assets	**3745**	**4397**	**17439**	**14530**	**2035**	**1413**	**3812**	**4160**
Total non-current assets	**99**	**107**	**75**	**79**	**22**	**42**	**18660**	**19740**
Current liabilities								
- Financial liabilities (excluding trade payables)	**-**	-	**-**	-	**51**	51	**12060**	11249
- Other liabilities	**4910**	4657	**3907**	2043	**1467**	962	**734**	731
Total current liabilities	**4910**	**4657**	**3907**	**2043**	**1518**	**1013**	**12794**	**11980**
Non-Current liabilities								
- Financial liabilities (excluding trade payables)	**-**	-	**-**	-	**-**	-	**12802**	14270
- Other liabilities	**75**	76	**455**	450	**16**	18	**118**	115
Total non-current liabilities	**75**	**76**	**455**	**450**	**16**	**18**	**12920**	**14385**
Net assets	**-1141**	**-229**	**13152**	**12116**	**523**	**424**	**-3242**	**-2465**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

Summarised Statement of Profit & loss

₹ in lakhs

Particulars	BAe-HAL Software Ltd		Safran HAL Aircraft Engines Private Ltd		SAMTEL HAL Display Systems Ltd		HAL Edgewood Technologies Pvt Ltd		HALBIT Avionics Pvt Ltd		Indo Russian Aviation Ltd	
	31st March 2019	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018
Revenue	1704	1913	10930	8213	1741	1158	63	198	422	404	9252	9576
Interest Income	19	30	19	15	-	136	-	261	33	33	697	604
Depreciation & amortisation	15	24	381	426	25	30	9	12	25	37	6	13
Interest expense	-	-	8	6	7	16	-	2	-	-	-	-
Income tax expense	-135	171	367	271	-	-	-	56	-	-	624	979
Other Expenditure	1921	2113	9383	7009	1940	1381	75	224	1350	404	7845	7337
Profit from continuing operations	**-77**	**-366**	**809**	**516**	**-231**	**-133**	**-21**	**164**	**-920**	**-5**	**1474**	**1851**
Profit from discontinued operations												
Profit for the year	**-77**	**-366**	**809**	**516**	**-231**	**-133**	**-21**	**164**	**-920**	**-5**	**1474**	**1851**
Other comprehensive income	14	2	10	4	-	-	-	-	7	13	-3	-1
Total comprehensive income	**-63**	**-364**	**819**	**520**	**-231**	**-133**	**-21**	**164**	**-913**	**8**	**1471**	**1850**
Dividends Received (HAL share)	-	-	-	23	-	-	-	-	-	-	173	94

Note 49 - Consolidated Notes to Financial Statements

Reconciliation of the summarised financial information to the carrying amount of interest in Joint venture ₹ in lakhs

Particulars	BAe-HAL Software Ltd		Safran HAL Aircraft Engines Private Ltd		SAMTEL HAL Display Systems Ltd		HAL Edgewood Technologies Pvt Ltd		HALBIT Avionics Pvt Ltd		Indo Russian Aviation Ltd	
	31st March 2019	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018
Opening net assets	1151	1515	5705	5240	-376	-243	-443	-607	-229	-237	12116	10501
Share application money pending allotment relating to other JV Partner												
Profit for the year	-77	-366	809	516	-231	-133	-21	164	-920	-5	1474	1851
Other comprehensive income	14	2	10	4	-	-	-	-	7	13	-3	-1
Dividends paid	-	-	-	-55	-	-	-	-	-	-	-435	-235
Appropriation												
Share Capital issued												
Closing net assets	**1088**	**1151**	**6524**	**5705**	**-607**	**-376**	**-464**	**-443**	**-1141**	**-229**	**13152**	**12116**
Group's share in %	49%	49%	50%	50%	40%	40%	50%	50%	50%	50%	48%	48%
Group's share in INR	533	564	3263	2853	-243	-150	-232	-222	-571	-114	6313	5816
Unrealised Gain/ Loss	-	-	-	-							-2051	-1759
Unrecognised Losses (Net of subsequent profits)	-	-	-	-	403	310	532	522	954	497	-	-
Provision for Diminution	-	-	-	-	160	160	300	300	383	383	-	-
Goodwill	-	-	-	-							-	-
Carrying amount	**533**	**564**	**3263**	**2853**	**-**	**-**	**-**	**-**	**-**	**-**	**4262**	**4057**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

Summarised Statement of Profit & loss

₹ in lakhs

Particulars	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		Defence Innovation Organisation	
	31st March 2019	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018
Revenue	927	813	3896	4199	582	587	16700	16713	2	0	91	97	70	13	9	-
Interest Income	1	-	94	75	7	4	15	13	610	645	13	18		-	-	-
Depreciation & amortisation	-	-	981	1056	4	12	2057	1908	1294	1295	2	2	22	3	-	-
Interest expense	-	-	1467	1219	30	23	401	360	-	-	-	-	-	-	-	-
Income tax expense	39	51	-	-	-9	-	-62	139	60	-472	-	-	-	-	-	-
Other Expenditure	800	684	2316	1074	539	698	14109	14088	330	214	102	113	319	145	9	-
Profit from continuing operations	**90**	**78**	**-774**	**925**	**26**	**-143**	**210**	**231**	**-1073**	**-392**	**-**	**-**	**-271**	**-136**	**-**	**-**
Profit from discontinued operations																
Profit for the year	**90**	**78**	**-774**	**925**	**26**	**-143**	**210**	**231**	**-1073**	**-392**	**-**	**-**	**-271**	**-136**	**-**	**-**
Other comprehensive income	9	13	-3	-7	8	-1	-14	-6	2	-1	-	-	1		-	-
Total comprehensive income	**99**	**91**	**-777**	**918**	**34**	**-144**	**196**	**225**	**-1071**	**-393**	**-**	**-**	**-270**	**-136**	**-**	**-**
Dividends Received (HAL share)	-	-	-	-	-	-	9	9	-	-	-	-	-	-	-	-

Note 49 - Consolidated Notes to Financial Statements

Reconciliation of the summarised financial information to the carrying amount of interest in Joint venture ₹ in lakhs

Particulars	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		Defence Innovation Organisation	
	31st March 2019	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018	**31st March 2019**	31st March 2018
Opening net assets	424	333	-2465	-3383	24	168	8738	8533	21387	21780	25	25	564	270	-	-
Share application money pending allotment																
Profit for the year	90	78	-774	925	26	-143	210	231	-1073	-392	-	-	-271	-136	-	-
Other comprehensive income	9	13	-3	-7	8	-1	-14	-6	2	-1	-	-	1	-	-	-
Dividends paid	-	-	-	-	-	-	-20	-20	-	-	-	-	-	-	-	-
Appropriation																
Share Capital issued														430	1	-
Closing net assets	**523**	**424**	**-3242**	**-2465**	**58**	**24**	**8913**	**8738**	**20316**	**21387**	**25**	**25**	**294**	**564**	**1**	**-**
Group's share in %	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Group's share in INR	261	212	-1621	-1233	29	12	4457	4369	10159	10694	13	13	147	282	1	-
Unrealised Gain/ Loss	-	-	-	-	-	-	-24	-15	-	-	-	-	-	-	-	-
Unrecognised Losses (Net of subsequent profits)	-	-	5461	5073	478	483	-	-	-	-	-	-	135	-	-	-
Provision for Diminution	166	166	3840	3840	507	495	855	855	6678	6678	-	-	263	-	-	-
Goodwill														-	-	-
Carrying amount	**95**	**46**	**-**	**-**	**-**	**-**	**3577**	**3499**	**3481**	**4016**	**13**	**13**	**19**	**282**	**1**	**-**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

4. Contingent Liabilities: Claims / Demands against the Company not acknowledged as debt

₹ in lakhs

Particulars	31st March 2019	31st March 2018
In respect of the Group		
(i) Sales Tax / Entry Tax **	**910740**	834845
(ii) Income Tax	**-**	-
(iii) Municipal Tax	**5774**	6653
(iv) Service Tax **	**105281**	52070
(v) Customs Duty**	**23569**	23569
(vi) Others***	**11818**	11971

"** 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, GST, Customs Duty etc. In case, the customer do not submit an exemption certificate, taxes would be levied and the same would be re-imbursed by the customer.

** The Sales Tax /VAT/Entry Tax disputes on sales to the Indian Armed Forces in the State of Karnataka and Odisha have been resolved between officials of Department of Defence Production(DDP), Ministry of Defence (MoD), the Company and representatives of Indian Air Force (IAF) and Indian Army with Commercial Tax Department and Finance Department of Government of Karnataka and Odisha.

*** ₹ 11818 lakhs does not include ₹ 1195 lakhs (P.Y. ₹ 1226 lakhs) of contingent liability to M/s Halbit Avionics Private Limited.

Sub Total (A)	**1057181**	**929108**
In respect of Joint Ventures (Group Share)		
(i) Sales Tax / Entry Tax	**6**	244
(ii) Income Tax	**75**	81
(iii) Municipal Tax	**-**	-
(iv) Service Tax	**122**	122
(v) Customs Duty	**59**	59
(vi) Others	**34**	34
Sub Total (B)	**297**	**540**
Total (A+B)	**1057478**	**929648**

Commitments

₹ in lakhs

Particulars	31st March 2019	31st March 2018
In respect of the Group		
Estimated amount of contracts remaining to be executed and not provided for on Capital Account	**141933**	93442
In respect of Joint Ventures (Group Share)		
Estimated amount of contracts remaining to be executed and not provided for on Capital Account	**3117**	2141
Total	**145050**	**95583**

In view of the nature of business, being long term contracts there may be other commitments for purchase of material etc., which has been considered as normal business process, hence not been disclosed.

Note 49 - Consolidated Notes to Financial Statements

5. Notes Specific to Joint Ventures

(i) In respect of HATSOFF Helicopter Training Private Limited

Going Concern

The Company has made a net loss of ₹ 776.75 Lakhs during the period ended 31st March 2019 (Previous Year, net profit ₹ 917.80 lakhs) and, as of that date, the Company's current liabilities exceeded its current assets by ₹ 8981.68 Lakhs (previous year ₹ 7820.14 Lakhs). 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 2019 is negative by ₹ 3241.96 Lakhs (Previous Year: negative by ₹ 2465.21 Lakhs). However, these financial statements have been prepared on a going concern basis, notwithstanding the above factors in view of the following:

1) Board has affirmed that company has the ability to meet all the obligation.

2) The company along with the shareholders are presently pursuing several options with the company's bankers, viz,. ICICI Bank.

3) The Company has paid ECB loan interest upto 05th March 2019 and continues to service interest commitments regularly. Besides interest payment, ECB principal of ₹ 1499.20 Lakhs (US$ 2,300,000) in April 2018 has been repaid against ECB overdue instalments.

4) The ECB Loan is classified as Non Performing Asset by the lending bank in view of non payment of installments due. The bankers has not recalled the loan, hence the same is classified under Long Term Borrowings. 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. The interest is payable as per the terms of the sanction letter. There were defaults in repayment of the loan pursuant to which the bank has classified the loan facility as non performing assets.

Further, the State Bank of India, Stressed Assets Recovery Branch has introduced a scheme for One Time Settlement of non performing assets in manufacturing, trade & service sector. 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 payment of ₹ 20.52 lakhs during January and February of 2017 and the balance amount of ₹ 61.54 lakhs paid in July 2017. The Company has made the full payment of ₹ 82.06 lakhs in accordance with the scheme of OTS. There is no liability on the Company towards demand loan and cash credit from State Bank of India.

(b) The amortisation of Intangible treatment is done in accordance with Unit 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 OSAMC units on delivery of existing order of 11 prototype OSAMC units to its Customer and the intention of development of OSAMC units is to manufacture and deliver the series upgrade 154 OSAMC units to Customers.

c) The Company has developed OSMAC units by conducting the research and development based on the order received from the Customer. The conception and development of the OSMAC units took additional time and costs than originally anticipated at the time of acceptance of the order from Customer therby materially affecting the operational results and cash flows of the Company. The Company has continously implemented the measures in improving operational efficiensies and cost control measures to improve the Companies operating results and cash flows.

d) The Company has accumulated losses of ₹ 1,064.38 lakhs as at 31 March 2019 and its networth as at that date is negative ₹ 464.38 Lakhs. Company is of the views that, expenditure incurred towards research and development phase is towards creation of assets (Mission Computer), which should be evaluated independently. The Bank which has provided the cash credit and overdraft facility has recalled the debt from the Company. The Company owes money to the vendors and are outstanding for longer periods than stated in the purchase orders/agreements. Although these conditions may cast significant doubt on the Company's ability to continue as a going concern, it has detailed plans for speed up the assembling operations and discharge the financial commitments.

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

e) The Company continues to explore various options to raise finance in order to meet its financial obligations. Based on the detailed evaluation of the current situation and plans formulated, the Company is confident of raising adequate finance, rescheduling debt and receiving continued support from the Customer. Accordingly the Companies financial statement have been prepared on a going concern basis whereby the realization of assets and discharge of liabilities are expected to occur in the normal course of business and that no adjustments are required to the carrying value of assets and liabilities.

However, the impact of the above is not material considering the total revenues/assets of the Group as well as the Parent.

(iii) In respect of HALBIT Avionics Private Ltd

(a) The Company has a Net liability position (₹ 1141.49 lakhs for the year ended 31st March 2019 and ₹ 228.77 lakhs for the year ended 31st March 2018); Net current liability position (₹ 1165.46 lakhs for the year ended 31st March 2019 and ₹ 259.70 lakhs for the period ended 31st March 2018); 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. The Company, based on its estimated future growth as per the business plans and projected cash flow, 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.

(b) The balances of trade receivables and trade payables are subject to confirmation by the parties and reconciliation.

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

6. 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	
	2018-19		2018-19		2018-19		2018-19	
	As % of consolidated net assets	Net Asset	As % of consolidated profit or loss	Profit/-Loss	As % of consolidated other comprehensive income	Other Comprehensive Income	As % of consolidated total comprehensive income	Total Comprehensive Income
Parent								
Hindustan Aeronautics Limited	99	1073014	101	227746	98	-5824	101	221922
Subsidiaries								
Naini Aerospace Limited*	-	-2639	-1	-1295	2	-107	-1	-1402
Indo-Russian Helicopters Ltd*	-	-48	-	-25			-	-25
Non Controlling Interest in Subsidiaries*	-	448	-	-25			-	-25
Joint Ventures (Investment as per the equity method)	-							
M/s. BAe-HAL Software Ltd*	-	533	-	-38	-	7	-	-31
M/s. Safran HAL Aircraft Engines Private Ltd*	-	3263	-	405	-	5	-	410
M/s. Indo Russian Aviation Ltd*	-	4262	-	380	-	-1	-	379
M/s. HALBIT Avionics Pvt Ltd	-							
M/s. HAL Edgewood Technologies Pvt Ltd	-							
M/s. SAMTEL HAL Display Systems Ltd	-							
M/s. INFOTECH HAL Ltd*	-	95	-	45	-	4	-	49
M/s. HATSOFF Helicopter Training Pvt Ltd	-							
M/s. TATA HAL Technologies Ltd	-		-	11			-	11
M/s. International Aerospace Manufacturing Pvt Ltd*	-	3577	-	-192	-	-7	-	-199
M/s. Multirole Transport Aircraft Ltd.*	-	3481	-	-536	-	1	-	-535
M/s. Aerospace & Aviation Sector Skill Council(AASSC)*	-	13						
M/s. Helicopter Engines MRO Pvt Ltd*	-	19						
Defence Innovation Organisation*	-	1						
Total	**100**	**1086019**	**100**	**226477**	**100**	**-5922**	**100**	**220555**

* less than 1%

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

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	
	2017-18		2017-18		2017-18		2017-18	
	As % of consolidated net assets	Net Asset	As % of consolidated profit or loss	Profit/-Loss	As % of consolidated other comprehensive income	Other Comprehensive Income	As % of consolidated total comprehensive income	Total Comprehensive Income
Parent								
Hindustan Aeronautics Limited	98	936745	100	198747	100	-15091	100	183656
Subsidiaries								
Naini Aerospace Limited*	-	-1237	-1	-1063			-1	-1063
Indo-Russian Helicopters Ltd*	-	-23	-	-23			-	-23
Non Controlling Interest in Subsidiaries*	-	-22	-	-22			-	-22
Joint Ventures (Investment as per the equity method)								
M/s. BAe-HAL Software Ltd*	-	564	-	-176			-	-176
M/s. Safran HAL Aircraft Engines Private Ltd*	-	2853	-	254	-	2	-	256
M/s. Indo Russian Aviation Ltd*	-	4057	1	1010			1	1010
M/s. HALBIT Avionics Pvt Ltd								
M/s. HAL Edgewood Technologies Pvt Ltd								
M/s. SAMTEL HAL Display Systems Ltd								
M/s. INFOTECH HAL Ltd*	-	46	-	39			-	39
M/s. HATSOFF Helicopter Training Pvt Ltd					-	6	-	6
M/s. TATA HAL Technologies Ltd			-	72			-	72
M/s. International Aerospace Manufacturing Pvt Ltd*	-	3809	-	451	-	-2	-	449
M/s. Multirole Transport Aircraft Ltd.*	-	4016	-	-196			-	-196
M/s. Aerospace & Aviation Sector Skill Council(AASSC)*	-	13						
M/s. Helicopter Engines MRO Pvt Ltd*	-	282	-	-68			-	-68
Total	**100**	**951103**	**100**	**199025**	**100**	**-15085**	**100**	**183940**

* less than 1%

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

7.1 These Consolidated Financial Statements of the Company for the period ended 31st March 2019 have been prepared in accordance with Ind AS 115 (Revenue from Contracts with Customers) which has been notified by the Ministry of Corporate Affairs (MCA) vide notification dated 28th March 2018. For the purposes of transition to Ind AS 115, the Company has followed the cummulative effect method, with April 1, 2018 as the transition date.

The transition to Ind AS 115 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 in relation to IndAS 115 have been applied in preparing the Consolidated Financial Statements for the period ended 31st March 2019 and the comparative information has not been restated since adjustments have been made in accordance with the cummulative effect method effecting the opening reserves as on April 1, 2018. An explanation of how the transition has affected the Company's Balance Sheet and the Statement of Profit and Loss, is set out in Clause 1(i) and (ii) hereinbelow. Wherever necessary, practical expedients have been used in the first-time adoption of Ind AS 115 and have been set out in Clause 1(iii).

RECONCILIATION OF OTHER EQUITY FROM PREVIOUS AUDITED ACCOUNTS IS STATED AS UNDER:

₹ in lakhs

Clause 7.1(a)		Particulars	01.04.2017	31.03.2018	01.04.2018
		Equity as per Original Accounts	**1255911**	**1205875**	**1205875**
	(i)	**IND AS 115 ADJUSTMENTS**			
		Reversal of Sales of Services (Overhaul contracts)			-58290
		Reversal of Work-in-Progress relating to Sales of Services (Overhaul contracts)			58290
		Reversal of sales relating to Design and Development contracts			-3661
		Reversal of cost in relation to the Design and Development contracts			3569
		Recoginition of revenue in relation to Light Combat Aircraft - (due to modification of contract)			2844
		Provision for liquidated damages in relation to Light Combat Aircraft (due to modification of contract)			-5104
		Reversal of claims receivable and Recognition of sales with respect to PRP and Wage Revision			-4606
		Effect of deferred tax with respect to adjustments made hereinabove			642
	(ii)	**RESTATEMENT**			
		Provision for Liquidated Damages (Clause 41C)	-29947	-36014	-36014
		Provision for Income tax for the Assessment year 2005-06 to 2007-08 and Assessment Year 2010-11 to 2015-16 (Clause 41A & B)	-212247	-212247	-212247
		Interest on Income Tax demand (Clause 41A & B)	-4280	-6512	-6512
		Equity as per re-stated Accounts	**1009437**	**951103**	**944788**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

Reconciliation of Net profit for the Year ended 31st March 2018

₹ in lakhs

Clause 7.1(a)	Particulars	31st March 2018
	Profit after tax as per Previously Audited financial statement (A)	207324
	RESTATEMENT ADJUSTMENTS:	
	Provision for Liquidated Damages(refer Clause 41 C)	-6067
	Interest on Income Tax demand (refer Clause 41C)	-2232
	TOTAL ADJUSTMENTS (B)	**-8299**
	Profit as per tax as per Restated Accounts	**199025**
	Other Comprehensive Income	-15085
	Total Comprehensive Income	**183940**

Reconciliation of Balance Sheet as at 01st April, 2017

₹ in lakhs

Clause 7.1(b)	Particulars	31.03.2017	Restatement/ Re-grouping	01.04 2017
	Non-current assets:			
	1) (i) Property Plant & Equipment	578252		578252
	(ii) Property, Plant and Equipment-Customer Funded	5532		5532
	2) Capital work-in-progress	62112		62112
	3) Investment Property	4		4
	4) Goodwill	-		-
	5) Other Intangible assets	151168		151168
	6) Intangible assets under development	76828		76828
	7) Financial Assets			-
	(i) Investments in Joint Venture and Subsidiaries	20464		20464
	(ii) Investments Others	78935		78935
	(iii) Trade receivables	-		-
	(iv) Contract Assets	-		-
	(v) Loans	5889		5889
	(vi) Others	36713		36713
	8) Deferred tax assets (net)	-		-
	9) Other non-current assets	121067	98533	22534

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

₹ in lakhs

Clause 7.1(b)	Particulars	31.03.2017	Restatement/ Re-grouping	01.04 2017
	Current assets:			-
	1) Inventories	2132136		2132135
	2) Financial Assets	-		-
	(i) Investments	-		-
	(ii) Trade receivables	422016	(22480)	399536
	(iii) Contract Assets	-	22480	22480
	(iv) Cash and cash equivalents	280365		280365
	(v) Bank balances other than (iii) above	834541		834541
	(vi) Loans	9849		9849
	(vii) Other Financial Assets	258136		258136
	3) Current Tax Assets (Net)	11493		11493
	4) Other currents assets	69033		69033
	Total	**5154533**	**98533**	**5055999**
	EQUITY AND LIABILITIES:			
	EQUITY:			
	1) Equity Share capital	36150		36150
	2) Other Equity	1219761	(246474)	973287
	LIABILITIES:			
	Non-current liabilities:			
	1) Financial Liabilities	-		-
	(i) Borrowings	-		-
	(ii) Trade payables	19255		19255
	(iii) Contract Liability	-		-
	(iv) Other financial liabilities	37157		37156
	2) Provisions	202975	29947	232921
	3) Deferred tax liabilities (Net)	95992		95993
	4) Other non-current liabilities	984723		984723
	Current Liabilities:	-		-
	1) Financial liabilities	-		-
	(i) Borrowings	95000		95000
	(ii) Trade payables	157434		157434
	(iii) Contract Liability			-
	(iv) Other financial liabilities	112070		112070
	2) Other current liabilities	1906140		1906139
	3) Provisions	287876		287877
	4) Current Tax Liabilities (Net)	-	117994	117994
	Total	**5154533**	**(98533)**	**5055999**

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

7.2 Financial instruments by category

(a) The carrying value and fair value of Financial instruments by each category as at 31st March, 2019 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	75720				75720	75720
(ii) Loans	10927				10927	10927
(iii) Other financial assets	153627				153627	153627
(iv) Trade receivables	1402838				1402838	1402838
(v) Contract Asset	302005				302005	302005
(vi) Cash and Cash equivalents	2778				2778	2778
(vii) Bank balance other than Cash & Cash equivalents	11271				11271	11271
Liabilities:						
(i) Trade payables	262822				262822	262822
(ii) Other financial liabilities	216485				216485	216485
(iii) Borrowings	415801				415801	415801

(b) The carrying value and fair value of Financial instruments by each category as at 31st March, 2018 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
	HAL	Subsidiary				
Assets:						
(i) Investments	85371				85371	85371
(ii) Loans	11955				11955	11955
(iii) Other financial assets	252682				252682	252682
(iv) Trade receivables	675154				675154	675154
(v) Contract Asset	99076				99076	99076
(vi) Cash and Cash equivalents	11286				11286	11286
(vii) Bank balance other than Cash & Cash equivalents	643266				643266	643266
Liabilities:						
(i) Trade payables	166842				166842	166842
(ii) Other financial liabilities	187449				187449	187449
(iii) Borrowings	86406				86406	86406

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

(c) Interest income/expenses, gain/loss recognised on Financial assets and liabilities in the Consolidated Statement of Profit & Loss are as follows:

₹ in Lakhs

Particulars		For the period ended 31st March 2019	For the period ended 31st March 2018
(i)	Financial assets at amortised cost		
-	Interest income from bank deposits	**26009**	64076
-	Interest income from other financial assets	**293**	282
-	Gain/Loss on amortisation of financial assets	**3376**	3452
(ii)	Financial liabilities at amortised cost		
-	Gain/Loss on amortisation of financial liabilities	**3413**	3492

7.3 Uncertainty over Income Tax Treatments:

On March 30, 2019, Ministry of Corporate Affairs has notified Appendix C to Ind AS 12 - Uncertainty over Income Tax Treatments. This is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12.

According to the appendix, the Company needs to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the Company has used or plans to use in its income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates.

The company has adopted the same as on 31.03.2019 on a voluntary basis.

7.4 Standards issued but not effective:

Ind AS 116 (Leases): On March 30, 2019, the Ministry of Corporate Afairs(MCA) notified new Ind AS on leases, Indian Accounting Standard Ind AS 116. Ind AS 116 set out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in such a way that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the fnancial position, financial performance and cash flows of an entity. The effective date of Ind AS 116 is April 1, 2019.

However, application of this standard from 1.4.2019 is not likely to have any significance impact.

7.5 As per the recommendations of the 3rd Pay Revision Committee(PRC) constituted by the Central Government, revision of Pay Scales of Officers was done during the year. Revision of Pay Scales of Workmen of the Company is also due with effect from 1st January 2017. While most of the dues in respect of Officers have been settled, the same for Workmen is under finalization.

8 In respect of Hindustan Aeronautics Limited

8.1 Financial Risk Management

The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments. The Company based on its business operation evaluated the following risks:

a) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The Company's exposure to the risk of changes in exchange rates relates primarily to the Company's imports for which the payment has to be done in currencies other than the functional currency of the Company. The fluctuation in exchange rates in respect to the Indian rupee may have very restricted impact on company as any fluctuations in foreign exchange are in general reimbursed by the customers of the Company in terms of the contractual obligations which the Company has with its customers.

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

b) Credit Risk:

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the Company. Credit risk arises principally from trade receivables, loans & advances, advances given to suppliers (for procurement of goods, services and capital goods, cash & cash equivalents and deposits with banks and financial institutions). The Company for the Financial Year (FY) derived 94% (Previous Year (PY) 96%) of its total sales from sales to the Indian Defence Services. The Company expects to continue to derive most of its sales from the Indian Defence Services under the contracts of the Ministry of Defence (MoD), Government of India (GoI) –the Company's principal shareholder and administrative ministry.

Ageing Analysis of the Trade Receivables ₹ in Lakhs

Ageing	Not Due	0-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	120-180 days past due	more than 180 days past due	Total
Net carrying amount as on 31.3.2018	4901	290205	40298	45418	39059	39123	216151	675154
Net carrying amount as on 31.03.2019		426253	62545	78760	96340	90764	648178	1402838

c) Provision for expected credit losses:

As the Company's debtors are predominantly the Government of India (Indian Defence Services, Ministry of External Affairs), Central Public Sector Undertakings where the counter-parties have sufficient capacity to meet the obligations and where the risk of default is NIL/negligible. Accordingly, no loss allowance for impairment has been recognized. Further, management believes that the unimpaired amounts that are due collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk. Hence, no impairment loss has been recognized during the reporting periods in respect of trade receivables.

d) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. The Company's standard contract terms provide that, the Company receives advance payments from customers pursuant to the applicable contracts, including the GoI and the Indian Defence Services at the time of signing of any contract and milestone payments on achievement of physical milestones. These payments are utilized to meet the Company's working capital needs (for the Company required to maintain a high level of working capital because the Company's activities are characterized by long product development periods and production cycles). A majority of the Company's research, design and development costs are funded by the Indian Defence services. Services and supply of spares are governed by the Fixed Price Quotation (FPQ) policy for fixation of the prices wherein the prices are fixed for the base year with escalation parameters for a pricing period of 5-7 years. The process of fixation of prices and approvals takes a minimum period of two years after the expiry of previous pricing period. In the interim, the approved prices of the previous pricing period are continued and payments are accordingly realised and on finalisation of the revised prices, the differential prices are paid to the Company. Further, certain costs not forming part of selling price are reimbursed by customer on incurrence of expenditure. The reimbursement is based on verification and issuance of audit certificate by the payees. There are delays in the above process due to unanticipated variations/adjustments in the scope and schedule of the Company's obligations due to subsequent modifications by the customers and delays in receipt of approvals from the customer. Further, payments to the Company by the Indian Defence Services are reliant on the continuing availability of budgetary appropriations by Government of India and any disruptions to the availability of such appropriations could adversely affect the Company's cashflows.

e) Market risk:

The Ministry of Defence (MoD) and the Government of India (GoI) have continued efforts to reform defence related policies such as the Defence Procurement Procedure 2016 ("DPP 2016") to promote private participation, a level playing field and the domestic defence manufacturing Industry and eco-system. While the MoD has given the highest priority to Indigenously Designed, Developed and Manufactured ("IDDM") products for capital procurement, the Company faces competetion to be selected as the Indian production agency for such contracts. These policies have raised the level of market competition in the areas in which the Company operates.

Note 49 - Consolidated Notes to Financial Statements

f) Risk Mitigation Process:

As a step of institutionalizing the risk management in the Company, an elaborate framework has been developed and the Company's top management has overall responsibility for the establishment and oversight of the Company's risk management framework. An important purpose of the framework is to have a structured and comprehensive risk management system across the company which ensures that the risks are being properly identified and effectively managed. The Company has a risk management policy to manage & mitigate these risks. The risk management process includes risk identification, risk assessment, risk evaluation, risk mitigation and regular review and monitoring of risks. The Company's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

8.2 Capital Management:

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the parent . The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital by using debt equity ratio, which is borrowings divided by Equity.

₹ in Lakhs

Particulars	31st March 2019	31st March 2018
Debt	**415801**	86406
Equity	**1086019**	951103
No of times	**0.38:1**	0.09:1

No changes were made in the objectives, policies or processes for managing capital during the periods ended 31st March 2019 and 31st March 2018.

8.3 Borrowing Term for Loan (Note - 24)

Name of the lender	State Bank of India
Facilities	Term loan of ₹ 100000 lakhs may be availed as Rupee facility or capex LC subject to maximum of ₹ 40000 lakhs.
Purpose	The proceeds of the Term Loan will be utilized specifically for building capacity for executing order of 162 LCH. The expenses will include, Civil works, Plant and Machinery and Deferred Revenue Expenditure.
Security	Primary: First charge on the Project assets present and future excluding Civil works and intangible. Collateral: Second charge on the Current Assets (stock and receivables).
Interest Rate	Interest at the rate of 0.10% above 1 year MCLR which is presently 7.95% p.a. calculated on daily products at monthly rests. The Bank shall at any time and from time to time be entitled to vary the margin based on the Credit Risk Assessment of the borrower at its discretion and MCLR will be reset on an annual basis on the anniversary of reset. The interest will be serviced by the Company during the moratorium.
Disbursement	The term loan of ₹100000 lakhs will be disbursed in tranches beginning from the fourth quarter of Financial Year 2017-18 to first quarter of Financial Year 2024-25.
Repayment	The repayment will be in quarterly installments amounting to ₹ 6250 lakhs after moratorium of 4 years i.e. Repayment will be from the Fourth Quater of the Financial Year 2021-22 to Third quater of the Financial Year 2025-26.

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

8.4 Borrowing Cash Credit (Note 30) ₹ in Lakhs

Details of lender	A Consortium of 7 banks
Limit	₹ 400000 lakhs as Cash Credit
Purpose	Working Capital Requirements
Security	Paripassu first charge on stocks and receivables of the Company with other consortium banks.
Interest Rate	Interest at the rate of 0.25% over MCLR which is presently 8.55% p.a, present effective rate being 8.80% p.a at monthly rests. SBI vide letter dated 29th Mar 2019, has revised the applicable rate of interest at 0.10% above the MCLR, and the effective rate of interest will be 8.65% p.a.

8.5 UN-HEDGED FOREIGN CURRENCY EXPOSURE

RECEIVABLES	31st March 2019		31st March 2018	
	Foreign Currency	**Amount in INR (in lakhs)**	Foreign Currency	Amount in INR (in lakhs)
GBP	**423503**	**379**	823592	748
EURO	**64838**	**49**	130511	104
USD	**23092211**	**15881**	20585264	13330
RBL	**66163**	**1**	126915	1
PAYABLES				
GBP	**34723783**	**31794**	35291633	32701
EURO	**32897596**	**25884**	29494903	23944
USD	**143327141**	**99798**	49518298	32485
CHF	**834206**	**588**	971026	670
NOK	**2835485**	**230**	-	-
JPY	**151160154**	**957**	-	-

8.6 The Ministry of Corporate Affairs vide notification no 1/2/2014-CL-V dated 23rd February 2018 has exempted the companies engaged in defence production to the extent of application of Ind AS 108 on "Operating Segment.

8.7 The Board in its 406th meeting held on 22nd September 2017, accorded in principle approval for voluntary winding up / closure of the three Joint Ventures i.e. M/s. HAL-Edgewood Technologies Private Limited, M/s. Tata HAL Technologies Ltd and M/s. Multirole Transport Aircraft Ltd. enabling the Company to take further action in the matter.

Further, the Board authorized the Company to seek approval of Ministry of Defence (MoD), for short closure of the Contracts associated with the M/s Multirole Transport Aircraft (MTA) project and request MoD, to initiate necessary action for closure of IGA, as it is a prerequisite for winding up of the MTA - Joint Venture Company.

8.8 Defence Innovation Organisation ("DIO")

A Section 8 Company has been formed (Under Companies Act 2013) in the name of "Defence Innovation Organisation" with M/s BEL with an authorised Capital of ₹ 100 lakhs (Paid up capital as on 30-06-2018 is ₹ 1 Lakh (HAL 50% Share and BEL 50% Share). The registered office of DIO is situated at Centre for Learning and Development, Bharat Electronics Limited, Jalhalli, Bengaluru – 560013, Karnataka, India. DIO was incorporated to implement the scheme of defence innovation fund initiative by creation of an ecosystem to foster innovation and technology development in defence.

HAL Board in its 417 th meeting held on 30th of July 2018 had accorded approval for release of ₹ 5000 lakhs to DIO towards intitial corpus fund in form of Grant in Aid in a staggered manner. Accordingly ₹ 500 lakhs has been released to DIO in the month of August 2018. The balance amount is recognised in financials.

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

8.9 Buyback of Shares:

In accordance with the approval of Board of Directors at its 408th meeting held on 28th November, 2017 and approval of shareholders, the Company has bought back 2,71,12,500 fully paid equity shares of ₹ 10/- each equivalent to 7.5% of the paid -up share capital and Free Reserves of the Company, for an aggregate amount of ₹ 92150 lakhs (excluding tax of ₹ 20636 lakhs) at ₹ 339.88 per equity share from the President of India. The consideration amount for back buy of shares was paid to the Government of India on 19th December, 2017 and the shares so bought back were extinguished on 22nd December, 2017.

₹ in lakhs

8.10		31st March 2019	31st March 2018
	As required by Ind AS 36, an assessment of impairment of assets was carried out and based on such assessment, the Company has accounted impairment losses due to decrease in value in use in respect of Intangible Assets is recognised in 'impairment expense' in the Statement of Profit and Loss.	**24,909**	2,152

8.11 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:

Nature of Provision	Opening Balance	Provision made during the year	Utilisation during the year	Reversal during the year	Closing Balance
Provision for Warranty Charges	43056	22186	6838	1941	56463
(Previous Year)	(53,890)	(8,634)	(8,678)	(10,790)	(43,056)
Provision for Replacement and Other Charges	101577	51323	8075	171	144655
(Previous Year)	(88,693)	(25,029)	(11,953)	(192)	(101,577)
Provision for Redundancy in Raw Material and Components, Stores and Spares, Construction Material and Loose Tools	77314	9638	137	8561	78254
(Previous Year)	(70,079)	(12,829)	(45)	(5,549)	(77,314)
Provision for Doubtful Debts	18122	719		2108	16733
(Previous Year)	(14,253)	(4,125)	(1)	(255)	(18,122)
Provision for Claims	29831	2153	250	572	31162
(Previous Year)	(13,878)	(15,972)	(5)	(14)	(29,831)
Provision for Liquidated Damages	166255	43707	19658		190304
(Previous Year)	(158,449)	(37,597)	(31,874)	(3,020)	(161,151)
Impairment of Investments	12877	275			13152
(Previous Year)	(6,584)	(6,293)	-	-	(12,877)
Provision for Onerous contract	90330			37426	52904
(Previous Year)	(110,469)	-	(1)	(20,138)	(90,330)

* Figures in brackets relate to previous year.

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

₹ in lakhs

Nature of Provision	31st March 2019			31st March 2018		
	Long Term Provision	**Short Term Provision**	**Total Provision**	Long Term Provision	Short Term Provision	Total Provision
Provision for Warranty Charges	**-**	**56,463**	**56,463**	-	43,056	43,056
Provision for Replacement and Other Charges	**14,775**	**129,880**	**144,655**	12,276	89,301	101,577
Provision for Redundancy in Raw Material and Components, Stores and Spares, Construction Material and Loose Tools	**-**	**78,254**	**78,254**	-	77,314	77,314
Provision for Doubtful Debts	**1,401**	**15,331**	**16,732**	1,302	16,820	18,122
Provision for Claims	**22,722**	**8,440**	**31,162**	23,096	6,735	29,831
Provision for Liquidated Damages	**67,402**	**122,903**	**190,305**	75,541	85,610	161,151
Impairment of Investments	**13,152**	**-**	**13,152**	12,877	-	12,877
Provision for Onerous contract	**-**	**52,904**	**52,904**	24,713	65,617	90,330

Sensitivity of estimates on provisions:

The assumptions made for provisions relating to current period are consistent with those in the earlier years. The assumptions and estimates used for recognition of such provisions are qualitative in nature and their likelihood could alter in next financial year. It is impracticable for the Company to compute the possible effect of assumptions and estimates made in recognizing these provisions.

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

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.

Notes

to the Consolidated Financial Statements for the year ended March 31, 2019

Note 49 - Consolidated Notes to Financial Statements

9. 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:

(₹ in lakhs)

Joint Venture Name	2018-19	2017-18
HALBIT Avionics Private Limited	**28**	32
BAeHAL Software Limited	**-**	27

₹ in lakhs

	Particulars	31st March 2019	31st March 2018
10.	**As per Ind AS-33 relating to Earnings per Share (Basic and Diluted)-**		
	Profit Before Tax	**360997**	324268
	Provision for Taxation	**134520**	125243
	Net Profit After Tax	**226477**	199025
	Weighted Average Number of Equity Shares of Face Value of ₹ 10/- each fully paid up	**334387500**	353923356
	Earnings per Share (in Rupees) - Basic and Diluted	**67.73**	56.23

11. These financial statements are presented in Indian rupees (rounded off to lakhs). 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 and on behalf of the Board of Directors

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

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

Sl. No.	Particulars		₹ in lakhs
1	**Name of the Subsidiary**	**M/s Naini Aerospace Limited**	**Indo-Russian Helicopters Limited**
2	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA	NA
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	NA	NA
4	Share capital	5000	1000
5	Reserves & surplus	-2639	-95
6	Total assets	4797	905
7	Total Liabilities	2436	-
8	Investments	833	-
9	Turnover	403	-
10	Profit/loss before taxation	-1295	-50
11	Provision for taxation	-	-
12	Profit/loss after taxation	-1295	-50
13	Proposed Dividend	-	-
14	% of shareholding	100%	50.5%

1. Names of subsidiaries which are yet to commence operations – Indo-Russian Helicopters Limited
2. Names of subsidiaries which have been liquidated or sold during the year- NIL

For and on behalf of the Board of Directors

(C. B. Ananthakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

Form AOC-1

Part "B": Associates and Joint Ventures

(₹ in Lakhs)

Sl. No.	Name of Joint Venture	M/s BAe-HAL Software Ltd	Safran HAL Aircraft Engines Private Ltd (Formerly 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	Defence Innovation Organisation (DIO)
1	Latest audited Balance Sheet Date	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2019
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	Apr-17
3	Shares of Associate/Joint Ventures held by the company on the year end														
a	No.	2940000	1140000	160000	300000	382500	936525	2000000	38404205	5070000	4250000	11346564	125	409988	50
b	Amount of Investment in Associates/Joint Venture	294	1140	160	300	383	94	200	3840	507	4250	11347	13	410	1
c	Extent of Holding %	49%	50%	40%	50%	50%	48%	50%	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	NA
5	Reason why the associate/ joint venture is not consolidated	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
6	Networth attributable to Shareholding as per latest audited Balance Sheet	533	3262	-243	-232	-571	6313	261	-1621	29	4456	10159	13	147	1
7	Profit / Loss for the year	-63	819	-231	-21	-913	1471	99	-777	34	195	-1071	0	-270	0
i	Considered in Consolidation	-31	410				706	50		12	98	-536		-135	0
ii	Not Considered in Consolidation	-32	410	-231	-21	-913	765	50	-777	22	98	-536	0	-135	0

1 Name(s) of joint venture(s) which is/are yet to commence operations:-
a 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 and on behalf of the Board of Directors

For Maharaj N R Suresh & Co.
Chartered Accountants
FRN No. 001931S

CA N R Suresh
Partner
Membership No. 021661

Place: Bengaluru
Date: 27.05.2019

(C. B. Anantnakrishnan)
Director (Finance) & CFO
DIN: 06761339

(R. Madhavan)
Chairman & Managing Director
DIN: 08209860

(G. V. Sesha Reddy)
Company Secretary

NOTES

NOTES

Hindustan Aeronautics Limited
15/1, Cubbon Road, Bengaluru-560 001. Karnataka
CIN: L35301KA1963GOI001622
Phone : (080) 2232 0001, Fax: (080) 2232 0758
Website: www.hal-india.co.in

www.sapprints.com